



National Address
by
Prime Minister, the Hon. Tillman Thomas
September 7, 2010

Fellow Grenadians, good evening.

I address you in-keeping with our commitment to continuously engage you and keep you informed.

We are all aware of the difficult and challenging times we face daily, as we seek to provide for our families and ourselves. *Every country in this region, and indeed the world, is challenged.*

We have heard your calls for jobs and increased economic opportunities; to save your businesses and preserve jobs; to stimulate the economy and increase the level of economic activity; to provide more and better support for our small and medium sized enterprises, especially in the areas of construction and agri-business; and to improve social safety nets and reduce the cost of living.

Of course, we feel duty-bound to be sensitive and responsive to your needs. Yet, we must be ever mindful of our circumstances. For in the face of this crisis, we must distinguish between what is desirable and what is possible and our expectations must be informed by our reality.

Ladies and gentlemen, in direct response to your calls for help, our Government has spent several days evaluating our situation and have come up with a package of measures aimed at improving our economic situation.

Before turning to those measures, I feel compelled to remind ourselves of that which is perhaps obvious and too often repeated: Grenada is still engulfed in a severe economic crisis and is not alone in that predicament.

The recession which began in late 2007 is now called the Great Recession. Why? Unlike most recessions which last 9-12 months, the current recession seems set to enter a third year.

Consider the case of the United States, the largest economy in the world. Despite billions of dollars in stimulus, unemployment stubbornly remains at around 9.5% and is projected to remain there through 2012.

In Europe, the United Kingdom is set to raise VAT from 17% to 20 % as it seeks to shore up its public finances. Closer to home, one country in the OECS is about to introduce VAT starting at 17%.

Here in Grenada, our situation is even more unique. Unlike any other OECS country, hundreds of our citizens have lost considerable savings and investments in CAP Bank, SGL Holdings, and there is still uncertainty about any recovery from British American Insurance Company and CLICO. This has negatively affected our economic situation and the confidence levels of many.

Sisters and brothers, there have been assertions that this Government is only concerned with paying debt and improving credit worthiness and does not care about the poor. These assertions are simply untrue. Grenada cannot afford to “borrow its way out of the recession” as some have suggested.

What are the facts? Every dollar that Government collects is spent as follows:

Wages, Salaries and Pensions	- 45 cents
Debt repayments	- 30 cents
Goods and Services (e.g. utilities)	- 10 cents
Subventions	- 05 cents
Development projects	- 10 cents

This is where our Tax dollars go every month.

Ladies and Gentlemen, it is important for Government to continue to honour its debts while pushing for debt forgiveness and debt relief.

If Grenada does not pay its debts, it will not be able to access soft loans and grants for development projects. If a country is in arrears to these Banks, no further disbursements can be made for an existing project and no new projects can be approved until the arrears are cleared.

Some have suggested that the Ministry of Finance is too tight and is deliberately holding back money. This makes no sense.

On the contrary, the Ministry of Finance is doing its best to keep funds flowing. For example, every month, Government has to find \$25 million dollars to pay salaries and pensions whether or not it collects a dollar.

Notwithstanding these limitations, we are determined to work our way out of this crisis and to continue to look for ways to increase jobs, increase economic opportunities and sustain the livelihoods of our people. With this in mind, we have taken the decision to immediately implement the following:

Firstly, Government will expand short term employment opportunities while also preserving key safety net programmes.

In this regard, we will allocate additional resources in the following areas:

- a. **Road Maintenance Program** – an additional 175 contracts will be issued commencing mid-September to December. Over 2600 persons will get short term job opportunities.
- b. **Farm Labour Support Program** – we will double the number of teams in this programme. Twenty four teams employing a total of 240 persons will be employed.

Secondly, we are accelerating the implementation of Key Public Sector Projects

Government is making every effort to expedite all public sector projects for which funding is fully secured. In this regard, we are pleased to note that work has commenced on the **Gouyave Fisheries Project**. Close to 100 jobs will be created during this EC 32 million dollar project.

In the case of the **Feeder Roads Phase II**, the contractor has indicated to us that work will start in October. As many as 300 jobs could be created.

With respect to **Grenville Market Development**, we expect work on this Project to commence before the end of this year. At least 50 jobs will be created during this Project.

Thirdly, Government is committed to working with the Private Sector to help them to survive and preserve jobs.

To this end, Government will continue to work with existing Private Sector firms, including small and medium-sized enterprises to ensure their survival and the preservation of existing jobs.

As promised, after six months of VAT implementation, we have undertaken a review. In reviewing the VAT, Government has sought to maintain the integrity of the tax while at the same time working with existing businesses to preserve and create jobs.

Following recent consultations with various businesses, we are pleased to announce the following adjustments:

In the area of Construction, it may be recalled that Government had announced its intention to effect a 25% reduction in the VAT on selected construction inputs from April of this year for a period of six months. Unfortunately, we were not able to adhere to that schedule since the VAT needed a little more time to settle down.

As a consequence of this delay, we are NOW providing additional relief and I am pleased to announce the following measures aimed at boosting the construction sector and job creation:

1. A 50% reduction in the VAT on the following construction inputs for the next six months commencing October 01, 2010 and ending on March 31, 2011: These items are:

Steel; Cement; Roofing; and Lumber.

2. The reduction of terminal dues by 50% by the Grenada Ports Authority on the importation of sand immediately. This reduction must be passed on to the consumer.
3. The creation of sand depots in critical locations around the country to reduce transportation costs for construction works in these communities from next year.
4. The simplification of the tendering process to shorten the time for approval of contracts in all 3 categories:
 - a. Less than 10,000
 - b. Between 10,000 and 99,000
 - c. More than 100,000

Government will do this while ensuring transparency and accountability in the tender process.

Under Tourism, we will implement the following:

1. The removal of VAT on service charge for hotels on condition that no less than 90% of this Service Charge is paid to workers. This safeguard is meant to ensure that the service charge collected is paid to the Workers.
2. The grant of a 50% rebate in the VAT on hotel occupancy only for the months of September, October and November. Similar conditions will apply as those which were stipulated last year.

In addition, Government will continue to support the expansion of airlift. So far this year, Government has already spent \$8 million on direct airlift to Grenada from North America and Europe.

We are also taking steps to Reduce the Cost of Living:

We have stated our commitment to tackle the cost of living as much as we can. Consistent with this commitment, I am pleased to announce the following:

1. The removal of VAT on Text Books. This decision should be great benefit to the students of the T.A. Marryshow Community College and the St. George's University as the school year begins;
2. The implementation of the Duty Free Barrels programme for the months of November and December 2010. Some might call this a Christmas gift from Government.

In the area of Agriculture, Government remains committed to improving food security and supporting our farmers in this endeavour. We propose the following additional measures:

1. An injection of \$300,000 into the Cocoa Association to assist with the Diamond Cocoa Processing Plant. In addition to our support for agro-processing, we are determined to

work with the traditionally economic depressed parish of St. Mark to create more economic opportunities.

2. We will facilitate the voluntary registration of Agro-processors who fall below the threshold of EC\$ 120,000 so as to allow for the recovery of input costs.

Regarding the Automobile Dealers, the following has been noted: The industry is experiencing a significant slump in sales which is threatening existing jobs and has negatively impacted on government revenue.

When VAT was introduced, it was our stated intention to avoid any major increase in the cost of vehicles because of VAT. Indeed, we reduced the excise tax from 40% to 35% to achieve this. Unfortunately, this adjustment has not been sufficient and so the cost of commercial vehicles rose significantly.

Therefore, we will remedy this situation and support the industry to retain jobs. In this regard, we will remove the excise tax on the importation of commercial vehicles to ensure that the impact of the VAT is revenue neutral. VAT will continue to be charged on these vehicles in the normal manner.

Government is calling on the banking community to play a more active role as corporate citizens by offering special financing packages during this period to assist in stimulating economic activity and providing relief.

While we pursue the short term measures to deal with the immediate crisis, very importantly, we are *positioning Grenada for long term growth and prosperity*.

Brothers and sisters, today is the sixth anniversary of Hurricane Ivan. As you are aware, we are deep into a very active hurricane season. In view of this, I urge you to remain vigilant. Heed the advice of our upgraded NADMA: have your Disaster Preparedness Plan ready. Rehearse your family safety plan. Know where your area emergency shelter is located and be prepared to execute your Plan, as we continue to ask for God's Blessings and Protection in this period.

Over the past few weeks, we hosted many Grenadian nationals and visitors, as together we celebrated our carnival and summer vacation. Indeed, the season was an enjoyable and generally crime-free one. It was a pleasure to see so many Grenadians renewing family ties, reconnecting with friends and really enjoying our homeland. From all indications it was a safe, fun-filled, enjoyable and fulfilling experience.

No doubt, the new airline arrangements and our focus on building and strengthening our relationship with our Diaspora played a key role. Our visitor arrivals recorded an increase when compared to last year.

Many have worked hard, sacrificed and persevered to ensure a successful Carnival Celebrations. However, our goal of continuous product improvement and all-around professionalism, dictates that we work smarter to ensure improvement and sustainability.

It is important that we put the necessary measures in place now, to ensure that the quality of our Carnival product improves from year to year. We have heard the voices of many and will ensure that Carnival works to the benefit of Grenada.

During this year, we will be launching two new festivals, the Spice Word Festival scheduled for the 20th to the 24th of October and the National Folk Festival from the 3rd to the 5th of December. These festivals will serve to enhance our cultural heritage and diversify our tourism product.

Brothers and sisters, as we commence a new academic year, I congratulate all of our students whose hard work resulted in great success at the CXC and CAPE exams. A 6.89 percent increase has been recorded in passes over last year. This is commendable. I also thank all the teachers, parents and administrators for their continued dedication to the development of education in our nation.

I also want to specifically congratulate the students of the Education Enhancement programme who were successful. Despite difficult conditions, they were able to perform well. This programme under the Grenada Youth Education and Training Programme is demonstrating its relevance. In this regard, I must register my commendations to the staff of the Ministry of Youth Empowerment.

Brothers and sisters, the year 2010/2011 will be designated by the Ministry of Education as the **“Year of the Teacher”**. Our teachers are very important stakeholders and will therefore be the focus of attention as we recognize their pivotal role in our education and national development processes. The development of our Teachers is constantly being addressed while we focus on improving the physical facilities of our schools.

I urge all teachers to take advantage of the available training opportunities to enhance your personal and professional development, as we seek to improve the standard of our education system.

I also urge all parents and guardians to work along with your children and teachers by actively participating in the parent-teachers associations and other school activities. I remind you of the old African proverb which says – **“it takes a village to raise a child”**.

At this point, I also want to applaud the educational assistance being provided by companies, organizations and NGOs such as GRENCODA. We recognize your contribution and applaud your service and contribution especially to the rural poor.

I also applaud those in the private sector, who are positioning themselves for when the economic recovery begins.

In this vein, I want to recognize the sponsor of the **SPICE BASKET** project in Beaulieu for this timely initiative which will greatly enhance our tourism product and generate much needed employment.

Ladies and gentlemen, in fulfilling our responsibility to promote and protect the interest and integrity of the Grenadian people, we have been actively pursuing many programs, projects, international bilateral and multilateral relations and foreign direct investments.

That is why we signed a memorandum of understanding (an MOU) with the Sewang One World group. This MOU was an undertaking to explore the financing of potential projects. It required the Sewang group, based on their indications to perform within ninety days. Due diligence was being done and the process was continuing.

Ladies and gentlemen, we were not reckless and we gave away nothing. We were very cautious. That is why we did not yield to any pressure and sign any agreement. And most importantly, there was no corrupt act.

I wish to reemphasize that as long as my administration is leading this country, we will do all in our power to protect the interest and integrity of this country with good judgement, honesty and sincerity.

We promised you accountability, transparency, good governance and economic prosperity for all. These remain the guiding principles of this administration.

Fellow Grenadians, as I move around the various villages, especially on Fridays, I get a first-hand appreciation of what you are experiencing. I feel your pains, and I am committed to ensuring that we offer relief in as many areas as we can.

In business as in life, things go up and things go down. As difficult as the current economic situation, we will get through.

And the fact is, we have made some gains thus far, in spite of all the challenges. We cannot afford to stop now and we will not! **Grenada shall prevail!**

I say to you, these times require us to work together much more closely. We need to pool our collective resources, share our talents and adopt a greater sense of patriotism.

With God's grace and mercy we will succeed as a blessed nation.

As I end this message, I remind you that Grenada belongs to all of us. Let us all pledge to give of our best wherever we serve, whether in the Public, Private or the NGO Sector.

Let us persevere and patiently go the extra mile as good stewards, always remembering that whenever anyone of us succeeds, we all succeed.

Certainly, Grenada needs us all!

May God richly bless us all.

I thank you.