

St Lucia - European Community

Country Strategy Paper

and National Indicative Programme

for the period 2001 - 2007

- (1) The Government of St Lucia, (represented by *<name and title>*), and the European Commission, (represented by *<name and title>*), hereinafter referred to as the Parties, held discussions in St Lucia and Barbados from October 2000 to August 2001 with a view to determining the general orientations for co-operation for the period 2001 – 2007. The European Investment Bank was represented at these discussions by *<name and title>*.

During these discussions, the Country Support Strategy and an Indicative Programme of Community Aid in favour of St Lucia 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. These discussions complete the programming process in St Lucia.

The Country Strategy Paper and the Indicative Programme are annexed to the present document.

- (2) As regards the indicative programmable financial resources which the Community envisages to make available to St Lucia for the period 2001-2007, an amount of €4.5 million is foreseen for the allocation referred to in Article 3.2 (a) of Annex IV of the ACP-EC Partnership Agreement (A-allocation) and of €15 million for the allocation referred to in Article 3.2 (b) (B-allocation). These allocations are not entitlements and may be revised by the Community, following the completion of 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 in support of the focal or non-focal areas of Community Assistance. The indicative programme under chapter VI concerns the resources of the A-allocation as well as uncommitted balances of former EDFs, for which no projects and programmes have been identified under the respective National Indicative Programmes. It also takes into consideration financing from which St Lucia benefits or could benefit under other Community resources. It does not pre-empt financing decisions by the Commission.
- (4) The B-allocation is destined to cover unforeseen needs such as emergency assistance where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings, the B-allocation shall be triggered according to specific mechanisms and procedures and does therefore not yet constitute a part of the indicative programme.
- (5) Pending the entry into force of the Financial Protocol of the ACP-EC Partnership and within the framework of the present Country Strategy Paper and Indicative Programme, financing decisions for projects and programmes can be taken by the Commission at the request of the Government of St Lucia, within the limits of the A- and B-allocations referred to in this document and under the condition that sufficient resources are available under the general reserve of the eighth EDF. The respective projects and programmes shall be implemented according to the rules and procedures of the eighth EDF until entry into force of the Financial Protocol for the Ninth European Development Fund. Corresponding amount shall be provided as a supplementary allocation to the eighth EDF
- (6) The European Investment Bank may contribute to the implementation of the present Country Strategy Paper by operations financed from the Investment Facility and/or from its own resources, in accordance with Articles 3 (a) and 4 of the Financial Protocol of the ACP-EC Partnership Agreement.

In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Authorising Officer and the Head of Delegation shall annually undertake an operational review of the Indicative Programme and undertake a mid-term review and an end-of-term review of the Country Support Strategy and the Indicative Programme in the light of current needs and performance.

The mid-term review shall be undertaken within two years and the end-of term review shall be undertaken within four years from the date of signature of the Country Support Strategy and the National Indicative Programme. Following the completion of the mid- and end-of-term reviews, the Community may revise the resource allocation in light of current needs and performance.

- (7) The agreement of the two parties on this Country Strategy Paper and the National Indicative Programme, subject to the ratification and entry into force of the ACP-EC Partnership Agreement, will be regarded as definitive within six weeks of the date of the signature, unless either party communicate the contrary before the end of this period.

Signatures

For the Government of St Lucia

For the European Commission

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PART A

Country Support Strategy

Executive summary

The Government strategy, as enunciated in the Medium-Term Economic Strategy paper 2000-2002, is to restructure and reposition the economy in response to the challenges and opportunities presented by globalisation and liberalization. The key elements of the Government's development strategy are agriculture, tourism, education and human resource development, financial services and technology. Performance in the agricultural sector is likely to be influenced by developments in relation to banana export prices as the banana industry is expected to remain of vital importance both in terms of output and employment. Consequently economic growth over the next several years will depend on improvements in the banana sector and expansion into non-traditional crops, tourism, and other services. Economic diversification in these areas will require sizeable investment in basic and social infrastructure, which in turns necessitates sound macroeconomic policies which will enhance conditions for private sector participation, and a fiscal position which generates sufficient savings to support the public investment needed to enhance infrastructure.

The result of cooperation between the EU and St Lucia in the context of previous NIPs has been deemed satisfactory though absorption capacity has been low, largely as a result of delays in the finalization of the Government Health Sector Reform paper which has delayed the commencement of work on the new hospital, the principal project in the 7th and 8th NIPs.

Central to the proposed EC response strategy is the key role of the banana industry in the St Lucian economy, the need to diversify and adapt it to the existing and forthcoming constraints, and its impact on the social situation and in particular the most vulnerable part of the population. The strategy aims to respond to the challenges and opportunities presented by globalization particularly in view of the inherent implications for the banana industry and the vulnerability of a small island country to exogenous shocks.

In view of this a three-pronged approach is proposed:

- (i) Continuation of support to the restructuring of the banana industry which involves economic diversification and the social recovery programme through the Special Facility of Assistance (SFA) and ongoing STABEX projects.
- (ii) Support to the vocational training sector, which has an instrumental role to play in the repositioning of the economy is to be supported using funds from EC budget lines.
- (iii) Support to the Health sector development policy and the provision of efficient quality health care through the construction of the new hospital, in continuation of the 7th and 8th EDF strategies, will be the focus for the 9th EDF using 90 % of the A envelope in addition to the remaining funds from the previous EDF.

The choice of health as the focal sector for the 9th EDF in St Lucia is in keeping with ACP-EU strategies for the promotion of human and social development and the contribution to poverty alleviation. The promotion of equitable access to social services is one of the areas of concentration for Community development policy while there is increasing recognition that the achievement of sustainable growth and poverty eradication can be achieved through ensuring a healthy population. The GOSL has given a priority to the provision of a new hospital owing to the aged infrastructure and equipment at the existing Victoria Hospital which prohibits the extension and upgrading of the existing hospital in response to the country's current health needs.

1. EU/EC co-operation objectives

In accordance with Article 177 of the Treaty Establishing the European Community, community policy in the sphere of development co-operation shall foster:

- the sustainable economic and social development of the developing countries, and more particularly the most disadvantaged among them;
- the smooth and gradual integration of the developing countries into the world economy;
- the campaign against poverty in the developing countries.

These objectives have been confirmed and reinforced in Article 1 of the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000, which puts the main emphasis on the objective of reducing and eventually eradicating poverty. Co-operation between the Community and St Lucia shall pursue these objectives, taking into account fundamental principles laid down in Article 2 of the Agreement – especially the principle of encouragement of the development strategies by the countries and populations concerned - and essential and fundamental elements as defined in Article 9.

In their Statement on the European Community's Development Policy of 10 November 2000, the Council of the European Union and the European Commission determined a limited number of areas selected on the basis of their contribution towards reducing poverty and for which Community action provides added value: link between trade and development; support for regional integration and co-operation; support for macro-economic policies; transport; food security and sustainable rural development; institutional capacity-building, particularly in the area of good governance and the rule of law. The Statement also specifies that in line with the macro-economic framework, the Community must also continue its support in the social sectors (health and education), particularly with a view to ensuring equitable access to social services.

The Treaty establishing the European Community foresees that the Community and the Member States shall co-ordinate their policies on development co-operation and shall consult each other on their aid programmes, including in international organisations and during international conferences. Efforts must be made to ensure that Community development policy objectives are taken into account in the formulation and implementation of other policies affecting the developing countries. Furthermore, as laid down in Article 20 of the Agreement, systematic account shall be taken in mainstreaming into all areas of co-operation the following thematic or cross-cutting themes: gender issues, environmental issues and institutional development and capacity building.

The above objectives and principles and the national policy agenda presented in the next chapter constitute the starting point for the formulation of the present Country Strategy Paper, in accordance with the principle of national ownership of development strategies.

2. The Government's Policy Agenda

A Caribbean Development Bank (CDB)/DFID funded Poverty Assessment report was produced in 1995 giving an indication of the level and type of poverty present in the country which served to inform the Government's Medium-Term Economic Strategy paper 2000-2002 in the absence of a poverty reduction strategy. The objective of Government as enunciated in this strategy is to restructure and reposition the economy in response to the challenges and opportunities presented by globalisation and liberalization. The key elements of the Government's development strategy are agriculture, tourism, education and

human resource development, financial services and technology. The tourism sector is to be promoted as the leading sector, greater emphasis is to be placed on agricultural diversification and the development of the international financial services and informatics sectors, whilst the transition in the banana industry is to be supported through the establishment of an appropriate regulatory framework.

The attainment of these objectives is to be pursued through a broad based economic and social strategy central to which shall be private sector investment, the continued pursuit of sound macroeconomic and trade policies, enhanced efficiency in resource mobilization, and a Public Sector Investment programme (PSIP) that is focused and of adequate size and composition. The PSIP programme for the period 2000-2003 amounts to approximately €400 million. The composition of the PSIP over the medium term reflects a combination of comprehensive investments which will seek to establish and further enhance the spatial, economic, environmental and social dimensions of development. Some investment has been earmarked to substantially improve access of the poor and neglected to economic opportunities, basic social services and amenities through a comprehensive social recovery programme designed to launch an assault on poverty. One problem the government faces in the execution of the PSIP is the question of capital resource deficiency and for many of the projects in the various sectors funding has yet to be identified. Consequently, crucial to the execution of the PSIP programme in the medium term is the mobilization of new financial resources to finance major projects in the PSIP.

3. Assessment of the Political, Economic and Social Situation

3.1 Political situation

St Lucia, one of the four Windward Islands, is a small island state with an area of 620 sq km and 158 km of coastline. St. Lucia is democratic with universal suffrage, has a well-established parliamentary democracy, free elections, a multiparty structure, equality of access to political activity and participative decision-making. St Lucia is a member of the Organisation of Eastern Caribbean States (OECS) and the Caribbean Community (CARICOM). St Lucia achieved independence from the UK in 1979. The chief of state is Queen Elizabeth II as represented by a Governor General. The Prime Minister Dr. Kenny Anthony, leader of the St Lucia Labour Party (SLP) came to power in 1997 winning 16 of the 17 seats available in the House of the Assembly and taking power from the United Workers Party (UWP) for the first time since independence. The bicameral Parliament consists of the Senate (11 seats; six members appointed on the advice of the prime minister, three on the advice of the leader of the opposition, and two after consultation with religious, economic, and social groups) and the House of Assembly (17 seats; members are elected by popular vote from single-member constituencies to serve five-year terms). The next elections are to be held before August 2002.

St Lucia is not considered to have significant problems with human rights or protection of civil liberties and freedom of speech and freedom of the press is maintained. A declaration of individual rights and freedoms is entrenched in the Constitution of St Lucia. Saint Lucia is a signatory to the Universal declaration of Rights; the International Convention on the Elimination of all forms of racial discrimination and the Convention on the Elimination of all forms of discrimination against women. Recourse to the death penalty still exists in St Lucia though it is not frequently used.

The legal system is based on the UK common law system as exercised by the Eastern Caribbean Supreme Court of Justice. Provision is made for appeal to the Privy Council in London however a Caribbean Court of Justice (CCJ) is being established which shall replace the function of the Privy Council. The CCJ is not likely to be operational before 2003.

3.2 Macroeconomic Overview

3.2.1 Demographic structure

St. Lucia's population was estimated at 156,000 in 2000. The rate of population growth has declined in recent years on account of a fall in birth rate. The growth rate declined from 1.6% in 1998 to approximately 1.21% in 2000. Two thirds of the population is rural and the average household size is between four and five in rural areas. Over 40% of households are headed by women. The economically active population is estimated at about one-third of the population, with 20% employed in agriculture, 11% in manufacturing, 10% in tourism and 59% in other services. St Lucia is ranked as a lower-middle income country according to World Bank classification with a GDP per capita (purchasing power parity 1998 est.) at €5,024.

3.2.2 Economic Structure

St Lucia is a small open economy, with the value of trade as a percentage of GDP recorded at 113.3% in 1999. Agriculture accounts for approximately 7.9% of GDP, industry 19.6% and services 72.5%. Production is focused on a very narrow range of goods and services, most of which are exported, while the country relies heavily on imports to satisfy demand for consumer and producer goods. Imports of goods and non-factor services amounted to an average of 70.7% of GDP at market prices over the three year period to 1999. The concentration of total exports is evident in the fact that together, tourism and bananas accounted for an average of 79.8% of total exports of goods and services. St Lucia belongs to the Eastern Caribbean Central Bank (ECCB), which operates a fixed exchange rate regime. The Eastern Caribbean Dollar is pegged to the United States Dollar at the rate of US\$1 = EC\$2.70 since July 1976.

3.2.3 Trade

St Lucia's main export partners are the UK 50%, the US 24% and CARICOM countries 16% whilst its main import partners are the US 36%, CARICOM countries 22%, the UK 11%, Japan 5% and Canada 4%. The principal products for export are bananas (41%), clothing, cocoa, vegetables, fruits and coconut oil. St Lucia's main imports are food 23%, manufactured goods 21%, machinery and transportation equipment 19%, chemicals and fuels. Over the past five years there has been no significant shift in St Lucia's trading patterns. St Lucia's real effective exchange rate has been appreciating since 1996 and so export competitiveness has been declining. There is therefore a need for St Lucia to pursue trade policies that will allow it to embrace the challenges and opportunities of a liberalized global environment.

3.2.4 Recent Economic Performance

During the 1980s St Lucia registered good economic performance with strong growth, low inflation, a relatively strong balance of payments position and moderate external debt ratios. However since the early 1990s real growth slowed and fiscal performance weakened owing largely to the erosion of preferential access to the EU banana market, as well as low productivity and poor quality in the banana industry. During 1996-2000, major sectors such as agriculture and manufacturing recorded a negative growth rate. Economic expansion in 1999 was modest with GDP increasing from 2.9% in 1998 to 3.0% in 1999. The expansion in economic activity was attributed to a buoyant construction sector as well as continued growth in the tourism (hotels and restaurants) and the financial sector (banks and insurance). The growth rate in 2000 is estimated to have been between 2 and 2½ %. During the past decade the export of goods has declined from 35% of GDP to 17% of GDP while export of services has increased from

approximately 20% to 35% of GDP, clearly reflecting the diversification of the economy toward services as a result of the poor performance of the banana industry.

3.2.5 Fiscal Performance

The deterioration in fiscal performance which became evident in 1996 and continued in 1997, was arrested in 1998 and reversed. The current account surplus, which had averaged just over 3.8% of GDP improved to an average of 6.1% of GDP in 1998-99. The improved performance was attributed to the implementation of a number of revenue generating measures, which allowed for an increase in current revenue by over 2 % of GDP between 1997 and 1999 and prudent expenditure policies which helped to reduce current expenditure by over half a percentage point of GDP over the same period. The improved economic performance and higher fiscal savings, combined with large inflows of grants, averaging 3% of GDP, helped to sustain central government investment at around 8.7% of GDP. Some deterioration has occurred in 2000 on account of weak revenue performance coupled with rising expenditures. A further decline in the savings of central government is projected for 2001.

3.2.6 Balance of Payments

In contrast to Government savings performance, national savings have been declining during the past decade as reflected in the current account of the balance of payments. The current account deficit widened to 13% of GDP in 1999 as the continued decline in banana exports was not accompanied by an expansion in non-traditional exports. The current account deficit for 2000 is estimated to have declined to about 12% of GDP as import growth moderated while tourist receipts improved. The deficit on the current account is more than compensated by large capital inflows, consisting mainly of foreign aid and direct foreign investment. As a result of these substantial flows the overall balance on the balance of payments is more or less in equilibrium.

3.2.7 Inflation

Inflation as measured by the change in the consumer price index rose to 6.1% in 1999 from 3.6% in the previous year. The acceleration in the rate was influenced in part by a 5.2% rise in the food sub-index, reflecting increases in the price of vegetables and fish. Price increases were recorded for all other sub-indices with clothing and footwear registering the highest rate (14%).

3.2.8 Monetary performance

Monetary policy in the Eastern Caribbean is centralized under the Eastern Caribbean Central Bank where the focus of the policy is to maintain a strong Eastern Caribbean dollar so as ensure a degree of certainty in the economic policy environment thereby providing a predictable environment for investment and economic activity in general. Monetary developments in St Lucia have continued to be characterized by tight liquidity in the banking sector as credit demand intensified relative to deposit growth. Despite the tight liquidity situation, interest rates at the commercial banks remained stable.

3.3 Sector Priorities

3.3.1 Agriculture

In St Lucia, agricultural production is the single most important activity and is centred on the banana industry, with increasing attention being given to non-traditional agricultural crops (coconuts, vegetables, citrus, root crops, cocoa). During the last ten years the sector accounted for an average of 50% of the

merchandise exports, approximately a quarter of the labour force and more than 11% of GDP. Banana production, facilitated by the existence of preferential trading status in the European market, provided 59.8% of value added. Since 1993 however, there has been a negative growth averaging 4.23% annually resulting in a corresponding decline in the share of agriculture to real GDP from 13.67% in 1994 to 8.8% in 1999. The banana price in the international market has fallen at an annual average of 4.4% over the 1990-1999 period. To survive the banana industry needs to raise standards of efficiency such as to allow it compete in a global market governed by rules of free trade. In order to increase the competitiveness of the industry, the Windward Islands Action Plan which aims to provide the conditions necessary for the sustainable restructuring of the banana industry, has been adopted at the sub-regional level and is to be funded through the Special Framework of Assistance (SFA) and STABEX. It is important to note that the decline in the value added from the agricultural sector, in particular the banana industry, has a significant impact on the overall economy growth as the domestic multiplier of the farmers income is relatively large.

3.3.2 Fisheries

In 1999, the fisheries sector recorded its sixth consecutive year of expansion with a 26.32% increase in fish landings over the previous year. The increased utilization of modern fishing vessels, improved fishing facilities and equipment have been the major contributing factors in the steady appreciable growth in the industry. With the recent completion of the Japanese funded fisheries complex, fisheries activity is expected to continue to increase in the medium term whilst the purchasing of excess supplies of fish in the peak season by the St Lucia Fish Marketing Corporation helps cushion fluctuations between supply and demand. The industry provides a small but growing contribution to GDP with the percentage having risen from 0.88% of the total in 1997 to 1.29% in 2000. Sustainable development of the sector however is hampered by the fact that very little, if any, of the fish is exported regionally or internationally due to the present inability of the production regime to obtain HACCP certification. Over fishing of the near-shore resources poses a problem while a lack of information and expertise for the estimation of appropriate levels of fishing capacity based on the status of existing resources also poses a potential threat to the industry. Further, migratory species contribute almost two-thirds of annual production however St Lucia is unable to participate fully in international and regional management bodies whose decisions can adversely impact on the local fishing sector.

The STABEX funded fisheries development programme aims to address a number of the issues raised above by introducing new technologies, developing suitable methodologies for exploiting under-utilised offshore fish stocks and addressing the issue of institutional capacity through the strengthening of group structures in the farming community in an effort to improve management techniques and entrepreneurship. Further, efforts are being made at a sub-regional regional level to establish a well developed and diversified regional fisheries sector, reflecting stakeholders participation and fishers safety with increased investment in sustainable production and marketing. The OECS Secretariat has been mandated to initiate the development of a Fisheries Strategy for Member States.

3.3.3 Tourism

During the 1990s the tourism industry experienced continuous growth. Its contribution to real GDP rose from 9.6% in 1990 to 14.1% in 2000 making it the second largest contributor to real GDP after the wholesale and retail trade sector. The resulting contribution from tourism to overall economic growth increased from an annual average of 24% during the first half of the '90s to over 38% during the second half of the '90s. Projections show that tourism growth rates for the medium term are promising. Both direct and indirect employment generated by the tourism sector has increased during the decade. In addition, government tax revenue from the tourism sector amounted to about 5% of the government

current revenue in 1999. With regard to the contribution of tourism to the balance of payments, during the period 1994-1997 it is the only item in the goods and services balance that recorded a positive balance. All these indicators reveal that tourism has the capacity for growth, employment generation and foreign exchange earning. In recognition of the significance and potential of the sector, the Government has adopted a five-year Strategic Plan which aims to reposition the island as the premier tourist destination in the region. In particular it is intended to strengthen the linkages between tourism and other key economic sectors such as manufacturing, fisheries and agriculture. However, price competition in the international travel market, the increase in the costs of travel as a result of escalating world oil prices and the state of flux of airlift arrangements have a significant impact on the future growth and sustainability of the sector.

3.3.4 International Financial Services:

Government intends to promote and develop St Lucia as a jurisdiction of choice for reputable international business through a state of the art, user-friendly public online registry providing professional, responsive and efficient service in a well-regulated environment. The development of this industry is expected to directly provide, in the mid-long term, a steady flow of revenues to the government from the annual licensing fees and the taxation of persons providing services to the sector, particularly in the developing technology field. To this end, in December 1999 St. Lucia enacted legislation permitting the establishment of offshore financial institutions. To date, six registered agent companies have been formed, with some having international experience in their management or ownership structures. The quality of the skilled labour pool and the cost of such skilled labour relative to more developed jurisdictions such as Bermuda, Cayman Islands and even Barbados make St Lucia very competitive to international investors wishing to establish a substantial presence in a financial services center. Data from the CARICOM secretariat reveals that the financial sector has experienced real growth at an annual average rate of 6.5% and has increased its contribution to real GDP from 8.6% in 1995 to 10.5% in 1999.

3.4 Social Situation

According to the UNDP Human Development Report for 1998, the last for which statistics are available, St Lucia is ranked 88 among 174 countries on the basis of adult literacy, school enrollment, life expectancy at birth, and per capita Gross Domestic Product (GDP). The country enjoys a relatively high index of human development (0.73) however it is the lowest in the OECS and has deteriorated significantly since 1992. It also masks the existence of considerable social gaps and deficiencies, one of the most important being a high level of poverty. The Poverty Assessment carried out in 1995 by the Caribbean Development Bank/DFID revealed that 18.7% of households were classified as poor while 5.3% were considered indigent.

Intimately linked to poverty is the unemployment rate. In December 1998, unemployment was estimated at 21.5% however figures for 2000 indicate that this figure has dropped to 15.5%. Young adult male unemployment, estimated to be over 25%, remains a concern particularly in view of the fact that if left unchecked it may lead to increases in crime, social unrest and increased poverty which would be inimical to further development particularly in the sensitive tourism sector. Emigration of skilled persons continues at a high rate while there is now a simultaneous reduction in the outflow of excess labour (via the tightening of immigration policies in some countries, especially the USA towards migrants from the Eastern Caribbean) further exacerbating the unemployment situation. A more appropriate social policy framework is therefore necessary not only to prevent slippage but also to ensure that significant reverses

do not occur. The main types of social welfare provisioning are health, education, social security, social care and community services.

3.4.1 Poverty reduction

In 1998 the GOSL established the Poverty Reduction Fund (PRF) using World Bank and EU assistance. The PRF seeks to provide assistance to alleviate socio-economic problems, to establish a mechanism for delivering basic services and infrastructure to the poor and needy, to finance small-scale projects in selected areas to improve living conditions and to promote community participation in development projects. For the 2000/2001 budget year St Lucia has allocated EC\$4.18million (€ 1.8 million) of STABEX funds and World Bank loans to the PRF for employment and income generating activities. Most importantly the PRF is deemed to have sufficient flexibility and sound procedures to incorporate or to become responsible for the EU SFA funded Social Recovery Plan for the expected outflow of banana workers and growers from the declining banana industry over the coming years. It should be noted however that the PRF operates in the absence of a national policy on poverty which is necessary to ensure the streamlining of various initiatives being taken, including those under the Social Recovery Plan.

3.4.2 Health

St. Lucia has achieved a great deal in terms of health compared to the situation a quarter-of-a century ago. There are improvements in basic indicators such as life expectancy, infectious communicable diseases, immunization coverage, primary health care, access to pure water, sanitation and sewerage and, infant, child and maternal mortality. However chronic non-communicable diseases such as heart diseases, diabetes mellitus and cerebral-vascular disease continue to be the major causes of mortality as are some communicable diseases which are beginning to show a re-emergence. In response to changing patterns of mortality, largely characterised by an ageing population, the GOSL has embarked on a strategy geared towards strengthening preventative and primary, secondary and tertiary health care as well as the provision of facilities for special vulnerable groups. The Strategies for the period 2000/01 – 20002/3 comprise amongst others, the finalisation of the White Paper on Health Sector Reform and the adoption of an integrated approach to health care and related social issues.

In so far as AIDS/HIV is concerned, existing information for St Lucia indicates that there does not exist nascent epidemics with less than 5% of the people presumed to practice high-risk behavior. Latest statistics reveal that the prevalence of HIV/AIDS in St Lucia is 16.1 per 10,000, the incidence rate is 7.7 per 10,000 and fatality is 46%. However on a regional level, the HIV/AIDS epidemic is spreading alarmingly and could affect St Lucia. Consequently a key objective for St Lucia is to put in place more effective HIV/AIDS prevention programmes.

3.4.3 Education

The Government of St Lucia has singled out education as the key ingredient to national prosperity. The development of human resources is seen as the most vital element in combating poverty and reducing many social, political and environmental ills. By and large St. Lucia has shown striking progress in educational outcomes since Independence which will be of positive benefit to the economic diversification requirements of St Lucia in light of the declining importance of the banana industry. Expenditure on education as a percentage of total government expenditure had been rising and for the past five years has accounted for an average of 22 % (6.9% of GDP). The combined primary, secondary and tertiary gross enrolment ratio is 68%. Despite these improvements however, there still exist problems of quality of education at the primary and secondary level and inadequacy of access to secondary education.

In an effort to address these problems, the GOSL has embarked on a programme of systematic reforms set down in a draft Educational Development Plan (EDP) designed to focus on expanded learning opportunities through the upgrading of school facilities, increasing access to higher levels of education, providing teacher training, and building institutional capacity. In order to foster closer cooperation and to enhance the benefits from joint development of education, St. Lucia participates in the regional examination system (CXC) and pursues in addition, a joint OECS Education Reform Strategy.

3.4.4 Gender

Low marriage rates in St Lucia has led to a situation whereby over 40% of households are headed by women, undertaking primary, if not sole responsibility for the economic welfare of their families. Unemployment among women is twice that of men with women's employment concentrated in the service sector and in teaching, nursing, secretarial services and farming. The numbers of women in politics and the civil service has gradually increased though participation remains very low.

The GOSL ratified the 1979 Convention on the Elimination of All Forms of Discrimination against Women and in 1994, the Women's Desk, in existence since 1986 became part of the joint Ministry of Legal Affairs and Women's Affairs. In 1991 an Inter-Ministerial Committee on Women was launched and later in the same year Cabinet adopted the National Policy on Women. The policy urges the recognition of women's contribution to national development, an improvement in the public image of womanhood, support for their productive roles and policies to enhance women's roles through the development of opportunities and dissemination of information. The Ministry and the Committee work closely with more than forty non-Governmental organizations, most of which are community development and family life groups. Projects dealing with gender related violence are being addressed under the social aspects of a health care programme financed through STABEX funds.

3.5 Involvement of non-state actors in government decision-making

Since assuming office in 1997, the Government of the St Lucia Labour Party has set itself the objective of reforming and revitalising the local government process in St Lucia which had been suspended since 1979. The decentralisation of the governmental and decision making process is intended to ensure citizens can participate effectively in the development, planning and management of their respective communities and the island as a whole and thereby contribute to the equitable allocation of resources towards poverty alleviation. In communities where structured local authorities have been reinstated, sub-committees of the authority tasked with specific mandates in areas such as health, education, social infrastructure development etc. have convened special council meetings which are open to the general public. Where no formal local authority exists or is in the process of being reinstated, the process is facilitated by Community Coordinating Committees, Development Committees (of which there are currently over 300) and the Mothers and Fathers league which has the largest following of all civil society groupings in St Lucia.

3.6 External Challenges

3.6.1 International Context

The Caribbean region is currently facing huge challenges on the external front as it grapples with the effects of globalisation and international trade commitments under the World Trade Organisation (WTO) alongside pressures arising from economic groupings such as the North American Free Trade Agreement (NAFTA) and the Free Trade Area of the Americas (FTAA). Under WTO rules, the countries of the

Caribbean have until 2005 to dismantle non-tariff barriers, progressively liberalise trade in goods and services, and eliminate all discriminatory practices and tariffs. The system of preferences enjoyed by Caribbean bananas in the EU market has been successfully challenged by the United States and is to be replaced while further access by Latin American countries to North American markets through the establishment of the FTAA promises to erode even further, preferences from the CBI (Caribbean Basin Initiative) and CARIBCAN (the trade agreement between the Caribbean and Canada). St Lucia, a member of the WTO, has made a serious effort both to meet WTO notification requirements and to amend national legislation, although further amendments would still be necessary to reflect WTO commitments.

3.6.2 Regional Cooperation

On the regional front, as well as being a member of CARICOM and the OECS, St Lucia is also a member of the Association of Caribbean States (ACS). CARICOM members are in the process of establishing a Common Single Market and Economy (CSME) that will include not only a fully functioning common market, but also the harmonization of macroeconomic policies and eventual monetary integration. The new regional trade arrangements are expected to be finally in place by 2005 alongside those of the FTAA and WTO. The ACS, established as a mechanism for consultation, cooperation and concerted action, brings together all the countries of the Caribbean Basin (the sovereign states of Central America, CARICOM, Cuba, Colombia, Mexico and Venezuela) with an overall population of some 200 million. Together they have pledged their commitment to strengthen cooperation in trade, tourism, transport, the environment, language training, and cultural cooperation.

Within the global context of liberalization, St Lucia's national trade policy, largely guided by that of CARICOM and the OECS, focuses on forward looking, outward oriented trade policy reform programmes geared towards the gradual removal of protectionist measures. The government has made considerable progress in liberalizing its trade regime by reducing both tariff and non-tariff barriers. In keeping with its obligation to CARICOM, the government implemented the fourth and final phase of the Common External Tariff (CET) in January 2000. The CET, which is geared at deepening the process of industrialization in CARICOM, imposes tariffs ranging from 0% to 20% on extra-regional imports. Trade negotiations with respect to bilateral free trade agreements have been signed between CARICOM and St Lucia and are ongoing between CARICOM and Cuba. A trade policy review was conducted by the WTO in June 2001 with favourable results.

In order to secure markets for its exports the Government's strategy is to negotiate CSME/WTO compatible agreements with its trading partners. Towards this end, the Government is highly supportive of, and actively participates in the work of the RNM (Regional Negotiating Machinery) and in collaboration with the OECS and Canada, is undertaking a programme for strengthening its trade negotiating capabilities.

3.6.3 OECD Harmful Tax

A further challenge facing the countries of the Caribbean is the issue raised by the OECD of harmful tax practices. According to the 1998 OECD report, harmful features of preferential regimes are to be eliminated before the end of 2005. In June 2000, a further report presented a list of jurisdictions deemed to be tax havens under the criteria of the 1998 report, which included St Lucia. In particular the Financial Action Task Force (FATF) was concerned that its offshore financial services regulatory regime was not structured in a manner which would prevent conflicts of interest with the private sector in decision-making operations. Some of the main issues of concern are now beginning to be tackled by the sub-region in cooperation with the ECCB. St Lucia is currently participating in the IMF led offshore financial centres self-assessment exercise to determine actions needed for improved legislation regulation and supervision

of the sector and will participate in the Financial Sector Assessment Programme (FSAP) to be jointly conducted by the World bank and IMF.

3.7 Future challenges and Prospects

While St Lucia's openness to the rest of the world affords it the opportunity to overcome inherent scale limitations, this exposure makes the island vulnerable to fluctuations in world market prices. Macroeconomic shocks are exacerbated by the relatively undiversified production and export base. Such reliance on a limited number of exports renders the economy susceptible to changing patterns of trade in any of these exports. Furthermore a large portion of these exports are traded to a very small number of countries which exposes the island to the changing economic fortunes of its trading partners, political shifts that may influence ties between countries, trading restrictions or cost impositions, and the creation of regional blocs and alliances. Nonetheless, the prospects for sustained growth of St Lucia's economy are encouraging. Economic activity is expected to strengthen, particularly during the near to medium term, based on developments in the tourism and construction sectors with ongoing public sector projects and the likely commencement of a number of private sector projects, particularly in the tourism sector. Performance in the agricultural sector is likely to be influenced by developments in relation to banana export prices as the banana industry is expected to remain of vital importance both in terms of output and employment. Consequently economic growth over the next several years will depend on improvements in the banana sector and expansion into nontraditional crops, tourism, and other services.

Economic diversification in these areas will require sizeable investment in basic and social infrastructure, underpinned by sound macroeconomic policies that enhance conditions for private sector participation and a fiscal position that generates savings to support the public investment needed to enhance infrastructure. In the context of the globalization and liberalization of imports, WTO and REPA negotiations can further enhance the transparency and credibility of St Lucia's trade and investment regime, encouraging investment and bolstering reform. However, a major challenge in this regard is that some 55% of Government revenue stems from taxes collected by Customs, which are affected by continuing regional, inter-regional and multilateral liberalization. Hence Government reform of the tax system is of particular importance with proposals to replace a number of indirect taxes with a value-added tax (VAT). Government must continue to exhibit strong fiscal discipline and manage its debt portfolio with some degree of prudence. Increased efficiency in the public service coupled with enhanced revenue growth and expenditure control will be required to generate the requisite levels of savings and investment necessary to sustain the current growth path.

4. Overview of past and ongoing EC cooperation

Since cooperation between the EC and St. Lucia first began St Lucia has benefited from national indicative programmes, regional cooperation funds, STABEX transfers, a structural adjustment programme, NGO co-financing, EIB risk capital and different smaller aid schemes (seminars, scholarships, trade and tourism promotion).

4.1 European Development Fund

St Lucia's first three NIPs (Lome I, II, III) were devoted to agricultural diversification, road infrastructure and education. The 7th EDF NIP amounts to €5 million and has social infrastructure as its focal sector. The secondary focal sector is rural development and the remaining funds have been allocated to human resources development. The 8th EDF NIP for St Lucia amounts to €6 million with health as the primary focal sector and the remainder of the funds dedicated to the drugs sector and scholarships programme. In

1996 the decision was taken to commit the balance of funds from the 7th EDF (€2.9m) and a principal part of the 8th EDF NIP (€5.4m), totaling €8.3m towards the Victoria Hospital Redevelopment Project. Following intensive study, the Government has decided that it is more prudent to build a new hospital rather than try to rehabilitate the very old existing hospital. The need for additional financial resources has delayed the start-up of a new hospital project and the finalisation of the Governments health sector reforms.

4.2 STABEX and the Special Facility of Assistance (SFA)

STABEX transfers and the special system of assistance to ACP traditional banana producers are being used by St. Lucia to support a major reform of the banana industry in parallel with the efforts undertaken to diversify both agriculture and the economy as a whole. St Lucia has qualified for a transfer under the STABEX system for loss of earnings in bananas with STABEX transfers in the 1993 – 1998 application period amounting to €65 million (including accrued interest). The remaining funds from the Stabex are being allocated to the St Victoria Hospital and a relevant FMO is prepared to that effect.

The Special Framework of Assistance to Banana growers was approved by the Council in 1999 for a period of ten years. The SFA programme is based on a strategy document submitted and approved by the EDF Committee in 1999. The strategy for the implementation of the SFA aims to develop a more competitive agricultural sector, including the maintenance of the banana industry whilst also emphasizing the need to diversify rural income generation and the provision of social recovery for displaced farmers. The strategy shall be implemented within the context of national, sub-regional and international policy frameworks and in co-ordination with existing development programmes. The financial allocation available to St Lucia under the SFA in the 1999-2001 period is €26.150 million.

The activities programmed for the SFA and STABEX are listed in Annex 2 of this document.

4.3 Regional Programmes

In addition to the EDF, STABEX and SFA, St Lucia also benefits from a wide range of regional programmes. The focal sectors for Community aid under the 7th EDF Regional Indicative Programme for which a global envelope of EUR 105 million was made available were agriculture/fisheries, trade, tourism, education, human resource development, environment and telecommunications. The 8th EDF Regional Programme had EUR 90 million available to it for activities in support of regional economic integration and co-operation, and human development, institutional strengthening and capacity building. Within these priorities special attention is given to the enhancement of the region's competitiveness and to private sector development. Outside the focal sectors, priority programmes include decentralised co-operation, regional disaster preparedness and the Caribbean action plan for drug control.

Alongside the regional funds above, St Lucia has benefited through the Center for the Development of Enterprise (CDE) whose aim it is to strengthen private enterprises and professional associations in the ACP countries. The CDE antenna in St Lucia is the St Lucia National Development Corporation.

4.4 European Investment Bank

The EIB has provided St Lucia with a total of €21.08 million in financial assistance since 1980. The main sector of intervention has been power generation and distribution through three ordinary loans on own resources to Lucile, the electricity company. Risk capital funds have been channeled through St. Lucia Development Bank for support to small and medium sized enterprises. The EIB also participates in

initiatives designed to promote regional integration such as: Carib Express (air traffic), CFSC and CDB (global loans), Tiona and CIF (venture capital funds). These types of activities are likely to continue under the Cotonou Agreement. A particularly important objective will be to develop appropriate instruments for developing the financial sector of the OECS and wider Caribbean region in an integrative fashion.

4.5 Past experiences of Community aid

An independent evaluation of EU cooperation with SLU conducted during 1994 concluded that assistance from the Community has been highly responsive to the crucial need of the country and has made a major contribution to development. In particular, in the field of rural development where in addition to STABEX much of past EDFs have focused, the EU has made a vital contribution in moving the agricultural sector away from sugar to one oriented towards bananas and diversification of agriculture and the economy as a whole. The export earnings from the banana industry contributed largely to the capacity of the country to move towards a more equitable society in terms of access of the population to income, education, health and other social services.

The latest review on the implementation of STABEX funds, conducted by the Netherlands Economic Institute in December 2000, reveals a significant slow down in the implementation of funds in the 1999/2000 period when compared with 1998/1999. It would appear that the main reason behind this has been a shift from physical infrastructure projects, which can be implemented relatively quickly, to non-infrastructure projects. The complexity of implementing projects in the non-infrastructure sector has placed an additional strain on the implementation capabilities of the relevant ministries and has contributed significantly to the delay in progress. As a result only 29% of total funds available from STABEX-95 have been spent.

As far as the implementation of NIP funds are concerned and in particular the 7th and 8th EDF allocations, to date absorption capacity has been low. This is largely due to delays in the finalization of the Governments Health Sector Reform paper which has held up work on the new hospital. Once the design phase for the hospital has been completed the backlog shall be dealt with swiftly. In addition to the above constraints, the implementation capacity of the relevant government agencies had been weak however this is currently being addressed through a project for the delivery of institutional support to the NAO.

4.6 Programmes of EU MS and Other Donors

4.6.1 Programmes of EU Member States

Member states active in St Lucia include France and the UK (DFID) whilst Germany via GTZ has provided technical assistance to the OECS secretariat in St Lucia for the strengthening of technical/vocational training. French operations focus mainly on infrastructure (road construction and sewage) while there also exist a series of technical cooperation projects for the provision of institutional support to the Government in the field of health, agriculture, planning and the environment including coastal zone management.

4.6.2 Other Donors

Apart from the EU, the principal donors to St Lucia are France, UK (DFID), Germany, Canada (CIDA), the Caribbean Development Bank (CDB), the UN agencies, USAID and the World Bank. Donor coordination plays an important role in the programming and implementation of STABEX and the SFA with regular donor meetings to discuss the difficulties being experienced in the banana sector and the

appropriate donor response to this ever-evolving situation. Donor coordination mechanisms are also in place in the following sectors: drugs, education, environment, governance and disaster management while consultations are held in other areas of common interest.

Activities of CIDA, DFID, UN agencies, USAID and the World Bank in the eastern Caribbean are conducted on the basis of sub-regional strategies. The principal areas receiving support from these agencies are regional strategic objectives such as institutional support, including support to the Regional Negotiating Machinery (RNM) which is charged with the responsibility of representing the members of CARICOM in international trade and financial negotiations, implementation of the Common Single Market and Economy (CSME), HIV/AIDS programmes, environment programmes, social recovery through economic diversification and job creation, emergency reconstruction and disaster mitigation, increased efficiency and fairness of legal systems, telecom reform, and the development of primary and secondary education.

The Caribbean Development Bank (CDB) is a significant donor to St Lucia and in 1999 approved a mixture of loans and grants, the equivalent of \$181.3m, with emphasis on such sectors as agriculture/forestry/fishing, manufacturing, tourism, power/energy, water, transportation/communication, housing, education, health, disaster rehabilitation and basic needs.

Funding received from Japan, the ROC and the Kuwait Fund for Arab Economic Development (KFAED) is largely used for infrastructure projects.

The funding distribution of the donors is included in the matrix in Annex 1.

5. Response strategy

5.1 Principal elements

As indicated in the country analysis and the past performance and result of EU cooperation, the following elements are the principal factors to be taken into account in the EC response strategy:

- The strategy of the GSOL must be viewed in the context of this small islands vulnerability to natural disasters and external economic shocks which have the potential to force a reordering of government priorities thereby disrupting the implementation of the governments' strategy. This reflects a high dependence on the banana and tourism industries and limited opportunities for diversification because of the islands small size. The strategy must also take account of the relatively high poverty level on the island.
- The key role of the banana industry in the St Lucian economy; the need to diversify and adapt it to the existing and forthcoming constraints; its impact on the social situation and in particular the most vulnerable part of the population.
- The implementation of a medium-term strategy by the St Lucia Government in which agriculture, tourism, education and human development as well as financial services constitute the core sectors. The strategy aims to respond to the challenges and opportunities presented by globalization and the need for the nation to strategically position itself in the global economy particularly in view of the inherent implications for the banana industry.

- The low absorption capacity of monies available under previous EDFs, as well as STABEX and SFA funds, and the necessity to absorb this backlog of uncommitted funds which has largely resulted from institutional and human resource capacity constraints.

5.2 Overall Response Strategy

The GOSL, with assistance from donor organizations, has embarked on a series of programmes and strategies designed to address many of the issues raised above. These include the following:

5.2.1 Macroeconomic Reforms

The pursuit of sound macroeconomic and trade policies in the context of trade liberalization necessitate extensive macroeconomic reform including an exhaustive overhaul of the tax system. The GOSL is in the process of implementing its macroeconomic reform programme. Among the measures already taken are the strengthening of the link between the Government's planning and finance functions and improved planning capacity through the inclusion of a social planning section. GOSL is also in the process of rationalizing line ministries in order to enhance overall management of the economy. The Caribbean Development Bank is engaged in a project designed to facilitate the improvement of macroeconomic management which includes the reform of the indirect tax system, pension reform and institutional strengthening of the statistics department whilst the UNDP has been involved in a financial management reform programme intended to improve financial management and expenditure control systems.

5.2.2 Economic Diversification

Private sector development: a private sector strategy has been prepared by the GOSL. The strategy is premised on the creation of a competitive, transparent and diversified economic environment which will be conducive to private sector investment. It includes the establishment of industrial estates, provision of investment incentives and the elimination of administrative barriers to investment. Many of the projects proposed in the strategy including the base line studies, matching grant schemes, the entrepreneurial development programme, and business information centers, are being supported by STABEX funds.

Tourism Repositioning Strategy: The GOSL has undertaken a number of initiatives towards the development of the tourism industry including legislative measures, investment incentives, product development and expansion of the cruise ship facilities. The EU is funding the development of eco-tourism sites, DFID have provided some financing for the construction of the hospitality training institute at the Sir Arthur Lewis Community College and the CDB has provided support for product development and improved management in the sector.

5.2.3 Agricultural Diversification

Projects underway, financed by STABEX funds, include the promotion of domestic agriculture, building the institutional capacity of farmers organizations, crop development, livestock development, and the protection and development of fisheries, forestry and land resources. Funds from the Japanese Government are being used to fund the construction of Fish landing complexes.

5.2.4 Social Sector Development

Government priorities in the social sector are poverty reduction and the upgrading of the educational level of the population in an effort to meet the requirements of an open economy in a global environment and to

assist ex-banana producers in finding new employment. Both of the above Government objectives are supported by STABEX through the poverty reduction fund, with an important role given to the development of human resources at community level, and technical and vocational training whilst the World Bank and CDB have loan and grant programmes in support of primary and secondary education. Activities under the STABEX funded programmes include technical and vocational training, the establishment of Human Resource Development Centres, expansion of day-care and pre-school facilities, safety net assistance to women and children in crisis, small-scale community infrastructure and development projects, provision of care for the elderly lacking family support and support to NGO projects. A Poverty Eradication Plan (PEP) is being developed with assistance from DFID while the World Bank have provided a Learning and Innovation Loan (LEL).

5.2.5 Institutional weakness

GOSL has established a Public Sector Reform Commission to oversee the process of public sector reform and a Public Sector Reform Unit has been established in the Office of the Prime Minister to coordinate the process with assistance coming from the Caribbean Development Bank. Further the Office of Private Sector Relations (OPSR), operating out of the Prime Minister's Office was established in 1998 for the principle purpose of intensifying the implementation of the Private Sector Development Strategy (PSDS) so as to ensure that resources mobilized by the collaborative efforts of the Government of St Lucia and the European Union are properly utilized.

5.3 The EC support strategy

The strategy proposed takes into account the different financial instruments available and includes existing uncommitted funds. EC support to St Lucia will be directed as follows:

- (i) Continuation of support to improve competitiveness in the banana sector and support for the broader agricultural and economic diversification efforts with the overall objective of safeguarding foreign exchange earnings and enhancing rural employment, social welfare and income diversification particularly for displaced banana growers and agricultural workers.
- (ii) Support to the vocational training¹ sector which is seen as instrumental in repositioning the economy in the context of globalisation shall be a priority for support from EC budget lines. Part of the ongoing STABEX funds have been allocated to this sector.
- (iii) Support to the Health sector development policy through the construction of the new hospital in line with the priority of the Government, and in continuation of the 7th and 8th EDF² strategies. The following resources will be allocated to the new Hospital project, in complement to the existing STABEX funds:
 - The balance of previous 7th and 8th EDF (€8.3 million).
 - The "A envelope" of the 9th EDF (90%: €4.05 million)

With regard to the "B envelope" and the possibility of compensation for future losses in export earnings, preference shall be given to direct budgetary support where the necessary macroeconomic conditionalities are met.

¹ Hospitality centre

² The health sector is a sector of concentration in the respective National indicative Programmes;

5.4 Activities proposed under the focal sector

It is proposed to concentrate 90% of the A envelope on the Health sector and in particular, the construction of the new hospital. As has been seen in the analysis the present health trend in St Lucia reveals patterns of morbidity and mortality that mirror those experienced in the developed world, with the resultant requirement and expectation of more sophisticated secondary and tertiary level care. The health sector analysis and ongoing health reform process indicate the need to improve and extend the hospital facilities to respond to these current health needs however exhaustive studies have revealed that an extension on the site of the existing hospital would be impossible for reasons of accessibility, land space and infrastructure constraints. Among the infrastructure constraints which prohibited redevelopment of the existing hospital were the extensive dilapidation of the core buildings which are well in excess of one hundred years old, the antiquated systems supplying the various utilities (electricity, water etc.) to the site and the constraint and danger they pose for any possible upgrading, the inability to implement a proper system of waste management (inclusive of the major forms of hospital and surgical waste) at the existing site and the resultant deleterious environmental impacts in the area, the near impossibility and impracticability of incorporating modern facilities and services at the existing institution, increasing encroachment on the site from a sprawling urban neighbourhood, and the difficulty of accessing the existing site.

5.5 Coherence with EU policy and contribution to Poverty Reduction

The selection of the health sector as the focal sector for EC support is justified by the following:

- Health constitutes an integral part of the ACP-EU strategies for the promotion of human and social development and the contribution to poverty alleviation. The promotion of equitable access to social services is one of the areas of concentration for Community development policy³.
- There is increasing recognition that the achievement of sustainable growth and poverty eradication can be achieved through ensuring a healthy population thereby providing an incentive for investment in Health, HIV/AIDS and Population (HAP) related areas. The EC has delivered excellent results in some areas with real benefits to the countries and populations concerned. Specifically in the Caribbean, the EC possesses a comparative advantage in the Health Sector in the Sub-region (works include a completed hospital expansion in St. Vincent the Grenadines and an ongoing project in St. Kitts/Nevis).
- Improving and adapting health facilities is necessary for the long-term development of the tourism sector.

5.6 Consistency with Government policy

The general objectives of the St Lucian government in the field of health are the improvement of the administration and management of the health service and enhancement of health service delivery and access to health care. The GOSL intends to achieve these objectives through the following measures:

- Updating health legislation to address quality of health care in the public and private sectors;
- Reform of the sector through the adoption of an integrated approach to health care and related social issues;

³ Statement by the Commission and the Council, November 2000

- Strengthening planning capacity which includes the establishment of a corporate planning unit and restructuring and reorganizing of key departments within the ministry;
- Reviewing the financing system to ensure appropriate sustainability;
- Developing the physical infrastructure which includes the planning and construction of a new hospital to replace the existing Victoria hospital and the establishment of health polyclinics;
- Improving the access of the wider population to health facilities through among other actions, the development of a national health insurance scheme.

As a result of Government efforts to develop the economic infrastructure and promote economic diversification, the capital investment in the health sector has been neglected. The Government is determined to optimize the capacity and improve the quality of the secondary level health care system in St Lucia and to this end has specifically identified the construction of a new hospital as a priority to replace the ageing Victoria Hospital. The development of the new hospital in St Lucia has been a priority for the GOSL since studies carried out in the course of the 7th EDF project for the redevelopment of the existing Victoria Hospital ascertained that an extension of the existing hospital was not feasible. In line with these objectives as well as the previous EC assistance, the EC programme in the health sector will concentrate on the improvement of the physical health infrastructure in conjunction with the government's process of reform for the sector.

5.7 Involvement of non-state actors in Health Sector Reform

The consultation on the Health Sector Reform in St Lucia was premised on the need for community participation in decision-making and the need for a multi-sectoral approach to resolve health problems. The consultation took place over a period of eighteen months and included health care providers, health related organisations and NGO's, community representatives, PAHO consultants, other civil organisations, the private sector as well as government officials. It consisted of a broad-based national consultative exercise intended to educate and sensitise the general public as to the objectives and purpose of reforming the health sector, to obtain suggestions from key stakeholders on health needs and expectations and possible solutions to institutional and community health problems, to develop strategies for the growth and development of the reform process and to increase the responsibility of individuals and agencies to health system improvements and community health involvement.

Consultations were held in the eight health regions with the intention of involving persons from diverse communities in all stages of the health reform process (planning, implementation and evaluation). Community workers assisted in the planning and execution of the consultative meetings. After the Health Sector Reform Proposal Paper was issued, post consultations were carried out with cross-sectoral organizations.

5.8 The European Investment Bank

The European Investment Bank shall contribute to the continuation of economic diversification through the provision of financing for productive investments from small and medium sized enterprises in the industrial, agro-industrial, transport and service sectors by means of loan and (quasi) equity participations and for the financing of investments in human capital by means of student loans related to those sectors. EIB funds are made available through the St Lucia Development Bank.

Under the Investment Facility of the 9th EDF the EIB intends to expand the network of financial intermediaries through which it works. This shall be done through the establishment of lines of credit, for financing of investments made by SMEs active in core sectors of the economy, accessible through banks

meeting the financial and operational requirements of the Bank. Financing under this facility may, where appropriate, be combined with the business advisory services proposed by the Commission. The facility features will depend on requirements identified and market conditions and may include equity/quasi-equity in addition to loans. In addition to this the Bank will continue to provide financing to larger projects considered to be financially viable and of economic priority to St Lucia. The exact size, timing and sectors for such interventions will be determined by when and where the need arises.

5.9 Non-focal sector

Coherence between development cooperation policy and other EC policies (trade, fisheries, agriculture, environment etc.) relevant for St Lucia will be assessed on a permanent basis. In this context, besides the focal sector and the support to the challenges facing the banana, assistance in the form of studies or technical support may be given to the regional integration process, including the preparation and adaptation necessitated by REPA negotiations, to complement the activities of other donors in strengthening the position of St Lucia and the other Eastern Caribbean States in international trading and financial negotiations through Regional Negotiating Machinery. In coherence with the regional support strategy, actions may be initiated to facilitate and strengthen regional integration through CARICOM and ensure the necessary complementarity between regional and national EC support. This may include the establishment of a monitoring system and technical support.

Human rights: The Cotonou Agreement refers explicitly to the principles of respect to Human rights and fundamental freedoms. The Cooperation strategy will contribute to the consolidation of such values will be ensured through the different measures of support to good governance and institutional capacity.

PART B

National Indicative Programme

6 Indicative Work Programme

6.1 Introduction

Within the general framework of the present Country Support Strategy and based on the analysis and strategies described in the preceding chapters, the Parties have agreed on the main priorities for their cooperation and the sectors in which the support of the Community shall be concentrated. A detailed indicative programme is presented in this chapter based on the resources of the A allocation of the EDF, and, subject to the outcome of the mid-term review and emerging needs as covered by the relevant regulations, the B-allocation.

6.2 Financing Instruments

The implementation of the response strategy of the EC will be financed through a number of different financing instruments which include the following:

6.2.1 9th EDF A-allocation Euro 4.5 million: This allocation is destined to cover the long-term development activities identified in the context of the response strategy, namely in the health sector while 10% of the allocation is to be used for studies, audits and technical support in the area of regional integration, disaster prevention and monitoring.

6.2.2 9th EDF B-allocation Euro 15 million: This allocation is to be used for unforeseen needs such as emergency assistance where support cannot be financed from the Community budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse affects of instability in export earnings.

6.2.3 Apart from the above-mentioned financial instruments, of which the A-envelope is the main programmable basis for the Indicative Programme, the 9th EDF includes also the "**Investment Facility**" as a financing instrument managed by the European Investment Bank. The Investment Facility does not form part of the Indicative Programme.

6.2.4 Centre for the Development of Enterprise (CDE): Support for St Lucian enterprises in the field of non-financial services to the private sector is available through CDE.

6.2.5 Budget lines of the Community: Actions that are complementary and consistent with the Country Support Strategy may be financed via budget lines along with support to NGOs, decentralised cooperation, Democracy and Human Rights, food security, disaster prevention, and assistance to the banana sector. Any such actions however are subject to specific rules and regulations and are dependent on the availability of funds.

6.3 Focal Sector

The concentration sector is Health to which 90 % of the indicative programme (4.05 million Euro) will be allocated. Part of the allocation may be utilised for accompanying measures under the reform process initiated by the government in the health sector.

6.3.1 Overall Objective

The overall objective of the EC intervention is to improve the secondary and tertiary level of health care and to reduce existing inefficiencies and duplication of health services.

6.3.2 Programme purposes

The programme aims to increase the capacity of the health service through the construction of a new hospital whilst at the same time improving the quality and effectiveness of the health services. The main indicators are the reduction in number of patients waiting to be treated, the range of functional services provided will be extended, and the patient's level of satisfaction with available health care will improve.

6.3.3 Government's commitments

In order to ensure the proper planning of health care provisioning and in particular the planning of hospital care, the St Lucian government is engaged in improving its planning capacities and has agreed to undertake the following actions:

- Ensure the proper regulation of secondary care provision,
- Reform and improve the financing system of secondary care service,
- Introduce a licensing system to regulate the licensing of hospital facilities,
- Organise tertiary care functions between the two hospitals taking into account the facilities offered at the regional level,
- Perform a separate study on mental care,
- Develop and reform the primary care services in line with the conclusions of the survey (Consultations with citizens),
- Review the existing legislation in accordance with the health sector reform proposals and in particular, aspects of the health care financing system, the insurance system, licensing accreditation, quality assurance and patient's rights.

6.3.4 Issues to be addressed / Cooperation with other Donors

In so far as the focal project is concerned, the appropriate size and scale of the new hospital has yet to be determined. The phasing-in of this project will be coordinated with the transfer of facilities from the existing Victoria Hospital. The recurrent costs for such a compact, modern, efficient unit could readily be met from general taxation at present or an appropriately designed national insurance scheme. In determining the issue of scale, high technological facilities which are available on other islands in the region will be taken into account.

Specialists from PAHO/University of the West Indies are currently providing advice to the Ministry of Health on both technical and financing matters in relation to the new hospital and will continue to do so. In the area of HRD, the EDF has already provided €10,000 in the form of a scholarship programme for the training of specialist hospital practitioners and an integrated programme to further such actions could be envisaged. Technical assistance for improvements in Health sector management and in particular hospital management will be provided by PAHO and other bilateral or multilateral donors, including where appropriate, the EC. Arrangements are currently being made for the provision of EDF-funded professional expertise to assist the St. Lucian Ministry of Health with the finalisation and implementation of the plans for the new hospital.

6.4 Action Outside the Area of Concentration

10 % of the National Indicative Programme or €0.45 million will be earmarked for studies, audits and technical support in the area of regional integration, disaster prevention, monitoring and environmental management. As indicated above, funds from SFA and STABEX are used to support the restructuring of the banana industry and provide support to the vocational training sector.

6.5 Logical framework

| | Intervention Logic | Objectively Verifiable Indicators | Source of Verification | Assumptions |
|--------------------------|---|--|---|--|
| Overall objective | Contribute to modernisation, effectiveness and cost-effectiveness of health sector in St. Lucia | | <ul style="list-style-type: none"> • Ministry of Health Data • PAHO Reports • Ministry of finance data | |
| Project Purpose | Optimise capacity and improve quality of secondary and tertiary level health system in St. Lucia through the construction of a new hospital in St. Lucia | <ul style="list-style-type: none"> • Reduction in numbers of patients waiting to treated • Increase of persons being treated • Improved range of services being provided by hospital • Improved access to hospital • Reversal of the trend of erosion of public sector tertiary level health care provision | <ul style="list-style-type: none"> • Ministry of Health Data • PAHO Reports • Patient satisfaction surveys | <ul style="list-style-type: none"> • Adequate levels of public expenditure maintained, especially with regard to recurrent budget • Continued implementation of the governments Health Sector Reform particularly with regard to hospital autonomy (clarification of Ministerial responsibility), health finance & Human Resource Development • Planning capability of Ministry improved by recruitment of an Adviser in Health Planning • Needs of psychiatric patients addressed by Government or other donors |
| Results | Newly constructed hospital | Quantity and quality of work executed as measured against the Bill of Quantities | <ul style="list-style-type: none"> • Reports of Supervising Engineer • Mid term evaluation • End of Project Report | <ul style="list-style-type: none"> • Sufficient maintenance of building is guaranteed • Sufficient funds are allocated to run the hospital |
| Activities | <p>Tender for Design Consultant (October 2001 – January 2002)</p> <p>Design (January 2002 – Dec. 2002)</p> <p>Tender For Works Contractor (January – June 2003)</p> <p>Construction and Supervision of Construction (July 2003 – June 2007)</p> | <p>Means</p> <p>Design (EDF)</p> <p>Supervision (EDF)</p> <p>Works (mix EDF / STABEX)</p> <p>Contingencies (EDF)</p> | | <ul style="list-style-type: none"> • Successful contractor is technically competent and financially sound • Adequate supervision of works is provided by consultant • GSLU agrees to finance possible cost over runs • GSLU makes site available for new hospital |

6.6 Activities/ commitments timetable

| | Amount | % | 2002/1 | 2002/2 | 2003/1 | 2003/2 | 2004/1 | 2004/2 | 2005/1 | 2005/2 | 2006/1 | 2006/2 | Observations |
|------------------------------|---------------|------------|-----------|-----------|----------|-------------|-----------|------------|----------|------------|-----------|------------|--------------|
| NP7th/8th | (83) | | | | | 83 | | | | | | | PM |
| Subex | (1624) | | | | | 138 | | | | | | 244 | PM |
| NP9th Allocation | 45 | 100 | | | | | | | | | | | |
| A) health sector | 405 | 90 | 1 | 0 | 0 | 305 | 0 | 0 | 0 | 0 | 0 | 0 | |
| B) non-fiscal sectors | 045 | 10 | | 02 | | | | 02 | | 005 | | | |
| studies/ audits | | | | | | | | | | | | | |
| monitoring | | | | | | | | | | | | | |
| contingencies | | | | | | | | | | | | | |
| C) 9th EDF Allocation | 15 | 100 | | | | | | 15 | | | | | |
| TOTAL NP9 | 195 | | 1 | 02 | 0 | 305 | 0 | 152 | 0 | 005 | 0 | 0 | |
| | | | | | | | | | | | | | |
| OTHER INSTRUMENTS | | | | | | | | | | | | | |
| budget lines | | | | | | | | | | | | | |
| SEA | 288 | | 85 | | 8 | | 56 | | 4 | | 27 | | 288 |
| structural adjustment | | | | | | | | | | | | | PM |
| TOTAL | 7284 | | 95 | 02 | 8 | 2515 | 56 | 152 | 4 | 005 | 27 | 244 | |
| | | | | | | | | | | | | | |

ANNEXES

Annex 1: ST. LUCIA NATIONAL DEVELOPMENT MATRIX - 2001-2006(Eastern Caribbean Dollars)

| | Infrastructure | Health | Agriculture | Education | Tourism | Environment | Private Sector Development | Housing | Poverty/Rural Development | General Public Service |
|-------------|--|---|--------------------|---|---|---|-----------------------------------|---|--|--|
| GOSL | Roads Development Programme (\$50.00M) | Equipment for Victoria Hospital - L Block (\$0.94M) | | Basic Education Project 2 (\$5.39M) | Tourism Marketing and Promotion (\$70.00M) | Hurricane Lenny Response (\$1.76M) | | PROUD 1 (\$3.91M) | Mabouya Valley Development Phase 2 (\$0.60M) | New Immigration Department (\$0.45 M) |
| | Northern Water Supply Project (\$ 2.00M) | Repairs to Health Centres (\$0.55M) | | Major Rehabilitation of School Plants (\$1.25M) | Construction of Community Tourism Outlets (\$0.30M) | Black Mallet Response (\$5.00M) | | Shelter Development Programme (\$8.12M) | Construction of Fish Landing Complexes (\$1.24M) | Forensic Services Department (\$0.30 M) |
| | Bus Terminal - South (\$1.00M) | | | Monchy Combined School Extension (\$1.00M) | | OECS Emergency Recovery and Disaster Management Project (\$3.10M) | | | Community Infrastructural Development (\$1.00M) | Fire Fighting Vehicles and Equipment (\$1.05M) |
| | Castries Cul-De-Sac Highway (\$2.75M) | | | Expansion to the Carmen Renee Memorial School (\$0.88M) | | Disaster Mitigation (\$1.38M) | | | Poverty Reduction Fund (\$1.03M) | Financial Management Reform (\$1.6M) |
| | Inner Relief Road (\$2.84M) | | | Rehabilitation of the Delcer Combined School (\$0.4M) | | OECS Waste Management (\$5.6M) | | | James Bejgrave Enterprise Fund (\$0.83M) | Property Tax Survey (\$0.8M) |

| Infrastructure | Health | Agriculture | Education | Tourism | Environment | Private Sector Development | Housing | Poverty/Rural Development | General Public Service |
|---|---------------|--------------------|------------------|----------------|--------------------|-----------------------------------|----------------|--|--|
| Castries/Gros- Islet Highway (\$4.50M) | | | | | | | | Construction of HRDCs (\$0.6M) | New Finance and Planning Complex (\$1.00M) |
| Reconstruction and Rehabilitation of Roads (\$1.5M) | | | | | | | | St. Lucia Rural Enterprise Project (\$0.33M) | Construction and Refurbishment of Police Stations (\$24.8 M) |
| Bridges and Culverts (\$0.8M) | | | | | | | | | |
| Roads Reinstatement (\$0.5M) | | | | | | | | | |
| Jetty Construction (\$2.00M) | | | | | | | | | |
| WASCO Rural Water Supply Project (\$1.5M) | | | | | | | | | |
| OECS Telecommunication Reform Project (\$0.95M) | | | | | | | | | |
| National Stadium (\$3.80M) | | | | | | | | | |
| Upgrading of Sports Facilities (\$1.35 M) | | | | | | | | | |

| | Infrastructure | Health | Agriculture | Education | Tourism | Environment | Private Sector Development | Housing | Poverty/Rural Development | General Public Service |
|----------------|--|----------------------------------|---|--|--|------------------------------------|--|--|--|------------------------|
| Private Sector | | | | Expansion of Carmen Renee Memorial School (\$0.25M) | | | | | Construction of Human Resource Development Centres (\$0.82M) | |
| EU | | New National Hospital (\$67.1 M) | Agricultural Diversification Programme (\$39.7 M) | Hospitality Training Institute (\$ 7.5 M) | Tourism Repositioning Strategy (\$3.00M) | | Private Sector Development Programme (3.00M) | | Poverty Reduction Fund (\$ 2.50 M) | |
| | | | Banana Commercialization (\$34.22 M) | Technical Vocational Education Expansion Programme (\$4.72M) | Community Based Nature Heritage Tourism (\$8.06 M) | | | | Rural Employment Programme (\$2.00M) | |
| | | | Construction of National Abattoir (\$1.71 M) | National Skills Development Centre (\$1.52M) | | | | | Social Recovery Programme (\$32.00M) | |
| | | | Water Resource Management Project (\$ 2.47 M) | | | | | | SLU Drug Demand Reduction (\$0.5M) | |
| CDB | Roads Development Programme (\$68.70M) | | | | | Hurricane Lenny Response (\$1.30M) | BNTF 4 th Programme (\$2.12 M) | PROUD 1 (\$6.49M) | St. Lucia Rural Enterprise Development Project (\$0.94M) | |
| | | | | | | Black Mallet Response (\$13.00M) | | Shelter Development Programme (\$29.40M) | | |

| | Infrastructure | Health | Agriculture | Education | Tourism | Environment | Private Sector Development | Housing | Poverty/Rural Development | General Public Service |
|---------|--|--------|---|-----------|---------|--|----------------------------|---------|----------------------------------|---|
| | | | | | | Disaster Mitigation (\$2.87M) | | | | |
| | | | | | | OECS Waste Management Project (\$0.96 M) | | | | |
| AFD | Northern Water Supply Project (\$10.92M) | | | | | | | | | |
| WB | | | | | | OECS Emergency Recovery and Disaster Management Project (\$16.22M) | | | Poverty Reduction Fund (\$3.23M) | |
| | | | | | | OECS Waste Management (\$8.86M) | | | | |
| RMB | | | | | | | | | | Bordelais Correctional Facility (\$47.32 M) |
| USAID | | | | | | Hurricane Lenny Response (\$5.07M) | | | | |
| DFID(C) | | | | | | OECS Waste Management (\$0.96M) | | | | |
| JG | | | Construction of Fish Landing Complexes (\$43.47M) | | | | | | | |

| | Infrastructure | Health | Agriculture | Education | Tourism | Environment | Private Sector Development | Housing | Poverty/Rural Development | General Public Service |
|-------------|--|---------------|--------------------|--|----------------|---------------------------------|-----------------------------------|----------------|----------------------------------|-------------------------------|
| GETF | | | | | | OECS Waste Management (\$1.24M) | | | | |
| PRC | New National Stadium (\$45.00M) | | | | | | | | | |
| CIDA | Sulphur Spring Enhancement Project (\$1.31M) | | | OECS Education Reform Project (\$6.0M) | | | | | | Civil Code Reform |

(\$X.00 - Eastern Caribbean Dollars)

List of Acronyms

- GOSL - Government of St. Lucia
- EU - European Commission
- CDB - Caribbean Development Bank
- AFD - Agence Francaise Developpement
- WB - World Bank
- RMB - Royal Merchant Bank (Trinidad & Tobago)
- USAID - United States Agency for International Development
- DFID(C) - Department for International Development
- JG - Japanese Government
- GETF - Global Environment Trust Fund
- PRC - Chinese Government
- CIDA - Canadian International Development Agency

Annex 2: Overview of EC funding

| INSTRUMENT | AMOUNT/ECU/€ |
|-------------------------------|-----------------------|
| STABEX 1990/1/2/3 | 4,860,285.00 |
| STABEX 1994 | 22,478,533.00 |
| STABEX 1995 | 17,706,294.00 |
| STABEX 1996/97 | 12,558,222.00 |
| STABEX 1998 | 4,096,556.00 |
| STABEX 1999 | 3,110,853.00 |
| STABEX repayment art 195 2000 | 9,035,561.00 |
| 7 th EDF NIP | 5,000,000.00 |
| 8 th EDF NIP | 6,000,000.00 |
| 9 th EDF NIP | 4,500,000.00 |
| SFA 1999 | 8,500,000.00 |
| SFA 2000 | 8,875,000.00 |
| TOTAL | 106,721,304.00 |

STABEX

Article 186 of the Lome IV Convention provides compensation for loss of export earnings on certain agricultural products on which countries' economies are dependent and which are affected by fluctuation in price or quantity or both these factors. The use of the STABEX allocation is governed by a Framework of Mutual Obligations (FMO) which stipulates the objectives, obligations, actions and results which are expected to be achieved through utilization of the STABEX transfers, as well as the rules and procedures applicable to the allocation and disbursement of the funds, in accordance with Article 210 of the Fourth Lome Convention. The following are the STABEX allocations to St Lucia for loss of export earnings from bananas:

The sectors to receive support under the stabex for each year are as follows:

| STABEX year | Sector | Amount in € |
|--------------------|---|--------------------|
| STABEX 1993 | Restoration of viability of the banana sector | €4,860,285 |
| | Mini wet pack shed project | |
| | Financial and Management audit | |
| | Total | €4,860,285 |
| STABEX 1994 | Banana Productivity Support | 4,000,000 |
| | Agricultural Diversification | 6,000,000 |
| | Rural development and social safety nets | 2,000,000 |
| | Promotion of Economic Diversification | 7,000,000 |
| | Agricultural sector institutional strengthening | 600,000 |
| | EDF PMCU | 400,000 |
| | Monitoring and Evaluation | 1,000,000 |
| | Reserves | 1,176,403 |
| | FMO top-up art. 195a | 302,130 |
| | Total | €22,478,533 |
| STABEX 1995 | Banana Productivity Support | 2,500,000 |
| | Agricultural Diversification | 2,500,000 |
| | Social and Community Development | 4,500,000 |
| | Promotion of Economic Diversification | 7,400,000 |
| | EDF PMCU | 350,000 |

| | | |
|------------------------|-------------------------------------|---------------------|
| | Monitoring and Evaluation | 456,294 |
| | Total | € 17,706,294 |
| STABEX 1996/97 | Diversification of the Economy | 5,250,000 |
| | Social and Community Development | 4,500,000 |
| | Agricultural Diversification | 1,800,000 |
| | Technical Assistance | 650,000 |
| | Monitoring, Auditing and Evaluation | 258,222 |
| | EDF PMCU | 100,000 |
| | Total | € 12,558,222 |
| STABEX 1998 | Total | € 4,096,556 |
| STABEX 1999 | Total | € 3,110,853 |
| STABEX art. 195 | Total | € 9,035,561 |

Special Facility of Assistance (SFA)

Council Regulation (EC) No. 856/1999 establishes a Special Framework of Assistance (SFA) for traditional ACP suppliers of bananas, having regard for the commitments made by the European Union to the ACP countries under the Lomé Convention, and more particularly Protocol 5, which seeks to guarantee maintenance for the ACP States of their advantages on the European market in conditions that may not be less favourable than those that they have previously enjoyed. Following amendment of these trade arrangements by Regulation (EC) No. 1637/98 which has substantially altered the market conditions for traditional ACP suppliers and might, in particular, harm the most disadvantaged suppliers, the European Commission has recognised that particular efforts will be needed to adapt to these new market conditions in order to maintain a presence on the Community market. The Commission has therefore accepted that technical and financial assistance, additional to that provided for in the fourth ACP-EC Convention of Lomé should be granted to enable traditional ACP banana suppliers to adapt to new market conditions, and in particular to improve competitiveness. The SFA allocations to St Lucia are to be utilised as follows :

| SFA year | Sector | Amount in Euro |
|-----------------|---------------------------------|-----------------------|
| SFA 1999 | Banana commercialisation | 4,350,000 |
| | Agro & economic diversification | 1,500,000 |
| | Social recovery | 1,800,000 |
| | Regional technical assistance | 400,000 |
| | Monitoring & contingencies | 450,000 |
| | Total | 8,500,000 |
| SFA 2000 | Banana commercialisation | 4,500,000 |
| | Agro & economic diversification | 1,800,000 |
| | Social recovery | 1,660,000 |
| | Regional technical assistance | 400,000 |
| | Monitoring & contingencies | 515,000 |
| | Total | 8,875,000 |
| SFA 2001 | Total | 8,875,000 |

EIB

| Project Name | Status | Convention | Contract number | Amount signed (m) | | Date of signature | Amount outstanding (m) | | Beginning Repayment |
|---------------------|-----------|------------|-----------------|----------------------|---------------------|-------------------|------------------------|---------------------|---------------------|
| | | | | OR | RC | | OR | RC | |
| SAINT LUCIA PROJECT | Disbursed | Lome - 2 | 70455 | | 400,000.00 | 12/6/84 | | 205,000.00 | 30/9/92 |
| LUCELEC | Disbursed | Lome - 3 | 12768 | 3,000,000.00 | | 19/12/86 | 268,833.38 | | 10/6/91 |
| | Disbursed | Lome - 3 | 70638 | | 2,000,000.00 | 19/12/86 | | 250,000.00 | 10/12/94 |
| LUCELEC II | Disbursed | Lome - 3 | 13768 | 3,000,000.00 | | 28/12/88 | 2,002,421.10 | | 10/6/92 |
| SLDB II/VCF | Disbursed | Lome - 4 | 17714 | 2,000,000.00 | | 14/12/94 | 2,077,967.13 | | 5/6/99 |
| | Disbursed | Lome - 4 | 70984 | | 500,000.00 | 14/12/94 | | 500,000.00 | 5/12/10 |
| | Disbursed | Lome - 4 | 70985 | | 1,000,000.00 | 14/12/94 | | 1,000,000.00 | 5/12/09 |
| LUCELEC III | Disbursed | Lome - 4 | 19228 | 8,000,000.00 | | 13/12/96 | 9,089,196.25 | | |
| Total | | | | 16,000,000.00 | 3,900,000.00 | | 13,438,417.86 | 1,955,000.00 | |

Annex 3: Overview of the Banana Sector

WINDWARDS' PRODUCTION BY ISLAND

1980 - 1999

| Year | ISLAND | | | | | | | | Total |
|------|----------|------|----------|------|------------|------|----------|------|-----------|
| | Dominica | | St Lucia | | St Vincent | | St Lucia | | Windwards |
| | Tonnes | % | Tonnes | % | Tonnes | % | Tonnes | % | Tonnes |
| 1980 | 7,606 | 11.2 | 29,462 | 43.3 | 18,901 | 27.8 | 12,012 | 17.7 | 67,980 |
| 1981 | 26,889 | 24.0 | 43,720 | 39.1 | 29,900 | 26.7 | 11,388 | 10.2 | 111,896 |
| 1982 | 27,236 | 25.6 | 42,923 | 40.3 | 26,284 | 24.7 | 9,993 | 9.4 | 106,437 |
| 1983 | 28,927 | 24.2 | 54,338 | 45.4 | 27,576 | 23.1 | 8,736 | 7.3 | 119,577 |
| 1984 | 31,639 | 22.8 | 65,610 | 47.3 | 33,011 | 23.8 | 8,585 | 6.2 | 138,844 |
| 1985 | 34,694 | 21.7 | 83,533 | 52.1 | 41,211 | 25.7 | 804 | 0.5 | 160,242 |
| 1986 | 51,707 | 24.5 | 112,540 | 53.4 | 38,450 | 18.2 | 7,990 | 3.8 | 210,688 |
| 1987 | 65,604 | 32.2 | 93,023 | 45.6 | 36,581 | 17.9 | 8,714 | 4.3 | 203,922 |
| 1988 | 74,194 | 26.3 | 135,727 | 48.1 | 63,072 | 22.3 | 9,240 | 3.3 | 282,234 |
| 1989 | 50,856 | 20.2 | 126,634 | 50.3 | 65,663 | 26.1 | 8,689 | 3.5 | 251,842 |
| 1990 | 57,867 | 20.5 | 135,367 | 48.0 | 81,155 | 28.8 | 7,552 | 2.7 | 281,941 |
| 1991 | 55,844 | 24.3 | 100,870 | 43.9 | 63,407 | 27.6 | 9,626 | 4.2 | 229,747 |
| 1992 | 59,220 | 21.2 | 135,291 | 48.4 | 78,779 | 28.2 | 6,522 | 2.3 | 279,812 |
| 1993 | 55,946 | 23.1 | 122,927 | 50.7 | 58,688 | 24.2 | 4,891 | 2.0 | 242,452 |
| 1994 | 43,046 | 25.4 | 90,909 | 53.7 | 30,925 | 18.3 | 4,544 | 2.7 | 169,424 |
| 1995 | 33,366 | 17.2 | 105,658 | 54.6 | 50,083 | 25.9 | 4,574 | 2.4 | 193,681 |
| 1996 | 39,956 | 20.9 | 105,547 | 55.1 | 44,038 | 23.0 | 1,866 | 1.0 | 191,407 |
| 1997 | 34,911 | 25.4 | 71,397 | 52.0 | 31,021 | 22.6 | 102 | 0.1 | 137,431 |
| 1998 | 28,640 | 21.9 | 73,220 | 55.9 | 39,886 | 30.5 | 94 | 0.1 | 141,839 |
| 1999 | 27,784 | 21.2 | 65,196 | 49.8 | 37,376 | 28.5 | 583 | 0.4 | 130,939 |

St Lucia Banana Production, Export & Revenue 1985 - 1997

| Period | Banana Production (Tonnes) | Banana Export (Tonnes) | Banana Revenue (EC \$ Million) |
|--------------------|----------------------------|------------------------|--------------------------------|
| 1985 | 83,532 | 81,924 | 89.53 |
| 1986 | 112,540 | 111,998 | 150.55 |
| 1987 | 93,028 | 85,993 | 113.74 |
| 1988 | 135,277 | 128,090 | 177.43 |
| 1989 | 126,634 | 125,588 | 158.0 |
| 1990 | 135,367 | 133,777 | 186.9 |
| 1991 | 100,877 | 100,595 | 146.4 |
| 1992 | 135,291 | 132,854 | 184.8 |
| 1993 | 122,927 | 120,129 | 137.9 |
| 1994 | 90,909 | 90,119 | 115.7 |
| 1995 | 105,658 | 103,668 | 128.1 |
| 1996 | 105,547 | 104,805 | 125.8 |
| 1997 | 71,395 | 71,395 | 74.55 |
| January - May 1998 | 30,614 | 30,614 | 39.55 |

Source: Windward Islands Banana Development and Exporting Company (WIBDECO)

The EU introduced the common organisation of the market for bananas in July 1993 providing separate arrangements for imports from the various suppliers including a tariff quota system and special arrangements for imports from traditional ACP suppliers. However, various elements of the regime were successfully challenged in the WTO and the EU banana regime was revised to take their findings into account. New arrangements came into force in January 1999 but are now in the process of being further modified as a result of the Understandings reached with both the US and with Ecuador in April 2001, a significant step in resolving this long-standing dispute. The understandings provide for a transitional period of tariff quotas before a tariff only system comes into force in 2006.

In a **first phase** starting on 1 July 2001 and ending on 31 December 2001, the tariff quotas (TRQs) will remain at current levels, with an allocation of licences under the historical method. In a **second phase**, from 1 January 2002 to 1 January 2006, one of the quotas is reserved for ACP use only. This is conditional on obtaining an Article XIII waiver in the WTO. On **1 January 2006** at the latest, a tariff-only regime will be introduced. Under the agreement, the ACP will benefit from the reservation of a certain quantity of import for their sole use and the continuation of the historical method for the management of the tariff quotas (compared to the first come, first served licensing method).

It is too early to determine the precise impact of the new arrangements on St. Lucia as this will depend to a certain extent on traders' commercial decisions, on the management system for the ACP quota under phase II and on the response of the industry to continued competitive pressures. It will be important for St Lucia to take advantage of the transitional phase before 2006 [to restructure their industry] in order to be able to cope with the new trading environment.

The change in market arrangements for Windward Islands bananas has been accompanied by an increasingly competitive environment in which higher quality, lower cost fruit from Latin America and elsewhere became much more readily available to consumers in the UK. This competitive pressure, together with an increasing volume of fruit have tended to hold prices down and increase the demand for higher quality bananas.

Productivity and quality enhancement initiatives are being implemented under the Windward Islands Production Recovery Plan and the Windward Island Action Plan financed by the STABEX and SFA funding instruments, respectively. Both plans are fairly comprehensive in seeking to realign the industry with the current global realities. Provisions are made for the supply of working and investment capital to targeted certified farmers who have the potential to achieve at least 12.5 tonnes per acre, improvement in farm management capacity, and for the creation of regulatory and institutional frameworks.

There are other important initiatives to be undertaken at the sub-region that will impact on the local industry. These are:

- An examination of the structure of WIBDECO with the intent to reorient it to a market-led organisation rather than a banana production-led company. This means that it will become involve in the marketing of other Windward crops.
- The promotion of organic and fair trade bananas as a brand product; and
- The exploration of opportunities for joint procurement of inputs, sharing of information and expertise.

Annex 4: Environment profile

The susceptibility of the island of St Lucia to natural disasters and environmental change has a significant impact on the economic fortunes of the country while the increasing reliance on tourism adds an additional incentive for St Lucia to conserve its natural resources and protect the environment. The principle issues of concern are land use, marine and coastal environments, waste management and disaster prevention.

Capacity building and institutional strengthening are two key elements of the environment portfolio. To this end the National Environmental Action Plan (NEAP) of 1997 is being reviewed and updated in order to develop a strategic plan for the establishment of a co-ordinated and integrated legal and institutional framework for environmental management. The World Bank is to provide assistance to support the improvement of the management of environmental resources as a means of preserving the natural heritage and supporting sustained tourism growth.

Land Use Management

The Government of St Lucia has reviewed the planning legislation and institutional framework and is in the process of implementing key elements of a Land Use restructuring and strengthening programme including a new Planning Act which will, among other things, permit the Development Control Authority to legally require an Environmental Impact Assessment (EIA) on proposed developments. Government will be implementing a sub regional (OECS) Building Code, Environmental Impact Assessment Regulations and Infrastructural Planning Standards in conjunction with the New Planning Act.

Coastal Zone Management

St Lucia's coastal zone continues to be under increasing pressure from urbanization, pollution, tourism development, and continued development in environmentally sensitive areas. A recently completed Coastal Conservation Project identified sewage contamination and impact of sedimentation as two of the more critical priority issues. A Coastal Zone Management Unit has been established with responsibility for the development of a strategy for the implementation of activities consistent with the national Coastal Zone Management Plan while the Government will continue to strengthen local management authorities (LMAs) to take a more active part in coastal zone management in accordance with the framework of the Cartagena Convention and the Land Based Sources of Marine Pollution Protocol.

Solid and Hazardous Waste Management

The national component of the OECS Solid Waste Management Project in St Lucia is funded by the World Bank, the Global Environment Trust Fund, the Caribbean Development Bank and the Government of St Lucia. Activities include the closure of the existing disposal site in Castries and the commencement of construction of the island's first sanitary landfill along with the development of biomedical waste disposal facilities, port waste reception facilities, and procurement of equipment to facilitate disposal site operation and materials recovery. A Hazardous Waste Advisory Committee has been established to ensure more stringent control over the generation, storage, treatment, recycling, reuse, transport, recovery and disposal of hazardous waste while new Solid Waste Legislation and regulations are to be introduced, forming the framework for more effective hazardous waste management.

Disaster Mitigation

Disaster mitigation measures are being undertaken by the World Bank through the OECS Emergency Disaster Mitigation Project. This extensive project includes retrofitting of public buildings, strengthening of emergency preparedness and response capacity, community based disaster management, physical prevention and civil works.

Air Pollution

The rapid pace of development has led to increased vehicular traffic, construction activities and road building projects which together with industrial activities in and around large urban areas have led to a significant increase in air pollution. Plans to reduce congestion in the down-town Castries Area include the decentralization of commercial facilities and the establishment of new urban and industrial centers. Other measures include the introduction of the appropriate legislative and economic framework to facilitate the phase out of the use of leaded gasoline on the island and public education and awareness programmes, including consumer incentives to encourage industry to install air pollution controls and encourage the utilization of safer, cleaner and more efficient technologies.

Energy Resources

Energy demand is met by the importation of refined petroleum products such as petroleum, diesel and kerosene. The dependence on imported energy coupled with a disproportionately high rate of increase in energy consumption has serious implications for the island's security of energy supply and balance of payments position. There has been a concerted effort to promote the increased utilization of renewable energy on the island. This has been evident in the removal of duty and consumption tax on solar water heating units and other renewable energy technology while feasibility studies on solar, wind and geothermal energy potential are ongoing. Efforts to obtain financial and technical support for policy development and commercialization and transfer of sustainable energy technologies to St Lucia is being vigorously pursued. This is anticipated to enhance ongoing renewable energy pilot projects, promote greater awareness and training for personnel in the energy field, and further the development of energy efficiency projects involving Demand-Side Management Studies.

Freshwater Resources

Construction activities, urban development, deforestation, poor agricultural practices, and the indiscriminate discharge of untreated waste water into rivers have all contributed to the pollution and deterioration of the water supply in St Lucia whilst increases in population and the rapidly growing hotel and tourism sectors have led to an increasing demand for water throughout the island. Government is however continuing to strengthen the appropriate infrastructure to meet the demands of the rapidly growing domestic, commercial, industrial and specifically the hotel and tourism sectors well into the 21st century while additional measures include public education and awareness programmes on water resource management.

National Parks, Protected Areas and Historic Sites

The Government of St Lucia has made significant strides in the establishment of protected areas primarily for the protection of the country's water supply and to preserve areas with fragile ecosystems and sensitive habitation while at the same time recognizing the commercial viability of such protected areas. The establishment of the National Conservation Authority and enactment of supporting legislation is expected to significantly contribute to the improved institutional management of parks and protected areas. In the context of land use planning efforts, government will work with other responsible agencies to develop a comprehensive plan for the restoration, preservation, conservation and management of sites that are of cultural, historical or archaeological interest. This is also expected to contribute to the diversity of the country's tourism product.

Annex 5: Key Social and Economic Indicators

St. Lucia Social Indicators

| | Latest single year | | | Same region/income group | |
|---|--------------------|---------|---------|--------------------------|---------------------|
| | 1970-75 | 1980-85 | 1993-99 | Latin America & Carib. | Upper-middle-income |
| POPULATION | | | | | |
| Total population, mid-year (<i>millions</i>) | 0.1 | 0.1 | 0.2 | 508.2 | 571.5 |
| Growth rate (% <i>annual average for period</i>) | 1.3 | 1.5 | 1.6 | 1.6 | 1.4 |
| Urban population (% of population) | 38.6 | 37.3 | 37.7 | 74.9 | 75.4 |
| Total fertility rate (<i>births per woman</i>) | .. | .. | .. | 2.6 | 2.4 |
| POVERTY | | | | | |
| <i>(% of population)</i> | | | | | |
| National headcount index | .. | .. | .. | .. | .. |
| Urban headcount index | .. | .. | .. | .. | .. |
| Rural headcount index | .. | .. | .. | .. | .. |
| INCOME | | | | | |
| GNP per capita (<i>US\$</i>) | .. | .. | 3,880 | 3,800 | 4,870 |
| Consumer price index (<i>1995=100</i>) | 31 | 68 | 109 | 140 | 131 |
| Food price index (<i>1995=100</i>) | .. | .. | .. | .. | .. |
| INCOME/CONSUMPTION DISTRIBUTION | | | | | |
| Gini index | .. | .. | .. | .. | .. |
| Lowest quintile (% of income or consumption) | .. | .. | 5.2 | .. | .. |
| Highest quintile (% of income or consumption) | .. | .. | 48.3 | .. | .. |
| SOCIAL INDICATORS | | | | | |
| Public expenditure | | | | | |
| Health (% of GDP) | .. | .. | .. | 3.4 | 3.3 |
| Education (% of GNP) | .. | .. | .. | 3.6 | 5.0 |
| Social security and welfare (% of GDP) | .. | .. | .. | 7.4 | 7.9 |
| Net primary school enrollment rate | | | | | |
| <i>(% of age group)</i> | | | | | |
| Total | .. | .. | .. | 91 | 94 |
| Male | .. | .. | .. | .. | .. |
| Female | .. | .. | .. | .. | .. |
| Access to an improved water source | | | | | |
| <i>(% of population)</i> | | | | | |
| Total | .. | .. | 98 | 85 | 87 |
| Urban | .. | .. | .. | 93 | 94 |
| Rural | .. | .. | .. | 62 | 68 |
| Immunization rate | | | | | |
| <i>(% under 12 months)</i> | | | | | |
| Measles | .. | .. | .. | 90 | 90 |
| DPT | .. | .. | .. | 87 | 88 |
| Child malnutrition (% under 5 years) | .. | .. | .. | 9 | .. |
| Life expectancy at birth | | | | | |
| <i>(years)</i> | | | | | |
| Total | 62 | 69 | 72 | 70 | 69 |
| Male | .. | .. | .. | 67 | 66 |
| Female | .. | .. | .. | 73 | 73 |
| Mortality | | | | | |
| Infant (<i>per thousand live births</i>) | .. | 22 | 16 | 30 | 27 |
| Under 5 (<i>per thousand live births</i>) | .. | .. | .. | 38 | 34 |
| Adult (15-59) | | | | | |
| Male (<i>per 1,000 population</i>) | .. | .. | .. | 207 | 233 |
| Female (<i>per 1,000 population</i>) | .. | .. | .. | 122 | 143 |
| Maternal (<i>per 100,000 live births</i>) | .. | .. | .. | .. | .. |
| Births attended by skilled health staff (%) | .. | .. | .. | .. | .. |

CAS Annex B5. This table was produced from the CMU LDB system.

5/8/2001

Note: 0 or 0.0 means zero or less than half the unit shown. Net enrollment ratios exceeding 100 indicate discrepancies between the estimates of school-age population and reported enrollment data. Latest year for access to an improved water source data is 2000.

St. Lucia - Key Economic Indicators

| Indicator | Actual | | | Estimate | | | Projected | | | |
|---|--------|-------|-------|----------|-------|-------|-----------|--------|--------|--------|
| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
| National accounts (as % of GDP) | | | | | | | | | | |
| Gross domestic product ^a | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Agriculture | 8.9 | 6.9 | 7.1 | 8.0 | 7.9 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 |
| Industry | 18.8 | 18.6 | 18.6 | 19.2 | 19.6 | 21.0 | 20.0 | 20.0 | 20.0 | 20.0 |
| Services | 72.3 | 74.5 | 74.2 | 72.8 | 72.5 | 72.0 | 73.0 | 73.0 | 73.0 | 73.0 |
| Total Consumption | 84.8 | 84.7 | 82.6 | 84.7 | 85.4 | 83.6 | 82.9 | 82.1 | 81.5 | 81.5 |
| Gross domestic investment | 21.4 | 24.6 | 23.9 | 25.8 | 24.5 | 26.0 | 27.0 | 28.0 | 28.7 | 29.5 |
| Government investment | 6.8 | 6.4 | 8.4 | 9.3 | 10.3 | 10.5 | 10.8 | 11.2 | 11.5 | 11.5 |
| Private investment | 14.6 | 18.2 | 15.5 | 16.5 | 14.2 | 15.5 | 16.2 | 16.8 | 17.2 | 17.2 |
| Exports (GNFS) ^b | 62.3 | 61.9 | 61.5 | 56.2 | 55.7 | 55.9 | 56.1 | 56.3 | 56.9 | 57.5 |
| Imports (GNFS) | 68.5 | 71.2 | 67.9 | 66.8 | 65.5 | 65.5 | 65.9 | 66.4 | 67.2 | 68.1 |
| Gross domestic savings | 15.2 | 15.3 | 17.4 | 15.3 | 14.6 | 16.4 | 17.1 | 17.9 | 18.5 | 18.5 |
| Gross national savings ^c | 11.2 | 11.0 | 13.5 | 12.7 | 12.4 | 13.5 | 14.0 | 14.7 | 15.2 | 15.2 |
| <i>Memorandum items</i> | | | | | | | | | | |
| Gross domestic product (US\$ million at current prices) | 566.4 | 579.8 | 625.0 | 666.6 | 707.1 | 746.6 | 788.9 | 836.9 | 893.0 | 953.7 |
| GNP per capita (US\$, Atlas method) | 3,680 | 3,650 | 3,670 | 3,880 | 4,070 | 4,242 | 4,436 | 4,670 | 4,957 | 5,267 |
| Real annual growth rates (% , calculated from 1990 prices) | | | | | | | | | | |
| Gross domestic product at factor cost | 1.4 | 0.6 | 2.9 | 3.1 | 2.0 | 3.0 | 3.3 | 3.7 | 4.3 | 4.3 |
| Gross Domestic Income | 1.4 | 0.6 | 2.7 | 2.9 | 1.7 | 2.6 | 2.5 | 3.0 | 3.1 | 3.3 |
| Real annual per capita growth rates (% , calculated from 1990 prices) | | | | | | | | | | |
| Gross domestic product at market prices | 0.3 | -1.2 | 1.4 | 1.6 | 0.5 | 1.7 | 2.3 | 2.9 | 3.8 | 3.8 |
| Total consumption | 2.3 | -1.2 | -1.2 | 4.2 | 1.2 | -0.4 | 1.4 | 1.9 | 3.1 | 3.7 |
| Private consumption | 2.0 | -1.4 | -0.2 | 4.8 | 4.8 | 4.9 | 5.0 | 5.2 | 5.4 | 5.6 |
| Balance of Payments (US\$) | | | | | | | | | | |
| Exports (GNFS) ^b | 353.1 | 358.6 | 384.2 | 374.6 | 393.8 | 417.3 | 442.4 | 471.5 | 508.5 | 548.8 |
| Merchandise FOB | 86.3 | 70.2 | 70.4 | 60.9 | 63.3 | 64.6 | 66.3 | 68.2 | 70.2 | 70.2 |
| Imports (GNFS) ^b | 388.0 | 413.0 | 424.4 | 445.1 | 463.5 | 488.9 | 520.2 | 556.0 | 599.9 | 649.1 |
| Merchandise FOB | 267.4 | 292.4 | 295.1 | 312.0 | 327.6 | 347.4 | 370.0 | 395.9 | 427.6 | 427.6 |
| Resource balance | -34.9 | -54.4 | -40.2 | -70.5 | -69.7 | -71.6 | -77.8 | -84.5 | -91.4 | -100.3 |
| Net current transfers | 13.2 | 13.0 | 19.5 | 22.0 | 21.9 | 21.9 | 21.9 | 21.9 | 21.9 | 21.9 |
| Current account balance | -57.7 | -79.1 | -64.5 | -87.5 | -85.8 | -93.4 | -102.6 | -111.6 | -120.9 | -132.0 |
| Net private foreign direct investment | 16.9 | 15.0 | 83.4 | 94.1 | 46.5 | 49.3 | 51.2 | 53.1 | 54.5 | 56.0 |
| Long-term loans (net) | 16.0 | 10.5 | 16.0 | 15.1 | 32.8 | 22.1 | 13.7 | 12.4 | 14.0 | 13.6 |
| Official | 11.4 | 3.4 | -1.0 | -6.9 | 2.6 | 1.8 | 0.7 | -3.3 | -1.9 | -4.5 |
| Private | 4.6 | 7.1 | 17.0 | 22.0 | 30.2 | 20.3 | 13.0 | 15.7 | 15.9 | 18.1 |
| Other capital (net, incl. errors & omissions) | 17.9 | 58.6 | -25.4 | -17.8 | 21.1 | 29.8 | 42.4 | 50.3 | 56.9 | 67.2 |
| Change in reserves ^d | 6.9 | -4.9 | -9.5 | -3.9 | -14.6 | -7.8 | -4.7 | -4.2 | -4.5 | -4.8 |
| <i>Memorandum items</i> | | | | | | | | | | |
| Resource balance (% of GDP) | -6.2 | -9.4 | -6.4 | -10.6 | -9.9 | -9.6 | -9.9 | -10.1 | -10.2 | -10.5 |
| Real annual growth rates (YR87 prices) | | | | | | | | | | |
| Merchandise exports (FOB) | -8.9 | -22.0 | -4.7 | -8.0 | 5.8 | 2.7 | 3.1 | 3.4 | 4.0 | 3.8 |
| Merchandise imports (CIF) | 1.1 | 18.7 | 4.1 | 1.4 | 10.1 | 3.2 | 3.7 | 4.1 | 4.9 | 1.3 |

(Continued)

St. Lucia - Key Economic Indicators
(Continued)

| Indicator | Actual | | Estimate | | | Projected | | | | |
|---|--------|-------|----------|-------|-------|-----------|-------|-------|-------|-------|
| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
| Public finance (as % of GDP at market prices) ^e | | | | | | | | | | |
| Current revenues | 24.2 | 24.1 | 25.7 | 27.7 | 25.1 | 24.5 | 24.4 | 24.1 | 23.8 | 23.7 |
| Current expenditures | 20.6 | 21.0 | 19.6 | 20.0 | 20.5 | 20.0 | 20.0 | 19.8 | 19.7 | 19.7 |
| Current account surplus (+) or deficit (-) | 3.6 | 3.1 | 6.1 | 7.7 | 4.6 | 4.5 | 4.4 | 4.3 | 4.1 | 4.0 |
| Capital expenditure | 6.4 | 5.6 | 7.9 | 8.7 | 8.3 | 5.4 | 5.3 | 5.3 | 5.1 | 5.1 |
| Foreign financing | 2.5 | 3.0 | 1.0 | 0.7 | 2.1 | 1.7 | 1.4 | 1.2 | 1.1 | 1.1 |
| Monetary indicators | | | | | | | | | | |
| M2/GDP | 54.2 | 56.5 | 58.6 | 59.6 | 61.2 | 63.2 | 63.2 | 63.2 | 63.2 | 63.3 |
| Growth of M2 (%) | 1.8 | 6.7 | 11.9 | 8.4 | 9.0 | 9.0 | 5.7 | 6.1 | 6.7 | 7.0 |
| Private sector credit growth / total credit growth (%) | 130.4 | 100.7 | 300.0 | 115.5 | 125.3 | 149.2 | 149.2 | 149.2 | 149.2 | 149.3 |
| Price indices (YR87=100) | | | | | | | | | | |
| Merchandise export price index | 96.7 | 87.7 | 99.9 | 101.9 | 99.3 | 99.1 | 98.9 | 98.7 | 98.5 | 98.4 |
| Merchandise import price index | 115.3 | 106.6 | 103.0 | 104.4 | 102.5 | 102.6 | 102.8 | 103.7 | 104.9 | 105.9 |
| Merchandise terms of trade index | 83.9 | 82.3 | 97.0 | 97.6 | 96.9 | 96.6 | 96.2 | 95.2 | 93.9 | 92.9 |
| Real exchange rate (US\$/LCU) ^{f (YR95=100)} | 96.6 | 102.8 | 103.3 | 112.1 | 116.8 | 116.2 | 115.9 | 115.5 | 115.2 | 114.9 |
| Real interest rates | | | | | | | | | | |
| Consumer price index (% change) | -2.3 | 1.6 | 3.6 | 6.1 | 2.0 | 2.5 | 2.3 | 2.3 | 2.3 | 2.3 |
| GDP deflator (% change) | 0.1 | 2.4 | 2.2 | 2.3 | 4.0 | 2.5 | 2.3 | 2.3 | 2.3 | 2.3 |

- a. GDP at factor cost
b. "GNFS" denotes "goods and nonfactor services."
c. Includes net unrequited transfers excluding official capital grants.
d. Includes use of IMF resources.
e. Consolidated central government.
f. "LCU" denotes "local currency units." An increase in US\$/LCU denotes appreciation.

Source: World Bank

Annex 6: Matrix of Government Policy Objectives

| Sector | Objectives | Actions |
|--------------------|--|---|
| Agriculture | <p>Revival of the agricultural sector</p> <p>Revive and restructure the banana industry</p> <p>Promote agricultural diversification</p> | <ul style="list-style-type: none"> - Provide incentives to the private sector to lead to the search for new markets - Establish a land use policy and enforce zoning regulations - Review laws of inheritance to permit entitlement to agricultural land - Review and reform the legislative framework for agricultural development - Establish adequate facilities for hand on training and education in strategic locations around the island - Establish demonstration centres as a first step towards the privatisation of agricultural services - Conduct research to assist in the introduction of improved technology needs of the farming and fishing communities - Develop export crops with emphasis on commodities with market potential - Undertake investment in marketing infrastructure and associated supported services - Consolidate the operations of the banana trust fund - Provide support to all legally established organisations actively involved in the production and marketing of bananas - Establish and investment locus within the national development corporation to promote investment in areas of business associated with the production processing and export of bananas - Provide advisory services and assistance for strengthening management capabilities of national banana companies - Strengthen legislation in the areas of disease control, administration and protection of water rights, maintenance of drainage and irrigation facilities - Develop a marketing programme aimed at the promotion of bananas and banana products - Enhance port facilities to allow for the efficient reception and storage of agricultural produce for export - Broaden and strengthen REDIP to allow it to make credit available to a wider cross section of beneficiaries - Establish commercially sustainable community-based input supply outlets - Promote and provide support for organic farming - Develop and adopt an agricultural sector policy and plan - Focus on food security and on reducing the food import bill - Introduce policies to ensure self-sufficiency in poultry, egg, pork and fish - Encourage participation of youth and women by providing incentive packages, credit, and training to produce a variety of crops and livestock |
| Tourism | <p>Increase tourism awareness</p> <p>Enhance community based product development</p> <p>Expanding the health tourism product</p> <p>Greening St. Lucia as a tourism destination</p> <p>Enhance information technology</p> <p>Stimulate hotel</p> | <ul style="list-style-type: none"> - Increase marketing and promotion of the Island's tourism product - Diversify the tourism product base to include more nature heritage and "Green" sites - Increase community participation in the product development efforts - Provide support to stakeholders involved in expanding in Community based tourism - Develop a tourism product base which is environmentally friendly and sustainable - Conduct market research on health tourism to determine its feasibility in the domestic economy - Design and implement a development programme for the health tourism sub-sector - Foster and encourage joint venture initiatives for investment in health tourism - Achieve certification as a green globe destination - Conduct environmental audits of hotel properties |

| | | |
|--|---|---|
| | development | <ul style="list-style-type: none"> - Designate certain key tourist attraction sites as green sites - Seek to maintain high level of customer satisfaction from nature heritage and water based tourism products - Develop marketing education programmes - Provide incentives to hoteliers and small property holders to invest in information technology - Encourage joint marketing and promotional initiatives in the industry - Encourage greater investment in telemarketing of the island - Develop electronic marketing - Implement a programme to develop the human resource needs of the rapidly expanding tourism industry - Decentralise the provision of basic infrastructure to encourage greater investment support services to the industry - Focus more intensely on the issue of zoning of hotel developments |
| Trade and Industry | <p>Consolidate existing commitments and encourage new investments in the manufacturing sector</p> <p>Review the legislative and regulatory framework by which investors are guided</p> <p>Provide technical support to private enterprises</p> <p>Encourage the development of economically viable industries</p> | <ul style="list-style-type: none"> - Forging deeper backward and forward linkages among buyers and sellers of intermediate goods - Continue the “buy local” campaign and provide technical and financial assistance to implement the “adopt a farmer” programme - Increase consumer awareness of the indigenous manufacturing sector - Reduce telecommunications cost to attract investments in non-traditional industries such as electronic commerce and informatics - Enact laws combating money laundering and other illicit activities to protect the financial services sector - Review of the tax base for manufacturing sector - Implement the new labour laws - Conduct/facilitate local training seminars and workshops - Support tradeshows and exhibitions to improve competitiveness - Monitor product quality and consumer protection - Create awareness of the challenges of globalisation and their implications - Provide concessionary support to firms willing to engage in new and economically viable enterprises - Establish training centres to prepare workforce for the required skills in merging industries - Scrutinise and monitor the operations of firms engaged in non-traditional activities |
| Postal Services | Restructure the sector to become competitive, viable and modernized | <ul style="list-style-type: none"> - Construct a new headquarters building - Take steps to corporatise the postal service - Review and determine human resources needs |
| Telecommunications sector | Restructure the sector to become competitive, viable and modernized | <ul style="list-style-type: none"> - Introduce pro-competitive reform - Establish an independent regional authority - Introduce new legislation - Increase supply of IT related skills |
| Road transport services | Organise movement of buses and commuters and provide appropriate amenities in a central location | <ul style="list-style-type: none"> - Establish three new bus terminus |
| Health, Human services and gender relations | <p>Improve administration and management of the health service</p> <p>Enhance health service delivery and access to health care</p> <p>Implement a comprehensive programme of social</p> | <ul style="list-style-type: none"> - Establish a corporate planning unit - Restructure and reorganise key departments within the ministry - Enact, review and update health legislation to address quality of health care in the public and private sectors - Establish health polyclinics - Finalise the health sector study - Plan the establishment of a new hospital - Develop a national health insurance scheme - Finalise the policy on the elderly - Implement the integrated child care and protection programme and establish a transit home for children in exceptionally difficult |

| | | |
|-------------------------|--|--|
| | protection for vulnerable groups in the society | <p>circumstances</p> <ul style="list-style-type: none"> - Assist private institutions providing care for senior citizens - Establish a transit shelter for adult victims of abuse - Formulate and implement child care and protection policy in keeping with provisions contained in the Convention for the rights of the child - Develop programme of assistance to NGOs involved in addressing gender concerns - Review legislation on gender violence and sexual offences |
| Education | <p>Transform the MOE from a command centre to a service centre</p> <p>Continue to facilitate development of pre-primary provision by the private sector</p> <p>Primary ed.: enhance the provision of basic ed.</p> <p>Secondary ed.: continue to work towards universal 5yr. secondary ed by 2005</p> <p>Special ed: expand provision of special ed.</p> <p>Adult and continuing ed: increase access to 15% by 2010 as per CARICOM policy</p> <p>Teacher training: improve the quality of ed provision</p> | <ul style="list-style-type: none"> - Review and implement the new education act - Implement a new structure for the ministry to encourage and sustain coherent and coordinated services - Strengthen capacity for partnership, consultation and inter-agency/ministry functioning - Increase resource allocation to the primary sector to increase equity - Develop performance management of the ministry, its institutions and agents - Revise the curriculum of pre-primary sector - Expand parent/community partnerships - Establish early childhood education centres - Implement new curriculum - Introduce information technology into all primary schools - Eliminate the shift system in Castries and create a long term plan for upgrading and maintaining schools - Build new secondary schools - Develop curricula to ensure relevance and continuity - Establish information and communication technology in secondary schools for TVET purposes - Adoption of policy statement on special education and enactment of legislation - Provide and resource a remedial centre at the school for hearing impaired - Provision of appropriate IT for special education - Provision of auxiliary staff for all four special education schools - Appoint an educational psychologist to assess and diagnose children with special difficulties - Establish programme for the integration of the physically challenged into secondary schools - Restructuring of the AE programme to include skills and personal enrichment - Ensure collaboration between the public and private sector in program delivery - Develop and implement a national policy for TVET in St Lucia - Establish a labour market information system (LMIS) - Develop the expertise of the teaching force - Professionalise the teaching force - Enhance the qualification and expertise of teachers with special needs students - Provide training in computer literacy - Review current Bed and regular teacher training programme |
| Youth and Sports | <p>Develop a national youth policy</p> <p>Develop a national sports policy</p> <p>Enhance the development of education and sports for all schools</p> <p>Sensitise the youth on</p> | <ul style="list-style-type: none"> - Consultation with relevant youth organisations and stakeholders - Implement the youth policy - Consultations with relevant sports organisation and stakeholders - Implement the sports policy - Implement sports development agreements with Cuba - Form a national sports council - Develop and implement a physical education and sports programme for all schools - Conduct workshops to solicit ideas for a sports curriculum - Introduce sports scholarships to secondary schools |

| | | |
|------------------------------|---|--|
| | health issues | - Develop and implement youth counseling programmes |
| Community development | Facilitate efforts at poverty alleviation Re-establish and maintain an integrated system of local government administration Promote and sustain an enabling environment for the participation of citizens in the development process To help build/inculcate positive social attributes such as volunteerism, self-reliance and civic responsibility in citizens | - Implement comfort 2000 project - Develop policy on day care - Provide/facilitate the provision of quality day care services through a national network of Centres - Create opportunities for self-employment - Co-ordinate the provision of central government services through a network of regional offices - Provide institutional support and oversight of all local government authorities - Reform the local government system - Ensure the participation of citizens in the identification, formulation, implementation and evaluation of community-based programmes and projects - Develop and implement individual/community sensitisation and training programmes |
| Cooperatives | Develop and sustain the co-operative sector | - Establish policy guidelines and objectives for the development of the sector - Provide a regulatory environment for the protection and growth of the sector - Provide technical and other forms of institutional support to aid the strengthening and growth of the sector - Provide technical and other forms of institutional support to aid the strengthening and growth of thrift societies in schools - Maintain a programme of supervision and monitoring of co-operative societies - Ensure collaboration with other ministries and agencies on initiatives aimed at strengthening the sector |
| Culture | Enhance the development of culture | - Establishment of a cultural development foundation - Research, document and archive cultural phenomena - Establish education programmes to promote indigenous performing arts provide incentives to facilitate private sector participation in cultural activities - Provide incentives for persons and institutions desirous of developing cultural infrastructure, products and services - Undertake research on the economic contribution of cultural phenomena to national developments |
| Environment | Establishment a more effective framework for environmental management Improve forest and watershed management Improve the efficiency of Solid Waste Management Improve the management of hazardous wastes Develop an integrated and holistic approach to Coastal Zone Management | - Review and update the national environmental action plan - Complete situational analysis including legal and institutional review - Implement OECS environmental capacity development project - Implement sub-projects under watershed management plan - Execute plan for sustainable use of forestry reserves - Increase water catchment areas - Introduce water conservation measures for all sectors - Implement water quality monitoring programme - Implement comprehensive public awareness programmes - Develop sanitary landfill site in the north - Develop recycling initiatives - Develop targeted programme for the management of used oil, asbestos, used pesticides and clinical wastes - Strengthen local management authorities to take a more active role ion coastal zone management - Develop a comprehensive coastal zone management legislation - Finalisation of new planning legislation - Increased use of environmental impact assessments, audits and other |

| | | |
|--|---|---|
| | <p>Improve land use management and the effectiveness of the Development Control Authority (DCA)</p> <p>Improve quality and quantity of freshwater resources</p> <p>Increase utilisation of renewable energy</p> | <p>planning tools</p> <ul style="list-style-type: none"> - Expand water infrastructure to meet growing demands - Intensify public education and awareness efforts - Evaluate alternative technologies for provision of freshwater such as desalinisation - Conduct feasibility studies of geothermal, wind and solar energy sources - Develop energy policy |
| Integrated Development Planning | <p>Integrate the various dimensions of development in a holistic was (prepare short, medium and long term development plans)</p> | <ul style="list-style-type: none"> - Set strategic objectives and priorities - Develop strategic, sectoral and annual business plans - Establish and sustain the IDP Unit in the Ministry of planning - Conduct wide cross-section consultation on the long term development vision of the country - Consolidate the programme and performance budgeting system |
| Poverty reduction | <p>Reduce incidence of poverty</p> | <ul style="list-style-type: none"> - Review, evaluate existing programmes and interventions - Design and implement a poverty eradication plan - Review pilot phase of PRF and implement consolidation phase - Provide access to micro-credit for members of select communities through JBET - Provide skill development services to poor/unemployed |
| Shelter Development | <p>To enhance the delivery of low income housing</p> | <ul style="list-style-type: none"> - Implementation of PROUD (i.e. squatter regularisation) - Implementation of housing programme <ul style="list-style-type: none"> - sites and services - tenanting upgrade - skills training - upgrade/retrofilling - Establish institutional and legislative framework for housing delivery system (NHC and NHT) - Formulate national housing policy - Formulate national land policy |
| Population | <p>Adopt a National population policy</p> | <ul style="list-style-type: none"> - Conduct consultation on the formulation of the population policy - Conduct public education campaign on the national population policy - Implement and monitor national population policy |