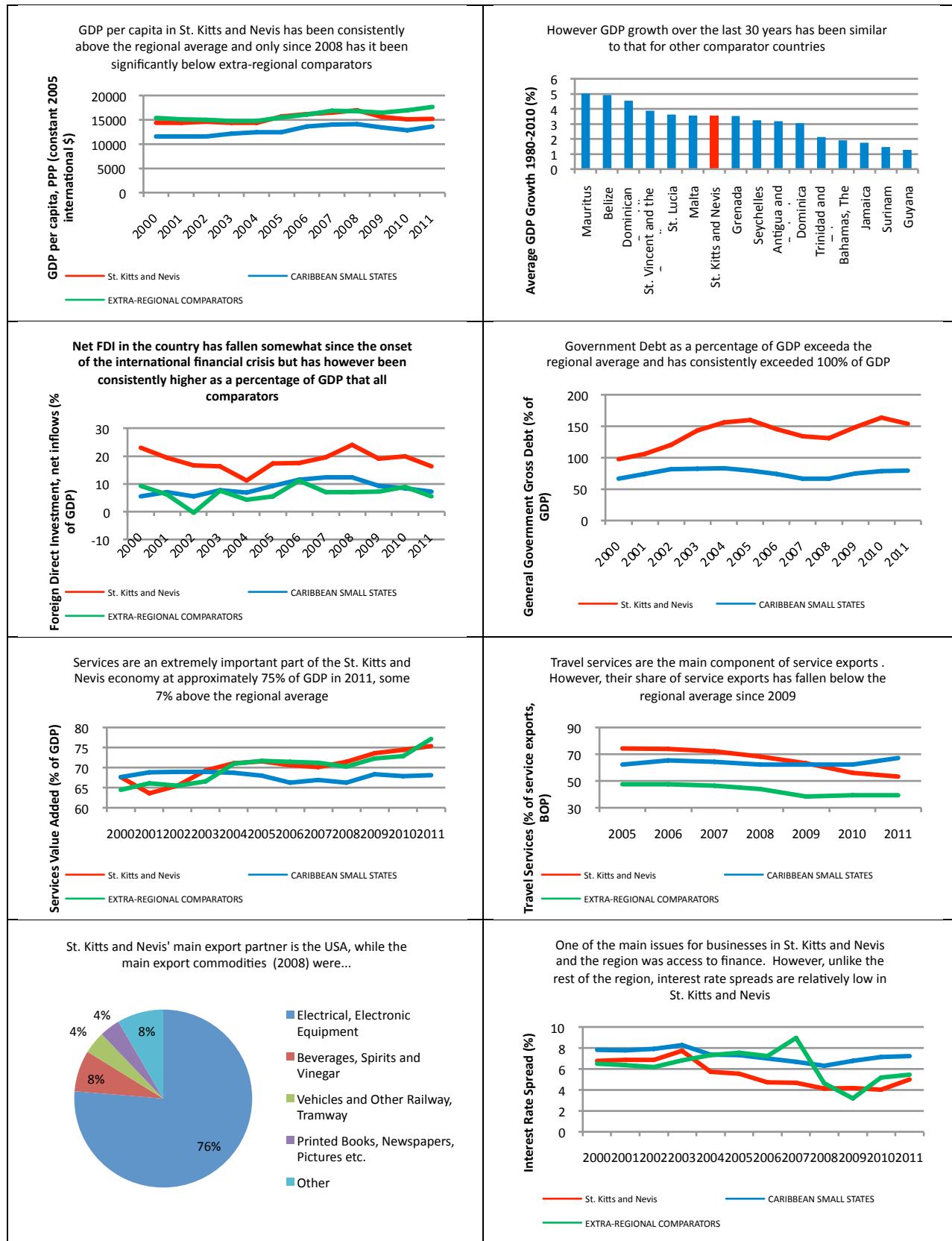


# A Snap-Shot of the Private Sector In St. Kitts and Nevis 2013



\*Caribbean small states aggregate: includes Antigua and Barbuda, The Bahamas, Barbados, Belize, Guyana, Suriname, Dominica, Grenada, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago.

\*\*Extra-regional comparators are Seychelles, Palau, Malta and Mauritius \*\*\*Sources of Data: World Development Indicators, World Bank, Central Bank data, Doing Business Reports, Enterprise Surveys

## Opportunities to accelerate private sector growth

The sharp global recession has been taking a toll on the St. Kitts and Nevis economy. Economic activity has weakened markedly, particularly in tourism and FDI-related construction, the drivers of growth in recent years. The drop-off in tourism receipts, FDI, and other capital flows could lead to a worsening of the balance-of-payments position. Strains from the global crisis are also increasingly evident in the local financial system, especially through insurance, investment, and banking linkages with the troubled CL Financial Group. Should the slowdown deepen further, the adverse impact could spread further through the banking sector through a rise in non-performing loans and a loss of confidence.

<b>Large and fast growing sectors</b>	<b>Business climate</b>
<p>The four largest sectors in St. Kitts and Nevis are: Real Estate, Renting and Business Activities; Financial Intermediation; Construction; and Transport, Storage and Communication, while the sectors experiencing the most growth in Gross Value Added (GVA) were Financial Intermediation, Manufacturing and Hotels and Restaurants. Together with Wholesale and Retail Trade, these sectors account for 80% of GVA in the country.</p> <p>The 2013 Budget provided incentives for construction, tourism and wholesale and retail trade. The support provided for these sectors and recent activity by manufacturers of electrical components to increase output of higher value added electronic communication equipment as part of the Partial Scope Agreement with Brazil and Guyana, all suggest that these sectors should remain the largest and fastest growing in St. Kitts and Nevis in the immediate future.</p>	<p><b>Business climate</b></p> <p>The Private Sector Assessment for St. Kitts and Nevis revealed the following constraints to growth:</p> <ul style="list-style-type: none"> <li>• Lack of access to finance due to a lack of legislation to protect creditors, lack of a credit bureau, high interest rate spreads and high collateral requirements</li> <li>• Absence of an adequately trained labour force</li> <li>• High levels of taxation</li> <li>• Cost of energy and electricity</li> <li>• Time to register a business</li> <li>• Competition from unregistered businesses</li> <li>• Limited intra-regional transportation options</li> </ul>
<p><b>Government priorities as identified by government</b></p> <p>The Government of St. Kitts and Nevis exhibits a commitment to the development of the private sector in the country. This was exhibited by the 2013 Budget Address by the Prime Minister, Dr. Denzil Douglas, with the reduction in corporate taxation as well as the extension of incentives to the construction industry and measures to stimulate other sectors, namely tourism, wholesale and retail and ICT. The key elements to stimulate the economy were noted as support for the construction sector, entrepreneurship and education and skills training. From a review of Government policies and programs aimed at private sector development such as PPEP (Preparing People for Employment Project), the key recurring theme is the generation of sustainable employment. In speaking on investment projects to be introduced in the next 5 to 7 years, aimed at stimulating growth in the sectors noted above, Dr. Douglas notes:</p> <p style="padding-left: 20px;"><i>These projects will also provide well-needed long-term job opportunities for persons in various fields of expertise such as landscape architects, web developers, graphic designers and mechanics... As far as possible, all capital projects will be designed to create jobs.</i> (Government of St. Kitts and Nevis Budget Address, 2013:59) (Emphasis added)</p>	<p><b>Priorities actions to expand business as identified in the Compete Caribbean Private Sector Assessment Report</b></p> <p>The main priorities to emerge from the Private Sector Assessment in St. Kitts and Nevis were developed into Action Plans. The first of these Action Plans relate to the establishment of a formal <i>Tripartite Committee</i>, rather than the current informal arrangement, to oversee the development of private sector development strategies and the mainstreaming of private sector development in national strategic plans. The other elements of the Action Plan include the following:</p> <ul style="list-style-type: none"> <li>• Greater collaboration within the private sector to take advantage of funding opportunities for their own development</li> <li>• Improve access to finance and reduce the cost by reducing the risk attached to lending through the development of credit bureaus and collateral registries;</li> <li>• Targeting the exploitation of renewable/alternative energy to reduce the cost of doing business as well as its development as a productive sector in its own right;</li> <li>• Education and curriculum reform to ensure the skills demanded in the private sector are supplied by the educational sector</li> <li>• Creation of an export development agency to assist with the development and marketing of goods abroad</li> </ul>

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