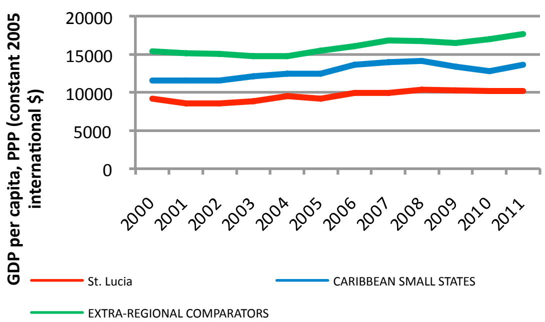
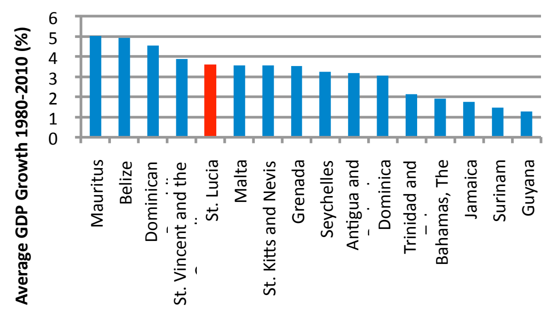
A Snap-Shot of the Private Sector In St. Lucia 2013

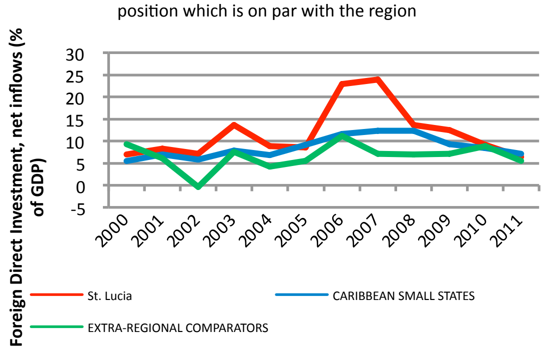
GDP per capita in St. Lucia has been consistently below the regional and extra-regional average



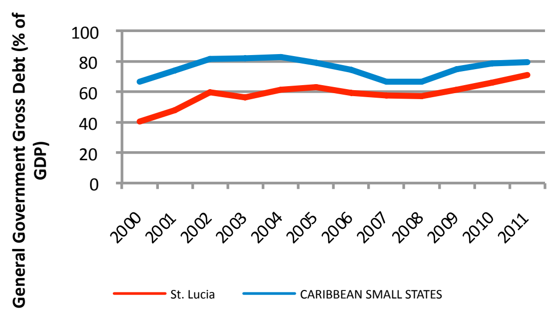
However GDP growth over the last 30 years has been marginally better than that for other comparator countries



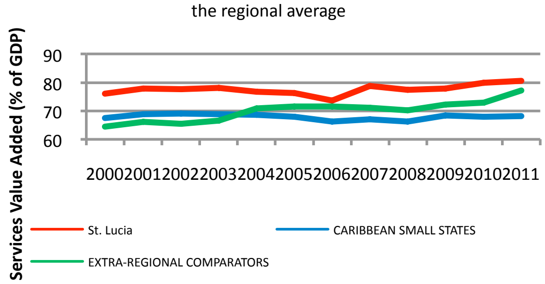
Net FDI in the country has been consistently above the regional average, falling dramatically since 2007 to its current position which is on par with the region



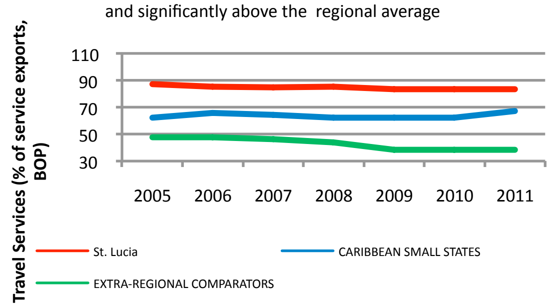
Government Debt as a percentage of GDP is below the regional average and only recently started to trend towards the regional average of nearly 80%



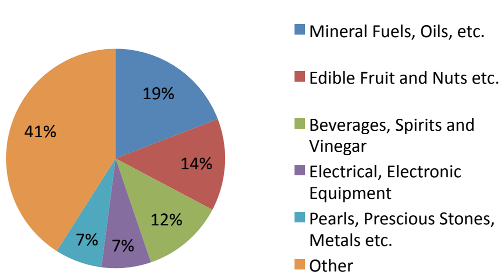
Services are an extremely important part of the St. Lucian economy, much more so that the rest of the region. Services are currently at approximately 80% of GDP, some 12% above the regional average



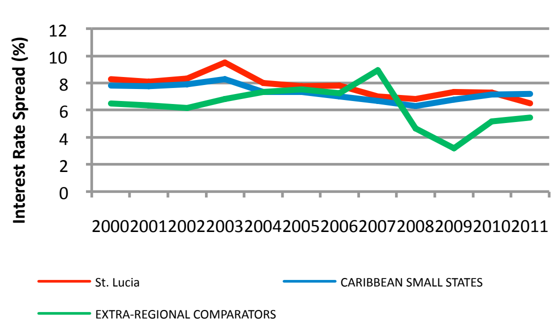
Travel services are the main component of service exports in St. Lucia , albeit marginally declining over the last 6 years, and significantly above the regional average



St. Lucia's main export partners are the USA, Trinidad and Tobago and the UK, while the main export commodities (2008) were...



One of the main issues for businesses in St. Lucia and the region was access to finance, and like the rest of the region, interest rate spreads are relatively high



***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

For most of the late 1990s and early 2000 period, growth in St. Lucia was quite robust: average annual growth was just around 3%. The downturn in the global economy, as well as several natural disasters, has however derailed the economy. In 2009, the economy contracted by 17 percent 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 island has been receiving financing support from the Caribbean Catastrophe Risk Insurance Facility, Caribbean Development Bank and the IMF's Rapid Credit Facility/Emergency Natural Disaster Assistance to help it address these problems.

Large and fast growing sectors	**Business climate**
The largest sectors in St. Lucia as a percentage of gross value added (GVA) are: Transport, Storage and Communications (19%); Real Estate, Renting and Business Activities (13%), Construction (12%); Hotels and Restaurants (11%); and Wholesale and Retail Trade (10%). Of these sectors, the two experiencing reasonable growth over the period 2010-2011 were Wholesale and Retail Trade and Construction at just over 10%. Given the support provided by Government, the most viable growth sectors appear to be: construction, especially in relation to Government plans for constructing administrative offices and plans for the development of the offshore education sector; boutique-type tourism; and the creative industries.	The Private Sector Assessment for St. Lucia revealed the following constraints to growth: • Cost Issues (finance, electricity and energy) • Lack of cooperation within and between the public sector and private sector business support frameworks • Lack of formal coordination between private sector representative associations • Lack of ability by enterprise owners to meet the requirements of finance providers • Inadequately trained labour force
Government priorities as identified by government	**Priorities actions to expand business as identified in the Compete Caribbean Private Sector Assessment Report**
The Government of St. Lucia, in its 2013 Budget Statement, notes the main challenges to the country as high debt and low growth, hence the title of the Statement being *'An Agenda for Economic Growth and Fiscal Sustainability'*. 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 inter-locking elements or gears: 1. Structural reforms to improve both public and private sector output 2. Investment in infrastructure 3. Expansion of exports and investment inflows through the productive sectors 4. Strengthening fiscal consolidation efforts 5. Maintaining social stability and peace which are considered as prerequisites for growth The Government's focus on economic growth is based on the belief 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'* (p.30).	The main priorities to emerge from the Private Sector Assessment in St. Lucia were developed into Action Plans. The first of these Action Plans relate to the establishment of a formal *Tripartite Committee*, 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. However, before such a representative body can be formed, there needs to be a coming together of private sector representative organizations. While there is *ad hoc* dialogue between these bodies, this needs to be formalized to enable the private sector to have a single voice in any wider *Tripartite Committee.* The other elements of the Action Plan include the following: • Improve access to finance and reduce the cost by reducing the risk attached to lending through the development of credit bureaus, collateral registries, use of technology and greater competition in the financial sector; • 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; • Education and curriculum reform to ensure the skills demanded in the private sector are supplied by the educational sector

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