

EN



**11<sup>th</sup> EDF**

**National Indicative Programme**

**(2014 – 2020)**

**for co-operation between**

**Saint Lucia**

**and**

**the European Union**

## GENERAL CLAUSES

The Government of Saint Lucia and the European Commission hereby agree as follows:

- (1) The Government of Saint Lucia, represented by <name and title>, and the European Commission, represented by Mikael Barfod, Head of the EU Delegation in Barbados, hereinafter referred to as the Parties, determined the general orientations for cooperation for the period 2014-2020.

These orientations which are included in the National Indicative Programme, concern the European Union Aid in favour of Saint Lucia and were drawn up in accordance with the provisions of Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000, revised and signed in Luxemburg on 25 June 2005 and revised and signed in Ouagadougou on 22 June 2010. The National Indicative Programme is annexed to the present document.

- (2) As regards the indicative programmable financial resources which the European Union envisages to make available to Saint Lucia for the period 2014-2020, an amount of EUR 6.9 million is foreseen for the allocation referred to in Article 3.2 (a) of Annex IV of the ACP-EC Partnership Agreement (A-allocation). A B-allocation referred to in Article 3.2 (b) can be established to cover unforeseen needs. This allocation is at EUR 0 until a need arises. These allocations are not entitlements and may be revised by the Commission, following the mid-term and end-of-term reviews, in accordance with Article 5.7 of annex IV of the ACP-EC Partnership Agreement.
- (3) The A-allocation is destined to cover macroeconomic support, sectoral policies, programmes and projects. The National Indicative Programme concerns the resources of the A-allocation. It also takes into consideration financing from which Saint Lucia benefits or could benefit under other European Union resources. It does not pre-empt financing decisions by the Commission.
- (4) The B-allocation is destined to cover unforeseen needs such as humanitarian, emergency and post emergency assistance, where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate exogenous shocks. The B-allocation shall be established according to specific mechanisms and procedures and does therefore not constitute a part of the programming.
- (5) Pending the entry into force of the Internal Agreement between the Representatives of the Governments of the Member States of the European Union, meeting with the Council on the financing of European Union Aid under the multiannual financial framework for the period 2014 to 2020, financing decisions for projects and programmes can be taken by the Commission at the request of the Government of Saint Lucia within the limits of the A- and B-allocations referred to in this document under the condition that sufficient financial resources are available in the transitional measures ("Bridging Facility") composed of uncommitted balances from the previous EDFs and from funds decommitted from projects or programmes under those EDFs. The respective projects and programmes shall be implemented according to the rules and procedures of the 10th EDF until the entry into force of the 11th EDF implementing rules and financial regulation.

- (6) The European Investment Bank may contribute to the implementation of the present National Indicative Programme by operations financed from the Investment Facility and/or from its own resources, in accordance with Articles 2c and 3 of the 11th EDF multi-annual financial framework for the period 2014-2020.
- (7) In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Indicative Programme as well as the A-and B-allocations can be revised following the mid-term review and the end-of-term review or ad hoc reviews.

Signatures

For the Government of Saint Lucia

For the Commission

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## LIST OF ACRONYMS

ACP – Africa, Caribbean, Pacific  
CARICOM – Caribbean Community  
CARIFORUM Caribbean Forum – Forum of the Caribbean Group of African, Caribbean and Pacific (ACP) States  
CARTFund – Caribbean Aid for Trade and Regional Integration Trust Fund  
CDB – Caribbean Development Bank  
CIDA – Canadian International Development Agency  
CIF – Caribbean Investment Facility  
CRIP – Caribbean Regional Indicative Programme  
CSME – CARICOM Single Market and Economy  
DFID – Department for International Development  
DIPECHO – Disaster Preparedness Programme  
DRR – Disaster Risk Reduction  
EC – European Commission  
ECCB – Eastern Caribbean Central Bank  
ECHO – European Commission Humanitarian Aid Office  
EDF – European Development Fund  
EIB – European Investment Bank  
EPA – Economic Partnership Agreement  
EPIC – Entrepreneurship Program for Innovation in the Caribbean  
EU – European Union  
GDP – Gross Domestic Product  
GiZ – Gesellschaft fuer internationale Zusammenarbeit.  
HPI – Human Poverty Index  
ICT – Information and Communications Technology  
IDB – Inter-American Development Bank  
IFIs – International Financial Institutions  
ILO – International Labour Organization  
IMF – International Monetary Fund  
LAC – Latin America and Caribbean  
MDG(s) – Millennium Development Goal(s)  
MTDSP – Medium Term Development Strategy  
NAO – National Authorising Office(r)  
NDP – National Development Plan  
NEDS – National Export Development Strategy  
NIP – National Indicative Programme  
NSA(s) – Non-State Actor(s)  
OAS – Organisation of American States  
OCTs – Overseas Countries and Territories  
OECS – Organisation of Eastern Caribbean States  
PPP – Purchasing Power Parity  
PSDPG – Eastern Caribbean Private Sector Development Partners Group  
RIP – Regional Indicative Programme  
SFA – Special Framework of Assistance  
SLU – St. Lucia  
SMEs – Small and Medium-sized Enterprises  
STABEX – European Commission compensatory finance scheme to stabilise export earnings of the ACP countries.  
TCF – Technical Cooperation Facility  
UN – United Nations  
UNDP – United Nations Development Programme  
US(A) – United States (of America)  
USAID – United States Agency for International Development  
WB – World Bank

## 1. THE OVERALL LINES FOR THE EU RESPONSE

### 1.1 Strategic objectives of the EU's relationship with the partner country

The European Union (EU) and the Caribbean Region have enjoyed a long standing fruitful relationship dating back to the Lomé Agreement signed in 1975. The ratification of the Cotonou Agreement in 2000 marked a significant milestone in the evolution of EU-ACP (Africa, Caribbean, Pacific) partnership from that of a negotiated non-reciprocal system of trade preferences and considerable amount of development assistance to one characterised by a deeper political dialogue, broader cooperation framework to include civil society, the private sector and other non-state actors, concentrated focus on the achievement of the Millennium Development Goals (MDGs) as well as an innovative economic and trade cooperation framework. The latter is aimed at the progressive liberalization of trade between the parties, and includes closer cooperation in trade related areas such as competition policy, the protection of intellectual property rights, standardization and certification, sanitary and phytosanitary measures, respect for labour standards and consumer policy. The Caribbean was the first region to sign a full Economic Partnership Agreement (EPA) with the EU in 2008.

The Joint Caribbean-EU Partnership Strategy, 2012 provides a modern, structured framework to promote deeper dialogue and more effective and efficient regional cooperation to address the challenges and opportunities of the 21st century. Regional integration and cooperation in the wider Caribbean is one of the main overarching themes of the Strategy with the objective of strengthening trade and investment relationship between CARIFORUM (Caribbean Forum– Forum of the Caribbean Group of African, Caribbean and Pacific States ) and the EU Overseas Countries and Territories (OCTs), support the CARICOM (Caribbean Community) Single Market and Economy (CSME) and the Organisation of Eastern Caribbean States (OECS) Economic Union and foster a healthy economic and investment climate in the Caribbean to enhance the integration of regional markets and competitiveness at the international level. Other goals and objectives of the Joint Caribbean-EU Partnership Strategy include: the development of enterprise through private sector investments, particularly in the service sector and including financial services, tourism and the creative and cultural industries, agro-business and manufacturing. The Strategy also seeks to promote innovation, and Information and Communications Technology (ICT) as well as the development of infrastructure networks to facilitate intra-regional and international trade. The Strategy is complemented by other regional cooperation frameworks in which the Caribbean and the EU participate, such as the EU, Latin America and Caribbean (LAC) Partnership. The proposed **focal sector** for the 11th European Development Fund (EDF), job creation through private sector development, is in conformity with the strategic orientation of the European Union's Agenda for Change, regarding investment in sectors promoting inclusive and sustainable growth. EU development assistance to St. Lucia (SLU) since 1975 is estimated to be in excess of EUR 200m. The majority of these resources were provided through the European Commission compensatory finance scheme to stabilise export earnings (STABEX<sub>1</sub>) and Special Framework of Assistance (SFA<sub>2</sub>) mechanisms and targeted mainly at the restructuring of the banana sector and economic diversification. Resources from the 7th, 8th, 9th and 10th EDF were earmarked for the reform of the health sector and specifically the construction of a New National Hospital (EUR 36.0m). The country is also a beneficiary under the Agricultural Transformation Programme-Banana Accompanying Measures (EUR 10.35m) signed in 2013.

Resilience building is an overarching goal as outlined in the European Commission's Communication on Resilience<sup>3</sup>. Resilience strategies should contribute to different policies, in particular Food Security, Climate Change Adaptation and Disaster Risk Reduction (DRR). In this context, the EU has

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<sup>1</sup> EU compensatory finance scheme to stabilise export earnings of the ACP countries

<sup>2</sup> Special Framework of Assistance to ACP traditional producers of bananas

<sup>3</sup> COM(2012)586 final and SWD(2013)227 final

consistently supported prevention and preparedness for crises in the most vulnerable countries and identified the need to integrate DRR and Adaptation to Climate Change, notably into both development cooperation and humanitarian response.

## 1.2 Choice of sector

SLU is ranked 88 (out of 187) in the Human Development Index, which places the country in the high human development rank. Life expectancy at birth is 74.8 years, the mean years of schooling of adults are 8.5 years and the GNI per capita<sup>4</sup> is USD 7,971. Like other small island developing states, St. Lucia was traditionally dependent on commodity agriculture (mainly banana) and is particularly vulnerable to the ravages of natural disasters, drastic reductions in the prices of commodities on the global market and growing competition from larger, low cost and highly mechanised producers in Latin America in an era of increasing trade liberalization. The country has been hard hit by the recent global economic and financial downturn which coincided with the endogenous structural challenges of shifting to a service based economy (dominated by the Tourism Sector). The result of this confluence of shocks is a sustained deterioration in SLU's macroeconomic indicators.

The Prime Minister (PM) in the Budget Estimate for 2013 identified anaemic growth, high unemployment, and high debt as the most pressing issues to be addressed in the short to medium term. This goes against the background of average GDP growth of 0.14 (2009-2012), an overall fiscal deficit of 9% of GDP, and overall debt of 71% of gross domestic product (GDP). Foreign direct investment plummeted from USD 161.2 million in 2008 (13.7% of GDP) to USD 81.0 million in 2011 (6.7% of GDP). The introduction of Value added tax (VAT) in October 2012, contributed to acceleration in inflation from 2.8% in 2011 to 4.2% at the end of the year. Overall, the St. Lucian economy contracted by 0.8% in 2012 as a result of significant downturn in distributive trade, construction, transport and communication. The construction sector contracted by 5.0% in tandem with the down scaling of rehabilitative work related to the passage of Hurricane Tomas, and the New National Hospital both of which were nearing completion. The Tourism sector experienced mixed results, while arrivals fell by 6.4% to 931,239, visitor expenditure increased by 2.0%. Visitor arrivals were constrained by the cessation of all flights to and from Puerto Rico by American Eagle as well as reduction in airlift by American Airlines and higher airfares. The performance of the manufacturing sector was flat due to weak domestic demand and increased input costs which contributed to a loss in competitiveness. Agricultural production for the year improved due to the recovery of the banana sector from the ravages of hurricane Tomas. Banana export to the UK increased by 85% to 12,126 tonnes which resulted in a 40.1% increase in earnings to USD 21.2 million. The PM identified the main challenge to economic growth as the erosion of competitiveness due to a steady decline in productivity and profitability, which is partly the result of growing real wage rates and the commensurate increases in the unit cost of production combined with lower levels of exports. The problem exasperates and is compounded by chronic high unemployment (20.6%) and by extension high levels of poverty (29.0%) and crime, particularly among young people. The PM underscored particular challenges in the labour market such as the large number of people unemployed for extended periods, approximately 60% of workforce not having attained secondary level education and therefore do not have the required skills necessary to secure gainful employment, the general mismatch between skills and available jobs, and the dearth in training opportunities versus the escalating demand.

Despite these challenges the overall environment for private sector development in St. Lucia (SLU) is relatively favourable. The country is the highest ranked (53) Caribbean nation for Ease of Doing Business, ahead of Antigua and Barbuda (63), Dominica (68) and Trinidad and Tobago (69). St. Lucia ranks ahead of the USA in terms of Dealing with Construction Permits (SLU-11/USA-17), Getting Electricity (SLU-12/USA-19) and paying taxes (SLU-43/USA-69). The policy and institutional framework is strong, corruption is considered to be low, the rule of law is upheld, the legal system trustworthy and the burden of regulation is not considered excessive.

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<sup>4</sup> PPP, 2005 constant

Since 1999, investment in private sector development by the EU in collaboration with the Government of St. Lucia is estimated at EUR 8.7 million (not including investments in tourism and ICT). The majority of these resources have been channelled through and used to strengthen the institutional and organization capacities of business support organizations, such as the Office of Private Sector Relations, the St. Lucia Chamber of Industry, Commerce and Agriculture and the St. Lucia Coalition of Service Industries, thereby ensuring long term sustainability of the grant financing provided. These agencies in turn were instrumental in strengthening sectorial level capacity (e.g. in ICT training to institutions and an E-Government program to Customs and Treasury), in the delivery of group training to service providers (management consultants) and in the diagnostic study/business plan interventions to businesses. Yachting Sector Study resulted in articulation of a strategic approach to development of the industry and a rationalisation of the roles and responsibilities among key management agencies. The support provided to the Heritage Tourism Sector created an appropriate management structure to promote business development and for collective marketing of heritage tourism enterprises. The training to consultants improved the quality of services offered by this services sub-sector resulting in the formation of the St. Lucia Association of Management Consultants in 2006, whose purpose is to spearhead the development of the sector and its membership.

While these investments have produced a stronger policy and institutional framework, there is need for a more coordinated and strategic approach to private sector development in St. Lucia. In addition, while small and medium-sized enterprises (SMEs) were the recipient of direct assistance (technical, business services, production) their levels of competitiveness is seriously hampered by low levels of productivity linked to limited skills in the labour force, particularly in innovation and technology.

St. Lucia currently benefits directly and indirectly from several on-going initiatives linked to private sector development most of which are funded under the 10th EDF Caribbean Regional Indicative Programme (CRIP). These include the 10th EDF Regional Private Sector Development Programme (EUR 28.3 million) from which firms in St. Lucia have received grants, training, technical assistance and funding for overseas business to business meetings. The country also stands to benefit from the 10th EDF Support to the Forum of Caribbean States in the commitments undertaken under the EPA (EUR 46.5 million) particularly from the EPA and CSME Stand-by Facilities at the Caribbean Development Bank. In addition, there is the 11th EDF Economic Integration and Trade of the OECS Region (EUR 12.6 million) with provisions for support to (among others) the OECS Export Development Unit, and the harmonization and enhancement of tourism, as well as agricultural health and food safety systems in the sub-region. Under the Agricultural Transformation Programme (Banana Accompanying Measures), the country has received an allocation of EUR 10.35 million for activities which include the facilitation of agri-enterprises through research and technology (National Diagnostic Facility) and product/services enhancement and product services and market development. The European Investment Bank signed a USD 15.0 million line of credit with the Bank of St. Lucia, in Dec. 2009, of which USD 3.0 million was disbursed in 2012.

## 2. FINANCIAL OVERVIEW (INDICATIVE AMOUNTS)

<i>Sector of cooperation</i>	<i>Amount (EUR)</i>	<i>% of Total</i>
<i>Employment Generation through Private Sector Development</i>	<b>5,330,000</b>	<b>77</b>
<i>Measures in favour of civil society (NSA Panel)</i>	<b>333,000</b>	<b>5</b>
<i>Support measures</i>	<b>1,237,000</b>	
- <i>Support measures NAO</i>	810,000	12
- <i>Support measures TCF</i>	427,000	6
<b><u>Total</u></b>	<b><u>6,900,000</u></b>	<b><u>100</u></b>

The EU response and National Indicative Programme may be complemented by operations financed by the EIB from the Cotonou Investment Facility and/or its Own Resources

### 3. EU SUPPORT PER SECTOR

The EU concurs with the government of St. Lucia's recognition that the services sector shows the greatest potential for growth given the current regional and global economic and trade environment. This includes the considerable opportunities provided under the CARIFORUM-EU EPA for the expansion of trade in services. The EPA builds a trade partnership for increased competitiveness, economic growth and development, supporting regional integration in the Caribbean and participation in the world trading system. The EU is firmly committed to implement its obligations stemming from the EPA and to assist St. Lucia to implement the EPA. In addition to the regional programme, the present national programme will contribute to enhance the competitiveness of St. Lucia's economy and the capacity to benefit from the opportunities created by the EPA.

Overall, the EU has liberalized the importation of 94% of its services sectors, with extensive concessions in terms of market access to CARIFORUM service suppliers and investors to supply '*global services*' such as banking and financial and legal services as well as '*every-day*' services such as architectural services, computer services, nursing, entertainment in music and other performing arts, services by chefs de cuisine and tourism and recreational services such as tour guides.

The services sector is already well-poised to create synergies with existing industries and National Priorities. The National Export Development Strategy focuses on the development of the services sector and related sub-sectors as critical to increasing the competitiveness of businesses in the country. It identified ten priority sectors which included: architecture; arts and entertainment; information technology; integrated marketing communication; nursing services; and tourism services. The National Investment policy further substantiates this approach by focusing on promoting investment opportunities in niche areas consistent with the island's scale and natural resources and mentions a convergence / cross-over of sub-sectors e.g. healthcare & tourism, ICT & education, creative industries & manufacturing and agriculture & innovation.

Health and wellness tourism has been cited as a viable means of diversifying the tourism product in St Lucia. Wellness tourism has the greatest potential to contribute to the transformation of the tourism product as St Lucia is the leading country in the Eastern Caribbean for wellness tourism. The potential exists to make St Lucia a "wellness island" and attract visitors for this service rather than just tourists who benefit from the spa facilities.

A National ICT Strategy of St Lucia 2010-2015 (draft) mainstreams ICT into many facets of St. Lucian society and highlights the potential for exporting services in this field. A skills audit of the information and communication technology (ICT) sector in St Lucia in 2009 revealed that there is high availability of a diverse set of IT skills on the island. Individuals are engaging in a range of activities, in organizations large and small, but in many cases, in owner managed SMEs. Skills range from software design and development, IT consultancy, data management, network administration and support and IT training. There are roughly 18 firms exporting IT services; however there is still a need to address incentives for stimulating investment in ICT businesses or the adoption of ICTs by companies or organizations. Furthermore, there is a strong need to revisit current policy measures that negatively impact on the sector.

The current administration is currently bolstering the Creative Industries of St. Lucia in order to create synergies with existing priorities, garner further employment opportunities for the youth, as well as become a viable contributor to National Development. Strategic direction #3 of the Creative

Industries' White Paper 2013 focuses on transforming Creativity into Economic Potential. The rationale is that talent and creativity need specific capacities, pathways and systems to realise the economic, employment and livelihood potentials of creative activities, goods and services. There is a need for policies, investment and actions that address the key issues currently affecting the sector, including; its under-capitalisation, the lack of business opportunities, and the difficulty for artists, creators and entrepreneurs to access relevant information.

Audio/Visual Services falls within the purview of both the National ICT Strategy as well the priorities outlined in the Creative Industries White paper. The Audio/Visual Sector is growingly steadily and has the added benefit of being able to benefit from the EPA Protocol on Cultural Cooperation. This protocol provides possibilities for collaboration with European producers in order to facilitate access into the EU for Caribbean audio-visual material through special mechanisms (See Articles 5 & 6 of the Protocol). In particular, co-produced audio-visual products and services involving European and Caribbean creative teams will qualify as domestic productions and meet the audio-visual content rules in all EU states and in the Caribbean.

The cross cutting theme of creating an enabling environment for SMEs to thrive is also addressed in the Creative Industries White paper in Strategic direction #1: Creating and Nurturing a Favourable Policy Environment. Growth and sustainability are possible only if and when there is an enabling policy environment, as expressed in policy statements and legislation. Thus for all subsectors a level of background work must be done by way of:

- Data collection and analysis required for policy formulation, monitoring and evaluation, and for programming,
- A clear policy and regulatory framework for services
- Access to affordable finance for services firms in the local economy
- Investment in people - skilled workforce & standards
- Strategic partnerships to fit into global value chains

An *ex-post* evaluation of private sector development interventions in St. Lucia funded under the Special Framework of Assistance for traditional ACP Banana suppliers from 2001 to 2006 was conducted in June/July 2013 and highlighted several lessons learnt. The report underscored the importance of targeting intermediate support service sector organisation(s) for potentially higher more sustainable impact as well as grouping activities together to achieve broader coverage of the private sector development agenda. In addition, the report emphasized the need to establish credible baseline information at the outset of programme implementation and embedding a monitoring mechanism within the implementing agency. These recommendations will be taken into consideration during the identification and formulation phase.

Environmental sustainability and good governance are the two cross-cutting issues in the European Consensus on Development that will be taken into account directly during the formulation phase. Under Objective B, Result No. 4, the promotion of green technologies will be a central focus of the interventions to be designed for and employed by the beneficiary Micro Small and Medium Enterprises. Under Objective C, result No. 6 the intent is the promotion of good governance by improving the environment for doing business in St. Lucia. This will be done by streamlining and simplifying the institutional structure and procedures as to ensure transparency, and fair treatment. The 11<sup>th</sup> EDF interventions will also support the promotion of decent work and employment and by extension enhance social protection, uphold core labour standards and advance social dialogue through the continued involvement of non-governmental organizations and private sector associations in the development and execution of the programme.

### **3.1. Employment Generation through Private Sector Development (Indicative amount EUR 5.33 million)**

3.1.1. The following overall and specific objectives will be pursued:

Overall objective: to contribute to overall economic growth and development of St. Lucia, through the improved competitiveness and productivity of the private sector, particularly the services sector.

Specific Objectives

A- Improved provision of business support services through appropriate umbrella organizations.

B- Productivity and competitiveness of existing MSMEs in the services sector increased.

C-The overall policy and institutional environment for private sector development is improved

3.1.2. For each of the specific objectives the main expected results are:

#### Specific Objective A

Result No. 1

To improve the productivity and competitiveness of ICT Professional Services

Result No. 2

To improve the competitiveness and export viability of Health and Wellness Services

Result No. 3

To improve the viability of the Audio Visual Sector

#### Specific Objective B

Result No. 4

Increase in the profitability of assisted companies, increase in number of businesses adopting green technology practices

Result No. 5

Increase in employment by assisted companies

#### Specific Objective C

Result No. 6

Consolidated private sector development policy/implementation framework

3.1.3. The main indicators measuring the aforementioned results are contained in the sector intervention framework in Attachment 3.

3.1.4. Donor coordination and policy dialogue

The Deputy NAO is the Deputy Permanent Secretary for the Ministry of Finance, Economic Planning and Social Security and heads the Department for Planning and National Development which oversees relations with the World Bank, IDB, EU, CDB and the UN Agencies. In this way donor coordination

is implicit in the day to day operation of the Department. However, in the future the Government will be convening regular (annually or bi-annually) joint meetings with the development partners.

St. Lucia launched its chapter of the Caribbean Growth Forum in January 2013, and has appointed a focal point in the Ministry of Finance. Policy dialogue between public and private sector is on-going under the three thematic areas: Skills and Productivity, Logistics and Connectivity and Investment Climate. With the assistance of the IDB's Compete Caribbean Programme the country has also established a National Competitiveness and Productivity Council. (See details of the Council's mandate in Section 3.1.5 below)

The Advisory Committee for the post 2015 national consultation also had its inaugural meeting in January 2013.

There are several large private sector development programmes currently being implemented in the Caribbean Region. These include:

1. Compete Caribbean (USD 42 million), which is funded jointly by CIDA, DFID and IDB and provides: a) matching grants to private sector businesses to assist them in developing innovative products and services (Enterprise Challenge Fund); b) technical assistance grants to private sector and civil society stakeholders to undertake evidenced-based dialogue and advocacy, as well as institutional support to Governments and regional organizations to design and implement business climate reforms (Business Climate Enhancement Facility); and c) policy/strategy, and knowledge management products.
2. Entrepreneurship Program for Innovation in the Caribbean (EPIC) USD 19 million, which is funded jointly by the World Bank and CIDA and has three core activity pillars; a) mobile innovation; b) climate technology; and, c) women-led entrepreneurship. These pillars are complemented by an access to finance facility for Caribbean entrepreneurs and a skills upgrading and capacity development program for all ecosystem stakeholders.
3. Caribbean Aid for Trade and Regional Integration Trust Fund (CARTFund) GBP 5 million, which is a trust fund financed by the UK Government and administered by the Caribbean Development Bank that provides grant funding for national, sub-regional and regional activities in the following areas: a) EPA implementation; b) Deepening CARICOM integration; c) Deepening OECS integration; and, d) assistance in project implementation.
4. GIZ EPA Implementation Support Project, which provides support to national, and regional organizations to contribute significantly to a development friendly implementation of the CARIFORUM-EC EPA.

There is an Eastern Caribbean Private Sector Development Partners Group (PSDPG) which is presently chaired by CIDA and includes the World Bank, IFC, IDB, CDB, GIZ, UNDP, EU, DFID, USAID, Compete Caribbean and Caribbean Export. The PSDPG is a sub-group of the Eastern Caribbean Development Partners Group which is chaired by the UNDP. The overall objective of both groups is to strengthen donor coordination and delivery for improved development results.

### 3.1.5. The Government's financial and policy commitments

The Government of St. Lucia has announced the implementation of several initiatives aimed at improving the environment for doing business in St. Lucia, increase support to the private sector, enhance competitiveness and expand training opportunities in an effort to boost the country's chances for short term recovery and growth in the medium to long term. These initiatives include: a National Development Plan (NDP), road map and agenda for the next 30 years, which would integrate on-going initiatives such as the Medium Term Development Strategy (MTDSP) for the period 2012-2016 with assistance from the CDB, the National Development Vision Plan and sector plans. The NDP is expected to include a Public Sector Investment Plan, a National Investment Strategy, a National Physical Plan as well as local area plans.

In addition, the Government will establish the Technical Secretariat and appoint the members of the National Competitiveness and Productivity Council recently established with financial assistance from the IDB. The Council will develop an Action Plan for improving productivity and competitiveness in both the public and private sectors, articulate a vision, conduct national productivity assessments of the various sectors of the economy and benchmarking Saint Lucia's competitiveness vis-à-vis other countries and initiating selected pilot projects.

In order to reduce the length of time it takes for commercial cases to pass through the court system, the Government will set up a Commercial Court to hear and adjudicate all commercial disputes, accordingly it will commence the formulation of the rules of the court and proceed with the appointment of a resident judge. The Government has also announced plans to amend Section 42(k) of the Income Tax Act to allow for exemption from Stamp Duties for foreign owned firms (as previously only locally owned firms could be exempted) and for firms not in financial distress but in the process of consolidations, amalgamations, acquisitions, mergers and restructuring.

There are also plans to facilitate the development in professional services, through the formation of a Unit in the Ministry of Commerce dedicated to the Services Sector, and the completion of a Services Policy began with support from the Caribbean Development Bank and proceeding from a review of the services sector conducted by the St. Lucia Coalition of Services and the CDB. The Ministry of Legal Affairs will be provided with additional resources to develop the legislative framework for various professional services beginning with the engineering and architectural professions.

#### 3.1.6. Environmental assessment

The overall impact of the programme of implementation to be developed under the focal sector, private sector, is expected to be positive given the emphasis on green development in the overall objective and specific objectives and also in the results.

#### 3.1.7. The overall risk assessment of the sector intervention

Natural disasters, particularly storms and hurricanes are major risks to any development programme in St. Lucia. The country has received a direct hit from hurricanes and named storms approximately every three years over the last decade, the most recent being Hurricane Tomas in 2010. These events have caused catastrophic damage to economic infrastructure such as roads, water supply and sewerage systems but also result in considerable damage to private foreign and domestic investment and private sector interests in general. This usually results in a slow down or cessation of programme activities as both government and private sector interlocutors and beneficiaries grapple with restoration of homes and businesses. Re-start of programme implementation can be protracted and some of the gains under the intervention prior to the disaster could be eroded or lost entirely.

Considering the various forecasts for a slow global economic and financial recovery, a programme of private sector development could be at risk for either slow or low uptake at least initially.

Therefore, in order for investments to be sustainable, Disaster Risk Reduction measures will be integrated where possible. Risks will be integrated in a risk informed investment approach.

### **4. MEASURES IN FAVOUR OF CIVIL SOCIETY**

Under the 10<sup>th</sup> EDF the Non-State Actors Panel undertook a set of activities to complement interventions in the focus sector, Health. These included workshops and health fairs.

In line with the Cotonou Agreement and its Annex IV an indicative amount of EUR 333,000 is set aside in support of civil society organizations, specifically the Non-State Actors Advisory Panel. These resources will be used to provide (among other things): a) overall strengthening of the framework and institutions for private sector advocacy and civil society participation in National development but also in the implementation of the 11<sup>th</sup> EDF interventions; b) improve knowledge

sharing and communication among the organizations represented on the Panel and between the Panel and other civil society groups; b) capacity building for the organizations represented on the Panel including mentoring and coaching, as well as the development of management tool kits; c) training in advanced project management and proposal writing; and d) visibility action.

This allocation may also be used to finance actions linked to cross cutting issues such as gender, environment, and human rights.

## **5. B-ALLOCATION**

A B-allocation is included for unforeseen needs (specifically relevant for fragility situations). This allocation is EUR 0.00 until a need arises. In case of necessity, a Financing Decision to meet an unforeseen or urgent need can be taken.

## **6. SUPPORT MEASURES**

### **6.1. Measures to support or accompany the programming, preparation or implementation of actions**

An indicative amount of maximum EUR 427,000 is foreseen for Technical Cooperation Facility (TCF), which aims at supporting or accompanying the programming, preparation or implementation of actions. The TCF is not a sector, and is to be used for supporting activities of limited amounts. It may not be used neither for financing small projects in the focal sector, nor for actions related to cross cutting issues. Nevertheless it may be used to finance activities in support of civil society and non-state actors.

### **6.2. Support to the National Authorizing Officer**

An indicative amount of maximum EUR 810,000 is foreseen for support to the National Authorizing Officer. The NAO will be integral to the process of assisting the country to access resources under the Caribbean Regional Indicative Programme (CRIP), the Caribbean Investment Facility (CIF) as well as other EU thematic funds including for research.

## **Attachments**

1. Country at a glance
2. Donor matrix showing the indicative allocations per sector
3. Sector intervention framework and performance indicators
4. Indicative timetable for commitment of funds
5. Private sector overview

### Attachment I: Country at a glance

<u>St Lucia</u>	Unit	2010 (or earlier)	2011	2012	2013	Source
<b><u>POLITICAL</u></b>						
<b>Status / political rights / civil liberties</b>	Score (F = Free; PF = Partly Free; N = Not Free) / 1 = the most free and 7 the least free rating.	F/1/1	F/1/1	F/1/1	F/1/1	Freedom House
<b><u>SOCIOAL / VULNERABILITY</u></b>						
<b>Population</b>	Number	177,397	179,271	180,810	-	World Bank
<b>Human Development Index</b>	Index / rank	0.723	0.724	0.725/88	-	UN
<b>Life expectancy at birth, total</b>	Years	74	75	-	-	World Bank
<b>School enrolment primary</b>	%	-	93	-	-	World Bank
<b>Homicides</b>	Number per 100,000 population (change from year before)	44 (+5)	-	-	-	UN
<b>Poverty (headcount index)</b>	%	28,8 (2007)	-	-	-	CDB
<b>Unemployment</b>	%	-	-	20.3	23.8	Government Statistics
<b>GINI</b>	0 – 1 coefficient	0.42 (2007)	-	-	-	CDB
<b>EVI (Environmental Vulnerability)</b>	Index	393 = Extremely Vulnerable	-	-	-	UNEP
<b>Fuel imports</b>	(% of merchandise imports)	26 (2008)	-	-	-	World Bank
<b>Pop. Living in areas of elevation &lt; 5 meters</b>	%	8,02 (2000)	-	-	-	Centre for International Earth Science Information Network (CIESIN)
<b>Disaster risk reduction progress</b>	Score (1 to 5): 1= worst	-	3	-	-	World Bank

<b><u>ECONOMICAL</u></b>						
<b>GDP Growth</b>	%	0	1	-3	1.1 <	World Bank
<b>Public deficit</b>	% GDP	-4.8	-7.5	-7.4	.	Global Finance
<b>Debt</b>	% GDP	63.5	71.9	76.4	-	Global Finance
<b>Current Account Balance</b>	% of GDP	-16.9	-20.1	-19.1	- 18.2	Economy Watch
<b>Inflation</b>	%	3.3	2.8	3.2	4.7 <	Global Finance
<b>Global Competitiveness</b>	Rank/score/change	-	-	-	-	World Economic Forum
<b>Rating Agencies</b>	Rate	-	-	-	Not rated	Standard & Poor's / Fitch / Moody's
<b>FDI, net inflows</b>	BoP, current US\$ (millions)	109,989,316	80,976,186	-	-	World Bank
<b>Net ODA and official aid received</b>	Current US\$ (millions)	41,150,000	35,290,000	-	-	World Bank
<b>EU Import from / EU Export to</b>	Value: € million	18.2 / 35.1	6.2 / 36.2	18.3 / 43.8	-	EU
<b><u>GOVERNANCE</u></b>						
<b>Control of Corruption</b>	% / score	85/1.23	-	-	-	Transparency Internat.
<b>Doing Business</b>	Points/Rank	-	51	53	-	World Bank-IFC

\* Estimation; \*\* Forecast; < Economy Watch

## Attachment II: Donor matrix showing the indicative allocations per sector

### Sector: Private sector development

DONORS	
	Activity - Amount / date
<b>EU (Commission)</b>	Strengthening the institutional and organization capacities of business support organizations, such as the Office of Private Sector Relations, the St. Lucia Chamber of Industry, Commerce and Agriculture and the St. Lucia Coalition of Service Industries - €8.7 M / Since 1999
<b>EU (Commission)</b>	10 <sup>th</sup> EDF Regional Private Sector Development Programme: Firms in St. Lucia have received grants, training, technical assistance and funding for overseas business to business meetings. - €28.3 M / Since end of 2010
<b>EU (Commission) through the CDB</b>	10 <sup>th</sup> EDF Support to the Forum of Caribbean States in the commitments undertaken under the EPA particularly from the EPA and CSME Stand-by Facilities - €46.5 m / Since end of 2011
<b>EU (Commission)</b>	11th EDF Economic Integration and Trade of the OECS region: support to the OECS Export Development Unit, and the harmonization and enhancement of tourism, as well as agricultural health and food safety systems in the sub-region / Not yet started
<b>EU (Commission)</b>	Agricultural Transformation Programme (Banana Accompanying Measures): facilitation of agri-enterprises through research and technology (National Diagnostic Facility) and product/services enhancement and product services and market development. - €10.35 M / Since end of 2012
<b>EIB</b>	Line of credit with the Bank of St. Lucia, in Dec. 2009, of which USD\$3.0m was disbursed in 2012. - USD15 M / Since 2009
<b>CIDA/DFID/IDB</b>	Compete Caribbean - Enterprise Challenge Fund, Business Climate Enhancement Facility and policy/strategy, and knowledge management. - USD42m
<b>CIDA/WB</b>	EPIC - mobile innovation, climate technology, women-led entrepreneurship, finance facility and skills upgrading and capacity development. - USD19m
<b>DFID</b>	CARTFund - EPA implementation, deepening CARICOM integration, deepening OECS integration, and assistance in project implementation. - £5m
<b>GIZ</b>	EPA Implementation Support Project - supports national, and regional organizations to contribute significantly to a development friendly implementation of the CARIFORUM-EC EPA.

### Attachment III: Sector intervention framework and performance indicators

<b>Sector 1: Employment Generation through Private Sector Development</b>		
<b>Specific objective 1:</b> Improved provision of business support services through appropriate umbrella organizations.		
<b>Expected Results</b>	<b>Indicators<sup>5</sup></b>	<b>Means of verification</b>
a) To improve the productivity and competitiveness of ICT Professional Services	a1) the range of services provided Baseline (2013) : the current 12 Target: increase from baseline a2) the number of service providers holding industry standard certification, Target: increase from baseline a3) the number of businesses employing more than 2 persons, Target: increase from baseline	- Government's reports - EU reports: progress reports, monitoring and evaluation reports
b) To improve the competitiveness and export viability of Health and Wellness Services	b1) # of H&W businesses registered under the national trademark b2)# of H&W businesses renewing operation licenses b3)# of employees of H&W businesses assisted.	
c) To improve the viability of the Audio Visual Sector	C1) number of outputs (number of films, videos, television series etc.) of A/V sector C2) # of local films/videos produced and screened internationally c3) # of international movies filmed locally.	
<b>Specific objective 2:</b> Productivity and competitiveness of existing MSMEs in the services sector increased.		
<b>Expected Results</b>	<b>Indicators</b>	<b>Means of verification</b>
a) Increase in the profitability of assisted companies	a1) cash turnover of of assisted companies	- Government's reports - EU reports: progress reports, monitoring and evaluation reports
b) Increase in employment by assisted companies	b1) # of new employees hired by MSMEs	- Government's reports - EU reports: progress reports, monitoring and evaluation reports
<b>Specific objective 3:</b> The overall policy and institutional environment for private sector development is improved		

<sup>5</sup> Baselines will be included in the Action documents at the latest

Expected Results	Indicators	Means of verification
a) Consolidated private sector development policy/implementation framework	a1) Doing Business ranking Baseline (year): 64, Target: improved ranking compared to baseline a2) Status of National Export Development Strategy Target: Strategy implemented a3) Status of Digital One Stop Shop for Investors Target: One stop shop is established	- Publication of the Law - Cabinet/relevant agency reports

The results, indicators and means of verification specified in the present annex may need to evolve to take into account changes intervening during the programming period.

**Attachment IV: Indicative timetable for commitment of funds**

	<b>Indicative allocation</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>SECTOR – Employment Generation through Private Sector Development</b>	<b>M € 5.33</b>		<b>5.33</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other measures (support to civil society)</b>	<b>M € 0.333</b>		<b>0.333</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>B- allocation</b>	<b>0€</b>							
<b>Support measures</b>	<b>M € 1.237</b>		<b>1.234</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
• <b>Measures to support or accompany the programming, preparation or implementation of</b>	<b>M € 0.427</b>		<b>0.427</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
• <b>Support to the National Authorising Officer</b>	<b>M € 0.810</b>		<b>0.810</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b><u>Total Commitments</u></b>	<b><u>M € 6.9</u></b>		<b><u>6.9</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>	<b><u>0</u></b>

## Attachment V: Private sector overview

### 1. *Numbers of Enterprises/Employment*

7,400 enterprises, employing 42,000 persons

– 76% of enterprises were small scale employing less than 4 persons

### 2. *Economic Activities*

Distributive Trade – 2,478 establishments, 34% of total employment, 5.6 % increase in GDP, 2011.

Hotel, Restaurants and Bars – 1,645 establishments, 15% of total employment, 2.4% increase in GDP, 2011.

Manufacturing – 653 establishments, 9.8% employment, 2.5% increase in GDP, 2011

### 3. *Ownership structure*

5,758 of establishments are owned by individuals – 56% are owned by women. Majority are operated by the proprietors themselves.

### 4. *Investment Climate (Major/Critical Obstacles to Growth)*

Customs and Trade regulations	-	23.3%
Crime, theft and disorder	-	21.7%
Tax rates	-	21.7%
Cost of financing (e.g. interest rates)	-	21.7%
Skills and education of available workers	-	16.7%
Tax administration	-	16.7%

### *Policy Framework*

Private Sector Development Strategy, 2009; Industrial Policy, 2001; National Export Development Strategy (NEDS), 2004; Tourism Strategy, 2005; Quadrant Strategy, 2007; NEDS Implementation Plan, 2009; Business Environment Action Plan, 2009; Medium Term Development Strategic Plan, 2012-2016

### *Institutional Framework*

#### Government

Lead Ministry – Ministry of Commerce, Business Development and Consumer Affairs; Office of Private Sector Relations; Small Enterprise Development Unit; National Trade and Export Promotion Agency; Tourism Development Agency (to be developed)

#### Private Sector

St. Lucia Chamber of Commerce, Industry and Agriculture; St. Lucia Manufacturers' Association; St. Lucia Hotel and Tourism Association; St. Lucia Industry and Small Business Association

St. Lucia Coalition of Service Industries

#### Public/Private

National Productivity and Competitiveness Council

### **Doing Business Indicators<sup>6</sup>**

Ease of Doing Business - 64 out of 183

#### Lowest 4 rankings

Getting credit - 130

Trading across borders - 104

Registering property - 129

Enforcing contracts - 170

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<sup>6</sup> Doing Business Report, 2014 – IFC/World Bank