PRIVATE SECTOR ASSESSMENT OF SAINT LUCIA
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References
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Executive summary

The Private Sector Assessment Report (PSAR) provides a comprehensive overview of the private sector in St. Lucia. It draws on both primary and secondary data sources. Primary data analyses were derived from interviews with key stakeholders from the domestic private and public sectors as well as interviews with regional and international agencies. A listing of the main stakeholders in each country is documented in the original country reports. Secondary data were utilized to describe the state of the country at both the micro and macro levels. In addition to these specific elements of the research, the development of the PSAR was assisted by consultations organized under the Caribbean Growth Forum (CGF) banner.

The PSAR analyzes the characteristics and primary components of the private sector, key challenges to private-sector development, emerging sectors, and finally presents an action plan for the promotion of private-sector development. The PSAR suggests that the government should focus on improvement and utilization of technology and on strengthening the labour force.

The private sector in St. Lucia consists mainly of small enterprises: 77% of firms employ fewer than five people, and only 1% of firms employ more than 50. The private sector is dominated by the services sector, specifically tourism, wholesale and retail trade, construction, and financial intermediation. In 2010 the services sector accounted for 80% of GDP. Although bananas remain St. Lucia’s largest export, agriculture’s contribution to GDP has declined over the past 30 years, falling from 20% in 1986 to 3% in 2010.

St. Lucia demonstrates a number of strengths that are expected to contribute to the future growth of the private sector. The country performs well on international indicators in relation to government effectiveness, economic freedom and the ease of starting a business. Inflation is low, and there are no restrictions on capital flows. In addition, the island’s natural beauty and heritage are key drivers of tourism.

However, there are a number of weaknesses in St. Lucia that hinder private-sector development, especially in the areas of the cost of doing business, access to finance, electricity, transportation, an inadequately educated workforce, tax rates, and the lack of a government strategy for the sector or co-ordination with private-sector stakeholders. Furthermore, the global financial crisis had a profound effect on St. Lucia’s economy, as tourism and demand for exports contracted. The crisis also impacted jobs, with the unemployment rate rising steadily since 2007. In 2012 unemployment averaged 21.4%, one of the highest

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1 The original reports can be found on Compete Caribbean’s website: https://www.competecaribbean.org.
2 The CGF is a facilitated methodology for public-private dialogue around issues central to private-sector development and growth. It brings a non-traditional approach to the greatest challenge currently faced by the region: creating sustainable and inclusive growth. The Forum also aims to facilitate an action-oriented dialogue around key policy reforms needed across three thematic areas: investment climate, skills and productivity and logistics and connectivity. The CGF is a joint initiative by the Compete Caribbean Program, the Inter-American Development Bank, the World Bank and the Caribbean Development Bank. It is supported by the Canadian International Development Agency, the United Kingdom’s Department for International Development, the CARICOM Secretariat and the University of the West Indies.
rates in the region. Youth unemployment accounts for 40% of total unemployment.

The PSAR identifies tourism, construction, manufacturing, “edu-business” and the creative industries as emerging sectors that are expected to drive future growth. In recent years the government has focused on expanding the tourism, education and alternative-energy sectors, with particular attention paid to boutique hotels and offshore medical schools.

The PSAR concludes that the private sector desires a clear commitment from the government regarding private-sector development, and that it would benefit from both a clearly defined strategy and a forum for communication and engagement between the public and private sectors. Additionally, the PSAR recommends that technological advances be utilized to improve efficiency and reduce the cost of doing business; the regulatory environment be enhanced to support and encourage alternative financing; and education and skills capacity-building be implemented to strengthen the labour market and improve productivity.
I. Private sector assessment

Background

Private-sector development is a priority for St. Lucia. The government has indicated that economic growth is “key to resolving many of our developmental and social problems. When the economy grows, job opportunities are created, therefore lowering unemployment, reducing poverty and leading to higher living standards for our people.”

In its 2013 budget statement, the government noted that the main challenges facing the country were high debt and weak economic growth. In an attempt to achieve sustainable growth in the longer term, the government is employing structural-reform measures to improve the business environment, increase competitiveness, enhance skills training and increase support for the private sector. To this end, the government's approach is based on five interlocking elements or “gears”:

1. Structural reforms to improve both public- and private-sector output
2. Investment in infrastructure
3. Expansion of exports from and investment inflows to the productive sectors
4. Strengthening fiscal-consolidation efforts
5. Maintaining social stability and peace, which are considered prerequisites for growth

In seeking to achieve these goals, the government provides a variety of support measures to the private sector directly, through the Ministry of Commerce, Business Development, Investment and Consumer Affairs. The ministry operates a number of units to support private-sector development through the Office of Private Sector Relations, namely St. Lucia Export (the trade and export promotion agency), Invest St. Lucia (investment promotion) and the Small Enterprise Development Unit. In addition to these agencies, the ministry oversees a number of Internet portals to support the start-up and growth of businesses and the facilitation of business mentoring (St. Lucia BEST). In addition to these business-support services in the areas of training and technical assistance, there is also the public St. Lucia Development Bank (SLDB), whose mandate is to support economic and social development through business counselling, technical assistance and preferential finance conditions (both debt and equity). The SLDB has four main facilities for agriculture, education, housing, and services, tourism and industry.

In recent budget addresses, the authorities identified the key sectoral priorities as consisting of tourism, public utilities, agriculture and the financial sector. Other focus areas for the government include assistance in exporting, support for the creative industries, and interventions in agriculture and fisheries.

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3 Government of St. Lucia 2013 Budget Statement.
Macroeconomic overview

St. Lucia's economy grew moderately in the last three decades, averaging around 3.5% annually between 1981 and 2013. Real GDP in 2013 is estimated at US$1.3bn. In 2010 St. Lucia accounted for the second-largest share of nominal GDP in the Organization of Eastern Caribbean States (OECS), at 21%, behind Antigua and Barbuda (27%). However, on a per-head basis GDP was below that of most comparator countries in 2013, at US$10,540 (see Figure 1). In recent years, the slowdown in world economic growth, together with several natural disasters, has had a significant impact on economic growth. In 2009, the economy contracted by 2.7% due to a sharp decline in visitor arrivals, which has had negative spillover effects on the rest of the economy. In the following year (2010), the country was struck by Hurricane Tomas which led to loss of life and significant damage to infrastructure and agriculture. The IMF estimates that the total damage caused by the storm was 34% of GDP. The economy has remained fragile since, with GDP growing by 1.6% in 2012 and falling by 0.5% in 2013 (see Figures 2 and 3).

Figure 1

![GDP per head, 2000-2013](Image)

Figure 2

![Real GDP growth, 2000-2013](Image)
Inflation in St. Lucia tends to be low. Between 1980 and 2013 the annual rate of inflation has averaged just over 3%, compared with 8.5% in a group of the country’s peers. Inflation accelerated to 4.2% in 2012 but fell to 2.7% in 2013 (see Figure 4). There are no restrictions on capital flows, and only limited exchange-rate uncertainty. As a small, open economy St. Lucia is vulnerable to changes in international markets due to the openness of the economy. More than one-half of all imports are energy-related, meaning that fluctuations in international oil prices have a significant impact on the current account. Given the absence of a large manufacturing base, most machinery and equipment required for the production of goods and services is imported from abroad.
Since 1995 the current-account balance has deteriorated significantly. In 1995 the current-account deficit was estimated at 6% of GDP, but it then widened to over 30% of GDP in 2007-08. There was an improvement in the current-account balance in 2009-10, but it has remained above 10% of GDP (see Figure 6).

In 2007 the island posted a fiscal surplus of EC$85m (US$31.5m). Since then, the government's fiscal accounts have been in the red, with a deficit of EC$93m posted in 2010. The deterioration in the public accounts was largely due to rising expenditure, with current expenditure rising by almost EC$169m, or about 30%, over the period 2006-2010. The increase largely reflected rising expenditure on wages and salaries, and to a lesser extent on goods and services. Tax revenue, however, remained fairly flat, at around EC$700m a year since 2008.

In 2009 the IMF disbursed US$10.7m to St. Lucia under the rapid-access component of its Exogenous Shocks Facility (ESF) to help offset the negative effects of the global economic downturn and natural disasters on St. Lucia's economy. The funds were also to be used to help the island implement broad-based fiscal policy reforms, including a flexible petroleum-pricing mechanism, the implementation of a market-value-based property tax and the introduction...
of a value-added tax (VAT). However, as a result of the deterioration in economic conditions, gross government debt has begun to rise again, after falling under the IMF-led ESF programme.

The main policy challenge in the short to medium term will therefore be the implementation of a credible fiscal strategy that does not impede economic recovery prospects. The process of fiscal consolidation has already begun, with the implementation of a VAT in 2012. Should GDP growth not recover in the short to medium term, government debt could rise to unsustainable levels.

**Institutional effectiveness**

Freedom House, an independent watchdog organization that monitors various aspects of democratic freedom and the ability to exercise fundamental rights, awarded St. Lucia the status of “free” with a freedom rating of 1 in 2014; this is the highest degree of freedom in the rankings, with the lowest being 7. The country was ranked 22nd out of 177 countries by an international graft watchdog, Transparency International (TI), in 2013, on par with the Bahamas and behind Barbados (which was ranked 15th). St. Lucia’s high ranking in TI’s index is explained by its relatively low levels of corruption and the legal obligation for government officials to declare their financial assets. The Worldwide Governance Indicators compiled by the World Bank suggest that government effectiveness is relatively strong in St. Lucia (see Figure 7).

**Figure 7**

![Graph showing government effectiveness](image)

There are also relatively few regulatory hurdles facing potential investors in St. Lucia. Only electricity, telecommunications and water require government licenses, while financial institutions must obtain permission from the Financial Services Supervision Unit. St. Lucia has relatively strong investor protection legislation in place (see Figure 8). The country’s constitution prohibits the compulsory acquisition of any property from an individual, except in rare instances. Given this framework, St. Lucia scores 6.3 out of a possible 10 points for protecting investors and ranks well in the World Bank’s strength of investor protection index in the 2014 Doing Business report. The only comparator

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4 The island also has a number of intellectual property laws, including the Patents Act, the Trade Marks Act, the Industrial Design Act, the Protection against Unfair Competition Act, the Copyright Act and the Layout-Designs of Integrated Circuits Act.
country in the region to perform better than the OECS countries was Trinidad and Tobago.

**Figure 8**

The collapse of the Trinidad and Tobago-based CL Financial Group has significantly affected the financial sector across the region. IMF (Ogawa et al., 2013) estimates the exposure of the Eastern Caribbean Currency Union (ECCU) to the Group at approximately 17% of GDP. As a result, the authorities in the OECS plan to strengthen regulatory arrangements, protect the deposits of savers and enhance regional co-ordination. To support the further growth of offshore finance, the government of St. Lucia has also been building a network of Tax Information Exchange Agreements.5

**Components of the private sector**

**Overview of the Sector**

This section will address the current state of the private sector in St. Lucia and its primary components. A later section will discuss potential emerging growth sectors.

A review of the components of the private sector in St. Lucia indicates that services are dominant. The five main service sectors account for 60% of GDP, with wholesale and retail trade (including the repair of motor vehicles and motorcycles), and accommodation and food service activities accounting for 53% of enterprises in the economy. The education sector in particular has grown on average by 3.6% between 2008 and 2012, and in recent years it has been the only segment of the economy that seems not to have been significantly affected by the global economic downturn. Most of this growth has been due to the activities of offshore medical universities, which train people for medical careers in the US. Since 1980 the island has attracted a number of offshore medical schools: in 2010 there were five offshore medical schools registered, with around 420 students in total. The island’s main commodity export is still bananas. There are also minor exports of electrical components and beverages.

5 To date, agreements have been signed with the UK, France, Australia, Ireland, Belgium, the Netherlands, Netherland Antilles and Denmark. There are plans to expand this network of treaties to Aruba, Canada, Monaco, Japan, Austria, New Zealand, Liechtenstein, Germany, the Faroe Islands, Finland, Greenland, Iceland, Norway and Sweden.
The Private Sector Baseline Survey (2009), funded by the European Union, estimated that there were 7,430 enterprises in St. Lucia, of which 2,867 (39%) were considered informal. In terms of size, the average enterprise in St. Lucia is small, employing on average six persons. Overall, micro-enterprises account for 77% of enterprises in the country, while only 1% of enterprises have 50 or more employees. Informality is seen mainly in smaller enterprises (those with fewer than five employees), with 2,623 (or 46%) of the 5,690 enterprises in this category considered informal. In terms of employment, over 38% of workers are employed in the tourism, agriculture, and wholesale and retail trade sectors. The sector with the largest number of enterprises is wholesale and retail trade (including the repair of motor vehicles and motorcycles), which in 2009 accounted for 32% of all enterprises (both formal and informal).

Key industries, such as construction, wholesale and retail trade, and tourism have reported double-digit annual rates of decline in output, and this has resulted in a significant deterioration in the island's employment profile. In 2012 the overall labour force participation rate was 70%, with higher participation by males (76%) than females (65%). The unemployment rate in 2012 is estimated at 21.4%, significantly higher than in most comparator countries for which data are available (only in Guyana among the comparators was unemployment above 20%). The burden of unemployment falls disproportionately on women and young people: in 2011 young people accounted for 40% of unemployment in St. Lucia. Regarding gender segmentation in employment in the private sector, recent data from the labour force survey indicate that agriculture and construction are largely male-dominated, with 30% of all male workers employed in the two industries, compared with just 7% of all female workers. The largest proportions of female workers find employment in wholesale and retail trade (18% of all women in employment) and tourism (16%).

Table 1 Contribution to GDP by sector in St. Lucia, 2012

<table>
<thead>
<tr>
<th>Sector</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real estate, renting &amp; business activities</td>
<td>17.3</td>
</tr>
<tr>
<td>Transport, storage &amp; communications</td>
<td>16.7</td>
</tr>
<tr>
<td>Hotels &amp; restaurants</td>
<td>10.3</td>
</tr>
<tr>
<td>Construction</td>
<td>9.4</td>
</tr>
<tr>
<td>Financial intermediation</td>
<td>7.8</td>
</tr>
<tr>
<td>Wholesale &amp; retail trade</td>
<td>7.3</td>
</tr>
</tbody>
</table>

6 The categorisation of businesses by size in St. Lucia is governed by the Micro and Small Scale Business Enterprise Act 19, 1998 (amended 2001). The definitions included in the Act are:

- **Micro-business:**
  - Employment: maximum of five persons
  - Asset base: EC$75,000 (USD$27,778)
  - Sales (annual turnover): not more than EC$100,000

- **Small business:**
  - Employment: maximum of 50 persons
  - Asset base: EC$500,000
  - Sales (annual turnover): not more than EC$100m

Large business would therefore be considered as anything larger than a "small business". Using these definitions, the majority of firms in St. Lucia are micro-businesses. Although the average firm employs slightly more than five people, data from the Private Sector Baseline Survey (2009) indicate that, of the 7,430 enterprises in St. Lucia in that year, 5,960 (77%) had fewer than five employees, while only 215 (3%) had between 20 and 49 employees and only 96 (1%) had 50 or more.
Traditionally, St. Lucia’s economy has been dependent on exports of commodities (primarily bananas). However, following the loss of preferential market access to the European Union in 1995, the banana industry on the island has declined significantly, while Hurricane Tomas in 2010 and Black Sigatoka disease\(^7\) have devastated most of the remaining banana crop. As a result, the share of agriculture in the economy has fallen, dropping from almost 20% of GDP in 1986 to just 3% by 2010. In relation to agriculture, an EC$5m (US$1.9m) fund has been allocated to the promotion of domestic production, agro-enterprise development and technological adaptation. The island also recently set up a clearing-house facility that serves as a one-stop service centre for all enterprises engaged in the production or sale of non-banana agricultural commodities.

St. Lucia’s export production structure appears not to have changed significantly between 1995 and 2010, and in general the island exports goods that are not unique or complex. The island’s top exports include refined petroleum oils (accounting for 33% of total exports), following the establishment by Hess Oil of the US of an oil storage and transhipment facility at Cul de Sac. Other leading exports include parts of radios, telephones and televisions; hydrometers; flavored or sweetened waters; scraps of precious metal; and apparatus protecting electrical circuits. The low tariff levels in St. Lucia expose domestic manufacturers of industrial products to high levels of competition.

St. Lucia’s private sector is dominated by services: real estate, renting and business activities; transport, storage and communications; hotels and restaurants; financial intermediation; and wholesale and retail trade combined account for 60% of GDP. Real estate contributed the largest share (17.3%) followed by transport, storage, and communications (16.7%).

### Table 2 Contribution to GDP by Sector in St. Lucia (2012)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Estate, Renting and Business Activities</td>
<td>17.3</td>
</tr>
<tr>
<td>Transport, Storage and Communications</td>
<td>16.7</td>
</tr>
<tr>
<td>Hotels &amp; Restaurants</td>
<td>10.3</td>
</tr>
<tr>
<td>Construction</td>
<td>9.4</td>
</tr>
<tr>
<td>Financial Intermediation</td>
<td>7.8</td>
</tr>
<tr>
<td>Wholesale &amp; Retail Trade</td>
<td>7.3</td>
</tr>
<tr>
<td>Public Administration, Defence &amp; Compulsory Social Security</td>
<td>7.2</td>
</tr>
</tbody>
</table>

\(^7\) This is a banana fungal leaf disease which drastically affects yields and is expensive to eradicate with fungicides.
Tourism is another major component of the services sector, and since 2007 St. Lucia has hosted close to a million tourists every year. In 2010, over one-half of these (670,043) were cruise-ship passengers, and most of the remainder (305,937) were long-stay tourists.\footnote{St. Lucia Tourist Board 2011.} The island draws on its natural beauty and its heritage as key strengths underpinning the tourism sector. On average, tourism services account for just over four-fifths of services exports, with communications services\footnote{Communications, computer, information, and other services cover international telecommunications; computer data; news-related service transactions between residents and non-residents; construction services; royalties and license fees; miscellaneous business, professional, and technical services; personal, cultural, and recreational services; manufacturing services on physical inputs owned by others; and maintenance and repair services and government services not included elsewhere.} accounting for most of the remainder. Travel services are the only category of services trade in which the island runs a trade surplus. The World Travel and Tourism Council (2013)\footnote{http://www.wttc.org/site_media/uploads/downloads/st_lucia2013_2.pdf} estimates the direct contribution\footnote{The WTTC defines the direct contribution of travel and tourism to GDP as comprising spending on travel and tourism by residents, businesses and government, together with exports to visitors of tourism-related commodities (accommodation, transportation, entertainment and attractions). It defines the direct contribution to employment as consisting of jobs provided in these industries (namely accommodation services, food and beverage services, retail trade, transportation services, and cultural, sports and recreational services).} of travel and tourism to the economy of St. Lucia at 13.3% of GDP and 18.6% of total employment in 2012.

Although the hotel and restaurant sector grew by only 0.5% between 2008 and 2012, the government’s recent budget proposals indicate an aspiration to return the sector to rapid growth, with boutique-type tourism as a key subsector.
II. Key challenges for private-sector development

St. Lucia is ranked 64th (out of 189 countries) in the World Bank’s 2014 Ease of Doing Business report (see Figure 9). St. Lucia achieves its highest component rankings for getting electricity, registering property, paying taxes and resolving insolvency, for which it is ranked first among members of the Organization of Eastern Caribbean States (OECS) in each of these categories; it is also ranked joint first with Antigua and Barbuda and Grenada for ease of getting credit. However, St. Lucia is ranked 110th (and last in the OECS) for trading across borders and second-to-last for enforcing contracts. The costs of importing and exporting in St. Lucia are above the regional average; whereas average costs in Latin America and the Caribbean are US$1,257 per container for exports and US$1,546 for imports, the respective costs in St. Lucia are US$1,700 and US$2,745.

Figure 9

Table 3 Biggest obstacle to business in the OECS, 2010 (% of respondents)

<table>
<thead>
<tr>
<th>Obstacle</th>
<th>Antigua and Barbuda</th>
<th>Dominica</th>
<th>Grenada</th>
<th>St. Kitts and Nevis</th>
<th>St. Lucia</th>
<th>St. Vincent and Grenadines</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to finance</td>
<td>15.3</td>
<td>44.0</td>
<td>12.8</td>
<td>20.9</td>
<td>35.0</td>
<td>20.6</td>
</tr>
<tr>
<td>Electricity</td>
<td>13.0</td>
<td>29.7</td>
<td>2.7</td>
<td>15.2</td>
<td>22.4</td>
<td>10.6</td>
</tr>
<tr>
<td>Transportation</td>
<td>3.9</td>
<td>3.5</td>
<td>4.1</td>
<td>3.4</td>
<td>10.7</td>
<td>1.0</td>
</tr>
<tr>
<td>Inadequately educated workforce</td>
<td>1.3</td>
<td>2.1</td>
<td>15.4</td>
<td>10.0</td>
<td>7.4</td>
<td>12.8</td>
</tr>
<tr>
<td>Tax rates</td>
<td>18.2</td>
<td>8.6</td>
<td>17.6</td>
<td>20.0</td>
<td>6.0</td>
<td>11.0</td>
</tr>
<tr>
<td>Labour regulations</td>
<td>0.0</td>
<td>4.4</td>
<td>2.9</td>
<td>0.0</td>
<td>5.6</td>
<td>0.0</td>
</tr>
<tr>
<td>Crime, theft &amp; disorder</td>
<td>7.9</td>
<td>3.6</td>
<td>10.2</td>
<td>13.4</td>
<td>5.1</td>
<td>11.3</td>
</tr>
<tr>
<td>Customs &amp; trade regulations</td>
<td>16.1</td>
<td>0.9</td>
<td>2.1</td>
<td>5.2</td>
<td>4.0</td>
<td>9.9</td>
</tr>
<tr>
<td>Practices of informal sector</td>
<td>4.8</td>
<td>3.1</td>
<td>8.4</td>
<td>5.8</td>
<td>2.7</td>
<td>7.8</td>
</tr>
<tr>
<td>Corruption</td>
<td>7.7</td>
<td>0.0</td>
<td>1.4</td>
<td>3.5</td>
<td>0.9</td>
<td>1.5</td>
</tr>
<tr>
<td>Political instability</td>
<td>6.1</td>
<td>0.0</td>
<td>12.3</td>
<td>0.5</td>
<td>0.2</td>
<td>10.2</td>
</tr>
<tr>
<td>Tax administration</td>
<td>2.4</td>
<td>0.0</td>
<td>5.7</td>
<td>1.4</td>
<td>0.0</td>
<td>2.6</td>
</tr>
<tr>
<td>Access to land</td>
<td>0.7</td>
<td>0.0</td>
<td>3.9</td>
<td>0.7</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Business licensing &amp; permits</td>
<td>2.7</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.3</td>
</tr>
<tr>
<td>Courts</td>
<td>0.0</td>
<td>0.0</td>
<td>0.8</td>
<td>0.0</td>
<td>0.0</td>
<td>0.3</td>
</tr>
</tbody>
</table>

Despite the fact that St. Lucia performs well on several components of the World Bank's Ease of Doing Business index, there are a number of weaknesses in the economy that hinder private-sector development. These relate in particular to the cost of doing business, the availability of finance and skills in the labour force. The Private Sector Assessment Report (PSAR) identifies a number of leading issues but notes that finance issues, cost issues and workforce training are priority areas. The following major constraints on private-sector development are discussed below: the lack of a governmental strategy for private-sector development; access to finance; taxes; an inadequately trained workforce; the cost of electricity; transport; technology; gender; and the environment.

**General political and governance issues**

Interviews, as well as the stakeholder consultations, identified general political and governance issues as having a major impact on private-sector development. Stakeholders were of the view that development planning lacked any strategic long-term vision, and that the private sector needed to be given a greater voice in the development of programmes and policies affecting it. Private-sector stakeholders indicated that the government lacks an understanding of how the various segments of the private sector operate, and argued that the government's tax policy is detrimental to investment and growth in the private sector.

These constraints suggest the need to develop a long-term national strategic plan for private-sector development, improved communication channels between business-support organizations (both public and private) and wider dissemination of information.

**Access to finance**

St. Lucia has a number of finance providers, including public-sector institutions such as the St. Lucia Development Bank (SLDB) whose mission is to facilitate enterprise and sustainable socio-economic development by providing accessible and affordable financial, technical and advisory services. However, according to the World Bank's Enterprise Survey (2010), 35% of businesses interviewed cited access to finance as the biggest obstacle to doing business in St. Lucia. Private-sector stakeholders interviewed stated that finance was either difficult to obtain because of collateral requirements (see Figure 11) or too costly in terms of interest rates. At the end of 2010 bank deposits stood at over 92% of annual GDP and the ratio of bank credit to deposits was 122%, the highest in any of the comparator countries. Despite this high conversion ratio, the island was still ranked relatively low, at 130th (out of 189 countries), for ease of accessing credit, and only 24% of businesses had either a loan or line-of-credit services (see Figure 12).
Business finance (or the lack thereof) is a problem of both supply and demand. On the supply side, there is the perceived risk associated with providing loans to the small-business sector. On the demand side, meanwhile, entrepreneurs and small businesses may lack the ability (in terms of record-keeping,
constructing business plans and so on) to access available lending facilities. Moreover, St. Lucia’s credit market is fairly inefficient when measured by the spread between lending and deposit rates relative to those in other Caribbean countries. At roughly 8 percentage points, the island has one of the higher interest-rate spreads of any of the comparator countries (see Figure 15). It should, however, be noted that the savings deposit rate and the reserve requirement rate are both set by the Eastern Caribbean Central Bank, meaning that the funds available for lending are restricted. This may account in part for the high cost of finance in St. Lucia and the wider region.

Figure 13

![Lending rate, 2000-2013](image)

Source: World Bank, World Development Indicators.

Figure 14

![Deposit rate, 2000-2012](image)

Source: World Bank, World Development Indicators.

Limited access to credit is also attributable to a dearth of information on potential borrowers, and also to a lack of understanding of the special circumstances of smaller enterprises on the part of financial regulators. Collateral as a percentage of loan size was 194%, the third highest in the OECS. While this is below the average for Latin America and the Caribbean of 197%, it is above the world average of 168%.
Taxes

Although tariffs in St. Lucia are generally low in relation to the comparator countries, taxes are considered one of the biggest challenges to private-sector development. The private sector believes that the government's taxation policy is detrimental to investment and growth in the private sector. St. Lucia’s corporate tax rate is 30% of taxable profits. On average, the tariff on imported goods is 7%, although its higher, at 15%, for agricultural products, and 6% for industrial products. This is broadly on par with levels in the OECS, although the tariff on agricultural products is significantly below those in Barbados (65%), Belize (40%) and Trinidad and Tobago (42%). There is also a value-added tax (VAT) of 15%, although some goods and services are exempt and the rate for goods and services supplied by hotels is set at 8%. Total taxation on firms as a percentage of profit stood at 34% in 2012, the lowest rate in the OECS, while the labour tax rate was 6% (see Figure 17).

St. Lucia performs much better on tax administration than the rest of the subregion, with the exception of Dominica. The World Bank’s Enterprise Surveys for 2010 indicate that fewer than 8% of respondents noted the issue as

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12 Labour taxes and contributions paid as a percentage of profits.
Adequately trained workforce

Only a small proportion of respondents to the Enterprise Surveys (7%) noted a lack of adequate skills in the workforce as their biggest obstacle, although this was the fourth-highest-rated issue. However, the theme arose again during the interviews for the PSAR, with the main points to emerge being:

- The education system lacks a direct link to businesses’ needs. The system appears to be producing people with lower-level skills, meaning that there is a mismatch between the skills demanded and those supplied in both “hard” (technical) areas and “soft” areas (such as communication and work ethic).
- The exploitation of growth opportunities, especially in services, is impeded by a lack of management skills.
- A need for general business and management skills. Small businesses’ lack of record-keeping (in terms of accounting) is detrimental to the development of business plans and thus limits access to loans. There is therefore a need for greater assistance to the small- and medium-sized enterprise sector in the form of support services and business incubators that promote start-up development.

Cost of electricity

A total of 56% of firms in St. Lucia identified electricity supply as a major constraint on business. This is the fourth-highest level among the comparator countries and the third-highest in the OECS after Dominica (66%) and St. Kitts and Nevis (64%). The interviews indicated that cost was the main problem in relation to power supplies. St. Lucia imports fossil fuels to meet all of its energy needs. Its heavy dependence on imported energy means that the island’s economy is exposed to volatility in prices on the international energy market. The cost of power in St. Lucia is low relative to a number of other countries in the region, with Trinidad and Tobago being a notable exception (see Figure 18).
However, at over US$24 cents per kWh, most businesses considered the price of electricity a hurdle to doing business.

**Figure 18**

![Graph showing electricity prices, 2010](image)

*Source: Caribbean Electric Utility Service Corporation (CARILEC)*.

**Transport**  
In St. Lucia 21% of respondents from the Enterprise Surveys indicated that transport was a major constraint on business—the third-highest figure among the comparator countries, with only Antigua and Barbuda (24%) and St. Kitts and Nevis (31%) registering higher percentages. St. Lucia appears to have a similar level of difficulty with transport as other countries in the Latin America and Caribbean region, for which the average is 24%. The situation in St. Lucia is not as problematic as in Grenada or St. Kitts and Nevis, but it is more of an issue than for Dominica or St. Vincent and the Grenadines.

**Technology**  
St. Lucia underperforms relative to benchmark countries with regard to the use of technology in manufacturing firms. As Table 4 indicates, of those manufacturing firms interviewed for the World Bank’s Enterprise Surveys in 2010, none were using licensed technology from foreign companies. Less than 1% of manufacturing firms obtain international quality certifications on their production processes; the average in the comparator countries is 15%, and the OECS average is 13%. There is also a low level of Internet use for marketing, with only 15% of manufacturers having their own website and 54% utilizing e-mail to interact with clients and suppliers; both of these figures are below the comparator averages of 34% and 80% respectively. An example of low usage of technology in St. Lucia is that firms utilize a significant amount of their human resources physically collecting payments, while the technology exists to provide a far more efficient solution, reducing fraud and associated security issues in the process.

**Table 4 Technology use by manufacturing firms in St. Lucia and selected countries, 2010**

<table>
<thead>
<tr>
<th>Country</th>
<th>Technology licensed from foreign companies (%)</th>
<th>Internationally recognized quality certification (%)</th>
<th>Own website (%)</th>
<th>Use of e-mail to interact with clients/suppliers (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Antigua &amp; Barbuda</td>
<td>0.0</td>
<td>3.7</td>
<td>28.3</td>
<td>87.9</td>
</tr>
<tr>
<td>Barbados</td>
<td>6.8</td>
<td>18.3</td>
<td>68.2</td>
<td>100.0</td>
</tr>
<tr>
<td>Bahamas</td>
<td>20.1</td>
<td>31.1</td>
<td>50.1</td>
<td>89.5</td>
</tr>
</tbody>
</table>
### Gender

St. Lucia ranks fourth in the OECS with regard to the proportion of businesses with women participating in their ownership (32%), ahead of Antigua and Barbuda by 10%, but dramatically behind St. Vincent, where over 70% of firms have female participation in ownership. Meanwhile, 24% of firms in St. Lucia indicated that they had females as top managers—around the same proportion as in Grenada, but again significantly behind St. Vincent, where the figure was 39%. Labour market data demonstrate gender segmentation and suggest that females are working predominantly in lower-paying and lower-skill sectors and that women and young people bear the brunt of unemployment.

### Environment

The conservation of St. Lucia’s environment is crucial for the country’s economic health, both because of the island’s small size and on account of its reliance on tourism as a key driver of the economy. St. Lucia is located in the middle of the chain of Lesser Antillean islands and has a land area of 616 sq. km. It boasts natural tourist attractions along its coastline and in the interior, with tourist attractions and activities located in the rainforest as well as on the island’s many beaches. The St. Lucian Pitons (Gros Piton and Petite Piton), volcanic plugs located toward the south of the island, are a World Heritage Site. In addition, St. Lucia also has a number of national parks and reserves.

St. Lucia is signatory to a number of multilateral environmental agreements relating to wildlife and conservation; biodiversity/bio-safety; traditional knowledge; marine protection and safety; marine resources; chemicals and waste management; sustainable land management; atmospheric and climatic systems; protection of human health and the environment; and culture and natural heritage. Despite its relatively heavy reliance on fossil fuels, carbon dioxide (CO2) emissions per head are comparatively low, at 2.3 tonnes per year (see Figure 19).

<table>
<thead>
<tr>
<th>Country</th>
<th>Women Proportion</th>
<th>Women Top Managers</th>
<th>Employment Sector Proportion</th>
<th>Employment Sector Top</th>
<th>Average Gender</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belize</td>
<td>0.7</td>
<td>32.3</td>
<td>27.8</td>
<td>85.0</td>
<td>12.1</td>
</tr>
<tr>
<td>Dominica</td>
<td>1.3</td>
<td>85.3</td>
<td>48.9</td>
<td>1.8</td>
<td>15.0</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>11.8</td>
<td>42.5</td>
<td>48.9</td>
<td>85.3</td>
<td>34.4</td>
</tr>
<tr>
<td>Grenada</td>
<td>32.6</td>
<td>80.6</td>
<td>42.5</td>
<td>80.1</td>
<td>80.1</td>
</tr>
<tr>
<td>Guyana</td>
<td>29.5</td>
<td>92.5</td>
<td>46.0</td>
<td>92.5</td>
<td>91.5</td>
</tr>
<tr>
<td>Jamaica</td>
<td>16.5</td>
<td>72.6</td>
<td>36.4</td>
<td>72.6</td>
<td>16.5</td>
</tr>
<tr>
<td>Mauritius</td>
<td>11.1</td>
<td>69.3</td>
<td>35.9</td>
<td>69.3</td>
<td>35.9</td>
</tr>
<tr>
<td>St. Kitts &amp; Nevis</td>
<td>19.4</td>
<td>91.5</td>
<td>40.4</td>
<td>91.5</td>
<td>91.5</td>
</tr>
<tr>
<td>St. Vincent &amp; the Grenadines</td>
<td>20.9</td>
<td>82.2</td>
<td>32.3</td>
<td>82.2</td>
<td>32.3</td>
</tr>
<tr>
<td>Suriname</td>
<td>11.1</td>
<td>58.5</td>
<td>11.0</td>
<td>58.5</td>
<td>11.0</td>
</tr>
<tr>
<td>Trinidad &amp; Tobago</td>
<td>16.9</td>
<td>81.2</td>
<td>30.8</td>
<td>81.2</td>
<td>81.2</td>
</tr>
<tr>
<td>Average</td>
<td>15.0</td>
<td>80.1</td>
<td>34.4</td>
<td>80.1</td>
<td>34.4</td>
</tr>
</tbody>
</table>

Figure 19

Despite its efforts to preserve its environment, St. Lucia could improve its policies and procedures in this area. In 2010 the UN Environment Programme identified a number of environmental priorities for St. Lucia, including measures to address: the effects of climate change; air quality; general pollution; land degradation; habitat loss and declining resources; loss of access to beaches; and squatting for housing and agriculture.¹³

III. Emerging sectors

The Private Sector Assessment Report (PSAR) for St. Lucia shows that the sectors with the greatest potential for growth include construction; “edu-business;” boutique-type tourism; food and beverage manufacturing; and the creative industries. These sectors have demonstrated growth in recent years or have been noted as having the potential for growth. In addition, the government has indicated a commitment to support activity in these sectors.

<table>
<thead>
<tr>
<th>Economic activity</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, livestock &amp; forestry</td>
<td>4.1</td>
</tr>
<tr>
<td>Education</td>
<td>3.6</td>
</tr>
<tr>
<td>Real-estate, renting &amp; business activities</td>
<td>3.1</td>
</tr>
<tr>
<td>Fishing</td>
<td>2.7</td>
</tr>
<tr>
<td>Construction</td>
<td>2.6</td>
</tr>
<tr>
<td>Electricity &amp; water</td>
<td>2.3</td>
</tr>
<tr>
<td>Average annual GDP growth</td>
<td>1.2</td>
</tr>
</tbody>
</table>


Tourism

The main role assigned to the tourism sector in terms of spurring growth in the economy, as presented in the government’s 2013 budget address, is to act as a mechanism to attract foreign direct investment and increase short-term employment. The government's plans for tourism include: expanding marketing and product development; increasing air capacity and frequency of flights through negotiation with carriers; increasing yacht arrivals; stimulating summer-travel and on-island expenditure through special summer packages and the introduction of a discount card; new market development in Brazil and Panama; and special programmes for small properties. The latter are to include the development of a centralized booking system for the “small and private” sector; facilitation of participation in the Caribbean Tourism Organization’s room inventory management system available to smaller properties; government support for training and development in relation to smaller properties; and an accommodation credit to visitors in the form of an extra night accommodation rather than airline credits. The goal will be to increase the number of rooms from 5,000 to 10,000, supported by increased airline capacity via new flights provided by carriers such as United Airlines, West Jet and Jet Blue. In terms of product development, new programmes have been put in place in relation to visitor safety and security, quality standards, community tourism, yachting and cruise tourism. Increased arrivals will also be supported by the redevelopment of Hewanorra International Airport as well as the cruise-ship terminal, Port Castries.

Construction

Construction grew at an average annual rate of 2.6% in 2008-12, significantly above the average rate across all industries (see Table 5). Current government capital projects, although constrained by the fiscal deficit, will provide opportunities for growth in new construction as well as refurbishment in the medium term. The main projects are the construction of a financial centre, two hospitals and general infrastructure, most notably roads. There are also
opportunities in private construction in the form of renovation of hotels given the government's commitment to growth in the tourism sector.

**Manufacturing** Despite the limited contribution of the sector to GDP, at 6%, manufacturing firms account for 9% of all enterprises on the island and provide 10% of all employment. Some of the larger companies operating in the country are in the manufacturing sector. Opportunities in the sector are mainly in food and beverage manufacturing, which are well established in St. Lucia. While specific interventions are being made in other sectors, the government's role in the manufacturing sector is in the area of export facilitation, which is supported by the Trade Export Promotion Agency, and investment facilitation, which is carried out by Invest St. Lucia.

**Edu-business** St. Lucia boasts the presence of six offshore medical schools, and future growth in this sector is expected. The government plans to grow the edu-business sector via strategies to boost enrolment by improving both the operating environment (through the establishment of an accreditation council) and physical infrastructure (by constructing and refurbishing hospitals).

**Creative industries** Another key sector for growth consists of the creative industries, although this sector is not specifically defined in the national accounts. The creative industries relate to art, design, music and entertainment, and are considered especially important to the island's young people as a means to provide employment and empowerment opportunities. The Private Sector Baseline Study, published in 2009 and funded by the EU, indicates that in that year the arts, entertainment and recreation sector comprised 337 enterprises (4.5% of all enterprises in the country), 124 of which were formal, registered businesses, and employed 663 persons (1.6% of national employment). The sector is thus small and mainly informal. However, the government and key stakeholders have indicated that this sector is important for wealth-creation and employment generation. In its 2013 budget, the government committed EC$2m (USD $740,740) to promote the sector by means of:

- Legislative and regulatory development through the passage of a Creative Industries Act to provide a framework of incentives and concessions, establish a national festivals commission and offer support to sectoral associations
- Small grants for creative development from a EC$500,000 (USD $185,185) Creative Industries Grant Fund to improve competitiveness and export potential
- A national performing-arts programme for arts in the community (with EC$500,000 allocated to this initiative)
- An Arts in Public Space programme (with EC$100,000 allocated for the commissioning of murals, paintings and sculptures in public parks, thoroughfares and public buildings)
- The enhancement of skills and talent through seminars, workshops and masterclasses in fashion design, web design and music.
IV. Priority areas and action plan

The St. Lucia Private Sector Assessment Report (PSAR) identifies several key challenges to private-sector development, as well as several sectors that are expected to drive economic growth in the future. These interrelated issues have been used to develop recommendations and action plans to address the following priority areas: general governance issues, improving access to finance, cost issues, and strengthening the labour market.

**Priority areas**

**General governance issues: business support/facilitation framework and national strategy for private-sector development**

The PSAR identifies the need for a national strategy for private-sector development, as well as for improved communication between the private and public sectors. The demonstration of commitment to private-sector development can act as a boost to investor confidence and open up avenues for public-private partnerships. In addition, the establishment of a more interactive and proactive business-support framework can assist in cost savings through rationalization, as well as enhancing government tax revenue through the growth and development of the private sector. An overall national strategic plan would also help to address the common criticism that there is a ‘silo mindset’ in the public sector. Rather than focusing on departmental or ministry-specific objectives, technocrats would be working towards national objectives. Information and communications technology and knowledge platforms could then be used to facilitate communication between various departments and ministries.

One of the most critical recommendations to emerge from the PSAR is the need for the implementation of a forum for collaboration between key stakeholders and representatives of labour, the private sector and the government. There is at present no formal forum for discussion of the issue of private-sector development at the national level in St. Lucia, and efforts need to be made to formalize the ad hoc arrangement of the Private Sector Council, which includes the leaders of the main private-sector associations in the country. In Barbados, the umbrella institutional mechanism similar to that recommended for St. Lucia is known as the Social Partnership. It is chaired by the prime minister, with members drawn from bodies representing labour and the private sector. Subcommittee meetings take place, which then feed into sessions chaired by the prime minister. In addition to this consultative process, members of the Social Partnership also sit on the boards of various government agencies and key policymaking committees.

Currently, private enterprises in St. Lucia are reluctant to share company information. The private sector will need to develop a culture of information-sharing to help the government to understand the sector and its contribution to the economy. One avenue through which this could be achieved is the establishment of a private-sector-funded research unit, perhaps overseen by the private-sector representative on a tripartite committee (consisting of representatives of the government, employers and labour). Such a unit could identify opportunities (both domestic and foreign) for private-sector growth, as
well as potential threats to the various subsectors. The pooling of resources would allow the decision-making processes of firms and other economic agents to benefit from research and data, and this in turn should enhance profitability and sustainability.

**Utilizing technology to reduce the cost of doing business**

Improving and utilizing technology can help to increase efficiency and reduce the cost of doing business. Once implemented, the current resources can then be used to enhance the levels of service delivery.

There is also strong demand from private-sector enterprises for data to assist them in strategic planning and the formulation of business plans in order to access finance. However, the problem is not that data is not available in the region, but rather that it is not being collated or mined owing to the fact that public-sector agents are not fully exploiting the available technology.

Introducing technological advances in order to reduce transaction and interest costs at banks operating in St. Lucia should be a high priority. To reduce transaction and operating costs, it is recommended that policies be structured around ensuring the formality of businesses (that is, the registering of companies), technological advances (such as credit information systems) and efficiency of operation (through incentives and measures that reduce electricity costs, such as retrofitting). All of these policies should contribute to reductions in the interest rates charged for credit services.

Given that the inefficient operation of financial institutions results in increased costs to consumers, it is also recommended that a quarterly assessment be undertaken to ensure commercial banks operating in St. Lucia are running efficiently and are thus offering the benefits of competitive prices to consumers, whether individuals and enterprises.

**Improving access to finance**

The financial landscape in the region is characterized by commercial banks (international, regional and domestic) and non-bank financial institutions (mainly domestic credit unions and microfinance institutions). Foreign banks dominate and cherry-pick in their lending, while maintaining a conservative, traditional approach to lending based on collateral. The high level of information asymmetry that leads to higher collateral requirements for formal businesses is attributable to the absence of credit bureaux and related registries. It is recommended that this issue be addressed by the establishment of credit bureaux and collateral registries.

In addition to debt financing, equity financing options are also required. Venture-capital financing is limited in the Caribbean region, and institutions such as the Multilateral Investment Fund (part of the Inter-American Development Bank group) have been working to expand the venture-capital industry in the region. One problem encountered in encouraging venture capital is the lack of a legal and regulatory framework for this form of financing in the region, and these issues will need to be addressed. In an effort to fill this gap in financing options, in 2009 the Eastern Caribbean Central Bank
established the Eastern Caribbean Enterprise Fund to foster the growth of productive sectors in the economies of the region through the injection of equity and debt financing, but more incentives and mechanisms need to be provided.\footnote{http://www.eccb-centralbank.org/money/ecef.asp}

**Cost of energy**

Incentives and support may act as both a cost-reduction tool and an opportunity for investment and enterprise development in the renewable and alternative energy sector. Given that St. Lucia has little scope to produce its own fossil fuels, the most effective alternative in terms of achieving a balance between demand and supply is (1) to contain demand growth by increasing energy efficiency and (2) to expand production from alternative energy sources, such as geothermal energy. With regard to geothermal energy, the potential for exploitation is currently limited given the weak enabling environment and current (limited) interest in developing the sector in the country. In terms of conservation, the adaptation of behaviour to reduce energy use and the adoption of energy-efficient technologies, along with retrofitting, provide avenues to reduce energy costs in the short to medium term.

St. Lucia's potential for the exploitation of alternative-energy sources is not as great as that of other countries in the region, as it is not ranked highly in the Caribbean Renewable Energy Forum's index in relation to the presence of an enabling environment or existing renewable-energy projects (in 2012 the island was ranked 13th and 11th respectively on these indicators among 27 countries in the Americas).\footnote{http://www.castalia-advisors.com/files/Castalia-CREF_RE_Islands_Index_121010-1.pdf} However, in relation to renewable-energy projects that are expected to come on line in the next five years, St. Lucia was ranked more highly in the index, at fourth. The main opportunities in this area are in geothermal energy. Castalia Strategic Advisors (2012) suggest that in order to realize the potential for geothermal energy there is the need to “define [the] legal and regulatory framework for geothermal energy; support geothermal resource exploration and related feasibility studies; set clear permitting and planning for geothermal development.”

**Labour market: education, skills capacity-building and productivity**

In relation to the labour market, the limited availability of trained workers and the lack of specialist skills have the potential to limit the further expansion of the private sector in St. Lucia. In addition, as noted by the St. Lucia Manufacturers Association, donors are unlikely to fund projects if they perceive skills gaps in the labour market that could prevent the projects from being seen through to completion. This observation refers principally to the inadequate availability of the technical skills needed to maintain imported technology.

Another issue noted is the lack of entrepreneurial behaviour across the region. Both private- and public-sector stakeholders mentioned a high level of dependence on government support on the part of the private sector, and that this had led to a degree of complacency and had reduced the incentive to
increase competitiveness and productivity. At the root of such dependence is a lack of innovation and entrepreneurship, resulting in the growth of “copycat” businesses and highly competitive subsectors. The Caribbean Growth Forum’s working group for St. Lucia on skills and productivity has specifically addressed the issue of productivity, deeming it one of the main hindrances to growth in the economy. In particular, the issue of a deficit of “soft skills” as it relates to customer service was noted. In addition, the PSAR notes an overabundance of lower-level skills and a shortage of more specialist skills. The need to identify specific skill needs has not yet been tackled.

In seeking to address these issues, two main areas require attention:

- Implementation of educational and human-capital planning
- Vocational and on-the-job training

**Human-resources planning**

Before the details of any strategic plan can be formed, as noted in Action 3 (below), a human-resources development strategy based on a balanced account of the needs of industry and the government’s strategic direction must be decided. A combination of the right investments in labour and physical capital can increase the productive capacity of an economy. Strategic human capital planning helps to identify the skills that are lacking. Planning in this respect, along with other elements of a national strategic plan, would greatly assist in the current work environment, as well as in future growth of the private sector by ensuring that skill shortages are not a constraint to doing business.

Research and development, particularly in science, technology and engineering, has been a predominant feature of emerging countries’ human-capital plans to achieve the highest return per worker. The Organization of Eastern Caribbean States (OECS) can seek to exploit its advantages in relation to renewable-energy (geothermal, solar, wind and wave power) through education and training in these fields. Greater use of renewable energy would reduce electricity prices as well as support industries that exploit the islands’ location-based advantages related to the marine environment, agro-processing and niche manufacturing.

**Vocational and on-the-job training**

With respect to on-the-job training and apprenticeships, there needs to be promotion of this element of skill development, and incentivization of enterprises to invest in it. This will help ensure that enterprises can access the skills required to enable them to grow, as well as to provide opportunities for uncertified workers to enhance their earning capacity through on-the-job certification initiatives, such as National Vocational Qualifications (NVQs). This is an area where the private sector can contribute to the wider development of society.

Given the specialized nature of the skills required in some organisations, such training must be undertaken internally. Apprenticeships and on-the-job training, with recognition through certification, will open up opportunities for workers to improve their employment prospects both within and beyond their current
organization. Caribbean Vocational Qualifications and NVQs provide an ideal mechanism in this respect, and participation in these schemes by enterprises should be strongly encouraged. Such enhancement of skills can increase the productivity of individual enterprises, and also demonstrates to potential investors the existence of a skills base in the country and a commitment to ongoing training.

The PSAR analysis identifies a number of issues that impede the development and growth of the private sector in St. Lucia. These constraints suggest the need for a long-term national strategic plan for private-sector development, increased communication channels between business-support organizations (in both the public and private sector), and wider dissemination of information. The action plans developed from the PSAR to address these issues include:

**Action 1:** Establishment of a tripartite committee (comprising representatives of government, employers and labour) to identify the needs of all entities and to guide and oversee private-sector development strategies.

Once the tripartite committee has been formed, the committee should seek to address the following issues:

**Action 2:** Rationalization and streamlining of the public sector’s business-support framework to create a system that addresses both the needs of the private sector (in terms of access to finance, technical assistance and data) and the wider obligations of the government.

Currently, the public sector’s support network for private-sector development is comprehensive in St. Lucia. However, there is the opportunity to achieve administrative cost savings by bringing all such support bodies together under a single agency that would act as a “one-stop shop” for all private-sector agents, both domestic and foreign. All requests for training, technical assistance and finance would thus be channelled through a single agency.

**Action 3:** Development of a national strategic plan that focuses on private-sector development. A national strategic plan can ensure that national policy planning is continuous and not influenced by the electoral cycle. It is considered that such an approach to development planning will also enhance the transparency of government policy formation and reduce business uncertainty. Through the lobbying efforts of the government of St. Lucia, plans for the development of the private sector should also be included in regional strategic planning at the level of the OECS, the Eastern Caribbean Currency Union and the Caribbean Community (CARICOM).

**Action 4:** Reduction of the cost of finance by reducing transaction and operational costs in financial institutions through the use of technology and the monitoring of efficiency levels; reducing risk and risk-aversion through the establishment of a credit bureau and a collateral registry; introducing alternative financial products; and increasing competition in the financial sector. Such actions would reduce information asymmetries, thereby enabling credit to be provided more quickly and potentially increasing the amount of credit available to the private sector. Legislative changes are also required to provide greater protection to creditors.
**Action 5:** Increase the capacity of businesses to access finance, through the provision of support (consisting of technical assistance and training) for the adoption of accepted business practices (such as record-keeping) and the skills needed to develop business plans for funding and strategic-planning purposes. These services exist in St. Lucia, but the PSAR indicates that take-up of such services needs to be expanded.

**Action 6:** Provide incentives for energy conservation and frameworks for the exploitation of renewable/alternative-energy sources. Incentives in this area could include concessions on duties on imports of materials, technical assistance, and the development of special funds for investments in alternative-energy projects and enterprises. In terms of conservation, the adaptation of behaviour to reduce energy use and the adoption of energy-efficient technologies, along with retrofitting, provide avenues to reduce costs in the short to medium term.

**Action 7:** Education and training curriculum reform that addresses the long-term strategic direction of the government as well as the more immediate needs (in terms of demand for skills) of the private sector.

**Conclusion**

Private-sector development cannot be separated from the overall sustainable development of the country. This implies that social issues such as poverty, unemployment and environmental vulnerabilities should be considered in any plan to enhance private-sector development. Keeping such issues in mind, the government and private-sector investors should seek out initiatives in areas in which St. Lucia possesses advantages and endeavour to exploit the country’s existing assets, such as specialty tourism products (including boutique hotels and yachting)—high-end subsectors that provide high-quality employment and are environmentally friendly; geothermal energy; and the creative industries. Such issues should be on the agenda of the tripartite committee and need to be taken into consideration in the formulation of long-term strategic plans for the development of the private sector in St. Lucia.

Although the private sector in St. Lucia faces many issues relating to taxation, dealing with government departments and so on, it is considered that creating a forum for discussion would enable many of these problems to be addressed. It is important to underline the fact that, while all of the action points relate to the establishment of a conducive environment for the development of the private sector and are external to individual enterprises, the private sector itself will need to take responsibility for seeking to adopt a more proactive approach to exploiting market opportunities. In this vein, the Caribbean region needs to exploit those resources in which it has an advantage and a brand, suggesting a concentration on alternative energy (notably geothermal and solar); specialist agricultural products and agro-processing; eco-tourism; “edu-tourism” (drawing on human resources in the region); heritage tourism; health and wellness (both product-specific and related to tourism); and financial services, among other sectors.
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