

**NATIONAL ADDRESS
BY
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PRIME MINISTER
GRENADA, CARRIACOU and PETITE MARTINIQUE**

[October 30, 2013]

Fellow citizens, and friends,

Good evening.

As your chief public servant, I take this opportunity to address you on several issues of national importance.

Eight months ago, you voted for hope, jobs and opportunity.

Since the appointment of our Government, we have worked hard, each and every day, to deliver on our commitments to you, our people.

Eight months later, we have generated short term employment opportunities; improved basic health care; begun to repair our neglected roads; expanded safety nets; increased support to our farmers; delivered salary increases to our public servants for the first time in 5 years; created opportunities for small businesses and provided opportunities for our youth to acquire skills and jobs.

When I took the oath of office on February 20 of this year, I expressed how humbled I was by the overwhelming mandate given to our team to lead our beloved Country, out of the deep economic turmoil.

I also warned that not all decisions would be popular but I gave a solemn undertaking to always put Grenada first.

Home-grown Programme - A Time of Shared Sacrifice

In my 2013 Budget Statement, I shared with you the elements of the New Economy. The first element of the New Economy is fiscal and debt sustainability – that is, putting Government's fiscal house in order.

Everyone in Grenada knows that our Government has taken significant steps to stabilize the public finances. However, we still have much to do to achieve this.

Currently, 70 cents of every dollar collected is spent on salaries and pensions with the remaining 30 cents spent on debt repayment.

As you can see, there is just no money left for projects in health, education, roads and youth development or investments in the productive sectors – which are all so vital for the growth of our economy.

The question is “How did we get here?”

The basic reason is that successive governments including those I have led have spent far more than they have collected. Moreover, the fiscal situation has been impacted and worsened by several shocks since 2001: the events of September 2001, Hurricane Ivan in 2004, Hurricane Emily in 2005, the Great Recession of 2009-2012; and yes, the infighting and indecision of the immediate past Administration.

Each month, Government collects about \$35 million but spends about \$53 million—a shortfall of \$18 million. This grave imbalance is the factual basis for Grenada’s high debt and high level of unpaid claims.

How do we fix this imbalance?

We must fix it through a home-grown programme of fiscal adjustment and structural reforms.

Our home-grown programme will be for a period of three years: 2014, 2015 and 2016. It will require commitment and shared sacrifices by all citizens throughout the length and breadth of Grenada, Carriacou and Petite Martinique.

Some are quick to affix blame. Indeed—for some—their only contribution to the national dialogue is to engage in the blame-game.

Brothers and sisters, we have a choice. We can affix blame or fix problems.

As your elected officials, our Government is focused on fixing problems.

I have been the first to admit that not all decisions made in the past have worked as intended. Some worked well. Some did not.

None of us can deny that today we enjoy better roads, better schools, better health care facilities than we did two decades ago.

None of us can deny that many more Grenadians own homes today than at any other time in the history of our nation—a direct result of lifting the income tax threshold in 1996.

Grenada’s Public Debt includes the borrowings of all Governments [in the past].

Grenada's economic survival is a matter for all of us.

Addressing the public debt and returning our economy to sustained growth and high employment are issues of national importance that require a national response.

This is why our Government has been actively engaged in dialogue with our Social Partners: Churches, Labour Unions, Businesses and NGOs, and the country as a whole.

During this dialogue, we have discussed the necessity for a home-grown programme of fiscal adjustment and reforms including debt restructuring.

At this juncture, I must express Government's appreciation to all the social partners for their sense of national responsibility and willingness to engage on these issues and to find a path forward together.

Our Government reaffirms our commitment to this more inclusive approach to governance.

I also express profound appreciation for the initiative of the Conference of Churches on the issue of the Public Debt and their support for a comprehensive debt restructuring programme.

Over the past few weeks, our government led by your humble servant, has been meeting with you throughout the length and breadth of our country discussing these issues and the way forward.

Given the national significance of our home-grown programme, I recently invited the leaders of the National Democratic Congress and the National United Front to discuss these issues.

Our home-grown is a programme **of** Grenadians **for** all Grenadians. It is **not** an IMF programme.

We do not need the IMF to tell us that we are spending far more than we collect. All conscious citizens know precisely that. However, we do need the support of the IMF and members of the international community to provide financial and technical support to secure Grenada's public finances.

Grenada needs a home-grown programme to rebalance government revenue and expenditure, boost economic growth, increase jobs and improve livelihoods of you, our people.

In this regard, Grenada needs to implement a combination of expenditure cuts and revenue enhancement to close the monthly financing shortfall.

The single largest Government expenditure—as we know—is the wage bill.

I have stated before and I repeat tonight, our Government does not intend to retrench public officers. However, we must control the expansion of the wage bill.

We simply cannot continue to spend 70 cents of every dollar collected on salaries and pensions.

To this end, we have appealed to our labour unions to be understanding of our nation's fiscal challenges and be moderate in their demands, especially during the period of the home-grown programme.

In September of this year, Government wrote to all unions requesting that salaries for public officers for the period 2013 to 2016 be settled in time for the presentation of the 2014 Budget in December of this year. Furthermore, Government made an offer of modest increases to all unions.

The finalization and success of Grenada's home-grown programme require an upfront settlement of the wage bill issue.

The question is “Why?”

The wage bill is the single largest government expenditure. If this issue is not settled, the home-grown programme will be jeopardized, which means that Grenada will lose the financial resources of more than US\$100 million to support Grenada's recovery and job creation.

Government cannot proceed with significant wage increases and fringe benefits at the same time it is seeking significant debt relief from creditors, and significant financial resources from countries which are themselves facing their own economic challenges.

Let me reiterate, the success or failure of the home-grown programme is directly linked to the issue of the Government wage bill.

We must settle this issue very soon so we can finalise the home-grown programme and the 2014 Budget.

Government is committed to reducing all non-personnel expenditure by at least 20%.

Already, we have reduced Government's mobile phone bill by 40% and international travel by almost 40%.

Our Waste Management Team has already reduced—significantly so—by thousands of dollars, the Water Bill for the Ministerial Complex. These efforts will be intensified in other areas.

On the revenue side, Grenada currently has the lowest tax effort in the Eastern Caribbean Currency Union (ECCU).

What does this mean? Grenada's tax collection as a proportion of national income is indeed the lowest. It is at 20% of GDP compared to the average effort of 24.4% in the ECCU.

A major reason for this tax effort is the fact that Grenada has the highest income tax threshold. Another reason is the weakness in our tax collection systems.

As a part of the home-grown programme, Government will lower the income tax threshold to \$36,000 per year, or \$3,000 per month.

Government will also reduce the income tax rate by half to 15% for persons earning less than \$60,000 per year. The rate of 30% will remain for persons earning more than \$60,000 per year.

These adjustments will take effect from January 2014.

I have therefore decided to make this announcement now to give persons time to prepare for this change.

Our Government is very mindful that the lowering of the income tax threshold will affect some persons who have obligations with financial institutions, and other personal needs.

As a consequence, Government has asked all local banks to be sensitive to this situation. The banks have assured Government that it will work with its customers where necessary. I hereby make a similar appeal to our credit unions.

Our Government is very concerned about job layoffs at this time.

I hereby make a special appeal to all employers, especially in the private sector, to exercise restraint in this very difficult period. Retrenchment must be a last resort.

We ask that you make a special effort to avoid further layoffs at this time.

Similarly, I ask the Labour Unions to exercise restraint in respect of wage demands in government and in the private sector.

Brothers and sisters,

There will also be some adjustment to property taxes. At present, Grenada has one of the lowest rates of property tax in the Caribbean.

No country can run without taxes.

No Government can provide services without taxes.

Throughout our consultations over the past few weeks, there have been consistent calls for Government to ensure that everyone pays their fair share.

As a consequence, there will be new policies to deal with persons who are not paying their fair share of taxes. Already, Inland Revenue has identified the top 100 tax delinquents and they are being pursued for their taxes owed to the State. This is not simply a fiscal issue. It is a moral issue.

In the Book of Matthew, Chapter 22, verse 21, we are commanded in the Holy Scriptures and I quote "*render therefore unto Caesar the things which are Caesar's; and unto God the things that are God's*". End of quote.

Government accepts that it has to do a much better job in collecting revenue. The Inland Revenue Division therefore, will be strengthened through a combination of advisers from friendly countries, new policies and outsourcing.

The details of these efforts will be shared when I present the 2014 Budget.

During the next few weeks therefore, consultations will continue as we seek to build consensus, and broaden support for the home-grown

programme. The **Letter of Intent** for our programme facilitated by the IMF, will then be signed at the end of November.

Sisters and brothers, there will be some pain *for all*, but there will also be many benefits *for all*.

As a consequence of Government's proactive approach to designing a home-grown programme, several agencies including the International Monetary Fund, the World Bank, the Caribbean Development Bank, the Eastern Caribbean Central Bank, the European Union and Britain have already pledged financial and technical support.

Only last week, the World Bank was in Grenada to prepare a US\$30 million support package.

Brothers and sisters all, Grenada expects to receive at least US\$100 million in soft loans and grants to support the home-grown programme.

These funds will enable Government to offer more assistance in areas such as soft loans for small businesses, house repair and expansion, skills training for our youth and more support for our farmers, [and] for the tourism sector, among other initiatives.

In respect of the Public Debt, Government is proceeding with the debt restructuring which will result in significant debt relief for Grenada. This relief will allow Government to invest more in our people and invest more in the productive sectors; thereby boosting economic growth and job creation.

In addition, there will be technical support for the Ministry of Finance especially in tax administration, planning and macro-economic advice.

This is a time of shared sacrifice. However, as Grenada's economy gets stronger, there will be a time of shared benefits from the fruits of the recovery.

Working Hard to Raise Resources

Our Government has been and continues to work extremely hard to generate resources and investments for the development of Grenada, Carriacou and Petite Martinique.

While in Washington D.C, I signed a loan agreement with the OPEC Fund for International Development for US\$10 million for the St. Patrick's Road Rehabilitation and Upgrading Project.

This Project provides for 16 kilometres of roads in two sections: 8 kilometres from Duquesne to Sauteurs and a further 8 kilometres from Morne Fendue to Poyntzfield. The project means more economic activity, a better road network for our people and visitors, lower operating costs for vehicles and jobs for our people.

Also, on Monday I signed an agreement with the CARICOM Development Fund for \$15.7 million dollars. The lion share of these resources will support small business development through the Grenada Development Bank.

This agreement is further testimony of our Government's commitment to growth and job creation. Indeed, it comes on the heels of our recent launch of the Small Business Development Fund, which is funded by government. Our hotels will also benefit from a programme to help them reduce their high energy costs and carbon footprint.

During my recent overseas trip, I also met with investors who will be investing in hotels in Grenada, Carriacou and Petite Martinique. I have asked them to move as quickly as possible, and they appear to be doing so.

In terms of electricity, I wish to re-state that the objectives of our Government are to reduce the cost of electricity and reduce Grenada's carbon footprint. To this end, Cabinet has approved terms for the new operating environment for electricity operation. These terms will soon be published.

We believe that the high cost of electricity—one of the highest in the world—is stifling economic growth and job creation. Households are feeling it. Hotels are feeling it. Manufacturers are feeling it, and all of you are feeling it.

As a consequence, Grenada has submitted a bid to purchase the majority shares in GRENLEC. As stated before, Government has no intention of involving itself in the day to day management of the Company. We will keep you informed as this process unfolds.

Fellow citizens and friends throughout the length and breadth of Grenada, Carriacou and Petite Martinique,

Our home-grown programme will not be easy but it is necessary.

Frankly, I wish we did not have to make these sacrifices at this time, but we must.

When I took the oath of office, I took a solemn pledge to put Grenada first. I ask you—each and every one of you—to do the same, irrespective of your political leanings.

In the course of our recent consultations, I have been touched by the outpouring of support, and I thank everyone who has extended it.

As a nation, we are a resilient people. We demonstrated this resilience after Hurricane Ivan and we built back better.

With God’s help, I have every confidence that we can meet this economic challenge and build a New Economy not just for ourselves but our children and grandchildren.

Let us join hands in this important and noble endeavour.

Sisters and brothers, this is no time to focus on divides, but on togetherness. In fact, in one of the consultations, a brother echoed my feelings and that of my government towards this period of nation-building and national unity in such a profound way that I thought it appropriate to end with his words.

He said, and I quote “**Mr. Prime Minister, elections are over. My party lost but my government won.**”

May God bless this beautiful nation: Grenada, Carriacou and Petite Martinique.