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1. INTRODUCTION

Mr. Speaker, I beg to move the following Motion standing in my name: “Whereas it is necessary to provide for the State of Grenada for the year 2006 by means of an Appropriation Act, be it resolved that the Estimates of Revenue and Expenditure for the year 2006 be approved”.

Mr. Speaker, I wish to inform this Honourable House that I have the consent of the Governor-General to proceed with this motion.

Mr. Speaker, permit me to commence the Budget Presentation, by first giving praise and thanks to the Almighty, for taking our Country through yet another difficult year.

We pray for his continued blessing and guidance this year and beyond.

Mr. Speaker, there is no greater merit than to be of service to one’s Country and people. This merit assumes greater significance when that service takes place at a time when the Country is going through tough and trying times.

Our Country is in fact recovering from one of the most difficult periods in its recent economic history. Over the last five years Grenada has been hit by five major events, which not only slowed our economic progress, but also impacted our people psychologically and spiritually.

These events were:

- The September 11, 2001 attacks in the USA, which triggered economic recession in 2001/02;
- Tropical Storm Lilly in 2002;
- Hurricane Ivan in 2004, causing unprecedented damage to our Country;
- Hurricane Emily in 2005 which caused additional damages particularly to the housing stock and agriculture; and more recently
- High Oil prices.

These events have increased the development needs of the Country, giving rise to large fiscal imbalances, fluctuations in economic growth, and a rise in the unemployment level.

Indeed, Mr. Speaker, these events warranted the best of leadership qualities and composure, to chart the course, first, for rehabilitation

and recovery, and then for the long-term reconstruction of the economy. We never buckled under these conditions, we were able to face and overcome them.

Mr. Speaker, notwithstanding the hostile economic environment, our Nation has made significant strides over the past year. Visitors to our shores cannot believe the tremendous progress that we have made in such short time. In the words of Sir. K. Dwight Venner, Governor of the ECCB, “Grenada is emerging as a model of post disaster recovery.”

This progress, Mr. Speaker is testimony to the correctness of our fiscal and economic policies; the significant support of the donor and creditor community, as well as the fortitude and resilience of our people.

Mr. Speaker, notwithstanding the additional delay and damage caused by Hurricane Emily in July of 2005, more than 61% of the 28,000 housing units damaged by Hurricane Ivan have had some repairs. However, an additional 9,000 dwelling units are yet to be repaired or replaced. Over 85% of hotel room capacities have been restored, and the Agriculture sector, though subdued, is showing

definite signs of recovery. However, there is much still to be done in those key sectors.

Mr. Speaker, we have also begun to address the fiscal challenges we are facing. The significant financing gaps that have emerged in the aftermath of Hurricane Ivan are being filled with the participation of all Stakeholders-donors, creditors and the people of Grenada – all sharing the burden.

To date, Mr. Speaker, the international donor community has pledged over US\$290 million to Grenada's reconstruction effort, of which just over US\$110 million have been disbursed.

Mr. Speaker, on November 1st, 2005 Government concluded a successful debt restructuring exchange with its commercial creditors. As a result of this debt restructuring, Government has been able to realize savings on its debt servicing obligations to the tune of over US\$135 million over the next ten years. In addition, the international credit rating agency Standard & Poor has upgraded Grenada's credit rating from "Selective Default" (SD) to "B–" with a stable outlook.

For example, Mr. Speaker, in 2004 Government spent approximately EC\$184.8 million on debt servicing. In 2006 the estimated amount to be spent is EC\$88.5 million, a saving of EC\$96.3 million.

More recently, Mr. Speaker, Government was also successful in restructuring of its domestic debt with the local commercial banks. As a result, the interest rate paid on Government's overdraft, and term loans with the commercial banks have also decreased, with net savings to Government.

These, Mr. Speaker, are clear manifestations of good fiscal management, by this Administration.

Mr. Speaker, our people have also been called upon to contribute their share, to the reconstruction effort. In this regard, the National Reconstruction Levy will take effect as of this month.

In keeping with a recommendation from the Grenada Chamber of Industry and Commerce, Government has agreed that for the first six months, persons earning in excess of EC\$1,000 per month and up to EC\$5,000 per month, will now be required to contribute only 3%, as opposed to 5%. During this time (that is the six month

period) agreement will be reached on provisions for the exemption of allowances. In this regard, a subcommittee consisting of members of the Multipartite Committee will develop the modalities for exemptions and make recommendations to Cabinet. It is expected that the subcommittee will conclude its work by March of this year.

Effective July 1st the rate will increase to 5% for persons earning up to EC\$5,000 per month, with the first EC\$1,000 being exempt.

All other provisions of the National Reconstruction Levy will remain the same, that is to say, persons whose income ranges from EC\$5,001 to EC\$9,000 per month will make a flat contribution of EC\$225 per month; while those earning in excess of EC\$9,000 per month will be required to make a flat contribution of EC\$350 per month.

Mr. Speaker, we have received numerous calls from citizens both within and outside the Country expressing an interest in making a contribution to the national reconstruction effort, although they do not qualify to do so. I wish to inform such citizens that contributions can be made to the Government of Grenada

Reconstruction Fund at First Caribbean International Bank, number 6482996.

We greatly appreciate the interest shown by these patriotic Grenadians in the rebuilding of the Country.

Mr. Speaker, we have said on several occasions that asking our people to make a financial contribution at this time is undoubtedly one of the most difficult decisions that this Administration has had to make over the past ten years. However, we regard this as a short-term sacrifice – one which will open up new avenues for obtaining additional external financing for our Country, in critical areas like Housing Reconstruction, Agricultural Rehabilitation and Youth Development. We seek the patience and understanding of our people in these difficult times.

Mr. Speaker, we can now safely say that the reconstruction of our economy is very much on track, and therefore, what is now required is for us to embark on addressing the longer-term challenges facing our Country.

Our economy needs to be revitalized. We need to return to the growth and stability that we enjoyed before the recent shocks. To

this end, over the last several months we have been developing a comprehensive medium term reform programme with the support of regional and international organizations.

This medium term programme (2006-2008) has four key elements:

1. Enhancing Growth,
2. Poverty Alleviation,
3. Macro Economic Stability, and
4. Reducing Vulnerabilities.

This Reform Programme has benefited tremendously from a series of island-wide consultations, culminating in a broad-based National Consultation in November of 2005. The Consultations drew participants from trade unions, business groups, the main opposition party as well as members of civil society.

Mr. Speaker, I will elaborate on the key elements of this Reform Programme later in my presentation.

2. RECENT ECONOMIC PERFORMANCE AND MEDIUM TERM OUTLOOK

(a) Performance in 2005

Mr. Speaker, our economic recovery is well underway. With reconstruction activity proceeding well, the economy is estimated to have grown by 1½% in 2005, after a contraction of 3% in 2004. This recovery was primarily driven by activity in the construction industry, supported by a revitalized cruise tourism sector. Conditions in the main agriculture sector remain relatively subdued following the further reversals suffered as a result of Hurricane Emily.

The average inflation rate for the year 2005 was 3½% driven mainly by the recent increase in fuel prices.

Fiscal performance in 2005 was much better than in 2004, as revenue grew by 18.0 per cent to EC\$355.3M, benefiting from one-off payments and increased collections from high levels of imports of reconstruction materials. Current expenditure on the other hand fell by 10.6% to EC\$294.7M largely on account of lower interest payments. Savings on interest payments amounted to EC\$49.8M in 2005.

Personal Emoluments (wages, salaries and allowances) amounted to just over 50.0% of total recurrent expenditure. Outlays on wages and salaries reached EC\$134.7M in 2005, and included a 4.5% increase related to the government implemented union-negotiated wage package.

Mr. Speaker, even in difficult times this Government continues to meet its obligations to its workers on a timely basis. At no time in the period following Ivan and Emily was Government unable to pay public officers on time. The Government of Grenada must be applauded for this. Unemployment, particularly among our young people remains unacceptably high, and as a concerned Government we are committed to addressing this problem.

Spending on goods and services rose by 31.1% as vital supplies and materials, lost or destroyed during the hurricanes, were replaced.

Mr. Speaker, reconstruction and rehabilitation needs of the Country drove capital expenditure upwards by 118.8% to approximately EC\$205.2 million. This, Mr. Speaker, is a record; considering that the average implementation rate for the past 5 years was around EC\$135.0 million.

The overall deficit before grants, stood at EC\$144.2 million. With grants totaling \$140.6 million, the overall deficit after grants amounted to \$3.6 million. This balance was financed by loans from local and external sources.

Mr. Speaker, notwithstanding the slight economic recovery, and the measures taken to improve the fiscal situation in 2005, the people of this Country must know that the economic base of this Country is still weak and that substantial financing gaps exist for 2006 and beyond given the high development needs of the Country.

Last year I made it clear that rebuilding our economy and filling these large financing gaps will require burden sharing by the people of this Country, by our creditors and the international donor community. In particular, the Government and people have to continue to make sacrifices to address the fiscal imbalances and implement growth-enhancing policies; our creditors have supported our debt restructuring exercise, while the donor community has expressed intent in continuing their financial support.

It is also clear that all three parties must work together and do their part in the fulfillment of the objective. What is therefore left is for the people of Grenada to continue to demonstrate in a tangible way that we are doing our part in the reconstruction effort. Of course, this Government empathizes with the harsh conditions under which many of our people still live and is fully aware of the sacrifices our people are making in putting their lives back together. But Mr. Speaker, this is a special period in our economic history and the international donor community is saying to us that if we do not continue to demonstrate that commitment, then there is the likelihood that further grants and budgetary support would not be forthcoming.

Mr. Speaker, Grenada is not an international liability, no one owes this Country anything and therefore the task of rebuilding our nation lies first and foremost in our hands. And that is the case irrespective of the special circumstances created by Ivan and Emily. As a proud and independent Nation, we have to show the world that we are ready and capable of managing our own affairs even though we are happy to have their assistance. Mr. Speaker, the road to recovery is long and hard requiring sacrifice, fiscal prudence, perseverance and hard work by every Grenadian. It is vital that as a Country we send the right signal to the international

community. I therefore make a special appeal to all Grenadians to give full support to the programme of economic reform that this 2006 Budget addresses.

(b) Medium Term Outlook

Mr. Speaker, economic prospects for the Medium Term look relatively good.

Real GDP growth of 6 – 6½% is projected for 2006. Beyond 2006 – 2007 growth of 4% would need to be sustained through growth enhancing reforms. This positive growth projection reflect continued activity in the construction sector, preparations for the hosting of World Cup Cricket in 2007, and a revitalization of the Tourism and Agriculture sectors.

Average inflation for 2006 is expected to be 4½% on account of the recent fuel price increases although the end of year inflation should decline to 2%. Beyond 2006 inflation of 2.0% is projected.

In the absence of any meaningful fiscal reforms a financing gap of over 5% of GDP (EC\$70 million) is projected for 2006, as external public sector grants are expected to decline, while expenditure needs would remain high.

The external current account deficit is projected to widen in 2006 mainly because of a decline in insurance receipts, but imports are also expected to decline somewhat as reconstruction materials imports decline. The deficit is expected to be financed in part by foreign direct investments and capital grants.

Consistent with a projected increase in economic activity in 2006 and beyond, it is anticipated that the level of unemployment will decline to about 12%, as more job opportunities are created.

Mr. Speaker, I now turn to the Estimates of Revenue and Expenditure for 2006.

3. ESTIMATES OF REVENUE AND EXPENDITURE FOR 2006

Mr. Speaker, the 2006 Estimates of Revenue and Expenditure are not only in keeping with the dictates of the reform program that I have mentioned earlier but also a reflection of the thinking of our people as expressed in the different consultations held throughout the Country preceding this budget presentation.

There were three broad areas of focus arising from these consultations. Our people indicated that Government should focus its rebuilding efforts on Housing, Youth and Agriculture. We have heard the views of our people and it is for this reason that the 2006 budget will give specific focus to these areas. Moreover, our people have indicated that the recreation of the economic base of the Country would require that the private sector step up its investment in the tourism industry and I will soon outline to this honourable House the plans for private investment in that industry in 2006.

Mr. Speaker, the 2006 Estimate of Expenditure provides for total expenditure (including amortization) of EC\$611.8 million distributed as follows:

Current Expenditure	-	\$328.1 million
Capital Expenditure	-	\$229.8 million
Amortization	-	\$ 53.9 million

Mr. Speaker, the positive economic outlook as well as the fiscal reform measures that the Government has committed to, will augur well for our fiscal position in 2006. For the fiscal year 2006, we expect revenues to grow by almost EC\$45.9 million, or 12.9.0%

over 2005, to EC\$401.2 million. Tax revenues in particular are expected to increase from EC\$324.8 million to EC\$353.8 million.

The forecast for current expenditure is for an increase of 11.3% over the actual outturn in 2005.

Outlays on wages and salaries will account for 44.3% of current expenditures. Interest payments now account for 10.6% of current expenditure slightly higher than the 9.1% in 2005, but substantially lower than the 23.0% registered in 2004. It should be borne in mind that there was no servicing of external commercial debt in 2005.

The other components of current expenditure in 2006 are goods and services (\$59.2 million or 18.0%); and current transfers (including pensions & gratuities), \$70.1 million (or 21.4%).

A current account surplus of \$73.0 million or 5.2% of GDP is projected for 2006. Mr. Speaker, urgent ongoing rehabilitation and reconstruction needs continue to require high levels of capital outlays. Capital expenditure of EC\$229.8 million or 16.5% of GDP is budgeted for 2006. We continue to rely on the support of the donor community to fund a large component of our capital

expenditure needs in 2006. Total grants of \$112.8 million are expected. The rest of the capital programme will be financed from loans and counterpart resources.

4. CAPITAL EXPENDITURE PROGRAM 2006

In designing the reform programme for 2006-2008 Government has made every effort to ensure that capital expenditure is not severely curtailed given its importance in creating the economic infrastructure for the revitalization of the economy. In addition, Government is fully aware of the need to meet the conditions of the ICC in preparing Grenada for participation in the 2007 World Cup Cricket. At the same time Government is mindful of the need to revitalize the agricultural sector and the tourism industry so as to compensate for the likely slow down in activity in the construction sector once preparations for the World Cup have been completed.

As a result, in 2006, Government has designed an expanded capital expenditure programme of EC\$229.8 million. Of this amount, EC\$54.9 million is World Cup related, EC\$118.0 million is reconstruction related, and the remainder represents ongoing capital expenditure and capital items. The entire programme is financed in the form of external grants (EC\$112.8 million), loans

(EC\$58.8 million) and local revenues of EC\$58.2 million. I will now proceed to outline the major capital expenditures in the different Sectors of the economy.

(i) Agriculture

Mr. Speaker, we are all aware of the decimation of the Agriculture Sector by Hurricane Ivan in 2004 and the further damages done by Hurricane Emily in July of 2005. The destruction has resulted in untold hardships and suffering to our farmers and their dependents. Government intends to fully revitalize this very important Sector.

The Emergency Agricultural Rehabilitation programme which was implemented in 2004 was the first step in the process of revitalization of this sector. However, more assistance is needed. In this regard, an allocation of EC\$31.0 million has been made in the 2006 Estimates to fund various projects in the Agricultural Sector.

One of the projects to be implemented in 2006 is the Agriculture Enterprise Development Programme. The Budget has allocated EC\$11 million to this project, which seeks to turn the Agriculture Sector into a business through the provision of soft loans and inputs to farmers with the establishment of an Agricultural Loan

Scheme and a Fertilizer Revolving Fund Programme. An Agricultural Enterprise Development Task Force will also be formed to coordinate the support facilities of the project as well as to assist in the preparation of farms, business plans and credit proposals. This will be financed in part, from proceeds of the National Reconstruction Levy.

Mr. Speaker, I am also pleased to announce that Government has been successful in securing a soft loan in the amount of US\$15 million (EC\$40.5 million) from the Kuwait Fund for Arab Economic Corporation (US\$10 million) and the OPEC Fund (US\$5 million) for the financing of thirty four (34) farm roads totaling 39 miles throughout the Country. Mr. Speaker, farmers in every parish in the Country will benefit from this project which seeks to allow farmers to have easier access to their farms. For example, in St. Andrew's, ten (10) roads totaling 9.4 miles will be rehabilitated; in St. John's eight (8) roads will be rehabilitated at a total length of 12.92 miles; in St. Patrick's six roads at a total length of 4.74 miles, four roads each for St. John's and St. George's at a total length of 8.92 miles and two road for St. Mark's at a total length of 2.3 miles.

Under the Agricultural Recovery Programme Government will continue to refurbish the Propagation Station and to provide assistance to the Banana Resuscitation Programme, and to the Grenada Cocoa and Nutmeg Associations.

Mr. Speaker, at this point I also want to formally recognize and applaud the GCNA for its selfless efforts in contributing to the revitalization of the important nutmeg industry by providing seedlings and plants to farmers, thus complementing the efforts of Government. Mr. Speaker, it is collaborative initiatives like these that will see our economy rebounding in the near future.

Government will also continue to provide support to ongoing programmes such as food security, irrigation and fertilizer schemes, the preadial larceny programme, concessions on farm vehicles and the 4H movement.

Mr. Speaker, there is no doubt that the Ministry will have to strengthen its capacity to fulfill these tasks in 2006. In this regard, through assistance from the European Union, an expert will be recruited to provide technical assistance to the Ministry in areas of agricultural policy, project cycle management and strategic planning. As part of this process of institutional strengthening of

the Ministry, extension officers will receive training in developing agricultural business plans and farming systems among others so that there can be an improvement in the nature and quality of service provided to farmers.

Our efforts at the revitalization of the agricultural sector will also focus on continuing our support to the fisheries sub-sector. In 2005, just over EC\$1.0 million was spent on the provision of material and financial assistance to fishermen for the rehabilitation of boats, purchase of engines fishing gear and safety equipment. In August of last year the Fisheries Division deployed Fish Aggregating Devices at Grenville which resulted in an increase of over 100,000 pounds of Yellow Fin Tuna, Dolphin and Blue Marlin being caught in the last quarter of the year. In 2006, priority will be given to upgrading a number of fish markets. Training will be provided to fishermen in leadership, business and financial management. Additionally, work will be undertaken to assist fishermen to participate in a social security programme.

Mr. Speaker, we are all aware of the destruction done to our forests and its implication for our water supply. In 2006, with assistance from UNEP we will embark on a watershed management project

and we will continue our efforts at the conservation of our dry forest through effective forest management.

(ii) Tourism

With about 85 per cent of the hotel plant rebuilt after Ivan, Government expects the hotel sector to be fully operational by the end of 2006 in time for the 2007 Cricket World Cup.

Government is therefore continuing its effort to rebuild the sector and already we have seen the commissioning of the New Cruise Ship Terminal and Shopping Mall which has made a substantial difference to the landscape of this Country. This project has demonstrated what private/public sector partnership can do for the development of a Country. With this project, our taxi drivers and cruise tour operators can be secured of permanent employment throughout the year; additionally local shops and restaurants stand to benefit, and there also exist the real potential for the development of local entrepreneurship. Already a significant number of persons have found places of employment in the cruise terminal shopping mall. Nevertheless, in an effort to enhance the esthetics of the area, (thereby ensuring that it is in keeping with international standards), Government will soon be taking steps to relocate the way-side vendors in the area.

With regards to preparation for Cricket World Cup the Ministry of Tourism is implementing a Home-Stay programme by giving concessions on building materials and furnishings to persons who wish to make their properties available as guest houses for the event. Persons are encouraged to take full advantage of this programme and therefore contribute meaningfully to the staging of this event in Grenada.

Government is aware of the need to have a flag ship hotel in Grenada to boost visitor arrivals and to increase the number of hotel rooms, a major factor affecting the industry in Grenada. In this regard, Government is partnering with the Sandals Group for the construction of an approximately 200 room Beaches Hotel in Grenada estimated at US\$60 million. Discussions are well underway and Government hopes the project can get started by the middle of 2006. Plans are also well under for the commencement of the St. George's University Hotel project this year, of 400 rooms and with an estimated cost of US\$40 million.

Government is also presently holding discussions with a local investor to construct a marina and condominium in the True Blue area. Government through the soft loan from the Government of

Trinidad & Tobago and administered by the Grenada Development Bank will be providing concessionary financing for a number of hotels and rural businesses affected by Hurricanes Ivan and Emily. Government will also continue to upgrade and rehabilitate tourism sites at Grand Etang and many other venues throughout the State, to include the vendors market at Grand Anse.

In the area of tourism marketing Government has increased the budget for promotion from EC\$9 million in 2005 to EC\$12 million in 2006. Air Jamaica has agreed to increase its weekly schedule between Grenada and New York to eight flights commencing February 2006. Discussions have started for the return of American Airlines to Grenada.

(iii) Housing

The macroeconomic assessment of Hurricane Ivan indicated that 89 per cent of the housing stock in Grenada was damaged by Ivan with 30 per cent being so badly damaged that they required complete replacement. Government immediately set up an Emergency Housing Committee to oversee the implementation of a Housing Recovery Programme. The programme consisted of the following components:

- Roof replacement
- Materials distribution
- Home construction, and
- A Soft Loan Scheme

To date about seven hundred and ten (710) new houses have been constructed throughout the Country, some three hundred and six (306) have been repaired, approximately seven thousand (7,000) persons benefited from the materials distribution and more than one hundred and ninety (190) families would have received assistance under the Soft Loan Scheme.

Government has also approached the commercial banks to design a financing programme to assist public officers, policemen and teachers since in many cases their insurance claims were insufficient to meet their reconstruction needs. One commercial bank is presently designing such a programme and the details will be made available to the public soon.

In pursuit of the completion of the Housing Recovery Programme, Government has secured a loan from the Government of Trinidad & Tobago of US\$10.0 million for the Housing Recovery Programme.

In addition, Government has secured a loan of US\$1.9 million from the Caribbean Development Bank to assist persons living in vulnerable areas of Soubise, Marquis and Mt. Gay. The project which was approved by CDB Board of Directors at its last meeting in December 2005 will get started in January 2006.

Under this project two new housing settlements will be created, one located in Soubise and the other in Mt. Gay.

Under the Soubise component of the project 45-60 homes will be constructed on lands in Soubise to relocate those persons living on the beach side. A number of meetings have been held with the residents in the area and they have all expressed their happiness to be relocated elsewhere. The Government of Grenada has already acquired some of the land in the area. Some 30 of the homes are earmarked as FREE homes to the endangered residents. Some 15 homes are intended for those persons living in “Moon Shadow Park” and additional homes will be offered to whoever may be interested in their purchase. This project is being spearheaded by the ARD and the Housing Authority of Grenada.

The Mt. Gay component of the project is intended mainly for persons classified as “renters.” Investigations have shown that these persons pay monthly rent far in excess of moderate mortgage payments and can therefore be qualified as homeowners. Some eighty four concrete homes with a combination of two and three bedrooms are planned for construction on lots at Mt. Gay owned by the Government of Grenada. The project is also being spearheaded by the ARD and the Housing Authority of Grenada.

Based on discussions with the People’s Republic of China a number of additional housing settlements will be constructed in various areas throughout the island over the next four years. Among parcels of land owned by Government that have been identified as appropriate for such development are lands at Mt. Rueil, La CaPierre, Frequente, Soubise, Diamond, Beausejour, Corinth and Dunfermline. A number of privately owned sites have been identified, e.g. land at Douglaston and La Tante.

Government also intends to distribute the 46 of the 100 houses being constructed by the Government of Venezuela in Lacalome, St. David’s in the first quarter of the year.

Further assistance for housing is also expected from the Government of Thailand and from the Inter-American Development Bank through the Caribbean Development Bank, in the form of a soft loan.

Notwithstanding these achievements, Government is not satisfied that it has done enough to ensure the efficiency of the programme. As such while many of the targeted population have benefited from the programme there are still a large number of persons living under deplorable conditions. The Government has moved to correct this situation. The Housing Recovery Programme will now be placed and managed by the Prime Minister's Ministry.

Under this new institutional framework the following approach will be taken to ensure the efficient implementation of the housing programme:

- A comprehensive study of all communities will be undertaken to determine those in real need, including renters displaced by Ivan, as the basis for providing relief.
- Strict adherence to policy will be observed to ensure that houses constructed by Government are insured.

- Periodic audit and reporting of the housing programme by the Department of Audit.
- A policy on pricing and repayment for houses to be built as part of settlement will be developed.
- Legal title and rights of occupancy will be given to persons purchasing new houses.
- Consideration will be given to the construction of apartment buildings.

The total budget for Housing in 2006 is EC\$32.7 million.

(iv) Youth Development

Mr. Speaker, youth development has always been one of the main priorities of this Government. That is why youth development has been placed under the control of the Prime Minister's Ministry and that a Minister has been given full responsibility for youth affairs. During 2005, the Department of Youth implemented a number of programmes aimed at instilling strong moral values and positive work ethics in our youth. Some 40 young parents were engaged in a parenting programme which comprised sessions in Child Care and Personal Development as well as academic classes in Mathematics and English. These young parents also went through training in craft, cake decorating and sewing.

Under the Grenada Youth Enterprise Initiative, our young people received training in business management, marketing, and a number of young persons received funding to start and operate their own businesses.

The Parish Youth Parliament has always been a major activity that every young person in Grenada looks forward to. In 2005, over one hundred and thirty persons were involved in this activity which culminated in the National Youth Parliament as part of Youth Week 2005.

Mr. Speaker, given the positive impact these and other programmes would have had on our young people, in 2006, Government will mount an advanced programme for youth development and training, thus preparing them to take up the mantle of leadership in the Country. The Youth Department is well poised to implement such an advanced programme given its recent strengthening and the completion of the Youth Policy in 2005.

In this regard the 2006 capital budget has allocated EC\$16.6 million for youth development and training.

An important project to be implemented in 2006 Budget is the National Youth Service Training and Employment Programme. This project will see the expansion and improvement to the Imani programme, the creation of an employment desk for youth to help identify possible places of employment for them and the further training of youth in specific areas that will allow them to develop their entrepreneurship and generate their own employment thereby reducing their dependence on Government.

Another important project is the Networking and Public Relations Programme. This programme will develop strategies and avenues to disseminate information to young people. With this programme a directory of all youth organizations will be updated and published. Information on services offered to young people by NGO's and Government will also be contained in this directory, as well as statistics on AIDS, drugs, crime which are of relevance to young people. A youth database will also be created.

Mr. Speaker, some special events and activities will be organized for young people during the year. Among these are Commonwealth Day where young people will be highlighting the culture of Commonwealth Countries; Youth Month (July) where

young people will be recognizing their contribution to community development. The highlight of this activity will be the National Youth Rally and Holiday programme; and Youth Service Day, observed in April and July will seek to mobilize youth around the Country to implement community development projects and activities.

(v) Education and Training

Government will continue to place emphasis on the development of its people especially as we are moving towards the establishment of a Single Market and Economy. Government holds the strong view that the best way to prepare its people for this new construct is by providing them with the tools required to compete with others in the region and to take advantage of benefits arising from the establishment of the CSME.

A recent report conducted by the World Bank indicated that a major factor affecting the performance of businesses in Grenada is the acute shortage of skilled labour. Government will therefore continue with its skills training programme at TAMCC and through GDB has allocated resources for skills training. In addition, Government will continue to increase the number of scholarships available to Grenadians not only at St. George's

University but at other institutions of higher learning in the USA, Cuba, China and the Commonwealth Countries.

Government is aware of the present deplorable conditions under which some students and teachers have to perform following Ivan and wish to express its gratitude and thanks to our teachers for their patience and understanding in the conduct of their duties. A number of schools have however been rehabilitated in 2005.

Under the Educational Infrastructure Rehabilitation Programme, and with financing from USAID, 21 primary schools were rehabilitated and 2 were built. These schools also received furniture and equipment.

Under the Emergency Schools Rehabilitation Project, Government through its own limited resources was able to finance temporary wooden structures for five secondary schools, for TAMCC, for two primary schools, and one pre-primary school. In addition, eight primary schools were rehabilitated.

With the help of the World Bank and the European Union we hope to complete the rebuilding of all schools in Grenada by 2007.

With regards to the World Bank, to date repairs to three schools funded by this institution have been completed and seven of the remaining nine schools financed by the Bank are under construction. Work will begin on the final two schools this year.

Mr. Speaker, in an effort to increase the rate of refurbishment of schools on the island the World Bank has agreed to oversee the implementation of a number of schools to be financed by the European Union. Under this Post-Emergency Schools Rehabilitation Project, three secondary and eight primary schools are to be rehabilitated. Work has already started on TAMCC.

Mr. Speaker, following the passage of Hurricane Ivan the resources under the Basic Needs Trust Fund Project funded by the Caribbean Development Bank and the Government of Grenada were reallocated mainly into the education sector. In this regard, the Springs Pre-schools and Day Care Facility and the River View Child Development Center at River Road will be reconstructed in the first quarter of 2006 at a total estimated cost of EC\$0.85 million. Final designs and costing have already been done for these projects.

Preliminary designs and costing have already been completed for the implementation of the following pre-schools in the second quarter of 2006:

- The extension of the Grenville Pre-school (EC\$168,840)
- The construction of the La Digue Pre-school (EC\$159,460)
- The extension to the Mt. Rich Pre-school (EC\$107,200)
- The construction of the Victoria Pre-school (EC\$289,440)
- The rehabilitation of the Pearls Pre-school (EC\$160,800)
- The relocation and reconstruction of the Paradise Pre-school (EC\$428,800), and
- The construction of the La Poterie Pre-school (EC\$182,240)

As expressed in our national consultation, Government is aware that our education system is faced with proficiency problems in English and Mathematics; hence the 2006 Budget seeks to address this issue through the World Bank Financed OECS Educational Development Programme. In addition, the Ministry will implement a project focusing on ensuring that commonly accepted community values and ethics exist among our citizens and on enhancing the reading and writing ability of our school leavers.

Government is aware of the impact Hurricane Ivan would have had on the finances of those parents with children studying abroad. Government has already provided financial assistance to such parents. The total allocation for education in 2006 is EC\$11.5m.

(vi) Sport Development

In light of the need to have the Country ready for Cricket World Cup, the Government of the People's Republic of China is presently rebuilding the National Stadium at an estimated cost of EC\$77.5 million. As part of its programme to help develop our young people and to provide avenues through which they can usefully channel their energies, the 2006 Capital Budget has allocated EC\$450,000 for the development of sporting facilities throughout the Country. Mr. Speaker there is no doubt that Progress Park has the potential to stage major sporting events judging from the hosting of International Cricket Classics Series game there last year. Moreover, Government is fully aware that many of our best athletes come from the big parish. Mr. Speaker in 2006, every effort will be made to upgrade Progress Park to accommodate local, regional and international sporting events. Attention will also be given to improving Cuthbert Peters Park, LaSagesse Grounds and other sporting venues throughout the Country.

(vii) Health and the Environment

In preparation of the 2007 Cricket World Cup Government commits itself to the rebuilding of the Phase II of the Hospital Project with support from the Governments of Cuba and Venezuela. A five-year strategic plan is being worked on for the sector with help from PAHO and through a World Bank financed project Government will continue its efforts to reduce the level of HIV/AIDS cases in the Country and to provide better treatment for those suffering with the disease. Government recognizes the present state of the Princess Alice Hospital and has pledged to repair the hospital in 2006. The allocation is EC\$300,000, but an official request has already been sent to the Singapore government who has expressed interest in financing this project.

Under the BNTF programme, the Crochu Medical Station and the St. David's Nurses Quarters would be refurbished in the first quarter of 2006. Under the said programme, Mr. Speaker two health facilities will be renovated in the second quarter of the year. These are the Woburn Medical Station (EC\$147,400) and the Mt. Pleasant Medical Station (EC\$268,000).

In the area of environmental health, the focus will be on vector control, the cleaning of anti-malaria drains and the continued implementation of a waste management strategy.

(viii) Business Reactivation

Mr. Speaker, following Ivan a number of enterprises approached government for financial assistance to rebuild, as they were unable to meet the loan conditions of the domestic financial institutions. Government recognized that many of these industries were involved in the export sector, earning foreign exchange to ensure the stability of the region's currency. As such, Government approached the Government of Trinidad & Tobago and secured a loan of US\$6.5m to assist these firms affected by Ivan. Government has also secured a soft loan from the Inter-American Development Bank of US\$10.m, part of which will also be allocated to business reactivation. The Trinidad component of the loan has already been disbursed and will be channeled through the Grenada Development Bank for on-lending to qualified firms. Businesses requiring assistance following Ivan are therefore encouraged to work closely with the GDB. Government wants to make it absolutely clear that this money is not a hand-out and that only those firms that meet the loan requirements and terms and conditions of GDB will be qualified for such assistance.

(ix) Physical Infrastructure

The capital budget has allocated EC\$71.9m for infrastructure in 2006. This reflects Government's philosophy that the physical infrastructure must be created for active private sector involvement in the economy. Government has secured a loan of EC\$35.8m from the Caribbean Development Bank to rebuild the Green Bridge and the Beausejour Bridge, in addition to other road works. In addition, Government has made allocation for all other related concrete roads to be constructed in time for the event.

Government will continue its effort to reconstruct the main roads in the Country. Work will continue on rehabilitating the main road from Grenville to Sauteurs funded by the Kuwaiti Fund for Arab Economic Development. With assistance from the Commonwealth Secretariat, Government will implement a project for the institutional strengthening of the Ministry of Works allowing for efficiency in the designing and monitoring of contracts to ensure that Government gets value for money. The Caribbean Development Bank recently approved funding of EC\$14.0 million for the removal and stabilizing of all rocks and landslips that pose a danger to communities throughout this Country. This project is expected to start in 2006.

(x) Investment in Carriacou and Petite Martinique

Mr. Speaker there is no doubt that over the years this Government has given great attention to the development of Carriacou and Petite Martinique so much so that there are many Grenadians who are now taking up permanent residence in the sister island, and many expatriates have been relocating to the island after many years abroad. The 2006 capital budget has allocated a total of EC\$2.1 million for the development of Carriacou and Petite Martinique. The Cultural and Sporting Centre and the Petite Martinique Maternity Ward are to be completed in 2006 and over EC\$200,000 has been allocated for the renovation of fish centres. Work will continue on the Lauriston Defense Wall and Government will continue with the rehabilitation of a number of roads and the GOG Road Rehabilitation project. Under the BNTF project the Hillsborough pre-school and day-care facility will be constructed as well as the Petite Martinique pre-school will be constructed at a cost of EC\$128,908.

(xi) The Agency for Reconstruction and Development

In keeping with its mandate to collaborate with Ministries and statutory bodies, the private sector, civil society organizations and international organizations, the Agency for Reconstruction and

Development in 2005 undertook a number of activities in different sectors of the economy aimed at restoring the livelihoods of the population after Ivan and assisting in recreating the economic base of the Country. Among these were the following:

- The Community Caravan from April to August 2005 and consultation with the population on professional counseling, training and the certification of skilled and semi-skilled workers.
- The Job Fair and Counseling Workshop which created a database of job seekers and sought employment opportunities for the unemployed.
- Preparations for the development of a National Strategic Development Plan in collaboration with the UNDP.
- The establishment of the Grenada Construction Association and the strengthening of the Physical Planning Unit.
- The conduct of surveys and the recent Housing Census to determine the number of vulnerable families still requiring assistance under the Emergency Housing Programme.

In 2006, the ARD will continue its work with Ministries to fulfill its mandate. With support from the Youth Division, the ARD will implement a number of programmes for young people. ARD will continue to provide technical assistance and support to Ministries

in the area of project preparation, monitoring and implementation. Through the establishment of the ARD Human Settlement Task Force a National Cadastre will be developed and officers will be provided with training in the use of satellite imagery for mapping and land use policy.

(xii) Strengthening the Department of Statistics

Mr. Speaker, there is need for us to have a strong institutional framework for the production of timely, reliable, relevant and accurate economic and social statistics. Such statistics is not only important for decision making but also to allow us to monitor effectively our progress in rebuilding our Country, in assessing whether our programmes for poverty alleviation and eradication are working, and in determining the magnitude of the social problems that exist in our society.

In this regard Mr. Speaker, with support from the IMF, the ECCB, the CARICOM Secretariat and CDB, additional training will be provided to the staff of the Central Statistical Office of the MOF to help it improve its capacity to produce timely and accurate statistics, to establish a unified system of data collection and compilation, and to develop a schedule for the release of critical information to the public.

As you are aware Mr. Speaker, this Government remains committed towards the attainment of the Millennium Development Goals (MDG's) by the year 2015. Mr. Speaker, in 2006, with help from UNDP and CDB special emphasis will be given to the Statistics Department in conducting surveys and carrying out poverty assessment to monitor the implementation of the MDGs.

Grenada and the international community renewed their commitment to these goals at the UN General Assembly in September, 2005. We embrace all eight goals because we believe they seek to bring genuine development to our Country and people. This is why our Poverty Reduction Strategy Paper has constituted the centerpiece document of this budget and of the reform programme, as it focuses on economic growth and employment as the basis for poverty alleviation, lower cost of living and increased living standard of the people.

5. GRENADA'S ECONOMIC REFORM PROGRAMME 2006-2008

OBJECTIVES OF THE REFORM PROGRAMME

Mr. Speaker, earlier in my presentation, I made reference to our economic reform programme, with the four-fold objective of sustained high economic growth; restoring fiscal and debt sustainability, alleviating poverty, and reducing vulnerabilities.

These objectives are essential for the improvement of our economic well-being and the high standards of living that we all aspire to. These objectives, Mr. Speaker, are inseparable: high economic growth is necessary for poverty reduction, and to alleviate the burden of fiscal consolidation; Fiscal reform, in turn is required to ensure that public debt sustainability is achieved in an orderly manner, so that fiscal imbalance does not become a drag on growth. Reducing vulnerabilities is essential to ensure the durability of growth.

The programme has its base in a Poverty Reduction Strategy Paper (PRSP) developed by the Ministry of Finance in 2004 and is detailed in a separate document entitled the Memorandum of Economic Policies (MEP). In other words Mr. Speaker, the measures and policies outlined in the MEP are keeping with the objectives of poverty reduction and growth as outlined in the PRSP.

The programme consists of a number of reform measures to be implemented by a certain date with specific responsibility given to persons and institutions to ensure timely and effective implementation. This reform programme Mr. Speaker, has in fact received the full backing and support of the International Monetary Fund. In order to give effect to the programme, the Poverty Reduction Strategy Paper (PRSP) will be updated and submitted to the Board of Governors of the IMF under separate cover as the basis for the receipt of US\$15.5 million from the IMF over the next three years.

The main elements of the reform programme are detailed in appendix 1. I will now proceed to outline briefly the specific aspects of the programme.

a. Sustained High Economic Growth

Mr. Speaker, our economy needs to grow by at least 4% over the next three years, if poverty and unemployment is to be reduced, and the living standard of our people is to improve. Government has long enunciated the philosophy that the private sector must take the lead in economic development with Government putting in place the appropriate policies for strengthening the business environment in the Country.

To this end, the medium term focus of our reform programme is to put in place a policy environment that is much more conducive to private sector investment, which is crucial for sustained economic growth.

The following measures therefore, will be taken to improve the investment climate; and promote economic growth:

- i. The role of the GIDC will be reviewed with a view to improving its effectiveness in promoting new investments, as its core mandate.
- ii. A new investment code will be prepared and implemented by September of this year. The code will, inter alia, improve and clarify the legal system for investment in Grenada; outline investor rights and obligations and detail investment procedures and means to access fiscal incentives.
- iii. The Land Registry will be upgraded with a view to enhancing the accessibility of records to the public, including information on the leaseholds of public lands granted, the duration of the leases, and to whom granted. This project will be completed by end of 2006.
- iv. A new Executive Agency to manage issues related to land use will be established by end of 2006, bringing together, the

- valuation section of the Ministry of Finance, the Lands and Surveys Division of the Ministry of Agriculture, and the Registry at the Supreme Court.
- v. All significant future divestment of Public Properties will take place through well-advertised international auctions, so as to attract the widest possible range of investors, and enhance transparency.
 - vi. Customs Clearance procedures will be simplified so as to reduce the amount of paper work and time needed to clear imports through the ports.
 - vii. A National Export Strategy will be formulated in close partnership with private sector stakeholders and NGOs with the specific objective of supporting and promoting export oriented industries in the areas of training, trade promotion and institutional strengthening.

As part of the measures to improve the investment climate, Government will also undertake the following tax reform measures:

- i. Effective January 1st, 2006, Government will not grant any new tax holidays or renew existing ones. Instead, Incentives will be provided in the form of tax write-offs for investments, and after June 1st, 2006, through accelerated depreciation

- with loss carry forward. To this end the Income Tax Act will be amended by April 2006.
- ii. By May 31st, 2006, Government will repeal the Investment Code Incentives Act, and the Qualified Enterprise Act, which in fact will become unnecessary, once the new incentives regime for Income Tax is in place.

b. Restoring Debt and Fiscal Balance

Mr. Speaker, our projections indicate that if Government does not implement fiscal reform measures the Country's fiscal and debt situation will be unsustainable. The more serious situation however, is that if Government does not go ahead with these fiscal measures there is the strong likelihood that by 2010 all of Government revenues will be just enough to cover civil service salaries and interest payments, leaving little room for outlays on goods and services and social safety nets, not to mention capital expenditure. Therefore what this fiscal package seeks to do is to allow the fiscal accounts to move from a primary deficit of 2% of GDP in 2005 to a primary surplus of 2.5% of GDP in 2008, thereby lowering the debt to GDP ratio to about 60% of GDP by 2015.

The fiscal aspect of the reform programme is structured around the following measures, some of which have already been implemented.

Revenue

On the revenue side:

- 1 The implementation of the National Reconstruction Levy with effect from January 1, 2006. This measure is expected to yield approximately EC\$10.5 million per year.
1. Transparent, automatic fuel pricing mechanism will be introduced. This measure is expected to yield between EC\$16-20 million per year.
2. Government is committed to introduce the Value Added Tax by January 1, 2008. All consumption taxes will be repealed and replaced with a broad based VAT with a low rate and few exemptions. Government has already received the support of the private sector for this tax reform.
3. The following administrative reforms will be undertaken in 2006 and 2007.
 - a. By the second half of 2006, Government will implement the CDB funded project

geared towards improving collections and audit capacity at Customs, and tightening enforcement through exchange of information between Customs and IRD. Consideration will also be given to possibly hiring specialized private firms that have been successful in helping other Countries improve revenue collections procedures in the Customs department.

- b. Strengthen the audit department of the IRD. Government has already begun to take steps to collect fees and arrears at the Lands and Survey Department of the Ministry of Agriculture. Plans are almost complete for the collection of company registration fees. We are in the process of examining the need to adjust other fees and charges that have remained fixed for a very long time.
- c. Update the values of properties. I wish to inform this Nation that the property taxes on buildings are paid on values as

at 1994. If Government is to collect its fair share of taxes then property values should be taxed based on present market conditions not those of 1994. In this regard, Government has already taken steps to revalue all land and property to reflect current market prices. The implementation of this measure will lead to increase intake of property tax.

- d. Continue our efforts to widen the tax net to include professionals, to collect arrears and additional revenue from statutory bodies.

Expenditure

On the expenditure side:

1. Government will engage the unions on keeping salaries and wages increases in line with inflation and productivity.
2. Government will engage the expertise of CDB and World Bank to strengthen PSIP planning and implementation.
3. Spending on goods and services will be subjected to procurement through competitive bidding and further assistance will be sought from the World Bank to

strengthen procedures for reviewing and monitoring contracted services.

4. Provision will be made for well-targeted social safety nets for the elderly and the poor in an effort to contain the growth in transfers and subsidies.

Also as part of the fiscal reform programme, Government will take measures to enhance the appraisal system in the civil service and to improve the efficiency and quality of Government services. Specifically, with assistance from the World Bank Government will undertake a Public Sector modernization project during 2006-2010. In addition Government will improve the transparency of public finances by disseminating information publicly on the overall fiscal and economic situation quarterly and on all tax incentives granted to investors. Moreover, all public enterprises will be required to submit quarterly unaudited financial statements and annual audited financial statements as a means of monitoring their performance to identify early warning signals.

With regards to debt strategy the reform programme make reference to dialogue constructively with remaining creditors with eligible claims that did not participate in the exchange. Our dialogue will also intensify with official creditors to request debt

relief on comparable terms and we will approach our Paris Club and non Paris Club creditors for relief. Further steps will be undertaken to enhance our debt management capacity at the Ministry of Finance and we will give consideration to divesting remaining Government assets and using the proceeds to retire debt.

c. Reducing Vulnerabilities

In an effort to ensure the soundness of the financial system, the Ministry of Finance has already requested the ECCB to undertake an on-site inspection of the banking system by the first quarter of this year. The Government will also seek to enact the Grenada Authority for the Regulation of Financial Institutions (GARFIN) legislation by March 2005. In an effort to diminish the negative impact of natural disasters on buildings, Government will enforce the building code, strengthen the regulation of the insurance sector and actively participate in regional activities related to pool insurance risk across Countries.

d. Poverty Alleviation

Mr. Speaker, the alleviation of Poverty, and its ultimate eradication, remains at the top of Government's Social Development Agenda.

A Poverty Eradication Strategy was prepared in 2004 and more recently, we have undertaken a Core Welfare Indication Questionnaire as well as a Macro – Socio Economic Assessment of Damage by Hurricane Ivan and Emily. These initiatives are in addition to the major programmes already on stream to further social development.

A full-fledged Poverty Eradication Strategy Paper will be elaborated in 2006 through a broad consultative process. This document will aim at sharpening the focus and coherence of the Poverty reduction initiatives ensuring that scarce resources are directed to the most needy in our Country. In addition, it will link the Poverty reduction objectives closely to social development programmes while ensuring consistency with overall macro-economic and fiscal objectives.

More specifically, the Poverty Reduction Strategy Paper will seek to achieve the following:

1. Adopt a forward-looking and strategic approach, clearly defining the goals for poverty reduction and spelling out steps needed to achieve our poverty reduction objectives, including the Millennium Development Goals (MDGs).
2. Evaluate the effectiveness of existing poverty alleviation programmes, with a view to making better use of empirical evidence to assess programme effectiveness. In addition, it will define which institution or agency is responsible for which objectives; the size, financing, and duration of programmes; and the modes and timeframe of implementation.
3. Prioritize programmes and policies according to their desirability and social effectiveness.
4. Provide detailed costing that separates investment outlays from expected recurrent costs for future maintenance and operation.
5. Conduct cost-benefit analysis on each project to ensure consistency with fiscal and macro-economic objectives, the PSIP, and available domestic and external resources.

In the 2006 budget, we plan to put in place a social safety net to help the most vulnerable segments of society cope with new challenges. Long-term social development efforts need to be

supplemented by targeted social safety net measures: (i) to ensure that progress in poverty reduction is not rolled back by the effects of the hurricanes; and (ii) to protect the most vulnerable people from the side-effects of policy actions such as retail fuel price increases. In this vein, the 2006 budget will include:

- An increase in the monthly transfer to needy elderly persons, mainly in rural areas, from EC\$100 to EC\$150 at a budgeted annual cost of about EC\$4 million. over 3,500 persons are to benefit from this programme.
- A scheme to temporarily subsidize the increase in bus fares for about 2,000 tertiary students at a budgeted annual cost of EC\$1.5 million. Given the seemingly permanent nature of the increase in international oil prices, this subsidy will be phased out over time.
- Other social programmes for the vulnerable members of society such as additional free water supply; more free books and uniforms for needy children, free medicine for the elderly will be continued and expanded.

f. Benefits of the Reform Programme

Mr. Speaker, success in implementation of this Reform Programme can result in significant benefits to our Country.

The IMF has already indicated its willingness to make available to Grenada, approximately US\$15 million, for programme and budgetary support, with a first disbursement as early as March 2006.

Additionally, the international financial community has also expressed its willingness to support Grenada's request for additional financial assistance from the international donor community as well as to support Grenada's request for debt relief from both the Paris Club and non-Paris Club members.

Mr. Speaker, these are huge benefits to be derived for the sacrifice that our people are being called upon to make at this time.

6. GRENADA'S PREPARATION FOR CARICOM SINGLE MARKET & ECONOMY

Mr. Speaker, the January 1st, 2006 deadline for the establishment of the CSME was achieved by only six member states. Grenada and the rest of the OECS member states now have until the 31st of March 2006 to remove their remaining restrictions.

A legal expert is currently working with the Government on the drafting of the necessary legislation, in order to be fully compliant with the revised Treaty. I am confident that we will meet the March 31st deadline.

Mr. Speaker, the Government will ensure that our sensitive industries are not negatively affected by the CSME. There are provisions under chapter seven of the revised Treaty that we will use to protect our various sectors as we make the transition to a single economic space.

A request for extension of protection for Article (56) goods has been submitted to the Council for Trade and Economic Development. The following products should benefit: Aerated Beverages, Wooden Furniture, Flour, Industrial gases, and Brewery Products.

Mr. Speaker, only the five approved categories of workers will benefit from the free movement of Community Nationals. They are: University Graduates, Artiste, Musicians, Media Workers and Sports persons. The intention is that by 2008, there will be total free movement.

The Ministry of Foreign Affairs and International Trade will continue its public education programme. It is hoped that in 2006 every school will be visited.

Mr. Speaker, Grenada remains committed to participating in the CARICOM Single Market and Economy. This however, will require economic adjustments. We must be prepared to face the challenges and opportunities provided by operating in a single large economic space.

7. GOVERNANCE

Mr. Speaker, this Government is committed to good governance and is proud of the strides made in this regard over the past decade. Civil liberties and democracy are unparalleled in our Nation's history.

The mere fact that this Government has been in office more than ten years, and has created history by winning three consecutive general elections is clear testimony that the people of this Country have supported our economic and social development policies. They also appreciate the mechanisms and institutions put in place to let *the peoples' voices be heard*. Never before has there been so many radio stations operating in this Country; never before have

there been so many newspapers and other avenues through which people can voice their opinions and openly criticize Government without fear or victimization. Mr. Speaker, in this Country there is freedom of speech and freedom of association.

Indeed, Mr. Speaker, the mere fact that we as a Nation and People have been recovering so well from Ivan and Emily must be largely attributed to Government's ability to communicate directly with the people, to inform them of their plans and programmes and to engage them in a meaningful way in the national reconstruction process. The most tangible manifestation of this consultative process is the Annual National Consultation on the Estimates of Revenue and Expenditure.

Mr. Speaker, the mere fact that the international community has pledged and provided this Government with substantial budgetary support and finances is testimony of their confidence in the Government's ability to manage and govern. Of course, the present circumstances require that Government step up its consultation and improve its mechanisms for communicating directly with the population. The successful implementation of our reform programme will require our people's support and in this

regard we will soon be going around the Country explaining the nature and benefits of the programme to the people.

Mr. Speaker, this Government has long cherished the view that the development of a Country would require the active participation of the people in the decision making process. That the people must be seen not just as the objects of development but more so as the subject of development. That's why a few years ago, the Government set up the Multipartite Committee comprising Governments, private sector, trade unions, NGOs, churches, community based organization, employers' federation, to channel the views and ideas of all stakeholders in the development process. For us Mr. Speaker, the Multipartite Committee must be seen as a forum for depoliticizing national issues and for taking forward genuine development issues for implementation.

Mr. Speaker, the present situation of the Country calls for the Multipartite to be even more involved in the development issues of this Country. For this purpose Government has decided that as of 2006 specific budgetary allocation will be made for the work of the Committee.

Government wants to applaud the present work of the Committee in putting together a Memorandum of Understanding that outlines broad consensus on wages, prices, productivity, employment, governance; etc which will be binding for all stakeholders involved and will form the basis for further negotiations.

Very closely related to this Memorandum of Understanding is the establishment of a National Wages & Productivity Council that would set the standards and parameters upon which matters relating to wages and productivity would be settled.

8. ACKNOWLEDGEMENTS

Mr. Speaker, on behalf of the Government and People of this Nation, I would like to thank the following Governments and Institutions for providing financial, economic and technical assistance during the past year:

The Government of the People's Republic of China

The Government of the Republic of Trinidad & Tobago

The Government of the Republic of Cuba

The Government the Republic of Venezuela

The European Union

The Government of Japan

The Government of the United Kingdom and the Department for International Development

The Government of Canada and the Canadian International Development Agency

The Government of France

The Government of the United States of America and the United States Agency for International Development

The Government of the Republic of Korea

The Government of Belgium

The Government of Singapore

The Government of Libya

The Caribbean Development Bank

The Kuwaiti Fund for Arab Economic Development

The United Nations Development Programme

The United Nations Children's Fund (UNICEF)

The United Nations Environmental Programme (UNEP)

The Food and Agriculture Organisation (FAO) of the United Nations

The Government of the Republic of Venezuela

The Federal Republic of Germany

The Organisation of American States (OAS)

The Inter-American Institute for Co-operation on Agriculture

The World Bank Group

The International Monetary Fund

The Eastern Caribbean Central Bank (ECCB)

The CARICOM Secretariat

The Caribbean Export Development Agency

The Organisation of Eastern Caribbean States (OECS)

The Commonwealth Secretariat and Commonwealth Fund for
Technical Cooperation (CFTC)

The Caribbean Regional Technical Assistance Centre (CARTAC)

Mr. Speaker, I also take this opportunity to express my deepest appreciation of the staff of the Ministry of Finance including the Government Printery, and to the public workers in other Ministries and Departments who have contributed to the preparation and delivery of this Budget.

Mr. Speaker, I also thank the Clerk of Parliament and staff for their assistance in the preparations for today's Presentation.

Mr. Speaker, I also extend our gratitude to the Economic Advisory Council, the Multi-Partite Consultative Committee, the Grenada Chamber of Industry and Commerce and other community groups and organisations with whom we consulted during the past year. Your contributions have enriched today's Presentation.

Sincere thanks to the thousands of Grenadians and friends and supporters of Grenada living abroad.

Thanks also to the many Grenadians and friends of Grenada who have provided constructive criticisms of our policies and programmes. Your criticism is a “mirror” through which we can see our strengths and weaknesses.

Mr. Speaker, my sincere thanks and appreciation are extended to my constituents of St. Patrick’s West and the entire population of Grenada, Carriacou and Petite Martinique. Your patience, understanding and support during the past year were indeed a source of encouragement.

We look forward to your continued support and understanding as together “we aspire, build and advance, as one People,” a society of which we can all be proud, not only for ourselves, but our children, and our children’s children.

9. CONCLUSION

Mr. Speaker what I have just presented to this Honorable House is a prescription for taking the Country forward over the next few

years. It is the product of intense consultation with the people of this Country, with regional and international organizations, and it is a clear reflection of the strong commitment of this Government to nation building. What is most encouraging about this reform programme, Mr. Speaker, is that the policies and programmes outlined therein are a reflection of the dreams and hopes and aspirations of the people of this Country; and that it is why it will work. This programme can therefore be best described as the **Grenada Consensus** for taking the country forward.

Mr. Speaker, the consultations held throughout the island revealed that democracy is at work, that there are many good people who care for and are prepared to make sacrifices to see this Country develop in a peaceful and orderly manner. We are convinced that we have the support of our people in moving this Country forward. We were impressed with people's view on the public service; on the state of the Country's revenue and with the measures proposed to widen the tax net and to make the tax system more equitable and just.

This programme is not a reflection of the desires of the decision makers of this Country. It is not an imposed programme for no imposed programme can work. It is not a case of what I want, nor

is it not a case of what you want, but rather it is a case of what the situation calls for.

Our consultation with the people of this Country over the last few months have demonstrated clearly to us that as politicians we cannot act with our desires, we cannot impose our taste and preference on our people. We have learnt that as we put measures in place to shape and transform the landscapes of this Country we are also transforming ourselves. We have had to step back, question our assumptions, refine our thinking and even change our course of direction. What we have therefore presented to our Nation is a programme that on the one hand is economically feasible and sensible, but on the other, is also politically acceptable as it a reflection of the views of the popular masses of this Country.

Mr. Speaker, this is not just politics, though politics influences economics, it is more so about economics, because in the final analysis though politics is about people, and bringing benefits to the people, the only way to bring benefits to the people is to implement economic plans and programmes that put the people to work and allow them to produce the goods and services for their own consumption: and that is Economics.

Mr. Speaker, I issue a clarion call for national unity.

Let us rally around Grenada.

Let us put Grenada first.

Indeed, let us all be inspired by the Holy Scriptures found in Psalms 133:1 which says and I quote “how good and pleasant it is when brothers live together in unity” end of quote.

It is only through national unity, shared sacrifice and hard work that we can rebuild a better Grenada for all.

I thank you.

10: APPENDICES

APPENDIX I: GRENADA STRUCTURAL BENCHMARKS, 2006

Measures/Actions	Target date 2006	Responsibility
Fiscal Measures and Reforms		
Collection of National Reconstruction Levy	1 st January	IRD
Reach Agreement on public sector wages for 2006-8	March	DHR
Adopt automatic fuel pricing mechanism	1 st January	MOW
Capitalize outstanding obligations to oil companies with repayment schedule	End February	MOF
Deposit petroleum tax proceeds in Treasury	End February	MOF
Revive VAT implementation committee	End January	IRD
Announce Schedule of VAT implementation	End June	IRD
Commence CDB Customs project	April 2006	Customs
Implement comprehensive Customs reform	End August	Customs
Implement CDB/WB PSIP Strengthening	End June 2006	EAU
Start Publishing information on concessions granted	1 st April	IDC
Stop granting new as well as extending tax holidays	1 st January	IDC
Amend Income Tax to adopt a system of accelerated depreciation & loss carried forward	End May	IDC
Strengthen IRD	February	MOF
Repeal Investment Code Incentives, Qualified Enterprises, and tax concessions and all other incentives including Hotels Aid and Fiscal Incentives Act	End May	IDC
Public enterprises start submit quarterly statements with one-quarter lag	End June	EAU
Public Enterprises to submit annual statements with 6 months lag	End June	EAU
Strengthen audit accountability by making Audit fully operational and enforcing regular audit functions	End July	Audit
Growth-enhancing reforms		
Adopt a new investment code	End June	IDC
Review GIDC to improve its effectiveness in promoting investment	End June	IDC
Update & Computerize land registry	End June	MOF

Design National Export Strategy	End June	MOF
Financial Sector reform & reducing Vulnerabilities		
ECCB to conduct onsite inspection of banks	End March	MOF
Pass GARFIN Bill and set up GARFIN	End march	

**APPENDIX II:
GRENADA: ECONOMIC AND FISCAL SUMMARY**

	2001	2002	2003	2004	2005 Prel.	2006 Estimates
Real Growth Rate	-4.4	0.8	5.8	-3.0	1.5	6.5
CPI, End-of-year	-0.7	2.3	1.6	2.5	6.0	2.0
CPI, Period average	1.7	1.1	2.2	2.3	3.5	4.6
Current Revenue	284.9	292.5	330.4	301.2	355.3	401.2
Current Expenditure	258.0	285.4	291.6	329.6	294.7	328.1
Current Account Balance	26.9	7.1	38.8	-28.3	60.6	73.0
Overall Balance (after grants)	-90.0	-211.1	-57.6	-32.7	-3.7	-43.9
Customs & Excise	143.9	153.8	174.8	167.1	210.4	222.5
Inland Revenue	113.1	117.3	123.4	111.8	130.9	154.2

**APPENDIX III
SUMMARY OF CAPITAL EXPENDITURE 2006**

VOTE	TOTAL	% of Total
01. Governor General	91,500	0.04
02. Parliament	23,000	0.01
03. Supreme Court	175,000	0.08
04. Magistracy	86,250	0.04
05. Audit	-	-
06. Public Service Commission	-	-
07. Director of Public Prosecution	-	-
08. Electoral Office	538,000	0.23
09. Ministry of Legal Affairs	474,388	0.21

10. Prime Minister's Ministry	51,928,893	22.60
11. Prisons	610,000	0.27
12. Police	1,350,000	0.59
15. Ministry of Tourism, Civil Aviation, Culture,	15,650,000	6.81
16. Ministry of Foreign Affairs	98,186	0.04
19. Ministry of Youth, Sports, Community Development & Co-op.	1,253,000	0.55
20. Ministry of Finance	22,054,196	9.60
30. Ministry of Works, Communications and Public Utilities	71,898,285	31.29
35. Ministry of Social Development	7,610,795	3.31
36. Ministry of Carriacou and Petite Martinique Affairs	2,581,455	1.12
40. Ministry of Education & Labour	14,200,250	6.18
50. Ministry of Health and the Environment & Social Security	8,150,610	3.55
64. Ministry of Agriculture, Forestry, Lands, Fisheries & Utilities	30,993,500	13.49
TOTAL	229,767,308	100.00

**APPENDIX IV
SUMMARY OF RECURRENT EXPENDITURE 2006**

VOTE	TOTAL	% OF TOTAL
01 Governor General	725,900	0.19
02 Parliament	1,474,496	0.39
03 Supreme Court	2,003,641	0.52
04 Magistracy	1,401,586	0.37
05 Audit	966,411	0.25
06 Public Service Commission	557,610	0.15
07 Director of Public Prosecutions	703,504	0.18

08 Electoral Office	605,092	0.16
09 Ministry of Legal Affairs	1,416,976	0.37
10 Prime Minister's Ministry	6,016,650	1.58
11 Prisons	5,045,089	1.32
12 Police	34,906,828	9.14
15 Ministry of Tourism, Civil Aviation, Culture and Performing Arts	3,381,052	0.89
16 Ministry Foreign Affairs and International Trade	7,971,827	2.09
19 Ministry of Sports, Com. Dev. & Co-operatives	2,985,123	0.78
20 Min. of Finance and Planning	32,675,734	8.55
21 Pensions and Gratuities	32,500,000	8.51
22 Public Debt.	88,524,699	23.17
Foreign Interest Payments	21,085,604	5.52
Domestic Interest Payments	13,586,626	3.56
Foreign Principal Payments	28,949,060	7.58
Domestic Principal Payments	24,903,410	6.52
23 Salaries and wages increase	-	-
25 Contributions	10,971,457	2.87
30 Min. of Comm, Works and Transport	4,751,843	1.24
32 Post Office	10,777	0.00
35 Ministry of Social Development	10,343,560	2.71
36 Min. of Carriacou & Petite Martinique Affairs	2,856,107	0.75
40 Min .of Education and Labour	71,379,247	18.69
50 Min. of Health, Social Security & the Environment	46,191,046	12.09
64 Min. of Agric., Lands, Forestry , Fisheries, Public Utilities & Energy	11,633,607	3.05
GRANT TOTAL	381,999,862	100

APPENDIX V
CENTRAL GOVERNMENT DEBT (EC\$MN)
(As of December 31, 2005)

Total Domestic	204.58
T/Bills	68.89
Bonds	29.72
Loans	30.17
Others	75.81
Total External	1209.10
Bonds	755.65
Loans	453.45
Total Domestic & External	1413.68

APPENDIX VI:
GOVERNMENT GUARANTEES (CONTINGENT LIABILITIES)

(As of December 31, 2005)

	Outstanding 31.12.04	Outstanding 31.12.05	Explanations
	<u>EC\$</u>	<u>EC\$</u>	
Statutory Bodies			
Grenada Ports Authority	\$65,631,516.00	\$47,087,174.44	Includes US\$25m for Cruise Ship Terminal
Minor Spices	\$67,000	\$67,000	
Marketing & National Importing Board	\$12,890,125.39	\$12,480,957.09	
Gravel & Concrete Production	\$15,205,066.32	\$8,486,676.87	
Housing Authority of Grenada	\$6,676,815.04	\$4,957,976.36	
Grenada Development Bank	\$24,667,939	\$24,480,129.65	

Grenada Airports Authority	\$41,567,535	\$70,488,849	
National Water and Sewerage Authority	\$12,231,843	\$10,064,285	
Call Centres Grenada Inc.	\$2,500,000	0	Include as part of the Debt Restructuring
Grenada Cultural Foundation	\$841,639.92	\$711,566.42	
Grenada Cooperative Nutmeg Association	\$5,000,000	\$5,000,000	
Grenada Broadcasting Corporation	\$3,179,520.54	\$3,179,520.54	
Sub-Total	\$190,459,000.25	\$187,004,135.37	
Private Companies			
Grenada Electricity Services Ltd.	\$7,377,022	\$7,819,244	Power Generator
RDF Enterprises Ltd.	\$3,531,970	\$4,590,288.01	Organic Banana Project
The Garden Group Hotel	\$24,030,000	\$0	Include as part of the Debt Restructuring
Intercontinental Grenada Ltd.	\$20,250,000	\$20,250,000	Mt. Hartman Hotel Dev.
Grenada Development Company	\$29,700,000	0	Include as part of the Debt Restructuring
Sub-total	\$84,888,992	\$32,659,532	