



Government of Grenada

# 2019

## BUDGET STATEMENT

Presented by

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Prime Minister and

Minister of Finance, Planning, Economic  
Development and Physical Development



*Produced by: Ministry of Finance*

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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 2019 by means of an Appropriation Act;

**Be it resolved** that the Estimates of Expenditure for the year 2019 be approved.”

Mr. Speaker, as this is a Money Motion, I wish to signal to this Honourable House of Representatives that I have the consent of the Governor-General to proceed.

Mr. Speaker, in compliance with the Fiscal Responsibility Act, and Regulations for the Public Finance Management Act and the Public Debt Management Act, I wish to advise that the following five reports are being submitted to this Honourable House:

1. The Medium-Term Fiscal Framework Document 2019-2021, in accordance with Section 9 (2) (a) of the Regulations for the Public Finance Management Act No. 17 of 2015;
2. The Progress Report on Compliance with the Fiscal Rules and Targets, in accordance with Section 12 (1) (c) of the Fiscal Responsibility Act No. 29 of 2015, as amended;
3. The Budget Framework Paper 2019, in accordance with Section 13 of the Regulations for the Public Finance Management Act No. 17 of 2015;
4. The Medium-Term Debt Management Strategy 2019-2021, in accordance with Sections 5(1) to 5(3) of the Public Debt Management Act No. 28 of 2015, as amended; and

5. The Fiscal Risk Statement, in accordance with Section 12 (1) (e) of the Fiscal Responsibility Act No. 29 of 2015, as amended.

Mr. Speaker, I am compelled to commence the 2019 Budget Presentation by offering high praises to the Almighty God, as his words say in Proverbs Chapter 3 verse 13, and I quote **“In all your ways acknowledge him and he shall direct your path.”**

Mr. Speaker, I am excited and optimistic about the path that our country is on at this time. We continue to record significant economic gains through sustained growth, which in turn brings increased opportunities for our people.

Mr. Speaker, I must however express my disappointment with our failure as a nation to make the bold step to adopt the Caribbean Court of Justice (CCJ) as our final Court of Appeal.

Mr. Speaker, I humbly respect the wishes of the people but I think we have missed an opportunity to better secure our legacy now, not simply as Grenadians, Carriacouans and Petite Martiniquans, but as Caribbean nationals. It was a clear opportunity to unshackle one of the last remaining vestiges of the colonial era, and to deepen the ties of regional unity and most importantly, to make justice more accessible to the ordinary man and woman.

Personally, Mr. Speaker, I remain resolute in my opinion that the CCJ is right for us and that the time is right for the CCJ. I am confident that we, as a region, have the capacity to operate an effective, expedient, just and prudent court. I am also confident that the CCJ is one of the best legacies we can leave to our children and grandchildren.

Mr. Speaker, I have stated publicly that as Prime Minister of this our beloved country, I would not initiate another referendum on the CCJ, but I will Mr. Speaker, I repeat, I WILL support any future endeavour to make the CCJ Grenada’s final Court of Appeal.

That said Mr. Speaker, we still have the mandate to take this country forward and it is not a responsibility we take lightly. As we forge ahead, creating a path for the sustainable development of our country, we do so with resilience as one of our key watchwords. Resilience is the ability to withstand or recover quickly; the ability to recoil or to spring back after bending. Resilience Mr. Speaker, cannot be over-emphasised.

Mr. Speaker, Her Excellency the Governor-General delivered the Throne Speech, which marked the opening of the Second Session of the Tenth Parliament. In her speech, Her Excellency eloquently pronounced that the overarching focus of the Government will be to build resilience in all its forms to transform our economy.

As such, Mr. Speaker, the theme chosen for the 2019 Budget – “***Building Resilience, Advancing Social Development, Transforming Our Economy***”, was not selected arbitrarily. It was a deliberate choice, intended to adequately capture the priorities of the Government at this time, and in full acknowledgment of the fact, that while we are experiencing a tremendous upswing in economic activity, we must at the same time, strategically position our country to recover from potential setbacks.

Mr. Speaker, the priorities enshrined in the 2019 Budget are framed within the context of Government’s wider Medium-Term Agenda (MTA), which articulates the strategic development objectives for the period 2019 - 2021. The overall objectives of the MTA are to anchor medium-term development planning and strategic interventions to promote resilience in all of its forms (economic, social and environmental) and to accelerate inclusive, job-rich growth, as well as reduce poverty.

Mr. Speaker, what this essentially means is that we are not merely seeking economic growth that illustrates positive fiscal balances and declining debt, we are pursuing economic growth that brings real results to the citizens of this country; economic growth that is not only

reflected in the figures recorded by Government statisticians and analysts, but that is visible in an improved quality of life for all of us, especially those who are most vulnerable.

The MTA rests on three strategic pillars or national goals, which are:

- (i) Accelerating Sustainable and Inclusive Economic Growth
- (ii) Enhancing Social Capital and Citizen Well-being
- (iii) Promoting Resilient Governance

Accordingly, Mr. Speaker, the Budget elaborates on the policies and programmes that will be pursued in 2019 that are in line with the MTA and its established development outcomes. Details on the MTA 2019-2021 can be found in the Budget Framework Paper.

Mr. Speaker, this administration is fully committed to dialogue and consultation as a means of obtaining broad consensus on matters of national importance. In this regard, I am pleased to inform this Honourable House that the series of public engagements surrounding the MTA, which preceded this Budget Presentation, were tremendously successful in getting buy-in for, and promoting ownership of the policies and programmes articulated in the MTA. Our people must be sufficiently engaged and must willingly accept ownership of planned policies and programmes if implementation is to be successful.

We are, indeed, impressed with the depth of knowledge, resourcefulness and understanding, which reside among our people. I have utmost confidence in our collective capacity to advance our nation's progress, for the benefit of present and future generations.

Mr. Speaker, with this introduction, I want to turn your attention to economic developments globally, regionally and locally to provide the context for the Budget.

## **2. GLOBAL AND REGIONAL ECONOMIC DEVELOPMENTS**

### **2.1 Global Economic Performance and Prospects**

Mr. Speaker, according to the International Monetary Fund's (IMF) most recent World Economic Outlook Report released last month, global growth is estimated at 3.7% in both 2018 and 2019. These are downward revisions of the forecasts done in April 2018, which had estimated global growth of 3.9% for both years.

Mr. Speaker, the downward revision is largely based on lower projected growth for major advanced economies, especially the United States in 2019 because of the potential negative impacts of recently-announced trade tariffs.

Growth in some emerging markets and developing economies, especially the oil-exporting ones has been revised up, on account of projected increases in oil prices.

Further details on current global economic performance can be found in Annex I.

### **2.2 Regional Economic Performance and Prospects**

Regionally Mr. Speaker, average GDP growth in the independent countries of CARICOM is estimated at 1.1% in 2018, roughly the same rate as in 2017. However, the increase in regional output is projected to pick up speed in 2019, averaging 3%, fuelled largely by high rates of growth forecasted for Dominica, Grenada and Guyana.

Closer to home in the Eastern Caribbean Currency Union (ECCU), average economic growth of 0.4% is estimated in 2018, a deceleration relative to the average growth rate of 1.5% in 2017. This is largely influenced by a massive economic decline estimated for Dominica in the wake of Hurricane Maria. However, a pickup is projected in 2019, with growth averaging 4.3%. In the non-ECCU countries, av-

erage growth is estimated at 1.6% in 2018 and is projected to edge up to an average of 1.9% in 2019. Annex I provides more details.

### **3. DOMESTIC ECONOMIC PERFORMANCE AND PROSPECTS**

#### **3.1 Economic Performance and Prospects**

Mr. Speaker, Grenada's economy has been on a consistent path of economic expansion since 2013 and it is poised to experience its sixth consecutive year of growth in 2018. Economic growth of 5.2% in real terms is provisionally estimated for the year. This is fuelled by expansions in the major sectors, especially Construction, Tourism, Transport, Private Education and Manufacturing. Grenada remains the fastest growing economy in the region, averaging real growth of 5.0% since 2013.

Growth in 2019 is conservatively projected to be around 4.2%.

Mr. Speaker, the preliminary results of the 2018 Labour Force Survey indicate that the unemployment rate has fallen by 2.7 percentage points, moving from 23.6% in December 2017 to 20.9% in June 2018, the latest period for which data is available.

Mr. Speaker, it is important to point out that the unemployment rate could fall further by year end, aided by Government's recent addition of another batch of 800 Imani trainees. Additionally, 500 young men are benefitting from the MPower initiative and another 800 persons have been employed in the housing construction brigade and as environmental wardens.

#### **3.2 Fiscal Performance**

Mr. Speaker, Grenada's fiscal position continues to be strong, with an expected primary surplus after grants of 6.2% of GDP at the end of 2018, compared to 5.7% in 2017. This performance is backed by continuous reforms in both the Inland Revenue Department and the Cus-

toms & Excise Division, as well as Government's continuous efforts to reduce its overall expenditure, and increased economic activity.

By the end of 2018, the following results relative to the Approved Budget are expected:

- Current Revenue of \$747.2 million, compared to the target of \$710.4 million.
- Grants of \$102.6 million, compared to the target of \$148.0 million.
- Current Expenditure of \$594.6 million, compared to the target of \$607.1 million.
- Capital Expenditure of \$118.9 million, compared to the target of \$171.3 million.

The Customs & Excise Division's collections are expected to reach \$367.8 million, compared to the target of \$344.0 million, an over performance of \$23.8 million.

The Inland Revenue Department is estimated to collect \$353.8 million, compared to the target of \$338.0 million, an over performance of \$15.8 million.

Mr. Speaker, let me take this opportunity to commend the revenue-collecting agencies for their continued drive to improve compliance.

Further details on the 2018 economic performance can be found in Annex 1 of this Budget Statement.

### **3.3 Public Debt**

Mr. Speaker, public debt as a ratio of GDP has progressively declined in the past five years, decreasing from 108% of GDP in 2013 to an estimated 62.7% by the end of 2018. It is projected to be further reduced to 55% of GDP by the end of 2020, surpassing the Eastern Caribbean Central Bank's (ECCB) target of 60%, ten years ahead of the 2030 deadline.

Mr. Speaker, it is important for the nation to appreciate the process undertaken to project the debt numbers. The Ministry of Finance conducted a Debt Sustainability Analysis, which determined the Government's ability to sustain its current debt levels. This analysis was then used to inform the Medium-Term Debt Management Strategy that is laid before this Honorable House.

Mr. Speaker, the 2018 Budget presentation was historic because for the first time, a debt management strategy was laid in our Parliament. Mr. Speaker, I am extremely happy to report that all of our debt management activities for the past year were consistent with the Medium-Term Debt Management Strategy 2018-2020.

Further details on debt outstanding as at December 31, 2018 and the Medium-Term Debt Management Strategy can be found in Annex F of the Estimates of Revenue and Expenditure and the Report that is being laid in Parliament.

Mr. Speaker, having provided the international, regional and local context for Budget 2019, I wish to turn my attention to the Estimates of Revenue and Expenditure.

#### **4. ESTIMATES OF REVENUE AND EXPENDITURE FOR 2019**

Mr. Speaker, I wish to signal that the 2019 Estimates of Revenue and Expenditure were prepared in accordance with the Fiscal Responsibility Law (FRL). For the first time, we have included for publication, the details of our compliance with the fiscal rules and targets, which can be found in Annex II of the Budget Statement.

##### **4.1 Budget and Financing Summary**

Mr. Speaker, the 2019 Estimates of Revenue and Expenditure provide for total expenditure (including principal repayments on public debt) of one billion, one hundred and thirty-four million, thirteen thousand, nine hundred and fifty-six dollars (**\$1,134,013,956.00**).

The Budget is summarised as follows:

1. Recurrent Revenue: \$780.4 million
2. Recurrent Expenditure: \$637.8 million
3. Current Account Surplus: \$142.7 million
4. Capital Expenditure: \$196.4 million
5. Primary Surplus (after Grants): \$201.9 million
6. Overall Surplus (after Grants): \$129.9 million
7. Principal Repayments/Amortisation: \$299.8 million

Mr. Speaker, consistent with the theme for this Budget presentation as earlier expressed, I would now delve into the specifics of each thematic area.

## **5. BUILDING RESILIENCE**

### **5.1 Fiscal Resilience**

Mr. Speaker, it is well known that Grenada is a regional frontrunner in building resilience to climate change and natural disasters. Our efforts to successfully incorporate disaster relief provisions (“hurricane clauses”) into some of our loan instruments are well documented. This was a major step towards building fiscal resilience.

Mr. Speaker, the enactment of the FRL in 2015, as amended in 2016, provides testament of our commitment to building fiscal resilience. The FRL has provided an important anchor for sound fiscal policy and has contributed to a much stronger fiscal and debt position. The FRL not only seeks to entrench fiscal discipline through the rules that are enshrined, but it also mandates the establishment of a Contingency Fund upon attaining a debt-to-GDP ratio of 55%. This fund is geared towards assisting response and recovery efforts in the event of a natural disaster.

Mr. Speaker, we are living within our means, which is allowing us to generate fiscal surpluses that are being saved and invested to build

buffers against economic shocks. In short, we are providing another avenue to build our fiscal resilience.

Mr. Speaker, Grenada continues to receive high commendations for the bold steps taken to entrench fiscal discipline. Most recently, in May 2018, we hosted a team from the International Monetary Fund (IMF) for an Article IV Consultation. The Fund commended Grenada for its continued adherence to the FRL and the establishment of an independent Fiscal Responsibility Oversight Committee.

Mr. Speaker, the IMF stated and I quote, “Executive Directors commended the authorities for implementing sound policies leading to a strong economic and fiscal performance and sustained debt reduction,” end of quote.

Mr. Speaker, it is important to note that a lot of the external support Grenada is receiving is due to us maintaining good fiscal discipline and staying within the provisions of the FRL. Mr. Speaker, it must be known that any deviation by Government, which breaks the FRL, could result in the loss of potential financial support. Mr. Speaker, if we are to sustain the current pace of development, we simply cannot afford to lose this type of funding.

### ***5.1.1 Caribbean Catastrophe Risk Insurance***

Mr Speaker, as we streamline our resilience efforts, there is need to ensure that adequate safeguards are put in place to enable speedy recovery in the event of a natural disaster. Therefore, added to the Contingency Fund already established, the Government is party to the Caribbean Catastrophe Risk Insurance Facility Segregated Portfolio Company (CCRIF SPC). To date, we have acquired insurance coverage under the Earthquake, Excess Rainfall, Hurricanes and Tropical Cyclone policies. Payouts on these policies are triggered by factors such as rainfall levels and wind speed, which can accelerate the payout of claims.

## **5.2 Financial Sector Resilience**

Mr. Speaker, while we as a Government are continuously assessing how we manage the country's purse, we cannot lose sight of the ongoing threat of de-risking that confronts our financial services sector, with potentially disruptive and damaging impacts to the economy. We will sustain efforts to mitigate this threat through national and regional initiatives that identify concrete solutions.

Mr. Speaker, we must give serious consideration to the issue of deposit insurance, which will protect the deposits of clients should banks become insolvent. This is a critical component of improving fiscal resilience. I use this opportunity to commend the Eastern Caribbean Central Bank (ECCB) for leading on this issue; we will take guidance from them and we will work collaboratively with our neighbours to address this critical issue.

Mr. Speaker, Government recognises the increasingly important role that credit unions and other non-bank financial institutions are playing in deepening financial intermediation and will continue to encourage their growth and development. Accordingly, strengthening their Anti-Money Laundering and Combating the Financing of Terrorism frameworks would be a focus of the Grenada Authority for the Regulation of Financial Institutions (GARFIN) during 2019. Moreover, we are working with the ECCB to enhance the regulation and supervision of the non-bank financial institutions in Grenada.

## **5.3 Infrastructural Resilience**

Mr. Speaker, fiscal resilience cannot be separated from physical resilience. Accordingly, we are accelerating climate-smart development policies and programmes, including upscaling investments in climate-resilient infrastructure. The recent establishment of a dedicated Ministry with responsibility for building climate resilience is testimony to this commitment. Moreover, in May this year, we requested assistance from the IMF to conduct a Climate Change Policy Assessment on Grenada. The assessment would take stock of our plans to manage climate change from the perspective of macroeconomic im-

plications and suggests macro-relevant reforms that could strengthen the likelihood of success.

Mr. Speaker, we believe that the Climate Change Policy Assessment will further crystallise our resilience framework and act as a catalyst in mobilising donor support. Our efforts have not gone unnoticed. Mr. Speaker, Grenada has been successful in securing a World Bank loan of US \$ 65 million at highly concessional terms to support climate and fiscal resilience. The terms are very attractive, there's a 10-year grace period, with repayment over 30 years and an interest rate of 1.4%. We have already received \$30 million of that amount, which is about EC \$80 million. Mr. Speaker, if we break the FRL, we would automatically lose the US \$35 million, which is the remaining balance of that loan. Mr. Speaker, this loan facility is the first of its kind in the region. No other country in the region has been able to access this loan facility because they have not satisfied the requirements.

Mr. Speaker, through the Green Climate Fund (GCF), Grenada has secured significant grant support for a number of transformative projects, which include:

- ***The Climate Resilient Water Sector Project*** - Valued at EC \$125 million, this project is intended to make our water sector more climate resilient by addressing the critical need to increase water collection and storage in the north of Grenada, with more effective distribution to the south where demand is greatest and which is most vulnerable to water shortages. Mr. Speaker, the infrastructural works for this project are considerable and it will generate significant job opportunities for our people when it commences in the first quarter of 2019. We put ourselves at risk of losing these funds if we act irresponsibly and undermine the current fiscal position.
- ***Climate Resilient City*** – Mr. Speaker, this is a project is to establish the town of St. George as the first climate-resilient city in the Caribbean. Mr. Speaker, the climate resilience interventions proposed will include the Carenage; the Southern Corridor between the town of St George and the airport; St George's University; the Maurice Bishop International Airport; the im-

plementation of a sewerage treatment plant; an urban development plan including traffic congestion solutions; and although not in St. George's, but an area identified as highly vulnerable – the Grenville Coastal Road. The potential combined value of these projects is estimated at EC \$350 million. Activities under this initiative are expected to materialise in the medium term. Mr. Speaker, I must emphasise here again that we stand the risk of losing this funding if we renege on our FRL.

Mr. Speaker, in addition, under the Global Environment Facility, Grenada is one of 10 Caribbean countries participating in a US \$20.7 million project, implemented jointly by the United Nations Environment Programme and United Nations Development Programme. *The Integrating Water, Land and Ecosystem Management in Caribbean Small Island Developing States Project* provides an integrated approach to watershed and coastal area management, addressing the many challenges related to sustainable water and land management. We must continuously demonstrate a commitment to upholding our FRL if we want to continue benefitting from these types of funding.

Mr. Speaker, as we methodically develop this pipeline of bankable projects, we believe we will not only start reducing our vulnerability to climate change, but we will also be addressing many of our national development priorities. In doing so, we will also be creating opportunities for further economic growth and the creation of more “green jobs” or jobs which help to protect or restore the environment.

Mr. Speaker, the development of the Renewable Energy Sector, which we remain firmly committed to, will also generate “green jobs” that will touch every economic sector of our country. Mr. Speaker as we take these important steps to safeguard the environment and ensure the sustainable development of our country, we must also maintain fiscal discipline and build fiscal resilience. In so doing, we create a better Grenada, not for a select few, but for all of us.

Finally Mr. Speaker, on the subject of global leadership in the climate change arena, Grenada's international presence and influence continue to grow. As President of the fourth SIDS DOCK Assembly, Grenada's voice will continue to be heard. We will continue to lobby

the international community to make available financial and technical assistance that is tailored to the unique circumstances of Grenada and other Small Island Developing States, in our quest to bolster resilience to climate change and its impacts.

### ***5.3.1 Building Code and Land Use Policy***

Mr. Speaker, fundamental to infrastructural resilience is the need to address deficiencies in our building code and to have a fully functional Land Use Policy.

Grenada and other sub-regional countries are currently engaged in discussions with the OECS Secretariat with a view to reviewing and standardising building codes. While we seek to collectively address the issue of our building codes at the OECS level, it is important to strengthen our efforts on the national front.

Government plans to incrementally implement the recommendations identified in an assessment that examined the key issues to be addressed in any proposed National Land Use Policy for Grenada.

Mr. Speaker, with all our efforts we cannot prevent hurricanes, floods or any natural disasters. However, we can ensure that people and communities are better prepared and more resilient to withstand and recover from the impacts.

Mr. Speaker, building social resilience goes hand in hand with building fiscal and infrastructural resilience. As such, I move to the second thematic area.

## **6. ADVANCING SOCIAL DEVELOPMENT**

Mr. Speaker, Grenada's history has shown that we are a strong, resilient people. However, we are facing unprecedented times that can dampen the strongest of spirits. Therefore, it is incumbent upon Government to improve and expand its social policies and programmes to protect the vulnerable among us.

Mr. Speaker, allow me to expound more specifically on the following:

- Housing
- Gender & Family Affairs
- Juvenile Justice
- Social Safety Nets
- Health
- The Justice System and National Security
- Update on British American Insurance Company (BAICO) and CLICO International Insurance
- Pension to Public Officers

## **6.1 Housing**

Mr. Speaker, to date, we have constituted 12 Housing Work Brigades throughout the country. The brigades are responsible for the repairs, construction and rebuilding of houses for vulnerable citizens. This activity has not only provided for persons with housing needs, but has also created 180 new jobs.

Work has commenced on the Chinese low-income housing projects in Dumfries – Carriacou; Diamond in St. Mark; Corinth in St. David; Villa in St. Patrick and will soon start in Beausejour, St. George.

Mr. Speaker, low-income homeowners will get assistance to make their homes more resilient to climate change, under the GCF-funded Enhanced Direct Access Project. Grenada is one of three countries which secured grant funding to the value of EC \$54 million for community-based, private sector and Government-based climate resilience initiatives. The project is expected to be rolled out in 2019. We must stay the course with our FRL, our access to this and other types of funding depends on us demonstrating fiscal prudence.

Mr. Speaker, we are working with a private company to develop low-income homes for hundreds of our citizens across the country. We expect this project to begin in 2019.

## **6.2 Gender & Family Affairs**

Mr. Speaker, Government is taking a multi-pronged approach to combatting domestic violence and sexual-related crimes, particularly among children.

The Ministry of Social Development is raising awareness of child sexual abuse through its “*I Respect You, You Respect Me: #Valuing boundaries*” Campaign which targets students in Forms 4 and 5 throughout Grenada.

Mr. Speaker, the Royal Grenada Police Force has established a Special Victims Unit embedded within the Criminal Investigation Department, with a specific focus on addressing sexual-related crimes, domestic violence, and child abuse issues. The unit will work to prevent and investigate such crimes and provide victim support.

Mr. Speaker, you would recall in my 2018 Budget Presentation, a Sex Offenders Register was promised. I wish to assure this Honorable House and the people of this country that we remain committed to this initiative. We are currently reviewing the various models with a view to selecting the most appropriate one that can be adapted to fit our national context. By the first half of 2019, the legislation should be before the Parliament.

Mr. Speaker, on the broader subject of gender issues, Government remains firmly committed to gender mainstreaming in our decision-making and development planning to ensure that our development interventions are gender sensitive and responsive to the differentiated realities and needs of men and women.

## **6.3 Juvenile Justice**

Mr. Speaker, we are committed to helping at-risk youth through the establishment of an improved, gender responsive, juvenile justice system, which includes the full operationalisation of the Grand Bacolet Juvenile Rehabilitation and Treatment Centre.

There are several components to the *Awakening Special Potential By Investing In Restoration And Empowerment (ASPIRE) Of Youth Project*.

The REACH Project, which is one such component, was recently launched at Her Majesty's Prison. It provides for rehabilitation and reintegration support for young inmates, between the ages of 18 and 35 who are approaching the time for release.

Another component is the *Actively Committed and Empowered Youth Community Project (ACE)* which we will implement in 2019. This is intended to be an integrated 18-month training programme in life skills, literacy and other areas, targeting 25 at-risk youth, under the age of 30, in the Mount Horne community in the parish of St. Andrew. The plan is to replicate this programme in the other parishes so that we can significantly impact the at-risk youth population in a positive way.

#### **6.4 Social Safety Nets**

Mr. Speaker, I wish to humbly report that Grenada has successfully completed the Safety Net Advancement Project, which sought to accomplish the following development objectives:

- (i) Strengthen the basic architecture of the consolidated Conditional Cash Transfer Programme, which is the SEED Programme and the capacity of the Ministry of Social Development to implement it.
- (ii) Expand coverage of poor households receiving cash transfers.
- (iii) Improve educational outcomes of poor children and health monitoring of vulnerable households.

Additionally, Mr. Speaker, in September of this year, the World Bank assessed the final two developmental indicators for the project and determined that we have successfully met the targets. This resulted in the disbursement of US \$550,000.00 to the State. I must commend

the Minister for Social Development, Honorable Delma Thomas and her team for this accomplishment.

Mr. Speaker, as promised in the 2018 Budget Presentation, the Government has increased the payment to elderly households under the SEED programme by \$100.00. This underscores our commitment to improving the lives of our citizens, particularly those who are most vulnerable. We will consider further increases in the SEED payment if our fiscal space allows.

## **6.5 Health**

Mr. Speaker, it is no secret that we have challenges in our health care sector, which must be addressed, chief among them being human resources for health.

Cabinet has approved a Human Resources for Health Policy and Plan for the Health Sector, and a steering committee has been constituted to begin implementation of these initiatives in 2019. A clear framework for recruitment, professional development and succession planning would also be provided.

Furthermore Mr. Speaker, Government is committed to improving the physical infrastructure in its network of 36 health facilities throughout Grenada, Carriacou and Petite Martinique, with the aim to institutionalising climate-resilient technologies. Work would commence on a number of these facilities in 2019 with the implementation of Phase 2 of the *SMART Healthcare Facilities in the Eastern Caribbean Project*. The project is a collaboration of the Government of Grenada, the Pan-American Health Organization and the Department for International Development.

Mr. Speaker, just last month, we commissioned the retrofitted Princess Alice Hospital, which is now recognised as a SMART Healthcare Facility. Retrofitting of the Hillsborough Health Centre and the Princess Royal Hospital in Carriacou will commence by the second quarter of 2019. Mr Speaker, through the 11<sup>th</sup> EDF – Health Sector Budget Support, we were able to access grant financing for the recon-

struction of the Gouyave Medical Centre. Construction of this model health facility is expected to commence by December 2018. Work also continues on the second phase of the General Hospital Project, and this is expected to be completed by the third quarter of 2019.

Mr. Speaker, Government is well aware that proper health care goes beyond having the right facilities. We must also have adequate equipment to provide appropriate care; medication must be available; a proper management system must be in place and health care workers must demonstrate a good attitude and be compassionate with patients. These are all areas we will address vigorously in 2019.

Mr Speaker, equal access to health care continues to be a priority as Government strives to achieve a system of care that provides equitable access for every citizen, regardless of one's ability to pay. This is arguably a key factor to improving the well-being of citizens.

Government continues to work diligently on the creation of the National Health Insurance (NHI). The Health Economics Unit of University of the West Indies, St. Augustine Campus is providing technical assistance to develop the framework for the NHI. To date, a number of deliverables have been received including the proposal for the Basket of Services to be covered by the NHI, a Macroeconomic Analysis of the fiscal space for financing the NHI and a Governance Framework that has been approved by Cabinet.

Mr. Speaker, data is critical for decision-making and the establishment of an effective and efficient service delivery mechanism that meets the needs of citizens is equally important. Therefore, the Ministry of Health will continue work on the implementation of the Electronic Medical Records System in 2019.

## **6.6 The Justice System and National Security**

Mr. Speaker, the justice system is a fundamental pillar that supports the social fabric of our country. It is well known that in recent times, we have experienced some challenges with the housing of our courts, leading to serious delays. Compounding this is the existing backlogs

in the court system which is a critical area of concern. However, Mr. Speaker, these challenges are not insurmountable. A temporary solution has been found and we continue to work assiduously with the legal fraternity to bring permanent resolution to these issues.

Mr. Speaker, in the area of national security, the Royal Grenada Police Force (RGPF) will continue to efficiently execute its law enforcement mandate so that Grenada remains one of the safest, if not the safest country within the sub-region. Mr. Speaker, reported crime in Grenada contracted by 7% for the year to date and the detection rate is around 74%. These are notable achievements and can be attributed to the dedicated and committed staff of the RGPF, as well as the constantly improving relationship and collaboration between the RGPF and communities across our Tri-island State

Mr. Speaker, as promised in the 2018 Budget Presentation, e-passports were introduced in 2018. The passport offers additional security features and showcases national pride through the images depicted throughout. Since the launch of the new e-passport in July, 5,320 passports have been issued. Mr. Speaker, recognising the significant cost of the new e-Passport, Government has been subsidising more than 50% of the actual cost. However, this is not sustainable over the long term and in 2019, we will have to implement the real cost of this more secure travel document.

Mr. Speaker, security measures at Her Majesty's Prisons have been augmented with the installation of X-ray scanning equipment and a comprehensive security surveillance and detection system that includes more than 80 cameras. Inmates continue to be productively engaged through involvement on the Prisons farm, land clearing for farmers and improving their academic qualifications.

Mr. Speaker, the Government's emphasis on youth is also evident at Her Majesty's Prisons. We are moving to create a youth wing that will house youthful offenders, keeping them apart from the influence of seasoned criminals. This project will be jointly funded by Government and the Caribbean Development Bank. It is expected to commence in 2019.

## **6.7 Update on British American Insurance Company (BAICO) and CLICO International Life Insurance Company**

Mr. Speaker, I turn my attention to developments with respect to the recovery of the assets of policyholders in BAICO and CLICO.

Mr. Speaker, regarding BAICO specifically, following the first distribution to policy holders, a second distribution is planned during the final quarter of 2018. This is primarily as a result of the Judicial Managers' ability to liquidate property assets in the region. Litigation against the former executives of BAICO continues with a summary judgment of the Court in Trinidad and Tobago that was delivered two months ago, ordering the former Executive Chairman of CL Financial to repay US \$122 million to BAICO. The September ruling would allow for further action of the Judicial Managers regarding property and assets.

Mr. Speaker, the legal action for the Eastern Caribbean Currency Union of which Grenada is a part, is seeking a date for the hearing on matters pertaining to CLICO. The hearing was postponed since April 2018 due to various factors. The urgent request for a hearing date has been recently acknowledged by the court and we are awaiting further guidance.

## **6.8 Pension to Public Officers**

Mr. Speaker, we cannot begin to seriously address social development matters without tackling the vexing issue of pension for public officers.

Government remains resolute in its position that this issue must be resolved. Towards this end, in July of this year, payments in the amount of EC \$7.7 million were made to persons who would have been appointed on the permanent establishment on or after April 4, 1983 to February 22, 1985 and are eligible to receive a pension.

Mr. Speaker, the July payment honoured our commitment to pension restoration, our efforts are now turned towards pension reform. Mr. Speaker, it is critical that the Government's team, led by the Cabi-

net Secretary and the leadership of the trade union movement continue the dialogue and work together to achieve a resolution that is in the best interest of our country and all its citizens. Affordability and sustainability are key considerations. In addition, the welfare of our children and their education and the pain of their parents are also important considerations.

Mr. Speaker, we have come a long way, but we have miles to go. Government stands ready and willing to continue to engage the unions to determine the most fiscally-prudent pathway to address the post 1985 workers. We remain committed to offering the best possible package to workers within the context of the Fiscal Responsibility Law. Mr. Speaker, acceding to the unions' demands of 25% advanced payment of pension (gratuity) within the current construct, will cripple the country financially. It is simply not feasible given our current and projected revenue stream to meet these demands and furthermore to sustain them over the long term. Regional and international organisations have cautioned that pension programmes must be managed carefully. Therefore Mr. Speaker, we must be fiscally prudent with our decisions or we run the risk of undoing the tremendous gains we have made in recent years and lose considerable funding we have acquired through proven fiscal discipline. A 10-Point Fact Sheet on Pension is provided at Annex III to help broaden the public's understanding of this important issue.

Mr. Speaker, on another note, the issue of paying workers for the days on which industrial action was taken, is not just fiscally irresponsible but also morally bankrupt and politically unwise. Therefore, Mr. Speaker, this Government cannot agree to such. Workers chose to withhold their labour, their unions should have a strike fund in place and should therefore be responsible for paying their lost wages. In other words Mr. Speaker, we fully agree that workers should be paid, just not by Government.

Mr. Speaker I now turn to the third thematic area.

## **7. TRANSFORMING OUR ECONOMY**

### **7.1 Modernising the Public Sector**

Mr. Speaker, we cannot speak about transforming our economy without addressing public sector modernisation in a real way. Although this concept was the subject of numerous discussions over a decade ago, we must amplify our efforts to ensure that goods and services are efficiently and effectively deployed to our citizens. Accordingly, we have agreed to take a phased approach to this process.

To this end, the Government has reached out to the World Bank for support, which gave life to the Grenada Digital Governance for Resilience Project.

Mr. Speaker, the objective is to build a smart, resilient Government that adopts a Whole-of-Government approach to the implementation of critical public policies and services by:

- 1) Modernising public service management.
- 2) Leveraging digital technologies to deliver integrated services to citizens and promote sectoral transformation.
- 3) Forging inclusive strategic partnerships to promote change and drive Reforms.

The project will identify, improve, and fortify the core institutional functions, processes, and information systems that constitute the backbone for the development of e-government services to citizens. It would also lay the foundation for critical public sector systems that keep the Government functional, including in times of natural catastrophe or other challenges.

### **7.2 Reducing Waste and Corruption in the Public Service**

Mr. Speaker, I must speak very strongly about the level of wastage and corrupt practices that is prevalent across Government. It is quite disturbing Mr. Speaker and I cannot in good conscience and as caretaker of this country's resources turn a blind eye.

Mr. Speaker, the key to addressing this is first accepting that there is in fact a problem. I have spoken publicly about this on many occasions, most recently at a town hall meeting in New York and that attracted quite a furor. Today, in this Honourable House Mr. Speaker, I apologise to the hard-working and honest public officers who were offended or feel aggrieved by my comments. However, Mr. Speaker, I cannot apologise to those who are in fact guilty of misusing public funds.

Mr. Speaker, given the pervasiveness of the problem, Government intends to take definitive action to address this problem. The Audit Department will be working more aggressively, looking closely into areas where corruption is known to be prevalent. A disciplinary process will be implemented for public officers found to be misusing public funds and we will review the management structure in the Public Service to make changes that will reduce the potential for corrupt practices. In addition, we will institute as a matter of policy, the rotation of public officers working in key areas to reduce opportunities for complacency and corruption. It is imperative Mr. Speaker that we take swift action, we simply cannot allow corruption and wastage to continue. The public officers who provide selfless service must also take a strong stand against those who engage in these practices and bring the entire Public Service into disrepute.

### **7.3 Education and Human Resource Development**

Mr. Speaker, Benjamin Franklin once said and I quote, “an investment in knowledge pays the best interest” end of quote. Government is of the view that no truer words have been spoken and therefore for the year 2018, a total of 173 scholarships, valued at **\$48,526,330.33** were awarded for higher education opportunities. These awards include economic cost bursaries to the University of the West Indies and Island Scholarships in the amount of EC \$2,347,384.96.

The words of Mr. Franklin are evident as Grenada recorded notable improvements in our students’ performance in 19 of the 33 Carib-

bean Secondary Education Certificate subjects in 2018. Grenada outperformed the regional average in 16 subjects.

At this juncture, I wish to commend the hardworking principals, teachers and education officials of the nation, the parents who support their efforts and to you the students, continue to make us proud.

Mr. Speaker, we continue to work on the employment status of our teachers, with a further 121 teachers being regularised in 2018.

We also continue to work to extend, refurbish and in some instances, construct various learning institutions.

Under the Basic Needs Trust Fund (BNTF) Programme, St. Theresa's Primary School was constructed, land was secured for the construction of the Paradise Pre-School, and 13 primary school libraries were upgraded or constructed in 2018.

The Holy Cross RC School in Munich is expected to be completed by the end of the year.

Mr. Speaker, under the Grenada Education Enhancement Project, work is expected to be done on the St. David's Catholic Secondary School, the Grenada Seventh Day Adventist Comprehensive Secondary, the Presentation Brothers College and Bishop's College in Carriacou.

## **7.4 Skills Development**

Mr. Speaker, we must accept the fact that everyone is not academically inclined. As such, it is critical to develop a sustainable technical and vocational skills structure, which is aligned to national priorities, labour market needs and the broader needs of the economy. It is our intention to develop this structured approach in 2019.

Efforts in this regard have commenced with the establishment of a National Skills Development Institute in Snell Hall, St. Patrick. The skills development curriculum of this institute would include fur-

niture-making and construction. The furniture-making component would produce school furnishings in the first instance. In excess of EC \$700,000.00 have been expended on this project to date.

During our budget consultation with youth, skills development was strongly advocated. Therefore, Government is committed to establishing at least two new skills centres in 2019. One of these would be located in St. David, providing clothing and textile and construction training. The other skill centre is expected to be located in River Saltee, St. Patrick focusing on clothing and textile manufacturing, as well as crop and poultry production.

The clothing and textile initiatives would initially target the production of school uniforms at the various centres, which would be responsible for providing uniforms for students who receive uniform assistance. This will promote the development of life skills for our people while at the same time, create natural synergies with an existing Government programme.

These activities Mr. Speaker, are expected to create permanent employment for our young people, particularly in rural communities. In addition to the textile and clothing centres, Government also plans to create skill centres for furniture making, which would be used to produce furniture for Government departments. This particular initiative will help to reduce Government's expenditure on furniture purchases over the long term, while creating tremendous job opportunities for our people.

Additionally, Mr. Speaker, in partnership with the NEW Life Organisation (NEWLO), the Government would deliver 13 certified skills programmes targeted at young adults, 25 years and older. Cabinet has approved a budget of EC \$893,291.00 for this training, which is expected to be repeated.

Mr. Speaker, the National Training Agency (NTA) is preparing to host a Grenada Skills Competition in the first quarter of 2019. The competition, modelled on that of World Skills International, is aimed at increasing innovation in growing occupational and emerging areas.

Additionally, the NTA is involved in the design and implementation of the UK Aid-funded *Youth Skills for Economic Growth in the Eastern Caribbean Programme*. The four-year programme is intended to produce a better-trained and inclusive workforce. Our disadvantaged youth, especially those who are physically or otherwise challenged, will benefit from this programme which will also provide apprenticeships in growth areas for economic development, and build national training capacity.

Mr. Speaker, under the Vocational and Skills Training component of the recently-completed Market Access and Rural Enterprise Programme (MAREP), a total of 722 young people were enrolled, 216 males and 506 females. In September, a total of 482 trainees, 117 males and 365 females, completed MAREP.

Additionally, Mr. Speaker, through the support provided by the Programme, 191 trainees, 59 males and 132 females, were employed.

Furthermore Mr. Speaker, a total of 31 persons, 15 males and 16 females received professional development training from the UWI Open Campus in Grenada in 10 subject areas. Exchange visits were also facilitated for 10 youth in the areas of Aquaponics and Hydroponics, Queen Bee Rearing, High Value Fruits & Vegetable Production and Butchery & Meat Processing.

Grant funding was provided to 84 community organisations and informal groups under the Rural Investment Fund (RIF) Component of the MAREP Programme. A total of 184 persons became self-employed through these projects.

Mr. Speaker, business support services were also provided to beneficiaries in the form of extension support, business plan support, and training. Eight projects received approval under the Rural Financial Services Line of Credit initiative through the submission of business plans to the Grenada Development Bank.

Other assistance provided to beneficiaries included irrigation and poultry training, procurement of irrigation equipment for 28 farmers,

21 males and 7 females, in Grenada and Carriacou and eight beneficiaries received funding under the small tools initiative.

Additionally, the rehabilitation of 17 farm access roads, two bridges and the Marketing and National Importing Board (MNIB) Pack House were also completed by the MAREP initiative, through the engagement of the Ministry of Works.

## **7.5 Youth Development**

Mr. Speaker, the engagement of our youth was a critical part of the Budget consultative process this year. The theme, *Transforming the Economy through Youth Development*, guided that engagement process and I take this opportunity to address some of the issues raised at the consultation, while also explaining our plans for the ensuing period.

### ***Business Support Centres***

During our interaction with the youth, it was made clear that there is a need for funding and general business support. To this end, the Ministry of Youth, through the implementation of the Youth Enterprise Initiative, would seek to establish business support centres at strategic locations throughout the country. It is our aim to initially establish three support centres including one in Carriacou. These centres will provide the necessary support to new and existing businesses in the areas of idea development, marketing, access to financing and business management.

Mr. Speaker, the concept of youth cooperatives was also discussed as it has the potential to provide lucrative job opportunities for young persons.

It is the Government's intention to develop this concept into a skills-based initiative that will allow for persons with various skills to transform them into commercial ideas that would eventually evolve into lucrative businesses.

### *New IMANI Programme*

Mr. Speaker, the new Imani Programme continues to be an avenue to provide for the training of our youths to enable them to transition into sustainable employment. Mr. Speaker, up until recently, Government single-handedly bore the cost of the Imani programme. However, I must commend the private sector for coming on board with Government, to pay 50% of the stipend to Imani trainees.

Moreover, a specific timeframe for the seamless transition of trainees to the world of work is high on our agenda and would be finalised in 2019.

### *MPower*

Mr. Speaker, the issue of excessive non-productive time among young people, especially young men, is an area of concern, which was also raised during the youth consultation. As a caring and concerned Government, we designed the MPower Programme to specifically address the challenges facing our men. MPower was launched in October 2018.

## **7.6 Sports**

Mr. Speaker, we have witnessed with great national pride, many successes in various sporting disciplines in the past year. I must make mention of a few outstanding achievements for Grenada over the period.

- Mr. Lindon Victor, Commonwealth Gold Medalist in the Men's Decathlon and Mr. Anderson Peters, Commonwealth Bronze Medalist in the Men's Javelin who also established a new National Record at the games.
- Delron Felix became the first swimmer from Grenada to qualify for the Youth Olympic Games.
- Damion Daniel placed 1st overall at the CAC Games Body-

building Championship held in July in Mexico, where he also achieved his International Federation of Bodybuilding and Fitness Professional Status.

Mr. Speaker, we can only hope that these achievements will help to inspire the youth of our nation to work hard at their respective sporting disciplines.

We continue to work at the community level to nurture our sporting talents. In 2019, the Community Sports Programme would seek to introduce sports at the grassroots level, with the intention of promoting the holistic development of our nation's youth.

## **7.7 Culture and the Arts**

Mr. Speaker, the area of culture and arts is ripe with opportunity and provides untapped resources for monetising and establishing numerous commercial opportunities for the people of our Tri-island State. We have seen a vast expression of interest among the youth in this sector, relative to other sectors. Therefore, Government would seek to provide avenues through the following:

- The Simone Cultural and Development Centre, set within the confines of a rural community, will be the mecca of Grenada's culture. Work is scheduled to commence on this important facility during 2019.
- The establishment of music labs in secondary schools to make available the necessary infrastructure for young talents to be harnessed at the school level. In 2019, the first such lab would be rolled out at the St. Joseph's Convent, Grenville.

## **7.8 Agriculture**

Mr. Speaker, we will continue to make strategic investments in the Agricultural sector. Government has committed funds of EC \$145.0 million to be spent on three major initiatives in this sector, which would commence in 2019. These include the AGRICOM Project,

which is jointly funded by the World Bank and the Government of Grenada and is valued at EC \$12.0 million; and the Climate-Smart Agriculture and Rural Enterprise Development Programme (SAEP), funded by the International Fund for Agricultural Development, the Caribbean Development Bank and the Government of Grenada to the tune of EC \$38.0 million.

A further EC \$95.0 million would be invested in the Agriculture Feeder Roads Project, funded through the Kuwait Fund for Arab Economic Development and the OPEC Fund for International Development.

Mr Speaker, it is necessary that I highlight this information to provide a synopsis on the focus being placed on the Agricultural sector.

Mr. Speaker, Government understands the vulnerabilities of families involved in the Agriculture and Fisheries sectors and therefore it is important to take steps to assist with the mitigation of these issues.

In 2018, Government approved the pilot of an insurance facility – the Caribbean Ocean Assets Sustainability Facility, (COAST), to support the development of the Fisheries sector. COAST is envisioned to support climate resilience by providing insurance to help protect the sector from severe weather impact while promoting resilience to a changing climate and encouraging the conservation of the marine environment.

Mr. Speaker, Government has agreed to pilot the COAST initiative for the 2018 and 2019 hurricane seasons. The value of the project is US \$100,000.00 and will include a potential payout of up to approximately US \$900,000.00. The insurance will provide an additional safety net for persons in the fishing industry across Grenada, Carriacou and Petite Martinique.

Mr. Speaker, it is important to highlight that the allocation in the Budget for Agriculture and Fisheries does not only reside in the specific vote that is labelled “Agriculture and Lands” but items can be found under a number of other areas that would be highlighted by the Minister during her presentation.

## 7.9 Rural Development

Mr. Speaker, Government considers rural development to be a major pillar in our economic transformation.

The six-year MAREP Programme, which sought to reduce poverty in rural communities, concluded on September 30, 2018. With a budget of US \$8.5 million, the Programme was commissioned by Government with counterpart funding from the International Fund for Agricultural Development and the Caribbean Development Bank.

In June 2018, an independent Impact Survey revealed that there were general improvements in the living conditions of persons in the 50 rural communities in which the Programme intervened. The survey also determined that 42.9% of households reported that their members experienced an increase in their incomes due to participation in MAREP activities, such as extension services, business development support, vocational and skills training and financing.

Mr. Speaker, as I indicated before, the SAEP is the successor to MAREP. Based on lessons learnt from MAREP, a Rural Development Office has been established, creating a single coordinating umbrella for our two flagship poverty-reduction programmes – the Basic Needs Trust Fund Programme and the Climate-Smart Agriculture and Rural Enterprise Programme. The rationale is to adopt a more integrated approach to rural development issues to strengthen the coordinating framework for poverty reduction and inclusive growth in Grenada.

The Climate-Smart Agriculture element of the rural development programme has two components.

1. **The Enterprise Business Development Component**, which is geared at supporting ongoing and start-up businesses in rural areas through capacity building, technical services and financing, with a focus on youth.
2. **The Climate-Smart Agriculture (CSA) Component**, which will be a major investment in the Agriculture sector, is aimed

at increasing the sustainability of small farmers through the adaptation of climate-smart agricultural practices. The rehabilitation of rural roads and drainage systems and improvement and construction of irrigation and water systems are also areas of intervention by the Programme.

Mr. Speaker, the Climate-Smart component would target 7,500 beneficiaries in rural communities with a project cost of US \$14.0 million over a six-year period. Commencement is expected in the first quarter of 2019.

Mr. Speaker, the Basic Needs Trust Fund element of the rural development programme would seek to address water and sanitation, as well as education and human resource development in rural areas.

Six water and sanitation projects have been approved for implementation, which seek to improve environmental health services, access to sanitary toilet facilities, and access to potable water.

Mr. Speaker, another sub-component is Education and Human Resource Development. Four infrastructural projects have been approved for implementation namely:

- The construction of the Paradise Pre-School.
- Happy Hill/ Brizan Pre-School.
- The Clozier Pre-School and Resource Centre.
- River Sallee Pre-School Expansion.

Mr. Speaker, these projects seek to enhance access to early childhood education and improve the teaching environment at the pre-primary school level.

## **7.10 Tourism**

Mr. Speaker, economic transformation would also require more strategic interventions in our tourism sector. Therefore, a few sub-regional governments have collaborated on the OECS Regional Tourism Competitiveness Project, which seeks to facilitate the movement

of tourists in the participating countries using ferries, improving select tourism sites, and strengthening the implementation capacity for the regional tourism market development. The total value of this project is US \$10.8 million.

The following activities would commence in 2019:

- Relocation blue print for the Police Headquarters.
- Rehabilitation and structural design studies for Fort George, which is expected to be completed by mid-year to facilitate physical works thereafter.

Mr. Speaker, with our bid to improve facilities, room stock is another matter that we have been addressing. In 2018, we added to our room stock, high-end accommodation facilities. A number of new projects, as well as expansion of existing ones, are ongoing. Additionally, we continued to increase our *Air-bed and Breakfast* category of room stock, with over 400 rooms in private homes now available to visitors. Mr. Speaker, based on the strong performance in the first nine months of the year, total visitor arrivals, which include stayover visitors and cruise passengers, are estimated to increase by 9.2% for stayover visitors and 16.8% for cruise passengers in 2018, relative to 2017.

Mr. Speaker, in 2019 we anticipate commencement of the first phase of the Rehabilitation and Expansion of the Maurice Bishop International Airport Project. Additionally, we also anticipate that a feasibility study will be completed for the new airport in Carriacou. Our airport improvement projects coupled with our aggressive efforts to market the destination and enhance product offerings, will position the country to substantially increase our stayover arrivals, and by extension, the tourism industry's contribution to our economy.

## **7.11 Information and Communications Technologies**

Mr. Speaker, Information and Communications Technology (ICT) forms the backbone of the digital economy and has the potential to fast-forward progress on the Sustainable Development Goals and to

improve the lives of citizens in fundamental ways. This is our responsibility to future generations.

Leveraging ICT across the Public Service is paramount to improving the efficiency of Government and providing better service to citizens. In this regard, Government has contracted an Indian-based company – MGRM to develop a web portal, which offers citizens a single point of access to all Government's services online. This new web platform will be launched in 2019. Citizens will no longer be constrained by office hours to conduct Government business; they will have access to Government services 24-hours per day. Mr. Speaker, the safety and security of online payments are important for this service and will be addressed urgently through a World Bank-funded project.

The Ministry of ICT will continue to digitize the registries across Government with a view to improving efficiencies in communication and document retrieval and being environmentally friendly by reducing the use of stationery.

Additionally Mr. Speaker, the Ministry of ICT is collaborating with the Ministry of Education on a learning platform for the delivery of web-based teaching to all secondary schools in Grenada. Government will roll out the programme in all secondary schools in 2019.

I am pleased to report Mr. Speaker that the Government has created the enabling environment for the use of technology in business processes, with the passage of important legislation such as the Interception of Communication Act, the Electronic Transfer of Funds Crime Act, the Electronic Evidence Act, the Electronic Filing Act and the Electronic Crime Act.

The Internet has undisputedly transformed lives and created opportunities since the liberalisation of the Telecommunications sector in 1996. However, increased use of the Internet comes with similarly increased risks of security threats and cyber attacks.

Consequently, Mr. Speaker, the Government will move speedily to establish the Computer Emergency Response Team to respond to incidents of security threats to ensure that there is a high level of confidence in the use of Government's e-platforms.

## **7.12 Small Business Development**

Mr. Speaker, Government is committed to supporting small business development and one of the avenues used, is through the Small Business Development Fund (SBDF).

Since the start of the programme, 1,724 applications have been received with 748 existing businesses and 517 new businesses benefiting. The three main sectors accessing this facility were Agriculture, Fishing and Retail with a total of 517 new jobs being created.

## **7.13 Carriacou and Petit Martinique Affairs**

Mr. Speaker, our sister islands, Carriacou and Petite Martinique are also making an important contribution to the vibrancy of economic activity that is now prevalent.

As a matter of fact, to date, 2,350 feet of asphalt roads have been completed in the Mt. Royal and Dover areas.

A further 1,400 feet of concrete roads were done in Mt. Pleasant, Bellevue South, and Petite Martinique.

Mr. Speaker, under the Housing Repair Programme, 45 persons were assisted with loans and grants to improve their living conditions.

Moreover, as we seek to support the continued development of our people, I am extremely happy to report that 182 persons received crown lands. This is a remarkable feat Mr. Speaker, as land is an impetus for economic enhancement and wealth creation.

Mr. Speaker, the Ministry of Carriacou and Petit Martinique Affairs continues to support farming efforts on the sister isles. Currently, increased support is being given for cassava production with the cultivation of over four acres of land.

Two and a half acres of land on the Limlair Livestock station are now cultivated with corn and sugar cane.

Furthermore, 150 farmers in Carriacou and Petite Martinique have received tractor services, while 13 small farmers received assistance under the Food Security Programme.

Mr. Speaker, as a result of these activities, we have seen a 50% increase in seedling generation and crop production.

Mr. Speaker, over 45 fishermen in Carriacou and Petite Martinique received Hazard Analysis Critical Control Point training in safety at sea and fish handling and were provided with cold storage boxes for preserving their catch.

Finally, Mr. Speaker, but by no means least, I note with pleasure the commissioning of the Tyrell Bay Port facility in October. Mr. Speaker, the modern, state-of-the-art facility would enhance the flow of commerce to Carriacou and create immense potential for the social and economic transformation of the sister islands.

Mr. Speaker, I wish to assure the people of Carriacou and Petite Martinique, that as Government continues to advance the development agenda of our country, they will not be left behind or marginalised.

#### **7.14 Major Public Sector Projects**

Mr. Speaker, one of the key factors of our strong economic performance is the targeted Public Sector Investment Programme of the Government..

I would be the first to admit that we must do more to improve our implementation rate and therefore for the period 2019, a concerted effort would be made to procure services to assist with capacity building in the area of project management in the Public Service.

However, at this time I wish to highlight a few noteworthy achievements for the 2018 period and inform you of our 2019 intentions pertaining to public sector investments.

## **Grenada Houses of Parliament**

The construction of the Grenada Houses of Parliament Phase 1 was completed and we are currently preparing the technical details to be issued to the Mexican Government in support of the request for a donation of US \$2 million for Phase 2.

The scope of works in Phase 2 would include:

- Upgrade of main road and service road.
- Landscaping works, footpaths, external lighting, safety barrier.
- New entrance infrastructure.
- Solar panels on roof of car park.
- Perimeter fencing.
- External / internal security infrastructure, concrete paths, lighting, signage.
- Café fit-out.
- Public gallery and public interpretive signage / museum.

## **Gouyavee Reinforced Concrete Bridge**

The Gouyavee Bridge in La Fortune, St. Patrick was completed at a cost of EC \$625,000.

## **Melville Street Meat Market Building**

The renovation of the existing meat market, which includes two additional vending stalls and washroom facilities, a chilled room, and office space, is expected to be completed before the end of this year, at a cost of EC \$285,000.

## **Gouyave Medical Centre**

The contract documents have been reviewed and signed and the ground-breaking ceremony was held in October. The estimated cost of this project is EC \$7,000,000 and it is funded by the European Union.

### **St. Patrick Road Network Upgrade**

The St. Patrick Road Network Upgrade is expected to commence in 2019. Phase 1 of the project will cost EC \$27.0 million and would see the creation of 350 new jobs for citizens.

### **The UK-CIF / Western Road Corridor Project**

This project, valued at EC \$46.7 million, will commence in 2019. It is expected that 350 jobs will be created during the life of this project.

### **Lance Bridge, Gouyave**

The EC \$1.5 million Lance Bridge has been completed and currently concrete sidewalks on either side of the approaches to the bridge are being done.

### **Grenada Agricultural Feeder Roads Project Phase 3**

The project would see the rehabilitation of 10 roads and two bridges in the medium term. Work is expected to commence in the first half of 2019. This phase will cost EC \$101.8 million and will create 400 new jobs.

### **Gouyave Extreme Rainfall Project**

Construction of this project will begin in 2019. The estimated project cost is EC \$27.7 million.

### **St. John River Flood Mitigation Project**

The tendering phase for construction will commence in 2019. EC \$12.2 million will be invested in this project.

### **Restoration of Government Buildings**

Mr. Speaker, we will repair and restore Government buildings, which are currently not in use. At least EC \$10 million will be invested in this project. Contracts for this project will be done on a parish basis,

creating equal opportunity for contractors across the country to bid for projects in their respective parishes. This project will not only create hundreds of jobs around the country, it will ultimately reduce the amount of rent paid by Government for office space and other facilities.

### **Road Improvement and Maintenance Programme**

Mr. Speaker, the Government has re-introduced the Environmental Warden Crews, which will provide continuous road maintenance to include drainage, cutting of over hangings, culvert cleaning and maintenance of the compound of Government/public facilities or public spaces, such as cemeteries, community centres and beaches. This initiative is expected to create 400 permanent jobs.

This will complement the seasonal Debushing Programme, which will employ 2,810 persons during the year.

### **Asphalt and Concrete Works**

Asphalt overlays to various sections of the roads, concrete pavements, retaining walls, drains and box culverts were done to improve and protect the integrity of the road infrastructure. In 2019, we would continue this programme that would create employment for 430 persons.

### **Transportation**

Mr. Speaker, we all know that congestion, particularly on major thoroughfares, is an ongoing problem. This matter would be addressed with a mix of initiatives, which includes enforcing designated no parking zones through the expansion of our clamping programme and a more assertive presence on the streets through the deployment of Traffic Wardens.

Sixty Traffic Wardens will be employed through the Transport Board to augment the capacity of the Traffic Department to manage and regulate the flow of traffic. The Traffic Wardens will have legal au-

thority to enforce the traffic laws, including regulating parking, issuing tickets and clamping vehicles.

Although employed by the Transport Board, operational control of the wardens will be delegated to the Commissioner of Police who is a director of the said Transport Board.

We believe that while consideration is given to the development of a computerised traffic management system and a modern traffic light system in the future, Traffic Wardens will make a significant difference in managing the flow of traffic.

Mr. Speaker, it has been observed that some Motor Vehicle Repair Shops, Welding Shops and Garages are operating in locations that hinder the flow of traffic. Presently, consultations are being held with these stakeholders, with a view to updating the existing Act that regulates these activities. This draft legislation should be before the Parliament by the first half of 2019.

Additionally, Mr. Speaker, Government is considering a National Transportation Authority that would be responsible for all aspects of transportation, inclusive of licensing, issuance of bus route stickers, inspection, certification and fee collection. Cabinet would soon review draft proposals and a final decision on the construct of the authority would be made in 2019.

Mr. Speaker, we have heard the plight of commuters. In 2019, a new bus route will be created, servicing the route, St. Andrew to St. David, via Westerhall, into Woodlands, Grand Anse Valley and terminating in Grand Anse.

Furthermore Mr. Speaker, discussions are being held with the various associations to improve and expand the hours of operation on all routes in the country.

Additionally, the roundabout in Grand Anse leading to the Maurice Bishop Highway will be enhanced, with a view to easing congestion on that road.

## 7.15 Major Private Sector Projects

Mr. Speaker, economic confidence in Grenada is evident as the country continues to attract investment from both locals and foreigners alike. During the year 2018, the Grenada Investment Development Corporation facilitated several projects with incentive support.

As of September 2018, 47 applications for investment incentives were received with 41 projects being approved for incentive support; 23 of which were within the Tourism sector, 14 in the Manufacturing sector and four in the Services sector. The proposed investments in these 2018 projects are estimated at EC \$272.0 million with approximately 800 jobs created. Some of these projects commenced operations, while several are in various stages of implementation.

These projects include but are not limited to the following:

- **True Blue Bay Resort** – The project involves the upgrade and expansion of the True Blue Bay Resort, including the construction of a new building on lands adjacent to the existing facility. The facility, when completed, will add 24 units and five suites to Grenada’s room stock. The new wing is estimated to cost EC \$10.0 million, of which EC \$6.0 million have already been invested. The project, which is now 75% completed, is expected to be operational in January 2019 and will employ an additional 40 persons.
- **Ace Holdings Ltd** – The construction of 50 single apartment units in True Blue Bay Resort. The project cost is estimated at EC \$14.0 million, of which EC \$9.0 million were expended in 2018. Construction activities are ongoing, providing employment for 70 persons. The operation is expected to commence in January 2019, creating permanent employment for 10 persons.
- **Virgin Beach Development Co. Ltd** – This project involves the construction of a 128-bedroom student accommodation facility at True Blue. The project cost is estimated at EC \$40.0 million. Eighty persons are expected to benefit from employment in the construction phase, while five persons will be perma-

ment employees. The project has commenced construction with EC \$2.0 million spent to date and employment created for 10 persons thus far.

- **ATMA Island Living** – This is a Bed ‘N’ Breakfast facility to accommodate seven luxury guest rooms. Located at Levera, in close proximity to Bathway Beach, the project cost is estimated at EC \$1.1 million, with commencement scheduled for 2019. Once operational, five permanent jobs would be created.
- **Royal Rose Apartments** – A small tourism accommodation facility located in Carriacou, this project is estimated at EC \$1.5 million. Construction works are nearing completion and the facility is expected to commence operation by the end of the year, creating permanent employment for three persons.
- **Boucan Luxury Apartments** – Construction of 24 apartment units at Lance-Aux-Epines. Project cost is estimated at EC \$1.5 million. Investment to date is EC \$1.0 million and current construction employment is 30 persons. The project is expected to become operational in January 2019, creating permanent employment for seven persons.
- **Xenia Apartments** – Establishment of an EC \$1.8 million student accommodation facility, which will create permanent employment for eight persons. Construction activities have commenced with 40 construction jobs created.
- **Divine Apartments** – Expansion of an existing student accommodation facility by an additional 10 apartments situated in True Blue, St. George. Investment cost is EC \$1.4 million. The project became operational in 2018. Construction employment has been created for 30 persons and permanent employment for two additional persons.
- **Serenite Estates Ltd.** – This EC \$9.0 million project will involve the construction of a tourism accommodation facility with 52 single-apartment units. The facility will be located at Morne Rouge, St. George and will create 25 permanent jobs when completed.

- **Homa Limited** – This is a luxury resort with 240 hotel rooms encompassing three properties located in True Blue. This EC \$60.0 million project is carded for implementation in 2019. The project will create employment for 40 persons when completed.
- **The Royal Palm** – Upgrading and expansion of the former Hamilton Hotel to establish 17 hotel rooms. The project cost is estimated at EC \$2.9 million. Construction works are ongoing and operation is expected to commence by early 2019. This project would create 15 permanent jobs.
- **Waldorf Apartments** – Construction of a 108-single apartment building at True Blue. Construction of this project has commenced. The cost is estimated at EC \$25.0 million. Construction employment is proposed for 150 persons and permanent employment for seven persons. Construction activities have commenced.
- **Comfort Zone Ltd.** – Construction of 10 single-apartment units, a restaurant and mini-mart at True Blue. Project cost is estimated at EC \$4.3 million. Construction employment is proposed for 80 persons, while 20-35 persons will benefit from permanent employment. Operation is carded for December 2018.
- **Star Development Limited** – A 60-room luxury hotel and spa to be developed in three phases on 3.67 acres perched above the Dr. Grooms Beach in Point Salines. When complete, this EC \$56.0 million project will create permanent employment for 15 persons.
- **Sun Hunters** – Expansion of ATV tour operation into the parish of St. Mark. Project cost estimated at EC \$2.6 million. Additional employment proposed for 10 persons. Implementation activities have commenced.
- **Village in the Blue** – US \$57.0 million will be invested in this project, which will in effect, construct an extended stay hotel, specifically targeted at university students. Construction is ex-

pected to start in the first half of 2019 and will provide employment for 200 persons. Upon completion, the facility will create 140 permanent jobs.

Mr. Speaker, major agro-processing and manufacturing projects were approved in 2018 including:

- **Mt. Plaisir Estate** – The project involves the construction and equipping of a crop production and agro-processing facility on seven acres of land on the former Brothers Estate in Gouyave. The proposed investment is EC \$8.1 million and approximately 29 persons will be employed upon completion of the facility.
- **Synergia Incorporated** – Establishment of diversified agribusiness operation to comprise hydroponics for non-traditional fruits and vegetables (such as strawberries for example), traditional crops, seedling production, cassava processing, and banana ripening facility. The project cost is estimated at EC \$750,000, with proposed employment for 13 persons. Partial operation has commenced with six persons employed thus far.
- **The Honey Company** – Expansion of the honey manufacturing operation at an estimated cost of EC \$188,400. Located in Mt. Nesbit, St. John, the project created employment for seven persons.
- **Aqua Natural** – This project entails expansion of the water bottling operation and is estimated to cost EC \$5 million. The project which is currently employing over 40 persons in construction at La Sagesse in St. David, is expected to be operational early in 2019, creating employment for over 30 persons.

Mr. Speaker, the Grenada Investment Development Corporation continues to support ongoing projects, which started prior to 2018. To date, over EC \$350.0 million have been invested in our economy from projects such as Renegade Rum Group in the north to Point Calivigny in the south and over to our sister isle with the Carriacou Development Corporation. I wish to specifically highlight the two companies of the Renegade Rum Group, namely Cane Co and Ren-

egade Distillery. Cane Co currently employs 90 persons and leases 183 acres of land and farms an additional 27 acres from three private land owners on farm management contracts. In August 2018, work commenced on the construction of a distillery in Meadow Estate, in Conference St. Andrew, at an estimated cost of US \$10.0 million.

Mr. Speaker, the social and economic multiplier effects of these projects are tremendous, not only because of the employment created and the monies that are injected into our economy, but also, sectoral links are established and the impetus created for further stimulating private investments.

Mr. Speaker, I now move to other budgetary measures.

## **8. OTHER BUDGETARY MEASURES**

Mr. Speaker, we cannot hope to build a better Grenada without improving individual lives. While we must work for individual improvement, we share a general responsibility for all humanity. Therefore, the Government remains committed to improving the lives of its people and proffers the following budgetary measures:

- An increase in ex-gratia payments to a minimum of EC \$350.00 commencing in January 2019. This would result in increased incomes for 280 persons. Mr. Speaker, Government maintains an unwavering commitment to the people of this country, particularly to the vulnerable among us.
- Commencing from the tax period 2019, Personal Income Tax would be reduced to 28% for income in excess of \$5,000 per month. Similarly, Corporate Tax will be reduced to 28%. Mr. Speaker, the 2 percentage points reduction will obviously affect Government's revenue collection, but more importantly, it will help to stimulate the local economy, putting more disposable income in the hands of workers and for companies, affording them extra capital to potentially re-invest and grow their respective businesses.

- Mr. Speaker, relief is on the way for claimants who would have secured judgements against the Government for various infractions. Government is keen to finally settle these claims, some of which will be done posthumously. The US \$ 30.0 million loan received on concessionary terms from the World Bank makes provisions for Government to reduce public debt. As such, a portion of the funds will be used to compensate claimants, including those whose claims pre-date the New National Party administration.
- Mr. Speaker, Government, in partnership with the Grenada Hotel and Tourism Association, The Tourism Authority and the Grenada Development Bank, have teamed up to provide support to small indigenuous hoteliers. The support would be in the form of a soft loan facility at the Grenada Development Bank. The revolving fund will finance training and marketing programmes to support the efforts of small hotels that are members of the hotel association. An initial EC \$3.0 million would be made available for the programme.

## 9. ACKNOWLEDGEMENTS

Mr. Speaker, I would like to thank my Cabinet colleagues for their unwavering support in the governance of our beloved country. I am grateful to the Cabinet Secretary for her continued dedication to handling the affairs of the executive branch of Government. I must express heartfelt appreciation to all Permanent Secretaries who have the monumental task as the administrative head of their respective ministries. Special commendation must be given to the Permanent Secretary in the Ministry of Finance who has built a unified team of young public servants and who literally worked night and day to prepare the 2019 budget.

Mr. Speaker, I must say thank you as well to the wider Public Service, our social partners, our international and regional development

partners, and all others who have contributed to the preparation and delivery of this year's Budget.

Mr. Speaker, we are grateful for the contributions of:

The Government of the People's Republic of China  
The Government of the Bolivarian Republic of Venezuela  
The Government of the Republic of Trinidad & Tobago  
The Government of the Republic of Cuba  
The Government the Federal Republic of Germany  
The Government of New Zealand  
The European Union  
The Government of Japan  
The Government of the United Arab Emirates  
The Government of Mexico  
The Government of the Kingdom of Morocco  
The Government of the Federative Republic of Brazil  
The Government of the Republic of Turkey  
The Government of the Republic of Kazakhstan  
The Government of the Republic of Korea  
The Government of the Russian Federation  
The Government of the Republic of France  
The Government of the Republic of Chile  
The Government of the Argentine Republic  
The Government of Costa Rica  
The Government of the United Kingdom and the Department for  
International Development  
The Government of Canada and the Department of Foreign Affairs  
and Development (DFAD)  
The Government of the United States of America and the United  
States Agency for International Development  
The Caribbean Development Bank  
The Kuwaiti Fund for Arab Economic Development  
The OPEC Fund for International Development  
The International Monetary Fund  
The Eastern Caribbean Central Bank The Caribbean Regional  
Technical Assistance Centre (CARTAC)  
The CARICOM Secretariat  
The CARICOM Development Fund (CDF)

The United Nations Development Programme  
The United Nations Population Fund  
UN Women  
Global Environmental Facility  
The United Nations Children’s Fund  
The United Nations Educational Scientific and Cultural Organization (UNESCO)  
The United Nations Environmental Programme (UNEP)  
The Food and Agriculture Organisation (FAO) of the United Nations  
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 Caribbean Export Development Agency  
The Commonwealth Secretariat and Commonwealth Fund for Technical Cooperation (CFTC)

## **10. CONCLUSION**

Mr. Speaker, the priorities set out in the 2019 Budget are intended to give us hope and confidence. We have to be optimistic about our future, because we cannot build a country on pessimism.

Let us approach our future with confidence; the confidence that emanates from the acceptance of our collective ability to overcome difficulties; the confidence that emanates from the economic growth being experienced after years of shared sacrifices.

Mr. Speaker, history would record that Grenada is not defined by its borders or the boundaries of its land mass, but rather, it is defined by people who have been unified by a cause, who share a common value system and who are committed to a common vision for the type of society they wish to live in and one which future generations will inherit.

A vision of pension for all public officers – established or un-established compels us to continue to engage in healthy, meaningful dia-

logue on this issue, understanding that it must be predicated on affordability and sustainability.

A vision of affordable quality health care for all, that ignites, rightly so, national dialogue on ways to improve the healthcare system for this generation and the ones to come.

A vision for a better judicial system, where matters can be adjudicated in a timely, fair and efficient manner for the benefit of all concerned.

A vision of a society where children are safe from all forms of abuse, where the communities are the guardians of our young.

A vision of greater productivity in both the public and private sectors that match the demands for higher compensation. We must accept and appreciate that what we do today, directly impacts on the tomorrow that we have to face.

A vision where we are all held to the same standard of integrity and morality.

A vision of equal opportunities for women and men.

A vision of increased consciousness and spirituality for our society.

Mr. Speaker, the privilege to serve Grenada at this level is tempered by a deep sense of humility, born of the recognition of the role played by the people in shaping and guiding the development of our nation. I believe that every Grenadian shares this vision of a better society. Therefore, let us work together in unity and with a common sense of purpose that have seen us through our darkest of hours, as we seek to address complex problems not with anger, animosity, intolerance and hate, but with love, camaraderie and peace. Mr. Speaker, there is greatness in the DNA of all of us. If we work together in unity, challenges will evolve into pathways of mutual destiny.

Mr. Speaker, we are a God-fearing people and I am comforted by the words of the almighty as it is written in Romans 14:19 and I quote:

“Let us therefore follow after the things which make for peace, and things wherewith one may edify another.”

May God bless our dear and beautiful land of Grenada, Carriacou and Petite Martinique. I thank you.

## **ANNEX I**

# **ANNUAL ECONOMIC REVIEW 2018 AND ECONOMIC OUTLOOK**

## **1. OVERVIEW**

Preliminary estimates based on data for the first nine months of 2018 indicate that the economy will continue along a positive trajectory in 2018. Inflation will edge up in 2018 and the employment situation is expected to improve. Regarding public finances, the full year performance is expected to be strong, based on the outturns for the first three quarters of the year. Central Government’s debt stock is estimated to decline further, relative to 2017. The economic prospects are positive, but can be affected by a mix of upside and downside risks. Short-term risks in particular, are tilted to the downside.

## **2. INTERNATIONAL AND REGIONAL DEVELOPMENTS**

### **2.1 International Developments**

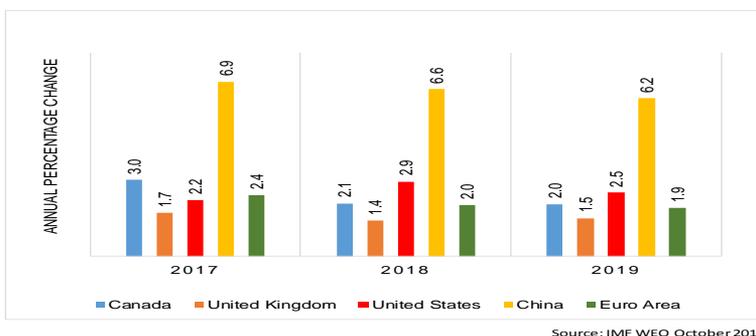
According to the IMF’s most recent World Economic Outlook (WEO) Report, released in October 2018, the global economic upswing that began in 2016 strengthened in 2017, with global growth accelerating to 3.7 percent from 3.2 percent in 2016. The rate of global growth in 2017 was the fastest since 2011 and was underpinned mainly by a recovery in private investment. Global growth was not only stronger in 2017 but it was broader, as output accelerated in more economies relative to 2016.

Global growth is estimated to plateau at 3.7 percent in 2018 and 2019. The October estimates are downward revisions relative to those that were done in April 2018, which had forecasted global growth of 3.9 percent for both years. The downward revisions are largely because of lower projected growth for major Advanced Economies, especially the United States (US) in 2019 because of the potential negative impacts of trade tariffs. On a whole, average growth in Advanced Economies is estimated at 2.4 percent in 2018 and is projected to decelerate to 2.1 percent in 2019.

Average growth in Emerging Market and Developing Economies is also forecasted to stagnate at 4.7 percent in 2018 and 2019, the same rate as in 2017. However, within this category of economies, especially oil-exporters such as Nigeria and Russia, growth is forecasted to accelerate in 2019 relative to 2018 and 2017 because of rising oil prices that are expected to continue.

In relation to the economies of some of Grenada’s major trading partners (Figure 1), growth in the US is estimated to accelerate to 2.9 percent in 2018 from 2.2 percent in 2017, aided primarily by its sizable fiscal expansion, a recovery in private investment, and favourable financial conditions.

**Figure 1: Selected Real GDP Growth Rates - International**



However, notwithstanding the positive short-term prospects, there are a number of downside risks including (but not limited to) a potential escalation in the trade war with China that weigh on the short-term

outlook for the US economy. As such, the pace of growth is projected to decelerate to 2.5 percent in 2019. In the United Kingdom (UK), growth is estimated to decelerate from 1.7 percent in 2017 to 1.4 percent in 2018, but is projected to pick up slightly to 1.5 percent in 2019 amid lingering post-Brexit uncertainties.

In Canada, growth is also projected to lose momentum, slowing down from 3.0 percent in 2017 to 2.1 and 2.0 percent in 2018 and 2019 respectively, amid the prospects of rising interest rates, waning private investment, and trade uncertainties in the context of the new North American Free Trade Agreement (NAFTA). In the Euro Zone (EZ), economic activity is forecasted to lose momentum, with growth in average economic output for the EZ projected at 1.9 percent in 2019, compared with 2.0 and 2.4 percent in 2018 and 2017 respectively. Underlying the EZ's economic slowdown are projected stagnation in Germany and France and decelerations in Italy and Spain.

In China, a potential escalation in the trade war with the United States is a potential drag on economic activity. Growth is projected to moderate to a sustainable pace, slowing down from 6.9 percent in 2017 to 6.6 in 2018 and 6.2 per cent in 2019 (Figure 1).

Short-term risks to global growth are tilted to the downside mainly because of the possibility of sharper-than-expected monetary tighten especially in the US as fiscal policy becomes expansionary, the potential escalation of trade wars in advanced economies and heightened geopolitical tensions.

## **2.2 Regional Developments**

Average GDP growth in the independent countries of CARICOM is estimated at 1.1 percent in 2018, roughly the same rate of increase as in 2017 (1.0 percent). However, the increase in regional output is projected to pick up speed in 2019, averaging 3.0 percent, fuelled largely by high rates of growth forecasted for Dominica, Grenada and Guyana (Figure 2).

**Figure 2: Real GDP Growth Rates - Regional**



Sources: WEO October 2018 and Government of Grenada

In the Eastern Caribbean Currency Union (ECCU), economic growth is estimated to average 0.4 percent in 2018, a deceleration relative to the average increase of 1.5 in 2017, largely because of a massive decline estimated for Dominica because of the damages associated with Hurricane Maria. However, a pickup is projected in 2019, with growth averaging 4.3 percent. In the non-ECCU countries, average growth is estimated at 1.6 percent in 2018 and is projected to edge up to an average of 1.9 percent in 2019.

Risks to the regional growth prospects are on the downside. Not only are regional economies susceptible to spillovers from risks to the global economy, they are also vulnerable to risks associated with natural disasters and other weather-related events. Furthermore, regional economies that are dependent on financial services will continue to face intense scrutiny from the Organisation for Economic Cooperation and Development in relation to offshore-related tax competition issues. De-risking and rising international oil prices also pose headwinds for regional economies.

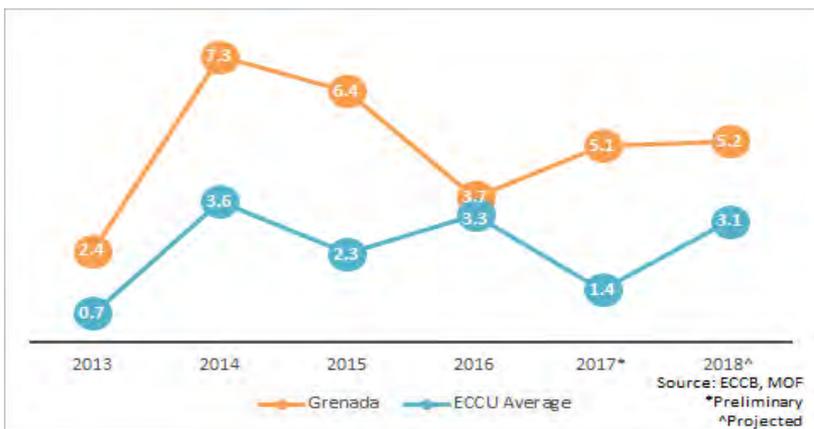
### 3. 2018 ECONOMIC REVIEW

#### 3.1 Real Sector Developments

Preliminary data for the first half of 2018 indicate that the economy remains strong and is poised to experience its sixth consecutive year of growth. The economy is expected to grow by 5.2 percent in

real terms<sup>1</sup> in 2018 after expanding by 5.1 percent in 2017. Grenada remains the fastest growing economy in the region, averaging real growth of 5.0 percent since 2013 (Figure 3). Increased economic activity in the Construction, Tourism, Transport and Retail Trade sectors have been the main drivers of this growth, as well as moderate expansion in the Private Education and Real Estate Sectors. Persistent challenges in Agriculture have resulted in a projected decline in that sector for the third consecutive year.

**Figure 3: Real GDP Growth: Grenada vs. ECCU Average (2013-2018<sup>^</sup>)**



## **Agriculture**

Production data for the first six months of 2018<sup>2</sup> indicate a decline in agriculture production compared to the same period in 2017. Abnormal weather patterns remain an issue with the frequency and distribution of rainfall affecting production of major crops including nutmeg and cocoa. Rainfall patterns have altered crop cycles in some cases. Historically, distinct wet and dry seasons have made production patterns more predictable. However, in recent times, weather patterns have become less distinct, with periods of heavy rainfall followed by prolonged dryness prevailing several times per year in some cases. This climate change phenomenon has affected the production of both nutmegs and cocoa.

1 Real GDP at Market Prices.

2 Latest period for which data are available.

Falling international prices for some crops has created an additional challenge in the sector, especially those where production is demand driven. However, it should be noted, that though crop production has declined for the last three years, it is still slightly above 2014 levels (Figure 4).

### **Nutmeg and Mace**

For the first half of 2018, the volume of nutmegs produced declined by 26.9 percent relative to the corresponding period in 2017. Changing weather patterns, especially as it relates to rainfall has been cited as one of the main reasons for the decline as stated previously. Given the first half performance and the production cycle for nutmegs, it is unlikely that crop yields will exceed that of 2017 and thus a decline in nutmeg production of around 13.1 percent is projected for 2018.

Mace production also decreased by 45.2 percent for the first two quarters of 2018 compared to the same period in 2017. This is consistent with the decline in the production of nutmegs as these two crops are intrinsically linked. Moreover, high moisture levels, especially in the first quarter of 2018 would have reduced the viability of the mace and thus contributed to the reduced production. Mace production is price driven. Hence, mace production is expected to pick up in the second half of 2018 and into 2019 as the Nutmeg Board has recently secured a stable market for mace and will be offering higher prices to farmers to meet required supply levels.

On the export side, despite fluctuating international prices, nutmeg exports increased by 34.0 percent in the first half of 2018 compared to the same period in the previous year. The country's nutmeg board, which has been under new management since the first quarter of 2018, has been stockpiling nutmegs during periods of depressed prices and selling large quantities when prices are more favourable.

### **Cocoa**

Cocoa production for the period January to June 2018 rose by 2.0 percent relative to the corresponding period in 2017. This is encour-

aging as large amounts of spoilage were reported in the early months of 2018 due to damp weather conditions during that period. Abnormal rainfall patterns have affected cocoa production during the year, though reduced production was not recorded. Challenges relating to pests and diseases, though still present, have become less prevalent, with such issues being isolated to particular farms.

Sales on the international market declined by 11.5 percent in the first six months of 2018 compared to the same period in 2017 because of falling international prices. The Cocoa Board has been engaged in stockpiling cocoa beans while awaiting higher prices. A fixed price is paid to local cocoa farmers which is typically above the international price and so the Board must secure premium prices to ensure it makes a surplus.

### **MNIB Purchases of Other Crops<sup>3</sup>**

From January to June 2018<sup>4</sup>, the quantity of MNIB purchases of “other crops” fell by 7.8 percent compared to the corresponding period in 2017. MNIB Purchases of other crops is the main indicator for production of fresh fruits, vegetables and root crops. As such, given current trends, this sub sector is projected to decline for the third consecutive year. However, it should be noted that an increased number of farmers and farmers’ co-operatives continue to sell directly to hotels and supermarkets which affects the correlation between MNIB purchases and production in the “other crops” sub sector. Efforts are therefore ongoing to improve data collection in that regard to better capture production levels.

### **Fishing**

Preliminary data indicate growth in the fishing sector evidenced by increased catch during January to June 2018 of 2.0 percent compared to the same period in 2017. A similar moderate growth path is expected for the second half as well. However, several challenges persist in the Fishing industry. The Sargassum seaweed continues to be a

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<sup>3</sup> In this section, “Other Crops” means crops other than Nutmegs, Cocoa and Bananas.

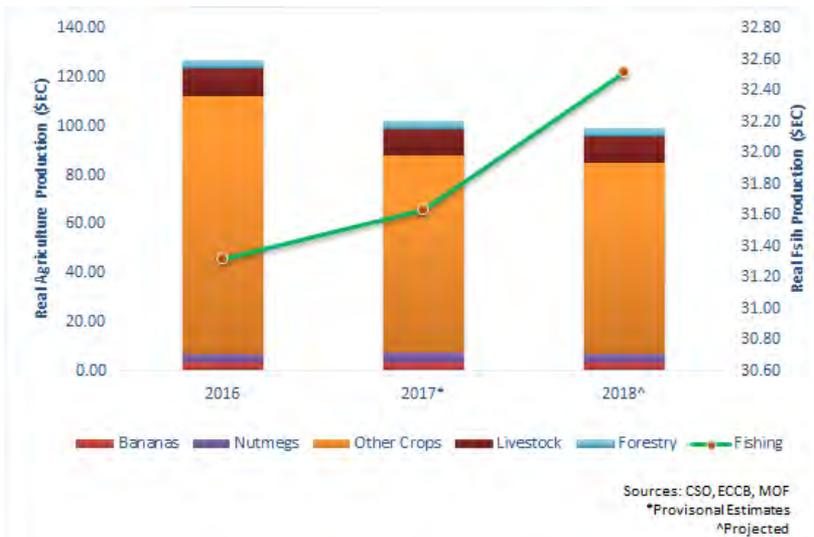
<sup>4</sup> Latest period for which data are available

challenge, especially for fishermen on the east coast of the island, and affects both long line and seine fishing. Additionally, the active Atlantic Hurricane season has affected fishing schedules as instances of tropical disturbances hinder the ability of fishing vessels to operate. Competition for bait has also been cited as a cause for concern. Vessels from neighbouring islands are purchasing bait in Grenada and thus lessening stocks available for local fishermen.

In terms of exports, key exporters of fish have indicated that international fish prices, primarily for Yellow Fin Tuna, are very favourable allowing local fisher folk the opportunity to fetch a fair price for their catch. Prospects for increased sales are also on the horizon as Grenada seeks to diversify its seafood exports and expand to markets in different parts of the world.

Logistical issues still remain with regards to exports, though some effort has been made to improve the process. A specialized cargo scanner has been purchased and will be installed at the Maurice Bishop International Airport. Issues with the reliability of cargo airlift are still prevalent with commercial airlines being used to transport fish in some cases.

**Figure 4: Agriculture and Fish Production (2016-2018<sup>^</sup>)**



## Tourism

For the period January to September 2018<sup>5</sup>, preliminary data on arrivals show an increase in stay-overs of 10.3 percent over the same period in 2017. There were increases in all major source markets, including a 14.1 percent increase in visitors from the US and an 11.8 percent growth in Canadian arrivals (Table 1).

**Table 1: Visitor Arrivals for January to September – 2017 vs. 2018**

Visitor Arrivals	As at September		% Change
	2017	2018	2018/2017
United States	49,671	56,688	14.1
Continental Europe	5,221	5,469	4.8
United Kingdom	19,234	19,728	2.6
Canada	11,189	12,504	11.8
Caribbean	21,016	22,557	7.3
Other	2,958	3,547	19.9
<b>Total Stay Over Arrivals</b>	<b>109,289</b>	<b>120,493</b>	<b>10.3</b>
<b>Cruise Passengers</b>	<b>176,734</b>	<b>224,759</b>	<b>27.2</b>

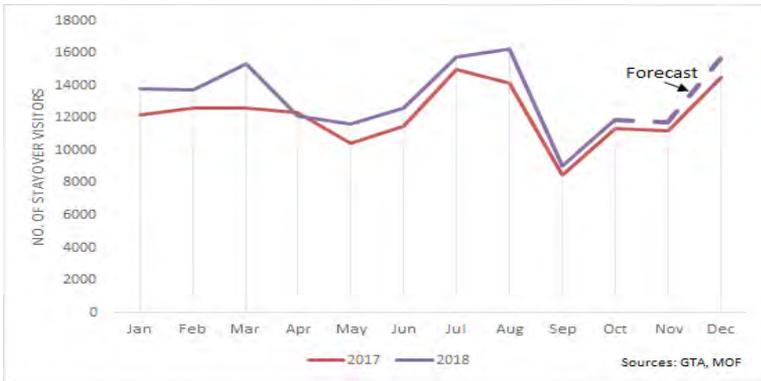
Source: GTA

Amid BREXIT uncertainties, moderate increases in visitors from the UK (2.6 percent) and Continental Europe (4.8 percent) are encouraging. The amount of visitors from the Caribbean region rose by 7.3 percent during the period. Stayover arrivals also increased in every month in the period under review with the exception of April which was slightly lower in 2018 than in the previous year (Figure 5). Increased marketing efforts and destination promotion in the Caribbean region and Canada, as well as increased airlift in these two markets have been reported to be a key factor in the growth in arrivals during the period. Moreover, in 2018, Grenada hosted several regional and international events which would have also contributed to the influx of visitors in January to September 2018, including the Grenada Invitational Athletics Meet, Dive Fest, Pure Grenada Music Festival, SpiceMas, as well as several regional meetings and conferences.

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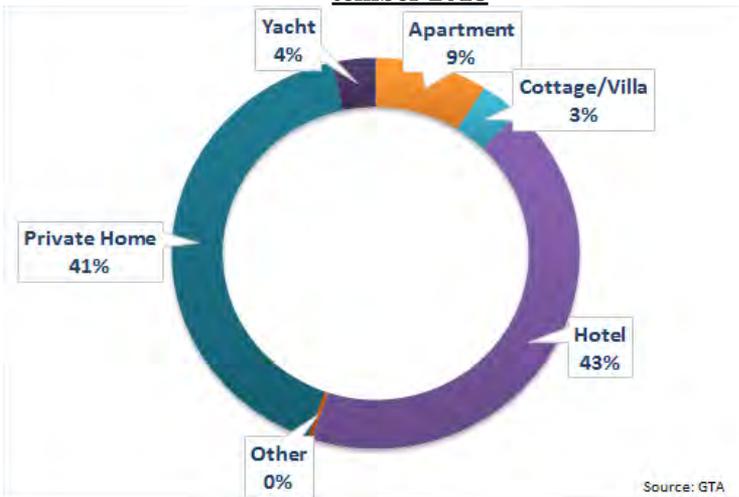
<sup>5</sup> Latest period for which data are available

**Figure 5: Monthly Stayover Arrivals 2017 vs. 2018**



In terms of paid accommodations, 42.8 percent of stay-over visitors chose to reside in hotels during their stay, while 8.9 percent and 3.3 percent stayed in apartments/guest houses and cottages/villas respectively (Figure 6). With an average length of stay of 9.3 days per visitor, total value added in the Hotels sector for the January to September period in 2018 increased by 8.9 percent<sup>6</sup>.

**Figure 6: Stay-Over Visitor by Accommodation: January – September 2018**

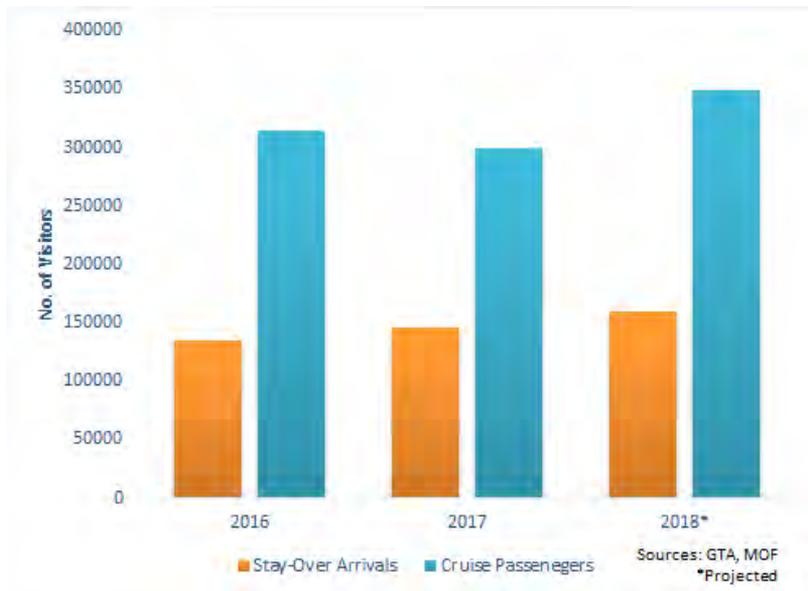


6 The Hotels sector includes all paid accommodation. Value added in the sector is calculated using “Bed nights” which is the number of visitors staying in paid accommodation multiplied by the average length of stay.

Based on performance in the first three quarters of 2018, as well as additional flights from the US, Canada and Europe announced for the last quarter, stayover arrivals are expected to increase by approximately 9.2 percent or 160,000 visitors, which would be the highest figure ever recorded for Grenada within the last five years.

Cruise ship arrivals rose by 27.2 percent in the first three quarters of the year from 176,734 passengers in 2017 to 224,759 in 2018. Grenada would have received a boost in cruise calls from cruise lines adjusting their routes for the 2017/2018 season due to the northern Caribbean islands being seriously affected by the active 2017 hurricane season. Scheduled cruise calls for the last quarter of 2018 totaled 119, including 7 new cruise lines. Cruise arrivals are therefore projected to grow by 16.8 percent in 2018 to approximately 350,000 visitors (Figure 7).

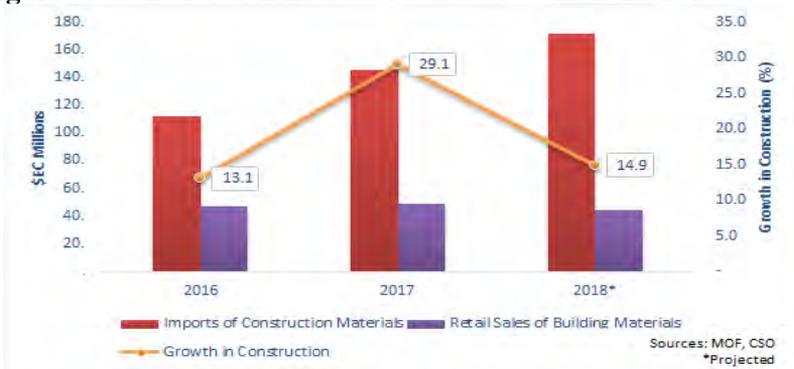
**Figure 7: Visitor Arrivals: 2016-2018\***



## Construction

It is projected that growth in the Construction sector will continue on a positive trajectory in 2018 for the fourth consecutive year. After experiencing an expansion of 29.1 percent in 2017, projections are that the sector will expand a further 14.9 percent in 2018 (Figure 8). For the first half of 2018, preliminary data show a 26.7 percent increase in the value of construction materials imported compared to the corresponding period in 2017. Imports of construction materials is the main indicator used to estimate overall growth in the Construction sector. Conversely, retail sales of building materials fell during the period under review by approximately 3.6 percent. The difference in movement of these two indicators is as a result of large projects importing the majority of their building materials. Key construction projects in 2018 included the SGU expansion project, Silver Sands Resort (Phase One) and the Parliament Building (Phase One). Though some of these projects have already been completed and others are due to be completed by the end of 2018, the Construction sector shows no signs of slowing down with several new private and public sector projects already in the pipeline for 2019 and beyond.

**Figure 8: Construction Indicators and Growth: 2012-2018\***

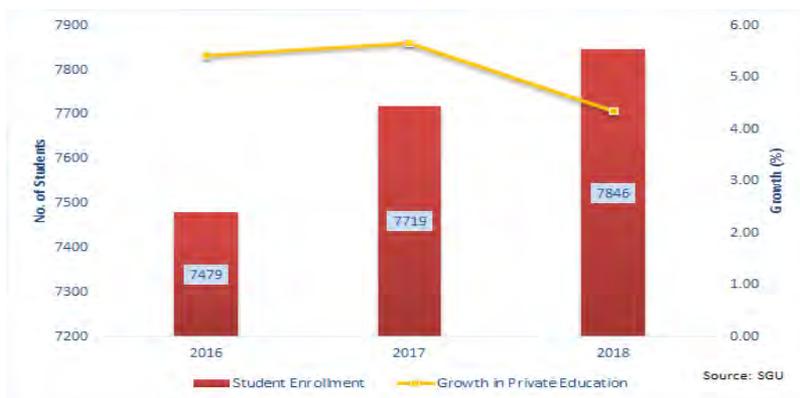


## Private Education

Private Education remains the largest contributor to GDP, constituting approximately 19.3 percent in 2018, and has also been one of the main drivers of economic growth in recent years (Figure 9). Growth in Private Education is expected to be 4.3 percent in 2018 relative to

2017. Though increases in student enrolment, increasing academic fees, as well as major investment in infrastructure at the St. George’s University indicate that the sector remains strong in 2018, some deceleration in growth is expected in the sector.

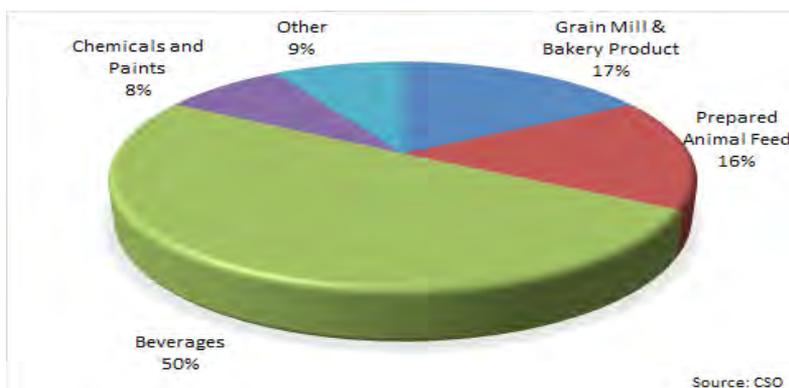
**Figure 9: SGU Enrolment and Growth in Private Education: 2016-2018**



**Manufacturing**

The Manufacturing sector grew by 2.0 percent in 2018 continuing from 2.7 percent growth in 2017. In the first half of 2018, Beverages made up 50.4 percent of manufactured goods, while Grain Mill & Bakery Products were approximately 16.9 percent (Figure 10).

**Figure 10: Composition of Manufacturing Sector: Jan-Jun 2018**



Preliminary estimates of production for the first half show that there was a 12.0 percent increase in the value of beverages manufactured compared to the corresponding period in 2017. The value of Chemicals & Paints produced during the period also rose by 14.6 percent. Since beverage and paint production are notably demand driven, increases are most likely the result of the general uptick in economic activity, especially in the construction sector. A further increase is expected in the last quarter during the festive season. Moreover, the reintroduction of an international soft drink brand has boosted production. This trend is expected to continue especially as Grenada is poised to supply these products to the OECS region as well.

Conversely, production of Grain Mill & Bakery Products and Animal Feed fell in the period under review by 30.8 and 2.6 percent respectively. Challenges on the export market has been cited as the main reason for such a major decline in the value of flour produced during the period. One such challenge is the non-implementation of Article 164 of the Revised Treaty of Chaguaramas<sup>7</sup> in some of Grenada's main export markets for flour. This has made it difficult for Grenada's products to compete with those from the larger Caribbean countries which can produce much more cheaply. As a result, Grenadian flour producers have been forced to reduce the prices of their products to remain competitive. Additionally, the commissioning of a new flour mill in a neighbouring OECS territory has also affected demand for Grenada's products regionally. On the local front, competition from imported flour and pre-baked goods are also negatively affecting the flour industry. Recovery in the subsector would be hinged on these issues being addressed in the near future.

## **Other Sectors**

Positive growth is also expected in 2018 for the Wholesale & Retail Trade sector and the Transport sector, with projected rates of 10.8 and 11.6 percent respectively. Robust activity in the Construction and Tourism sectors, as well as increased employment, are the main fac-

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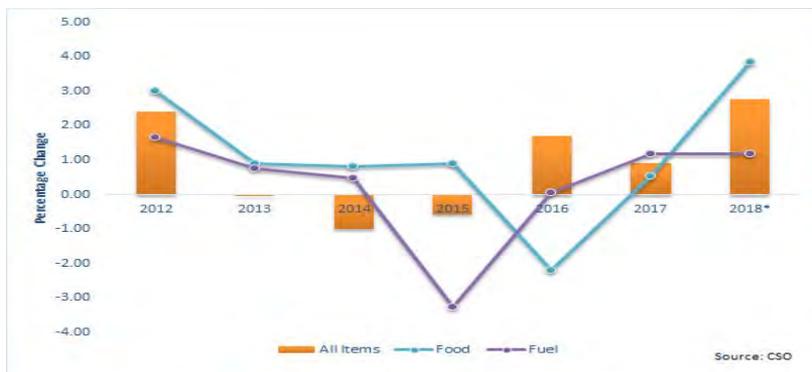
<sup>7</sup> *Article 164 of the Revised Treaty of Chaguaramas grants the Lesser Developed Countries (LDCs) of CARICOM, including Belize and Haiti, the authority to deny certain products originating in CARICOM and extra regional countries from preferential (duty free) entry into their markets.*

tors contributing to these projections. Marginal improvement is also expected in the Real Estate and Financial Intermediation sectors with projected growth rates of 2.2 and 2.6 percent respectively.

### **Inflation and Unemployment**

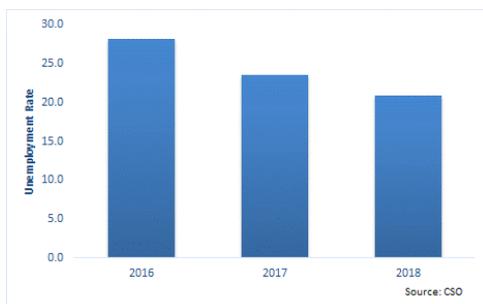
The average rate of inflation, as measured by the Consumer Price Index is estimated to be 2.8 percent in 2018. As Grenada’s inflation is mainly imported, increases in international oil and food prices, as well the pickup in US inflation, are the main drivers of increases in local prices (Figure 11).

**Figure 11: Inflation (CPI) 2012-2018\***



Preliminary results of the 2018 Labour Force Survey indicate that the unemployment rate fell from 23.6 percent in 2017 to 20.9 percent in 2018.

**Figure 12: Unemployment Rate: 2016-2018**



## 3.2 Public Finances

The Central Government's fiscal accounts continue to improve in 2018. A Primary Surplus (including Grants) of \$199.6 million (6.2 percent of GDP) is provisionally estimated, making 2018 the fourth consecutive year that a primary surplus will be achieved. An Overall Balance after Grants of \$136.3 million (4.2 percent of GDP) is estimated (Table 2).

**Table 2: Primary and Overall Balance after Grants 2017 vs 2018**

	2017	2018	Variance	
	\$m	\$m	\$m	%
<b>Primary Balance after Grants</b>	172.6	199.6	27.0	15.6
<b>Overall Balance after Grants</b>	91.6	136.3	44.7	48.8

Source: MOF

The healthy fiscal performance was underpinned by enhanced compliance and enforcement in the Inland Revenue Department and the Customs & Excise Department, as well as Government's deliberate efforts to reduce its discretionary expenditure. Vibrant economic activity also contributed to the strong fiscal outturns. Public debt is estimated at 62.7 percent in 2018, a reduction of 6.2 percentage points relative to the ratio at end-2017.

Total Revenue and Grants are provisionally estimated at \$849.8 million for 2018, of which total revenue is \$747.2 million and total grants is \$102.6 million. Tax revenue and Non-tax Revenue are estimated at \$695.6 million and \$51.5 million respectively. The performance of total revenue in 2018 is expected to outperform that of 2017 because of an increase in collections of taxes on income and profits (4.3 percent); property tax (19.3 percent); tax on domestic goods and services (3.5 percent), taxes on international trade and transactions (8.4 percent) and non-tax revenue (5.3 percent). Grants are estimated to be 31.4 percent above the amount collected in 2017 (Table 3).

**Table 3: Total Revenue & Grants 2017 vs 2018**

	2017	2018	Variance	
	\$m	\$m	\$m	%
<b>Total Revenue &amp; Grants</b>	<b>778.1</b>	<b>849.8</b>	<b>71.7</b>	<b>9.2</b>
<b>Total Revenue</b>	<b>700.1</b>	<b>747.2</b>	<b>47.1</b>	<b>6.7</b>
<b>Tax Revenue</b>	<b>651.2</b>	<b>695.6</b>	<b>44.4</b>	<b>6.8</b>
Taxes on Income & Profits	140.6	146.7	6.1	4.3
Taxes on Property	24.3	29.0	4.7	19.3
Taxes on Domestic Transactions	147.7	152.9	5.2	3.5
Taxes on International Transactions	338.6	367.0	28.4	8.4
<b>Non-Tax Revenue</b>	<b>48.9</b>	<b>51.5</b>	<b>2.6</b>	<b>5.3</b>
<b>Total Grants</b>	<b>78.1</b>	<b>102.6</b>	<b>24.5</b>	<b>31.4</b>

Source: MOF

Total Expenditure is estimated at \$713.5 million for 2018, which is 3.9 percent more than the amount in 2017. There was an overall decrease in Recurrent Expenditure of 1.9 percent when compared to 2017. Personal Emoluments are estimated to be 4.0 percent above the 2017 outturn due to a 3 percent salary increase given to public servants at the start of 2018 as per an agreement between the Government and the Unions and also the one-off payment of a maximum of \$750 to public servants for their sacrifice during the home-grown structural adjustment programme. These payments amounted to approximately \$7.3 million. Government's continuous efforts to manage its discretionary spending led to a reduction of 9.6 percent in expenditure on goods and services when compared to 2017. Interest payments are estimated to be 21.9 percent less than the 2017 outturn as a result of debt restructuring and re-profiling. The estimated 5.7 percent growth in Transfers over the 2017 outturn reflects an increase in Government's contribution to NIS and pension payments made to persons who joined the Public Service between 1983 and 1985. Despite implementation issues with Grant-financed projects, Capital Expenditure is estimated to be 47.5 percent more than the 2017 outturn (Table 4).

**Table 4: Total Expenditure 2017 vs 2018**

	2017	2018	Variance	
	\$m	\$m	\$m	%
<b>Total Expenditure</b>	<b>686.5</b>	<b>713.5</b>	<b>27</b>	<b>3.9</b>
<b>Recurrent Expenditure</b>	<b>605.9</b>	<b>594.6</b>	<b>-11.3</b>	<b>-1.9</b>
Personal Emoluments	246.8	256.6	9.8	4.0
Goods & Services	126.5	114.4	-12.1	-9.6
Interest	81.0	63.3	-17.7	-21.9
Transfers	151.6	160.2	8.6	5.7
<b>Capital Expenditure</b>	<b>80.6</b>	<b>118.9</b>	<b>38.3</b>	<b>47.5</b>

Source: MOF

In relation to the 2018 Budget, all fiscal variables are estimated to perform better than their respective budgeted amounts, with the exception of Transfers, Grants, and Capital Expenditure. The positive variance in the estimated outturn for Transfers and the budgeted amount reflects the \$100 increase in public assistance given to eligible elderly households from August 2018. With respect to Grants, though inflows were strong, project management and implementation challenges curtailed the amount of capital grants spent to execute Public Sector projects and programmes (Table 5).

**Table 5: 2018 Performance – Estimated Outturns and Budget**

<b>Grenada Fiscal Projections</b>			
<i>In millions of Eastern Caribbean Dollars</i>			
	<b>2018</b>		
	<b>Estimated Outturn</b>	<b>Budget</b>	<b>Variance</b>
<b>Total Revenue &amp; Grants</b>	<b>849.8</b>	<b>858.4</b>	<b>-1.0</b>
<b>Total Revenue</b>	<b>747.2</b>	<b>710.4</b>	<b>5.2</b>
<b>Tax revenue</b>	<b>695.6</b>	<b>658.1</b>	<b>5.7</b>
<b>Non - Tax Revenue</b>	<b>51.5</b>	<b>52.4</b>	<b>-1.5</b>
<b>Grants</b>	<b>102.6</b>	<b>148.0</b>	<b>-30.7</b>
<b>Total Expenditure &amp; Net Lending</b>	<b>713.5</b>	<b>778.4</b>	<b>-8.3</b>
<b>Primary Expenditure</b>	<b>650.2</b>	<b>710.6</b>	<b>-8.5</b>
<b>Current Expenditure</b>	<b>594.6</b>	<b>607.1</b>	<b>-2.1</b>
Personal Emoluments	256.6	265.6	-3.4
Goods and Services	114.4	117.8	-2.9
Interest Payments	63.3	67.8	-6.6
Transfers	160.2	155.9	2.8
<b>Net Lending</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Capital Expenditure</b>	<b>118.9</b>	<b>171.3</b>	<b>-30.6</b>
<b>Current Balance (before Grants)</b>	<b>152.6</b>	<b>103.3</b>	<b>47.7</b>
<b>Overall Balance (after Grants)</b>	<b>136.3</b>	<b>80.0</b>	<b>70.4</b>
<b>Primary Balance (after Grants)</b>	<b>199.6</b>	<b>147.8</b>	<b>35.1</b>

In relation to the fiscal rules and targets stipulated in the Fiscal Responsibility Law (FRL), the estimated outturns for 2018 for the relevant fiscal variables are in full compliance as shown in Table 6.

**Table 6: Compliance Matrix**

	2018	
	Fiscal Rule	Estimated
Growth of Real Primary Expenditure less capital grants (Annual % change)	2.0%	2.0%
Wage Bill ( % of GDP)	9.0%	7.9%
Primary Balance ( % of GDP)	3.5%	6.2%
Contingent Liabilities related to PPPs	<5% of GDP	0.0%
<b>Debt Anchor: 55 % of GDP<sup>^</sup></b>		
Public Debt (% of GDP)		62.7%
Notes: <sup>^</sup> the FRL does not stipulate a year in which the 55% is to be reached.		

Source: MOF

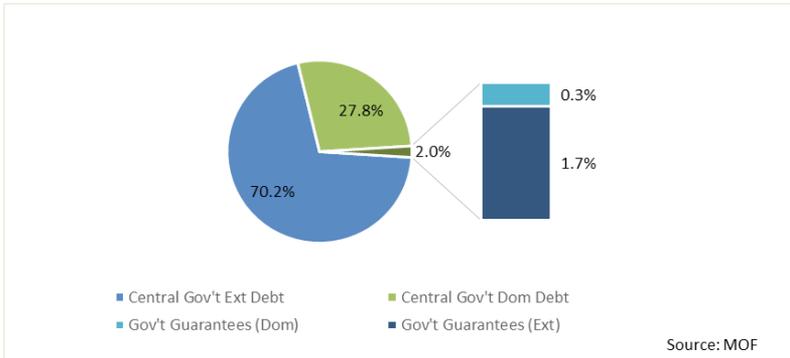
## **Public Debt**

Public sector debt outstanding (Central Government debt and Government guarantees) at the end of September 2018<sup>8</sup> stood at \$2,058.9 million compared with \$2,070.5 million at the end of December 2017. Despite the overall decline of total public debt, Central Government debt stock increased by 1.0 percent to \$2,017.7 million because of an increase in external debt by \$44.3 million or 3.2 percent which reflected disbursements received from multilateral creditors predominantly Caribbean Development Bank (CDB) and World Bank (WB). Conversely, domestic debt of Central Government contracted by 4.2 percent to \$572.1 million. Based on estimated GDP, public debt is estimated to decline by 6.2 percentage points from 68.9 percent of GDP in 2017 to 62.7 percent at the end of 2018 (Figure 13).

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8 Latest period for which data are available

**Figure 13: Composition of Public Debt as at end September 2018**



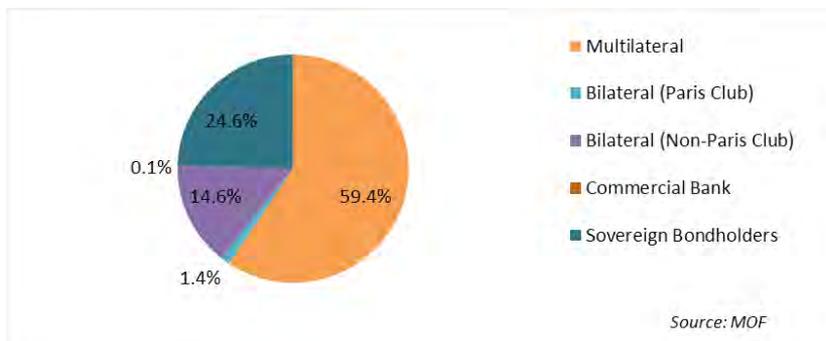
### **Central Government Domestic Debt**

Central Government domestic debt, which accounted for \$597.1 million or 28.8 percent of total public sector debt at the end of 2017 declined to \$572.1 million or 27.8 percent at the end of September 2018. This decline in the debt stock was primarily due to: scheduled amortization payments during the period; retirement of Government's Series A 91-day Treasury Bills on the Regional Government Securities Market (RGSM) valued at \$12.4 million; redemption of a private placement 365 day Treasury Bill of \$4.0 million; a reclassification of investors based on residency of debt issued on the RGSM; and the decision taken by Government to remove the option of accepting additional bids on auctions on the RGSM. During the first nine months of this year, the Government re-issued \$90.0 million in debt on the RGSM for liquidity management purposes. This comprised of: a \$10.0 million, 2-year, 5.5 percent Treasury note; three issues of a \$15.0 million, 91-day Treasury Bill, with an average yield of 2.1 percent; a \$25.0 million, 365-day Treasury Bill, yielding 2.75 percent; and a \$10.0 million, 365-day Treasury Bill, with a yield of 2.0 percent. Central Government domestic debt is estimated to decline to \$568.4 million or a further 0.6 percent at the end of 2018.

## **Central Government External Debt**

Central Government external debt accounted for 70.2 percent of public sector debt or \$1,445.6 million at the end of September 2018. Multilaterals accounted for the lion's share of the external debt portfolio, \$858.0 million or 59.4 percent. These were followed by; sovereign bondholders, \$355.8 million or 24.6 percent; bilateral (Non-Paris Club) creditors, \$211.4 million or 14.6 percent; bilateral (Paris Club) creditors \$19.5 million or 1.4 percent; and commercial bank, \$0.9 million or 0.1 percent (Figure 14). During the first three quarters of 2018, disbursements of \$106.4 million were made from new and existing external facilities. Disbursements made from new facilities included: \$0.7 million in June on the Climate-Smart Agriculture and Rural Enterprise Programme (SAEP) facility with the International Fund for Agricultural Development (IFAD) and \$81.0 million in August on the First Resilience and Blue Growth Development Policy Financing from the WB. The remaining \$24.7 million was disbursed on existing facilities with multilateral creditors namely; CDB, \$7.6 million; WB, \$16.8 million; IFAD, \$0.1 million; and Organisation of Petroleum Exporting Countries (OPEC), \$0.2 million. It is estimated that external debt will record \$1,414.9 million or 69.6 percent of total public debt at the end of this year; a 1.0 percent expansion relative to end of December 2017.

**Figure 14: External Debt by Creditor as at end September 2018**



## **Debt Service**

Total Central Government debt service for the first three quarters of 2018 was \$201.8 million, a decline of \$49.9 million compared to the corresponding period of 2017. This is as a result of collaborative debt restructuring completed in 2017 that included interest rate adjustments and face value reduction (50.0 percent) in some cases. Domestic debt service accounting for 57.3 percent of total debt service was \$115.7 million, of which \$13.5 million is attributed to interest and \$102.2 million to principal. The total for the first three quarters represented a 27.9 percent decline relative to the same period in 2017. Principal repayments during the period were consequent to Treasury Bill re-issues on the RGSM and Over-the-Counter (OTC) Treasury Bills.

External debt service was reduced by 5.7 percent moving to \$86.1 million at the end of September 2018 relative to the corresponding period in 2017. External interest payments were \$27.4 million, a reduction of 21.3 percent compared to the same period of 2017 whilst external principal repayments were \$58.7 million, an increase of 3.9 percent. The ratio of debt service to revenue declined by 12.7 percentage points, moving from 48.6 percent to 35.9 percent at the end of the first nine months of 2018.

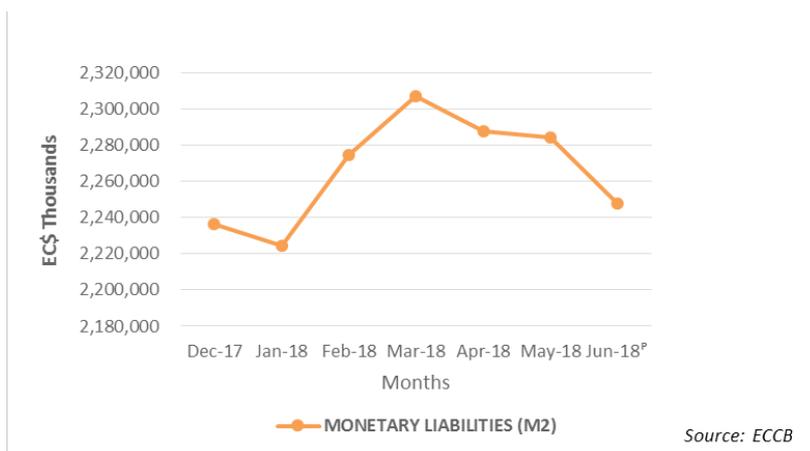
## **Update on Government Guaranteed Debt**

Explicit Government guarantees outstanding at the end of September 2018 was \$41.2 million, a decrease of 42.9 when compared to end December 2017. This significant reduction in the stock of Government guarantees primarily reflected a reclassification of a portion of a public entity on a portion of its locally-issued debt. As a percent of public debt, Government guaranteed debt declined by 1.5 percentage points from 3.5 percent at the end of 2017 to 2.0 percent at the end of September 2018.

### 3.3 Monetary and Financial Sector Developments

During the first half of 2018<sup>9</sup>, the Monetary and Financial Sector continued to strengthen as foreign assets rose during the period alongside improvements domestically, as deposits of both commercial banks and credit unions grew.

Monetary Liabilities (M2) continued to expand during the first half of 2018<sup>10</sup>, from \$2,224.4 million at end December 2017 to \$2,247.8 million at end June 2018, representing an increase of 1.1 percent, relative to growth of 1.2 percent in the corresponding period in 2017. (Figure 15). Of the components of M2, quasi money, the bulk of M2, decreased by 0.1 percent, moving from \$1,608.0 million at the end of December 2017 to \$1,606.4 million at the end of June 2018. The other component of M2, M1, expanded by 4.1 percent to \$641.4 million at end-June 2018, this increase was influenced solely by growth in private sector demand deposits of 7.6 percent.



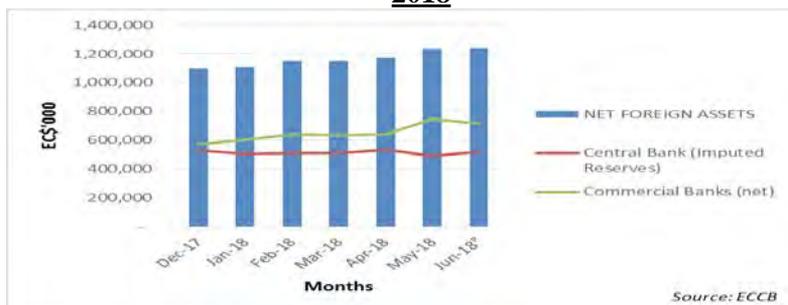
Net Foreign Assets increased by 12.6 percent during the first six months of 2018 to \$1,236.5 million, compared to 8.0 percent in the corresponding period of 2017, on an account of growth in the Central Bank's imputed reserves (3.4 percent) and commercial banks' net (18.7 percent). Net Domestic Assets declined by 11.2 percent during the first half of 2018 to \$1,011.3 million compared to a rate of de-

<sup>9</sup> Latest period for which data are available.

<sup>10</sup> Latest period for which data are available.

cline of 4.7 percent in the corresponding period. The higher rate of decrease was because of steeper contractions in Other Items (net) and domestic credit (Figure 16).

**Figure 16: Net Foreign Assets end-December 2017 – end-June 2018**

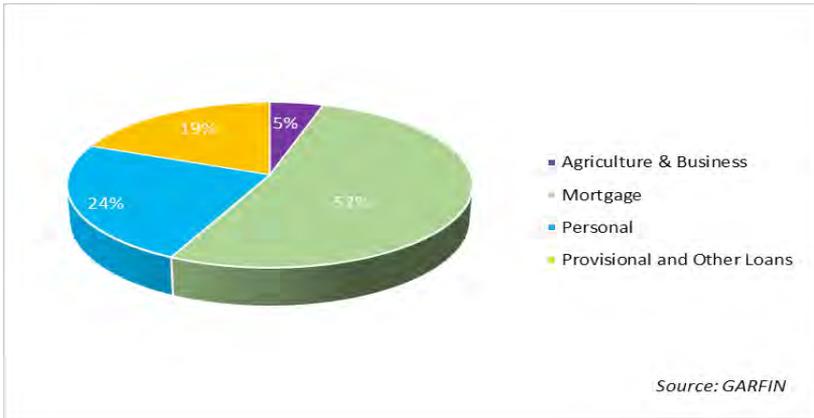


Domestic credit was reduced by 4.8 percent to \$1,148.6 million for the first half of 2018, when compared to the same period in 2017. The decline in domestic credit was underpinned by a reduction in credit to non-financial public enterprises (net) and net credit to general government by 39.6 percent and 13.0 percent respectively, which outweighed in the marginal increase in credit to the Private Sector.

For the first half of 2018, commercial banks registered a minimal increase in credit of 1.0 percent. This increase, despite being minimal, represents a turning point in the level of credit provided by commercial banks following consecutive declines during the period 2014 - 2016. Increases were in the Mining and Quarrying, Tourism, Fisheries, Entertainment and Transport sectors.

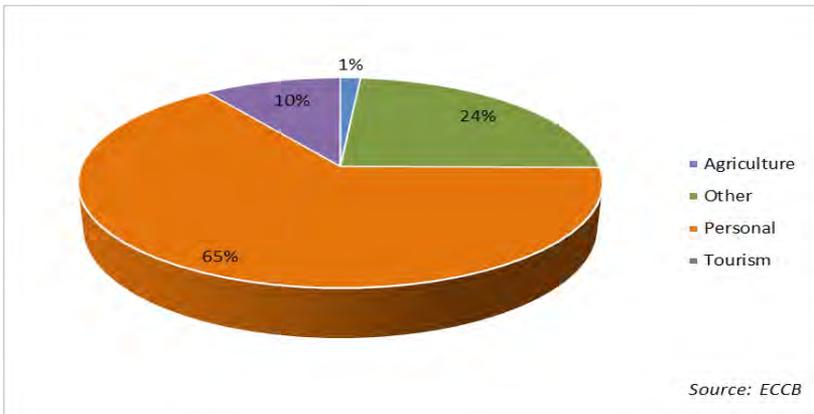
Credit unions' loan portfolio for the first half of 2018 was dominated by mortgages, personal and other loans, 52.4 percent 23.8 percent and 20.6 percent respectively (Figure 17).

**Figure 17: Credit Unions Credit as at June 2018**



Commercial banks' lending portfolio as at end June 2018 continued to be dominated by the Personal (65.0 percent), which consists mostly of loans for the acquisition of property (Figure 18).

**Figure 18: Commercial Banks Credit as at June 2018**



Total deposits of the banking sector increased by 2.8 percent to \$2,988.5 million for the first six months of 2018, while deposits in credit unions rose by 6.5 percent during the same period. With deposits outpacing the level of credit provided, both banks and credit unions continue to build up excess liquidity. The total loan-to-de-

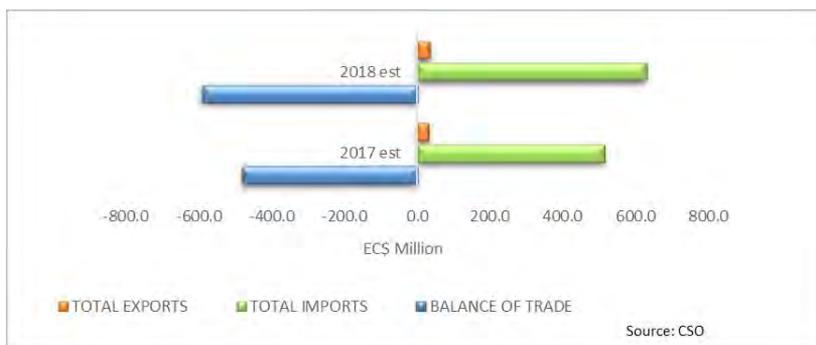
posit ratio of commercial banks increased to 56.2 percent as at end June 2018, while credit unions registered a much larger ratio of 86.1 percent during the same period.

The Non-performing Loans ratio (NPLs) of the banking sector has seen tremendous improvements moving from 3.9 percent at end-December 2017 to 3.1 percent end-June 2018, which is below the ECCB’s prudential benchmark of 5.0 percent. The overall financial system has maintained a prudential position in their levels of NPLs, associated with improved servicing of loans or balance sheet restructuring.

### 3.4 External Sector Developments

The merchandise trade balance continued to deteriorate at the end of the first half of 2018<sup>11</sup>. A trade deficit of \$591.1 million was estimated for the end of June 2018 above the deficit of \$481.0 million recorded during the same period of 2017. This deterioration was driven by a 22.2 percent increase in the value of imports to \$626.2 million (Figure 19).

**Figure 19: Balance of Trade (Jan- Mar)**



The increase in the value of imports during the first half of 2018 relative to the comparable period of 2017 was primarily on account of the importation of: machinery and transport equipment (39.7 per-

<sup>11</sup> The latest period for which data are available.

cent); mineral fuel, lubricants and related materials (37.1 percent); and animal and vegetal oils, fats and waxes (35.5 percent). Notably, there was a significant reduction in the level of beverages and tobacco imported during the period (61.8 percent), however, these were inadequate to offset the increases in other import categories. Imports are expected to increase for the rest of 2018 mainly because of the importation of construction materials, as the sector continues to expand (Table 7).

**Table 7: Goods Imports**

Category of Imports	2017	2018	2017/2018
	Jan-Jun	Jan-Jun	Jan-Jun
	EC\$ Million	EC\$ Million	% Change
Food	95.0	111.6	17.5
Beverages & Tobacco	42.1	16.1	-61.8
Crude Materials except fuels	13.3	16.9	27.3
Mineral Fuels, Lubricants & Related Materials	73.6	101.0	37.1
Animal & vegetable oils, fats & Waxes	1.8	2.4	35.5
Chemical & Related Products	35.0	42.4	21.3
Manufactured Goods chiefly classified by material	82.5	109.7	32.9
Machinery & Transport Equipment	102.1	142.6	39.7
Miscellaneous Manufacture Articles	67.1	83.3	24.3
<b>TOTAL</b>	<b>512.5</b>	<b>626.2</b>	<b>22.2</b>

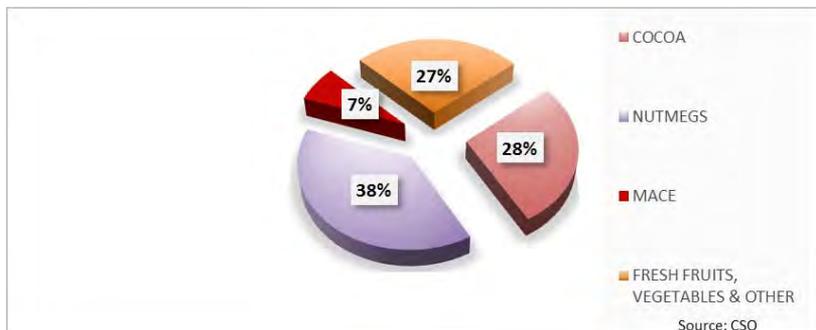
Source: CSO

With respect to exports, its value is estimated to have increased by 11.2 percent to \$35.1 million, buoyed by growth in re-exports and domestic exports of 42.1 percent or \$3.3 million and 8.7 percent or \$31.8 million respectively. Re-exports expanded primarily because of machinery and transport equipment that were repatriated and to a lesser extent, miscellaneous manufactured articles. Domestic ex-

ports' expansion was driven mainly by higher earnings from agricultural exports of nutmegs with a 34.3 percent rise to \$5.8 million.

The value of agricultural exports<sup>12</sup> rose by 7.6 percent during the first half of 2018 relative to the first half of 2017. This rise was strongly influenced by nutmegs and mace exported, which recorded increases of 34.3 percent and 9.1 percent respectively during the period. Conversely, the value of cocoa exported declined by 10.7 percent. Cocoa holds the second largest share of agricultural exports at 28.0 percent, preceded only by nutmegs at 38.0 percent. Succeeding cocoa were fresh fruits and vegetables with 27.0 percent and mace with 7.0 percent of the total share of exports respectively (Figure 20).

**Figure 20: Agricultural Exports: Jan-Jun 2018**

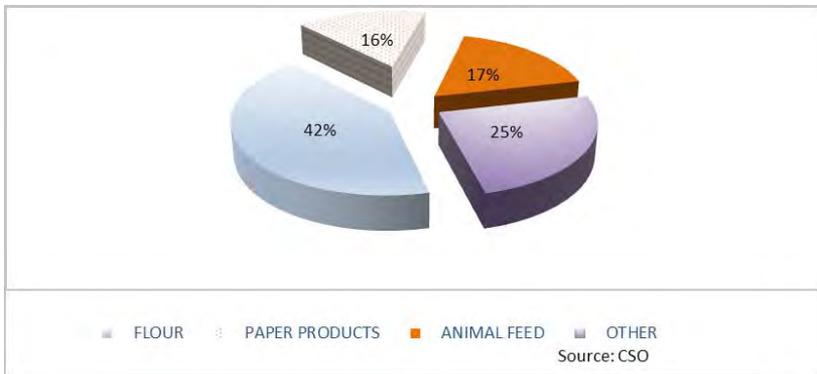


Manufactured exports grew by 9.8 percent during the first six months of 2018, compared to the same period of 2017. This expansion was driven mainly by increases in the export values of the categories: Clothing; Other; Animal Feed; and Paper Products by 85.9 percent, 83.3 percent, 33.9 percent and 17.9 percent respectively. However, nutmeg products and flour declined by 40.7 percent and 18.8 percent respectively over the same period. Additionally, earnings from manufactured goods namely, paper products and animal feed increased to \$2.5 million and \$2.7 million respectively (Figure 21).

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<sup>12</sup> Agricultural exports exclude data for Fish, since it was unavailable at the time of this document's preparation.

**Figure 21: Manufacturing Exports: Jan-Jun 2018**



Overall, goods exports are expected to increase at the end of 2018. Improvements in the storage facilities for the air transport of goods, along with the continued implementation of the Export Strategy should help boost the performance of exports.

Table 8 presents the selected indicators for the period 2014 – 2018.

Table 8: Selected Indicators 2014 - 2018

	2014	2015	2016	2017	2018 (e)
<b>Real Sector</b>					
Real GDP Growth (Market Prices, %)	7.3	6.4	3.7	5.1	5.2
Inflation (period average, %)	-1.0	-0.6	1.7	0.9	2.8
Unemployment Rate (%)	29.3	29.0	28.2	23.6	20.9
Nutmeg Production (million lbs)	1.2	1.3	1.1	1.3	1.1
MNIB Purchases (million lbs)	2.5	3.8	3.0	2.3	2.2
Imports of Building Material (EC\$ million)	91.9	95.7	112.1	145.1	171.4
Sales of Building Material (EC\$ million)	36.3	42.2	46.7	48.5	44.6
SGU Enrollment (no. of students)	6,586	7,026	7,479	7,719	7,846
Stay Over Arrivals (no. of persons)	133,526	132,547	135,381	146,359	159,852
Cruise Ship Visitor Arrivals (no. of persons)	235,140	280,518	314,913	299,449	349,656
<b>Fiscal Account</b>					
Total Revenue & Grants (% of GDP)	24.5	24.1	26.2	25.6	26.3
Tax Revenue (% of GDP)	18.2	19.0	20.9	21.4	21.5
Non-tax Revenue (% of GDP)	2.2	2.2	1.8	1.6	1.6
Grants (% of GDP)	4.1	2.9	3.5	2.6	3.2
Total Expenditure (% of GDP)	29.2	25.6	23.9	22.6	22.1
Current Expenditure (% of GDP)	20.0	17.4	19.7	19.9	18.4
Capital Expenditure (% of GDP)	9.2	8.2	4.2	2.6	3.7
Primary Balance (including grants, % of GDP)	-1.2	1.9	5.2	5.7	6.2
Overall Balance (including grants, % of GDP)	-4.7	-1.5	2.3	3.0	4.2
* provisional estimates for 2018					
Public Sector Debt (Central Gov't & Gov't Guarantees) (% of GDP)	91.4	86.4	79.0	68.9	62.7
Principal Repayments (EC\$ million)	268.6	261.7	294.4	300.7	244.4
Interest Payments (EC\$ million)	86.8	91.7	82.3	81.0	63.3
<b>External Account*</b>					
Exports of Goods & Services (EC\$ million)	1,480.4	1,561.5	1,599.9	1,577.1	1,579.5
Imports (EC\$ million)	1,449.7	1,526.7	1,493.2	1,621.7	1,547.2
Gross Imputed Reserves	427.3	509.0	543.7	526.1	501.5
Gross International Reserves (in months of total imports)	3.5	4.0	4.4	3.9	3.9
<b>Money and Banking**</b>					
Net Foreign Assets (EC\$ million)	582.2	852.5	1,003.2	1,098.4	1,236.5
Domestic Credit (EC\$ million)	1,526.9	1,320.1	1,240.9	1,205.7	1,148.6
o/w Households (EC\$ million)	1,119.4	1,073.6	1,054.6	1,033.0	1,038.9
Firms (EC\$ million)	485.4	469.5	485.3	508.6	533.5
Non-Bank Institutions (EC\$ million)	9.1	9.3	8.7	6.2	5.8
Other Public Sector (net, EC\$ million)	(104.3)	(166.4)	(248.9)	(237.1)	(261.2)
Central Government (EC\$ million)	17.3	(65.9)	(58.8)	(105.0)	(168.4)
Currency in Circulation (EC\$ million)	124.1	131.5	194.8	171.3	175.9

\* 2017 and 2018 figures are estimated

\*\* 2018 figures represent values as at June 30th, 2018

(e) provisional estimates for 2018

Sources: CSO, ECCB, MOF

## 4. ECONOMIC OUTLOOK AND RISKS

### 4.1 Economic Outlook

Grenada's short-to-medium-term economic prospects are positive. Real GDP growth (at market prices) is projected to average 4.0 percent over the period 2019-2021. Growth will be carried by public infrastructure development. Major public sector projects include the Airport expansion project carded to commence in 2019, Phase Two of the Parliament Building, as well as projects under the UK-Caribbean Infrastructure Fund. Growth will also be buoyed by performances in the construction and Tourism sectors, which are expected to remain relatively strong.

Meanwhile, inflation is estimated to edge up in the short term on account of rising international oil prices, but it is expected to moderate over the medium term with expansions in global oil production. Price increases are expected to continue over the medium term, with inflation averaging 2.4 percent. The unemployment rate is expected to continue declining with increased economic activity, but it is likely to remain in double digits until reforms to address structural rigidities take root. Fiscal performance is expected to improve further in the short-to-medium-term, with continued fiscal prudence, consistent with the rules-based fiscal framework as prescribed by FRL. As an upshot of the expected fiscal improvement, public debt is projected to fall below its FRL's target of 55.0 percent of GDP by 2020. Table 9 is a summary of projections for key macroeconomic variables.

**Table 9: Key Macroeconomic Projections**

	2019	2020	2021
GDP (%)	4.2	3.9	3.9
Nominal GDP (market Price)	3,381.5	3,559.4	3,699.2
Total Revenue and Grants(% of GDP)	28.5	26.2	25.7
Total Expenditure (% of GDP)	24.7	21.9	20.7
Overall Fiscal Balance (after grants) (% of GDP)	3.8	4.3	4.9
Primary Balance (after grants) (% of GDP)	6.0	6.2	6.7
Public Debt (% of GDP)	56.5	50.6	44.7

## 4.2 Risks to the Economic Outlook

A mix of upside and downside risks can affect Grenada's positive macroeconomic outlook. On the upside, Grenada's economic improvement and the investor confidence that it is likely to engender, together with potential upside surprises such as a faster-than-anticipated economic growth in Grenada's main trading partners, especially in the US, augur well for the outlook. Additionally, the country's oil and natural gas discovery bodes well for the medium-to-long-term outlook.

On the downside, the projected growth in the economies of Grenada's main trading partners is tenuous and vulnerable to setbacks with increasing risks of protectionism, the potential escalation of trade wars in advanced economies and low productivity, as well as ageing population especially in the EZ. These global headwinds pose potential downside risks for Grenada, through lower tourist arrivals, remittances and foreign direct investment.

Moreover, growth of the Private Education sector could be adversely affected by several factors that threaten enrolment at SGU. For example, Hurricanes Maria and Irma, which wreaked havoc in the region in 2017, has apparently reduced the appetite of US students for pursuing degrees in the Caribbean. Additionally, the announcement of Ross University's movement to Barbados in the near future, after it was severely affected by Hurricane Maria in Dominica, is also a potential threat to growth in SGU going forward. Furthermore, issues with Government funding and scholarships in key source markets for SGU also pose a threat to growth in enrolment. Revisions to the provisions made on the United States Federal Student Loan Programme for potential medical and veterinary students from the US, pose a serious threat to SGU's ability to attract students from the US, its main source market. Moreover, the reform of Trinidad and Tobago's Government Assistance for Tuition Expenses (GATE) programme, which included the discontinuation of tuition support to Trinidadian students attending SGU, as well as

Rising international oil prices is also a significant risk to the economic outlook, more so in the short term. Additionally, the cessation

of oil refining by Trinidad’s State-owned company –Petrotrin-which was the main exporter of fuel to Grenada, can cause short-run disruptions that might increase the local price of fuel, as well as cost of production, with negative consequences for economic activity.

The fiscal outlook in particular can also be affected should the strong inflows to the National Transformation Fund (NTF) as well as external grants from development partners not continue over the medium term. Furthermore, fiscal risks can also materialise should state-owned enterprises (SOEs) fail to remain within their funding constraints or should there be calls on the Central Government’s resources where SOEs cannot service their obligations. Capacity and institutional constraints also pose risks to the execution of the capital budget as envisaged in the Medium-term Fiscal Framework. Pension reform, as well as the implementation of the National Health Insurance, if not properly managed, can also pose significant risks to public finances.

Finally, but by no means least, Grenada’s vulnerability to natural hazards is an inherent risk; indeed, adverse effects of climate change can significantly affect economic activity, with adverse fiscal implications.

## ANNEX II

### Fiscal Compliance Matrix

Fiscal Variable	Fiscal Rule	2019 Budget	Compliance
Primary Balance, After Grants (percent of GDP)	<b>3.5%</b> (not less than)	6.0%	Yes
Wage Bill (percent of GDP)	<b>9.0%</b> (not exceeding)	8.1%	Yes
Primary Expenditure less Capital Grants (real percent change)	<b>2.0%</b> (not exceeding)	2.0%	Yes
PPP-related Contingent Liabilities (percent of GDP)	<b>5.0%</b> (not exceeding)	0.0%	Yes
Public Debt (percent of GDP)	<b>55.0%</b>	56.5%	On track

*Source: Ministry of Finance*

## ANNEX III

### 10 Facts on Pension

The Pension Disqualification Act of 1983 was validated on April 21, 1985 by the democratically elected-Government led by Former Prime Minister Herbert A. Blaize. This means that public workers employed after February 22, 1985 are not legally entitled to a pension from the Government of Grenada.

The judgment in the Hermilyn Armstrong case **does not** create legal precedence for the reinstatement of pension to public workers employed after February 22, 1985. The judgment created a legal precedence only for those workers who joined the Public Service in a pensionable post between April 4, 1983 and February 22, 1985. There were 56 such workers. The Government restored pension to those 56 workers in 2018 at a cost of \$7.7 million.

All officers who joined the service after Feb 22, 1985 are **not** legally entitled to a pension from Government. They are only entitled to a pension from NIS once they meet the necessary requirements as per the NIS Act.

The Cabinet's decision in 2016 to reform pension is rooted in moral and social justice principles and is not a legal obligation. Therefore, **ANY** agreement on pension is a WIN for public officers.

The MOU signed between Government, the Unions & Staff Associations in February and March 2018 stated that the pension regime, which will be implemented **must be affordable and sustainable**.

The proposed pension regime for public workers employed between February 22, 1985 and December 31, 2018, as stated in the MOU, is a non-contributory pension scheme. Therefore, no deductions will be taken from workers' salaries to finance their pension from Government. Pensioners also benefit from any future negotiated salary increases.

It was agreed by all parties that a worker's annual pension would be a minimum of 70% of their final salary to be paid jointly by the NIS and the Government of Grenada.

Government is not obligated to offer an Advanced Pension Payment, commonly called a "Gratuity." Government has proposed to make an Advanced Pension Payment of 2% of the full pension; an amount it can practically and reasonably afford given its current and projected revenue stream. It should be noted that an Advanced Pension Payment is a non-interest-bearing loan that the Government grants to the pensioner which **MUST** be repaid in equal monthly instalments in the form of a **Reduced Monthly Pension** over 12.5 years.

Under the proposed 2% Advanced Pension Payment or "Gratuity", retirees will be entitled to a higher monthly pension than if a larger advanced payment was given.

If the Government were to accommodate any higher rate of "Gratuity", the implications would be severe for the country as this will translate to:

- **Higher Taxes such as VAT, Income Tax & Property Tax**
- **Higher Import Duties**

- The possibility that hundreds of millions of dollars in grants would be lost
- Lower expenditure in critical areas such as Health Care, Agriculture, Road Works & Youth Development
- Retrenchment of workers.

**Government is committed to an amicable resolution to the pension matter for the good of all Grenadians.**

**Pension Examples:**

Below is comparison between two fictional public workers; Mary-Jane, who receives a pension under the pre-1985 arrangement and Tom, who was employed in 1990 when the Pension Disqualification Act was in effect. Both Mary-Jane and Tom had the same Annual Salary at Retirement (Terminal Salary).

Mary-Jane received a 25% advance (Gratuity) payment and a **Reduced Pension**.\*

Mary-Jane	
Appointment Period	May 17, 1983 to Jan 17, 2010
Years of Service	26 yrs 8 mths
Annual Salary at Retirement	\$ 27,660.00
Full Monthly Pension	\$ 1,536.67
Advance "Gratuity" (25% One-Off)	\$ 57,625.00
<b>Monthly Repayment of "Gratuity"</b>	<b>\$ 384.17</b>
<b>Reduced Monthly Pension</b>	<b>\$ 1,152.50</b>
<i>Portion from NIS</i>	\$ 880.40
<i>Portion from Government</i>	\$ 272.10
<b>Total Pension after 12.5 years</b>	<b>\$ 230,500.00</b>
Replacement rate	66.7%

**Without Pension Reform, Tom is ONLY ENTITLED to his pension from NIS.\***

<b>Tom (with current entitlement)</b>	
Appointment Period	May 17, 1990 to Jan 17, 2017
Years of Service	26 yrs 8 mths
Annual Salary at retirement	\$ 27,660.00
<b>Full Monthly Pension</b>	<b>\$ 880.40</b>
Gratuity	N/A
Monthly Repayment of "Gratuity"	N/A
Reduced Monthly Pension	N/A
<i>Portion from NIS</i>	\$ 880.40
<i>Portion from Government</i>	\$ -
<b>Total Pension after 12.5 years</b>	<b>\$ 132,060.00</b>
Replacement rate	N/A

With Government's proposed Pension Regime\*, Tom is entitled to a smaller gratuity than Mary-Jane but a higher reduced monthly pension and will receive a larger total pension at the end of 12.5 years.

<b>Tom (with Government's Proposed Reform)</b>	
Appointment Period	May 17, 1990 to Jan 17, 2017
Years of Service	26 yrs 8 mths
Annual Salary at retirement	\$ 27,660.00
Full Monthly Pension	\$ 1,613.50
Advance "Gratuity" (2% One-Off)	\$ 4,840.50
<b>Monthly Repayment of "Gratuity"</b>	<b>\$ 32.27</b>
<b>Reduced Monthly Pension</b>	<b>\$ 1,581.23</b>
<i>Portion from NIS</i>	\$ 880.40
<i>Portion from Government</i>	\$ 700.83
<b>Total Pension after 12.5 years</b>	<b>\$ 242,025.00</b>
Replacement rate	70.0%

**\*Pension Formulas:**

Mary-Jane

Full Monthly Pension = No. of months served/480 x Terminal Salary/12 months

“Gratuity” = Full Monthly Pension x 12 months x 12.5 years x 25%

Monthly Repayment of “Gratuity” = “Gratuity”/12 months/12.5 years

**Reduced Monthly Pension** = Full Monthly Pension - Monthly Repayment of “Gratuity”

Tom

Full Monthly Pension = Terminal Salary x 70%/12 months

“Gratuity” = Full Monthly Pension x 12 months x 12.5 years x 2%

Monthly Repayment of “Gratuity” = “Gratuity”/12 months/12.5 years

**Reduced Monthly Pension** = Full Monthly Pension - Monthly Repayment of “Gratuity”

NIS Pension = \$220.10 per week

The NIS portion of pension includes contributions from the employee (50%) and Government (50%) which were made while the pensioner was employed.

