



REMARKS BY HON. V. NAZIM BURKE
AT THE FCIB-CIBC MORTGAGE DEAL LAUNCH
September 21st, 2012

SALUTATIONS

Let me begin by congratulating First Caribbean for taking this initiative. I understand the features of the deal to be the following:

- *Interest rate: 5.99% fixed for 3 years
- *Customers will receive 50% of the commitment fee
- *Pre-approved First Caribbean Visa credit and debit cards

Note is taken of the stated objectives of the bank in rolling out this product, ie, “provide a boost to a number of sectors in our community, most notably the construction sector, its suppliers and the considerable workforce within this sector.”

The Response to the Current Crisis Must Come from all of us.

Ladies and gentlemen, in commending this initiative by a player in Grenada’s Banking Sector, I wish to point out the following: The global economic recession affects all of us, and therefore, the response must come from all of us.

On Tuesday of this week, the Prime Minister and myself sat down with the leaders of the Private Sector and the Trade Union movement to discuss how we can work together to lift ourselves out of a crisis that has not only lasted long, but also intensified. In the context of these discussions the idea of a Social Protocol has once more been put on the table.

Let me point out that this administration sounded the note for social collaboration from very early, and in fact facilitated discussions towards this end for much of 2009. We remain committed to this level of social entente in the interest of jobs preservation, business support and revenue stability. The underlying principle in this engagement is common sacrifice for common benefit. Nothing less is required in this period.

Only yesterday, we sat around the table with representatives of the Manufacturing Sector to consider how, within the limits of our limited fiscal space, we can continue to give support to this sector on top of what we are already doing. Manufacturers in Grenada continue to enjoy a 10% rebate on their VAT exclusive sales, which translates into support in the order of \$12 million each year.

Government has further supported the Manufacturing Sector by removing the Common External Tariff (CET) on packaging materials, raw materials, spare parts and equipment. As of this year, new investors enjoy an amended VAT regime that zero rates the purchase of capital goods and materials.



Our manufacturers continue to enjoy market protection through the maintenance of an import license for competing products. These products include aerated beverages, aerated water, paints, malts, poultry feeds, flour, furniture, solar water heaters etc. In budget 2012 I announced the zero rating of Excise Tax on alcohol as an input into manufacturing. The facts speak for themselves. This government is giving comprehensive support to the Manufacturing Sector.

In the last couple of months, Minister Vincent and myself have sat down with key players within the Tourism Sector to better understand the serious challenges confronting Tourism, especially the Hotel Sector. Beyond that, as you can attest, we made representation to you, the Banking Sector to step outside the box and do something special for the properties that are under severe financial pressure, and in some cases, under existential financial pressure. Similar representation was made to the Utility Providers by Government on behalf of the hoteliers.

It is our expectation that this level of constructive engagement will continue between Government and key economic sectors to craft customised responses to the challenges we currently face.

Targeting the Construction Sector

Government welcomes initiatives like the one being launched today by First Caribbean, because of the strategic importance of the Construction Sector to Grenada's Macro-Economy. We know that the construction Sector is a major provider of jobs and a major driver of demand for goods and services in our economy, as well GDP growth.

We are also aware that this sector has been one of the major casualties of the recession. It was this awareness that led Government to slash the rate of VAT by 50% on the so-called big ticket construction items, namely cement, lumber, steel and roofing material.

Earlier this year, the Ministry of Finance commenced a dialogue with architects, builders, engineers and quantity surveyors to review the effectiveness of this particular measure. This discussion will continue.

Outside of this measure, it must be noted that progress has been made at the level of the institutional facilitation of the construction Sector, through improvements at the Physical Planning Unit. This is reflected in Grenada's impressive ranking by the World Bank as Number 11 among 183 countries in the ease of getting a building permit.

The Physical Planning unit can verify that hundreds of plans are submitted and approved each year. The challenge which the industry faces is how to convert these approvals to actual construction projects. Access to financing, under normal circumstances, is a significant hurdle. In a recession this may represent a formidable obstacle. It is precisely for this reason that the CIBC Mortgage deal is important. It has the potential to add value to the financing options for prospective homeowners. Government will look with interest to see how this facility performs. We sincerely hope that it will constitute a boost to residential construction.



As a government we will continue to intensify our own efforts to ensure the accelerated implementation of the various Public Sector infrastructure projects and expand job creation in the Construction Sector and at the same time provide a boost to the suppliers of construction materials. We are satisfied with the steady progress being realised in such projects like the Grenville Vendors Market and Bus Terminal, as well as the retrofitting and expansion of secondary schools. We have embarked on a model of enhanced monitoring of the implementation of these Public Sector projects, which in practice means systematic review, to identify and assist in the removal of bottlenecks.

Mindset Going Forward

Ladies and gentlemen, It is worthwhile to point out that the situation we face is unprecedented in our lifetime. All of us who were born after the 1930s never experienced a serious crisis of such serious proportions. Government alone will not be able to overcome the challenges. We need partnership. This is true in micro economies like ours, as well as mega economies like the USA and Europe. We will need open minds as we contemplate and evaluate ideas, projects and initiatives going forward.

The Banking Sector will not do well in an economy in which people are not borrowing, whether to start or expand businesses or to undertake residential construction. The Banking Sector therefore has a vital and legitimate stake in facilitating economic activity.

The Government, likewise, derives revenues when trade, investment and other business is conducted. We are challenged to be facilitators if we are to be beneficiaries. We must work together. In the words of the great Guyanese poet, Martin Carter, "We are all involved, we are all consumed." Let me, once again, congratulate First Caribbean on this launch and thank you for inviting me to share the occasion.

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