
Saint Lucia Country Report

February 27, 2010
EXECUTIVE SUMMARY

This study was initiated by the United Nations Development Programme (UNDP) against the backdrop of the global economic crisis, the effects of which started to show in the middle of 2007 and intensified during 2008 and 2009. The study was conducted in seven Caribbean countries between October and December 2009. The overall objective was to determine, using the Poverty and Social Impact Approach (PSIA), how and to what extent the current global economic crisis has impacted the livelihoods of people in the Caribbean, especially the most vulnerable.

The aim of the study is to provide an understanding of the extent to which the wellbeing of people living in Saint Lucia has been affected by the global economic crisis, and the channels through which impacts were transmitted.

A mixed-methods approach was applied in this study. Secondary quantitative and qualitative data were obtained from published and unpublished reports. Primary data, mainly of a qualitative nature, were obtained from key informant interviews with the relevant government ministries and departments, business managers and regional organisations, and from Focus Group Discussions (FGDs) with affected groups.

Main findings

Main findings of the study include:

- Saint Lucia has experienced a significant economic contraction stemming from the global crisis. Impacts appear to have spread well beyond the hospitality sector. This is in contrast to the Windward Islands of Dominica and Saint Vincent and the Grenadines, and is likely related to the fact that Saint Lucia is more dependent on tourism, with a major part of its economy linked to the sector;

- The rate of economic growth has slowed since 2006, falling to 0.7 percent in 2008. A contraction of 3.8 percent was projected for 2009. The contraction followed a slowdown in the construction sector, with two straight years of decline in 2007 and 2008, by 10.3 and 14.4 percent, respectively. Conversely, the hotel and restaurant sector grew by 2.2 percent in 2008 after contracting in 2006 and 2007;

- Small businesses not directly linked to either the construction or tourism sectors reported being heavily affected. Competition increased and entrepreneurs lowered their prices. Many small business owners said they were on the verge of shutting down;

- The impact of the crisis was transmitted mainly through unemployment and rising prices related to global fuel and food price spikes in 2007 and 2008. It should be noted that, at the time of the study, local prices had not decreased commensurate with the fall in world commodity prices. The threat of job losses tipped the balance of power in favour of employers, who sometimes abuse employees;

- People interviewed for the study described a wide range of impacts at the personal and household level: psychological/emotional, employment-related, business, health, and educational;

- The Government responded with a variety of measures, some of which were originally introduced as responses to the food and fuel price increase crisis. The measures cover: taxes, including an increase in the personal income tax threshold; food and fuel subsidies; capital measures; and social support measures. The introduction of the value added tax (VAT) was postponed;

- Factors that exacerbated the crisis in Saint Lucia include its reliance on tourism, while factors
that have mitigated the crisis include residents’ ability to farm as a coping mechanism, which resulted in a concomitant increase in agricultural production; and

- Saint Lucians have demonstrated considerable resilience in the face of the crisis through an adjustment in consumption patterns.

**Recommendations**

The focus of this study was on social impacts and policy responses to the crisis, rather than on specific issues regarding the effectiveness of the social sectors. This report therefore offers broad recommendations applicable at the regional level that should be assessed for their relevance to Saint Lucia.

Many governments offer – and continue to introduce – a range of social protection programmes; this is not the same as a coherent social protection policy. The recommendations that follow should be part of a broader National Development Plan that will inform social sector development and reforms, and guide planning in the medium- and long-term.

Key recommendations are as follows:

- **Create a system for prioritizing social issues and applying resources in emergency situations.** Decisions on support need to be based on the urgency of the problem, the severity of impacts on society, sustainability of the solutions identified, as well as on the need to protect the most vulnerable. These are all interlinked;

- **Streamline and integrate social assistance/protection functions.** Currently, mandates are frequently assigned to ministries not properly aligned with their portfolios. Closely related policy areas may be scattered across various ministries all focused on a higher priority sector. The best solution to this problem would be to create a Social Protection Agency whose mandate is to coordinate programmes, create an enabling environment, and monitor and evaluate the delivery of the social programmes for efficiency and effectiveness;

- **Reduce duplication within and between ministries.** In many countries there is often duplication within and between ministries. This is related to and possibly resulting from the absence of a national development plan. Planning is spread across ministries and is poorly integrated. This leads not only to poor coordination, but to inefficient use of scarce resources – both human and financial – that countries with high debt/GDP ratios can ill afford. Consolidation of duplicated programmes is needed, along with central and sector-specific planning;

- **Promote an integrated planning and policy dialogue/framework.** Participatory decision-making and consultations, in which effective communication with key stakeholders and beneficiaries have taken place, will provide the space for Government to implement social and economic policies with the cooperation of those affected. It will also allow for inputs from stakeholders who will then be more committed to the process;

- **Strengthen the capabilities of research agencies in collecting and processing data, as well as generating and analyzing statistical indicators.** Better management of resources can strengthen the resilience of countries in the region. Timely, accessible and reliable data must be collected and stored to better manage resources. Information management systems adequate to the task also need to be developed;

- **Evaluate and redesign existing social safety net programmes** with a focus on training and development for employment to ensure these programmes do not create dependency. Improve targeting through use of means testing and conditional cash transfers, though it should be noted that neither of these is well developed in the region. Effective monitoring and evaluation systems should be institutionalized and a common registry of beneficiaries
developed. This will improve the ability of the agencies to target beneficiaries and reduce the practice of accessing several programmes at once (double dipping) by clients;

- **Promote a culture of evidence-based decision-making.** If policy-making is to improve, the culture needs to change from one of political imperatives, vested interests, intuition, and theory to one of evidence. Analysis of both intended and unintended consequences, and which feeds into policy debate and policy design can strengthen the policymaking process.

The following recommendations relate to areas not directly related to social assistance, but were considered important to strengthening Saint Lucia’s resilience in the face of crisis:

- **Crime prevention:** effective management of crime through preventive and remedial measures;
- **Entrepreneurship:** promote entrepreneurship, expand micro-enterprise development, provide technical assistance and institute regulatory framework and incentives to encourage banks to provide credit to small businesses;
- **Agriculture:** promote diversification to limit dependency and support import substitution.
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## ACRONYMS

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<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>CPA</td>
<td>Country Poverty Assessment</td>
</tr>
<tr>
<td>EC</td>
<td>Eastern Caribbean</td>
</tr>
<tr>
<td>ECCB</td>
<td>Eastern Caribbean Central Bank</td>
</tr>
<tr>
<td>ECCU</td>
<td>Eastern Caribbean Currency Union</td>
</tr>
<tr>
<td>FGDs</td>
<td>Focus Group Discussions</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>HOPE</td>
<td>Holistic Opportunities for Personal Employment</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>MDGs</td>
<td>Millennium Development Goals</td>
</tr>
<tr>
<td>OECS</td>
<td>Organisation of Eastern Caribbean States</td>
</tr>
<tr>
<td>PSIA</td>
<td>Poverty and Social Impact Analysis</td>
</tr>
<tr>
<td>PWDs</td>
<td>Persons with Disabilities</td>
</tr>
<tr>
<td>SIDS</td>
<td>Small Island Developing States</td>
</tr>
<tr>
<td>UK</td>
<td>United Kingdom</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
<tr>
<td>UNICEF</td>
<td>United Nations Children's Fund</td>
</tr>
<tr>
<td>US</td>
<td>United States</td>
</tr>
<tr>
<td>VAT</td>
<td>Value Added Tax</td>
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1.0 INTRODUCTION

1.1 Background

This Country Report is part of a larger study initiated by the United Nations Development Programme (UNDP) against the backdrop of the unfolding global economic crisis. The bursting of the real estate bubble in the US and other advanced economies led to financial sector turmoil and quickly spread to the real economy.¹ A crash in world stock markets followed the collapse or buy-out of many large financial institutions around the world, and resulted in large-scale company downsizing, labour shedding, and widespread bankruptcies. The events forced many governments to introduce rescue packages to bail out their financial institutions, steady consumer and investor confidence, and protect their economies from further decline.

Member countries of the Organisation of Eastern Caribbean States (OECS) and the rest of the Caribbean have been addressing development issues at the national level under the umbrella of regional and international initiatives and frameworks for more than a decade. The Millennium Development Goals (MDGs) adopted by world leaders in 2000 are aimed at reducing poverty and increasing equity and equality globally. Having identified and agreed to more Caribbean-specific development goals within the context of the MDGs, member countries and donor institutions set up the Support to Poverty Assessment and Reduction in the Caribbean programme, a multi-agency programme to promote the strengthening of statistical systems for poverty monitoring and social policy development in the Caribbean. The Poverty and Social Impact Analysis (PSIA) approach provides a framework that enables governments and development partners to assess how crises and policy reforms affect the MDG poverty indicators.

It is within this context that this PSIA was undertaken in seven Caribbean countries: Barbados, Antigua and Barbuda, Dominica, Montserrat, St Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines. This Country Report is one of seven reports and should be read in conjunction with the Synthesis Report, which provides a cross-country perspective.

1.2 Objectives

The study has three objectives:

i. Determine how and to what extent the current global economic crisis has affected the livelihoods of people living in the Caribbean, especially the most vulnerable;

ii. Document policy responses to the crisis that have already been initiated at national and regional levels; and

iii. Outline a roadmap for improving social resilience among Caribbean Small Island Developing States (SIDS).

The study includes a comparative analysis of impacts and factors that contribute to their breadth and severity. The PSIA approach introduces a framework that governments and development partners can use to help choose among social policy alternatives and to mitigate potential adverse impacts.

It should be noted that this report does not include an analysis of the effectiveness or social/cost benefit of a given policy response. This report does not provide a comprehensive overview of Saint Lucia’s economy, for which the Government’s own Economic and Social Review 2008 should be

¹ The part of the economy concerned with actually producing goods and services, as opposed to the part of the economy that is concerned with buying and selling on the financial markets.
consulted. The primary value of this report is, rather, in its overview of the impact of the crisis on various sub-populations.

1.3 Outputs
For each of the seven countries analyzed a Country Report was produced (of which this is one). These reports provide recommendations for reducing the negative impacts of the economic crisis on the urban and rural poor, in the short- and medium-term. The recommendations are linked to the achievement of the MDGs and are for long-term measures to facilitate capacity-building and to enable countries to respond to future economic shocks. A Synthesis Report that identifies common and differentiated impacts, responses and coping strategies across the countries was also produced. It is accompanied by a Policy Brief, which outlines lessons learnt and highlights key issues for consideration by policy makers and donor organizations.

1.4 PSIA: A policy response tool
The PSIA is an increasingly common approach for evaluating the distributional impacts of policy reform. The method draws on the interlinked fields of impact evaluation, social cost-benefit analysis, institutional and political economic analysis and other fields. It is typically conducted ex ante, but may also be used during policy implementation, and ex post, but always with the goal of bringing evidence to bear on policy design. It uses a variety of economic and social tools and techniques to provide policy makers with a clearer understanding of how policy choices, design and implementation affects different population groups, particularly the poor and vulnerable.

Many developing country governments have neither the resources nor the capacity to evaluate policy outcomes, an exercise undertaken in developed countries by myriad government agencies, think tanks, institutes and academic institutions. PSIA has the potential to partially fill these gaps.

1.5 Methodology
This study is based on research conducted in October and November 2009. Information was collected from the following sources:

- **Meetings**: interviews were conducted with relevant government ministries and departments, associations and regional organizations;
- **Key informant interviews**: one-on-one informal interviews were conducted with a broad range of people engaged in different activities including taxi drivers, restaurant owners, hotel and restaurant employees, school teachers, small business owners, retailers, credit union managers, market vendors and others;
- **Focus group discussions (FGDs)**: focus group discussions were the main source of primary data for comparison across different sub-population groups and across countries. They provide the main source of data on impacts, coping strategies, government response and recommendations (see Annex 1 for a list of discussion questions). The information is subjective but provides valuable insight into the perspectives of the average resident. FGDs with the following groups were held during the last two weeks of November 2009, and were selected in consultation with the Ministry of Social Transformation, Youth and Sports as the most important demographic to survey:
  - Youth, Mabouya Valley

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2 The PSIA approach has been widely promoted and used by UNDP, the World Bank and other development partners in the past decade.
Hotel/restaurant employees, Gros Islet
Elderly, Babonneau
Persons with Disabilities, Castries
Students, Castries
Entrepreneurs, Laborie
Truckers, various areas
Poor and elderly, Anse-La-Raye
Female heads of households, Castries

The Ministry of Social Transformation, Youth and Sports coordinated the FGD research, including the selection of participants, holding discussions and writing FGD reports. FGD participants were invited to participate by community mobilizers and the coordinators;

- Document review: Secondary data were obtained from published and unpublished reports on statistical indicators and surveys;
- Primary data: Social and economic indicators were extracted from various sources, including Eastern Caribbean Central Bank (ECCB), Caribbean Development Bank (CDB), Caribbean Tourism Organization (CTO), and UNDP.

The study did not attempt to cover the entire spectrum of economic sectors or all possible social and economic impacts. To provide meaningful analysis the focus was limited to social protection issues and affected groups, especially poor and vulnerable households in a period of increasing budget constraints. See Annex 2 for a list of individuals contacted.

1.6 Limitations of the study

The study has inherent limitations in both methodology and resources:

- Methodological constraints: a review of the most recent available social and economic indicators was juxtaposed against the experience and perceptions of individuals. It is important to note that while the research methodology does not permit quantifying those affected or the extent of changes in their welfare, it does provide insights into the lives and experiences of people in tough times in ways that numerical data cannot. The study’s reliance on existing (and often incomplete) quantitative social and economic indicators and on qualitative primary data must be taken into account. The findings drawn from key informant interviews and focus group discussions fill in some gaps but they are illustrative only, not representative;

- Resource constraints: A wide variety of impacts and responses were investigated in a short period of time and on a limited budget. Further, the study was conducted toward the end of the fiscal year, a time of budget preparation in Saint Lucia and, as a result, access to policymakers was limited. There was also less time for training FGD moderators and selecting focus group participants.
2.0 CONTEXT

2.1 Global context

The current global financial crisis, the worst since the 1930s, began with an implosion of the sub-prime mortgage market in the US and advanced economies. It escalated to a financial crisis that created difficulties for many banks, insurance companies and other financial institutions throughout the world, especially in the US and UK.

The crisis developed rapidly, spreading like a virus throughout the global economic system. Impacts were seen as declines in equity, destruction of wealth, major income losses and the onset of bankruptcies (particularly in the private sector including major international firms in the finance, airline and automobile industries). Unemployment ballooned, international commodity prices collapsed and global trade declined. Foreign exchange pressure on the US dollar and the British pound sterling resulted in the depreciation of these currencies against the Euro. The fiscal revenues of affected countries also came under pressure as many governments sought to finance stimulus packages to revive their economies. While the efficacy of these measures remains unclear, as of December 2009 the worst appeared to have been averted. The threat of a possible default on its debts by Dubai and the fiscal crisis emerging in Greece have again caused jitters around the world, suggesting that the global economy is not yet trouble free.

Because of their economic links to industrialized countries in which the crisis originated – mainly, international trade in goods and services, capital flows and remittances – the crisis did not spare developing countries of the world or vulnerable Caribbean SIDS. In the Caribbean, the crisis spread through, *inter alia*, exposure of financial institutions to sub-prime and other mortgage-backed assets, exposure to failed banks, and the drying up of trade, foreign direct investment and consumer credit. Reduced liquidity and tighter credit markets have implications for firms, while balance of payments pressures, losses in reserves and fall-offs in tax revenues have implications for governments and central banks. Households feel the impact through loss of employment and a fall in income from various sources.

The nature and severity of impacts of the crisis in Caribbean countries is closely linked to their characteristics as SIDS.

2.2 Regional context: Caribbean Small Island Developing States (SIDS)

The Small Island Developing States Programme of Action (SIDS/POA) makes the case that small islands share characteristics that make them economically, environmentally and socially vulnerable to external shocks over which they exercise little or no control, placing them at a distinct disadvantage. These inherent vulnerabilities have, however, caused SIDS to continuously focus on ways of building resilience.

SIDS are typically characterized by a combination of small population, limited resources, remoteness, susceptibility to natural disasters, excessive dependence on international trade and vulnerability to global developments. They also tend to suffer from diseconomies of scale, high transportation and communication costs, and costly public administration and infrastructure. All of the member countries of the OECS share these characteristics.

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2.2.1 Geographic vulnerability

Immutable features of geographical location and small size have shown how susceptibility to natural disasters can lead to sudden and drastic changes in the economies of Caribbean SIDS, with implications for sustainable economic development and the achievement of short-term development objectives. Many Caribbean countries including Saint Lucia have suffered repeated and severe hurricanes and other natural disasters.

In 1979, for example, Hurricane David hit the island nation of Dominica with winds in excess of 130 miles per hour. Forty-two people died, 95 percent of the buildings were damaged and 12 percent were completely destroyed. The hurricane destroyed the entire banana crop and 75 percent of the country's forests. Gross Domestic Product (GDP) plummeted by 17 percent, central government current expenditure increased by 31 percent and the fiscal deficit increased from 3.1 percent of GDP in 1978 to 8.1 percent in 1981 despite sizable foreign grant receipts.

In 2004 Hurricane Ivan hit Grenada, killing 39 people and damaging 89 percent of the housing stock. Nearly 10,000 houses, or 30 percent, were so badly damaged that they required complete replacement. The financial cost of the disaster was estimated at nearly US$900 million, more than twice the country's GDP at the time. Damage to hotel infrastructure resulted in the functional closure of approximately 55 percent of Grenada's total room capacity. The agricultural sector, including the island's principal agricultural export – nutmeg – was also severely damaged.

2.2.2 Economic vulnerability

Caribbean SIDS have a high degree of trade exposure and depend largely on a few economic sectors and a narrow export base, with heavy reliance on markets in the US and UK. Foreign direct investment, foreign aid and migrant remittances also contribute substantially to these economies. But individual countries experience varying types and degrees of dependence on, and linkages to, the global economy. Some countries are more dependent on tourism and financial services, for example, while others are more dependent on agriculture. Remittances are a significant supplement to household income in many countries in the Caribbean.

This leads to the hypothesis that, at a particular point in time, it is the nature of the linkages and the extent to which individual countries are inter-connected with the global economy that determines the magnitude of the impact of external shocks. Countries in the region that are less dependent, less open, less narrowly focused and carrying lower debt burdens, therefore, would be expected to experience milder economic impacts and, consequently, less severe social consequences.

There are, of course, other contributors to the negative impacts a country will face. These include the internal policy responses and frameworks in place to deal with economic challenges and issues of social development, but which have not adequately taken account of poverty and other social vulnerabilities. Not giving due attention to policies to reduce vulnerability and increase resilience can, in the context of SIDS, result in social problems that can grow and intensify at a rate that threatens the viability of society.

Given this combination of factors, it is not surprising that the global economic crisis, which had little or nothing to do with the management of local economies, would have affected these island nations, at least to some degree, through a wide array of potential channels.

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7 EM-DAT: The OFDA/CRED International Disaster Database
3.0 COUNTRY CONTEXT

3.1 Social and demographic context

Saint Lucia is an upper middle income country in the Lesser Antilles with an area of 238 square miles (see Figure 1). In 2008 it had an estimated population of 173,900 with a GDP per capita of US$9,431 (2008 PPP). It is classified as high in human development by the Human Development Index, ranking 69th out of 182 countries.\(^9\)


\(^{10}\) UNDP Human Development Report. 2009
3.2 Economic context

Saint Lucia’s main export earnings are from bananas, tourism and manufacturing. The island has a higher profile as a vacation destination, and a more developed tourism sector than Dominica or Saint Vincent and the Grenadines, the other Windward Islands in the study.

After four years of economic growth between 2003 and 2006 (4.2 percent on average) the economy slowed in 2007 and 2008, with growth rates of just 1.5 and 0.7 percent, respectively (see Table 1), and was projected to contract by 3.8 percent in 2009. This is a higher projected fall in GDP than for Dominica (-1.5 percent) and Saint Vincent and the Grenadines (-0.1 percent) but lower than the Eastern Caribbean Currency Union (ECCU) average of 6.6 percent. Thus, the impacts of the crisis in 2008 were initially manifested through economic slowdown, and then contraction.\(^{11}\)

### Table 1. GDP by economic activity (EC$\(^{12}\) million, constant 1990 prices)

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
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<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
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<tr>
<td>Agriculture</td>
<td>64.5</td>
<td>67.3</td>
<td>56.7</td>
<td>55.1</td>
<td>41.5</td>
<td>45.5</td>
<td>46.6</td>
<td>56.1</td>
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<tr>
<td>Mining &amp; Quarrying</td>
<td>5.7</td>
<td>5.8</td>
<td>5.8</td>
<td>5.7</td>
<td>5.5</td>
<td>6.6</td>
<td>7.5</td>
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<td>Manufacturing</td>
<td>65.6</td>
<td>69.2</td>
<td>72.2</td>
<td>70.1</td>
<td>81.5</td>
<td>87.0</td>
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<td>Electricity &amp; Water</td>
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<td>63.4</td>
<td>64.6</td>
<td>56.0</td>
<td>51.1</td>
<td>55.7</td>
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<td>Construction</td>
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<td>123.2</td>
<td>110.5</td>
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<td>Wholesale &amp; Retail Trade</td>
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<td>156.3</td>
<td>170.4</td>
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<td>Hotels &amp; Restaurants</td>
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<td>161.4</td>
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<td>Transportation</td>
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<td>120.7</td>
<td>126.0</td>
<td>135.2</td>
<td>136.1</td>
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<td>135.4</td>
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<td>152.1</td>
<td>153.6</td>
<td>158.2</td>
<td>162.0</td>
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<td>Banks &amp; Insurance</td>
<td>127.7</td>
<td>129.3</td>
<td>131.9</td>
<td>137.7</td>
<td>150.9</td>
<td>183.2</td>
<td>200.5</td>
<td>210.0</td>
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<td>Real Estate &amp; Housing</td>
<td>146.2</td>
<td>149.6</td>
<td>154.6</td>
<td>159.7</td>
<td>168.8</td>
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<td>Government Services</td>
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<td>172.1</td>
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<td>Other Services</td>
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<td>54.3</td>
<td>54.6</td>
<td>55.6</td>
<td>57.8</td>
<td>60.1</td>
<td>60.5</td>
</tr>
<tr>
<td>Less: FISIM(^{13})</td>
<td>106.2</td>
<td>108.2</td>
<td>110.0</td>
<td>115.2</td>
<td>123.8</td>
<td>146.2</td>
<td>162.3</td>
<td>172.1</td>
</tr>
<tr>
<td><strong>GVA in basic prices</strong>(^{14})</td>
<td>1,179.1</td>
<td>1,185.8</td>
<td>1,227.6</td>
<td>1,274.2</td>
<td>1,333.1</td>
<td>1,397.0</td>
<td>1,417.7</td>
<td>1,427.9</td>
</tr>
<tr>
<td><strong>Growth Rate (%)</strong></td>
<td>-4.1</td>
<td>0.6</td>
<td>3.5</td>
<td>3.8</td>
<td>4.6</td>
<td>4.8</td>
<td>1.5</td>
<td>0.7</td>
</tr>
</tbody>
</table>

Source: Saint Lucia Economic and Social Review 2008

The contraction was closely linked to a slowdown in the construction sector, with two years of decline in 2007 and 2008 by 10.3 percent and 14.4 percent, respectively. Several large projects were suspended, including construction of the Le Paradis resort near Vieux Fort, which provided many construction jobs that would have boosted the local economy. Conversely, agriculture has held steady since 2006 and grew by 20.5 percent in 2008, after contracting for several years with the decline in the banana industry.

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\(^{11}\) For a full review of the Saint Lucia economy during the crisis, see Government of Saint Lucia. Economic and Social Review 2008.

\(^{12}\) Eastern Caribbean Dollars

\(^{13}\) FISIM stands for Financial Intermediation Services Indirectly Measured. In the System of National Accounts it is an estimate of the value of the services provided by financial intermediaries, such as banks, for which no explicit charges are made; instead these services are paid for as part of the margin between rates applied to savers and borrowers.

\(^{14}\) Gross value added at basic prices = output valued at basic prices less intermediate consumption valued at purchasers’ prices.
Government interventions to the crisis put pressure on fiscal capacity. If the necessary fiscal space is too limited to allow borrowing, cost reduction measures or improved efficiency must be considered. In Saint Lucia, tax revenue collections increased by 6.9 percent from EC$688.9 million in 2007 to EC$736.6 million in 2008, while non-tax revenue grew by 5.8 percent. During the fiscal year 2007/2008, education expenditures as a percentage of GDP remained constant at 6.1 percent. Government invested EC$161.5 million in education, the second largest share of the budget.\(^{15}\)

Saint Lucia’s public sector debt to GDP ratio was 66.0 percent in 2008, above the recommended 60 percent, but considerably lower than the ECCU average of 89.6 percent. Although recurrent revenue exceeds recurrent expenditure (Figure 2), other challenges (including public sector debt) require increased revenue generation efforts and were among the factors leading to the consideration of the VAT.

![Figure 2 Government recurrent revenue and expenditures](image)

Plans are underway to introduce a Value Added Tax (VAT) on goods and services as a core source of revenue generation, more in line with a service-based economy. VAT has been introduced in many countries in the region in recent years and is seen as an essential method of capturing expenditures in the service sector. However, implementation has been delayed by the onset of the financial crisis. During a time when many are still struggling with the inflation of the past two years the introduction of VAT could prove difficult for many low-income households. Inflation, as measured by the change in the 12-month moving average of the consumer price index (CPI), accelerated to 7.2 percent in 2008, up from 2.8 percent in 2007. This represented the highest rate recorded since 1986. These changes were driven largely by the worldwide spike in food and commodity prices. The rate of inflation is expected to fall significantly in 2009.\(^{16}\)

### 3.3 Tourism

Tourism is the main source of economic activity in Saint Lucia’s domestic economy. The hotel/restaurant sector, a proxy for the sector as a whole, had actually been contracting since 2005.


\(^{16}\) Ibid.
when it peaked at EC$181.7 million, suggesting that the fall in tourism-related businesses cannot be entirely attributed to the crisis. In 2008 an increase of 2.2 percent was registered, attributed to Government efforts to stimulate the sector in the face of the crisis.\(^7\)

Gross value added from the hotel and restaurant sector is more than ten times larger in absolute terms – and in 2008 contributed correspondingly far more to the Saint Lucian economy (over 12% in 2008) – than in the economies of Dominica (2.6 percent) or Saint Vincent (1.8 percent).\(^8\) A slowdown in tourist arrivals will therefore have a more significant impact on Saint Lucia. That is, the projected contraction of 11.6 percent in Saint Lucia has more serious consequences than the projected contraction of 10 percent in both Dominica and Saint Vincent (see Table 2).\(^9\) The impact of the crisis on Saint Lucia’s tourism sector, which was expected with the fall in household incomes in source countries in North America and Europe, manifested itself only fully in 2009. In 2008, Saint Lucia welcomed 295,761 stay over tourists (the most relevant tourist sector since spending is higher among this group than among cruise ship visitors), or more than three times as many as in Dominica and Saint Vincent and the Grenadines.\(^0\) This was an increase of 2.9 percent over 2007. For the first nine months of 2009, however, stay-over tourist numbers fell by just over 9 percent.\(^2\) For tourism’s future, much will depend on how quickly the US and European economies recover and, in particular, how fast US unemployment (close to 10 percent in early 2010) falls.\(^2\)

### Table 2. Tourism stopover arrivals – growth rates

<table>
<thead>
<tr>
<th>Destination</th>
<th>2007</th>
<th>2008</th>
<th>2009 (YTD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anguilla</td>
<td>6.4</td>
<td>-12.1</td>
<td>-21.4</td>
</tr>
<tr>
<td>Antigua &amp; Barbuda</td>
<td>3.2</td>
<td>1.5</td>
<td>-12.9</td>
</tr>
<tr>
<td>Barbados</td>
<td>1.8</td>
<td>-0.9</td>
<td>-8.5</td>
</tr>
<tr>
<td>Dominica</td>
<td>-8.8</td>
<td>2.6</td>
<td>-3.5</td>
</tr>
<tr>
<td>Grenada</td>
<td>9.0</td>
<td>-4.1</td>
<td>-4.6</td>
</tr>
<tr>
<td>Guyana</td>
<td>9.0</td>
<td>1.0</td>
<td>2.7</td>
</tr>
<tr>
<td>Jamaica</td>
<td>1.3</td>
<td>3.9</td>
<td>3.4</td>
</tr>
<tr>
<td>Montserrat</td>
<td>-2.7</td>
<td>-5.0</td>
<td>-15.3</td>
</tr>
<tr>
<td>Saint Kitts and Nevis</td>
<td>-7.4</td>
<td>-13.6</td>
<td>-</td>
</tr>
<tr>
<td>Saint Lucia</td>
<td>-5.0</td>
<td>2.9</td>
<td>-9.4</td>
</tr>
<tr>
<td>Saint Vincent &amp; the Grenadines</td>
<td>-8.0</td>
<td>-6.2</td>
<td>-8.1</td>
</tr>
</tbody>
</table>

**Source:** Caribbean Tourism Organization

### 3.4 Agriculture

The agriculture sector showed the highest rate of growth, increasing its contribution to Saint Lucia’s GDP in 2008 by 20.5 percent, and contributing EC$56.1 million in a year of slowing or negative growth across all other sectors. Its contribution to the economy, however, was just 3.9 percent. As with the other Windward Islands, Saint Lucia has experienced a steep decline in banana production and exports since the 1990s. Unlike Saint Vincent and the Grenadines, however, where banana production fell by 40.2 percent as a result of leaf spot and moko disease, Saint Lucia exported more bananas in 2008 (worth EC$58.9 million and up by 30% over 2007) than in any year in the past decade. Dominica’s banana production also increased by 21.0 percent from 2007 to 2008 (see Figure 3).\(^25\) While it remains unclear whether this was due to higher yields or increased acreage, agricultural

\(^{17}\) Saint Lucia Economic Review. 2008.
\(^{19}\) Ibid.
\(^{21}\) Saint Lucia Tourist Board.
\(^{22}\) IMF Regional outlook. Western Hemisphere. (October 2009), Crisis Averted – What’s Next?
\(^{25}\) ECCB National Accounts Statistics 2009 for the year ended 31 December 2008
production exhibited higher growth than all other sectors. Rising banana production, along with increases in the production of other local produce has been accompanied by a decrease in food imports,\textsuperscript{26} which may signal increasing food security, with positive implications for balance of trade.

![Figure 3. Value of banana exports](image)

### 3.5 Education

Saint Lucia has made significant strides in the field of education, with the introduction of universal secondary education in 2006. The building of at least five new secondary schools in the past decade has allowed more children to continue their education after primary school, and fewer are now held back (see Table 3). Prior to 2005/06 there were also two ‘senior primary schools’\textsuperscript{27} with about 600 students ages 13-16.

<table>
<thead>
<tr>
<th>Academic Year</th>
<th>Children 5-11 years</th>
<th>Secondary School Enrolment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000/01</td>
<td>23,357</td>
<td>12,865</td>
</tr>
<tr>
<td>2001/02</td>
<td>23,280</td>
<td>12,887</td>
</tr>
<tr>
<td>2002/03</td>
<td>23,009</td>
<td>12,818</td>
</tr>
<tr>
<td>2003/04</td>
<td>23,437</td>
<td>13,097</td>
</tr>
<tr>
<td>2004/05</td>
<td>22,985</td>
<td>12,969</td>
</tr>
<tr>
<td>2005/06</td>
<td>22,265</td>
<td>13,099</td>
</tr>
<tr>
<td>2006/07</td>
<td>21,470</td>
<td>14,699</td>
</tr>
<tr>
<td>2007/08</td>
<td>21,597</td>
<td>15,630</td>
</tr>
<tr>
<td>2008/09</td>
<td>19,760</td>
<td>15,863</td>
</tr>
</tbody>
</table>

Source: Ministry of Education

Indicators on attendance and the school feeding programme, in which primary students receive


\textsuperscript{27} Senior Primary Schools were for students who failed to gain entry into secondary school via the Common Entrance Exams
lunches at a reduced rate, show that attendance has not declined but the percentage of beneficiaries of the feeding programme has increased over the past several years. This trend started in 2004/05 and accelerated in the 2007/08 school year (Table 4). The timing of the jump suggests a correlation with rising food and fuel prices rather than with the global economic crisis.

<table>
<thead>
<tr>
<th>Academic Year</th>
<th>Attendance (%)</th>
<th>Beneficiaries of School Feeding Programme</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Primary</td>
<td>Secondary</td>
</tr>
<tr>
<td>2000/01</td>
<td>89</td>
<td>90</td>
</tr>
<tr>
<td>2001/02</td>
<td>88</td>
<td>87</td>
</tr>
<tr>
<td>2002/03</td>
<td>88</td>
<td>89</td>
</tr>
<tr>
<td>2003/04</td>
<td>88</td>
<td>87</td>
</tr>
<tr>
<td>2004/05</td>
<td>86</td>
<td>86</td>
</tr>
<tr>
<td>2005/06</td>
<td>87</td>
<td>87</td>
</tr>
<tr>
<td>2006/07</td>
<td>88</td>
<td>87</td>
</tr>
<tr>
<td>2007/08</td>
<td>89</td>
<td>87</td>
</tr>
<tr>
<td>2008/09</td>
<td>--</td>
<td>--</td>
</tr>
</tbody>
</table>

*Source: Ministry of Education*
4.0 SOCIAL ISSUES

4.1 Poverty

The Ministry of Social Transformation, Youth and Sports is responsible for poverty reduction and implementation of social development policy in Saint Lucia, as laid out in the Interim Poverty Reduction Strategy and Action Plan for Saint Lucia. The Government of Saint Lucia has established policy programmes and measures to mitigate the impacts of poverty on households and communities, enhance economic and social opportunities for low income individuals, and remove the root causes of social disintegration and exclusion, economic deprivation, and cultural alienation. The Government also acknowledges, however, that the country is not meeting its own commitments regarding the provision of social safety nets.

The crisis has posed risks to Saint Lucia’s social development and ability to meet the MDGs. In 2005, the year of the last Country Poverty Assessment (CPA), the poverty rate in Saint Lucia was estimated at 28.8 percent (based on the poverty headcount index) with a poverty line of EC$5,086 per annum. Poverty, as measured by the headcount, increased from 25.1 percent in 1995 to 28.8 percent in 2005, but indigence fell from 7.1 percent to 1.6 percent over the same period. The indigent are those individuals whose daily average consumption is too low to guarantee adequate nutrition to maintain good bodily health. The Gini coefficient of inequality also fell over the period. What this means is that while measured poverty increased, overall inequality in the society fell (Table 5). A further 11.5 percent of the population was deemed at risk of falling into poverty. The social impacts on the family resulting from poverty were outlined in the Saint Lucia CPA. They include break up of families, domestic violence and abuse of women and children.

Table 5. Poverty, indigence and inequality

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Low income households</td>
<td>18.7</td>
<td>21.4</td>
</tr>
<tr>
<td>Low income population</td>
<td>25.1</td>
<td>28.8</td>
</tr>
<tr>
<td>Indigent households</td>
<td>5.3</td>
<td>1.2</td>
</tr>
<tr>
<td>Indigent population</td>
<td>7.1</td>
<td>1.6</td>
</tr>
<tr>
<td>Gini Coefficient</td>
<td>0.5</td>
<td>0.42</td>
</tr>
</tbody>
</table>


Poverty in Saint Lucia is mostly a rural phenomenon. The lowest poverty rate is found in the capital, Castries, at 13.1 percent, with the highest rates in the district of Anse-la-Raye (44.9 percent). Laborie, Soufriere, and Micoud all have poverty rates of greater than 40 percent. The disparity propels migration to Castries, with accompanying social consequences such as rural depopulation and loss of established social networks. Poverty is linked with unemployment, particularly among the young. Estimated unemployment rates are higher for low-income household heads irrespective of gender. The CPA notes that the rural economy offers few opportunities for work.

Despite the fact that Saint Lucia is relatively strong in several social indicators (e.g., a life expectancy rate of 73.6 and adult literacy rates of 94.5 percent), infant mortality is a growing problem. Related to more frequent complications for pre- and post-natal care, infant mortality increased dramatically between 2000 and 2008, from 13.1 to 25.2 per thousand, the highest rate in over two decades.

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30 The Gini coefficient is a measure of the inequality of a distribution, a value of 0 expressing total equality and a value of 1 maximal inequality.
32 Saint Lucia CPA 2005-2006
Factors known to increase vulnerability in Saint Lucia include low per capita household consumption, low education, insufficient or no employment, a high wage dependency ratio, and a low asset base. The current crisis has exacerbated the situation in many of these areas and it is likely that the number of people living in poverty has increased since the last CPA was conducted. The Government estimates that the economy needs to grow by 6 percent every year (a target that has not been achieved to date) to reduce unemployment and alleviate poverty. Growth in 2008 and 2009 fell well below that rate. This underlines the importance of improved targeting of assistance as resources for social spending come under pressure in the budget.

### 4.2 Illegal drugs

As in other countries in the region, the drug culture has established itself in Saint Lucia. Drug use is reportedly on the rise, and drug trafficking is becoming “fully institutionalized” as a viable but risky alternative income generator. It is becoming accepted as a “normal activity”. Fewer jobs will make involvement in the drug trade even more attractive for those who, before the crisis, would have had better employment opportunities.

### 4.3 Unemployment

As of the first quarter of 2009 there were 86,850 people in Saint Lucia’s labour force, of which 54 percent were male and 46 percent female. Labour force participation was 66 percent for both sexes, 73 percent for males, and 59 percent for females.

Job loss is one of the two main channels (the other being an increase in prices) through which the crisis has affected the average Saint Lucian (and was a common theme at focus group discussions). Unemployment in Saint Lucia rose to 17.4 percent in 2009 from 13.6 percent in 2007, and is an increasing concern. Layoffs in the construction sector and tourism sector were mainly to blame. From January to March 2009 there were 2,390 job losses registered, bringing the total number of unemployed to 15,130. Aggregate figures show significant disparities in unemployment rates by age and gender. Youth (age 15-24) are far more likely to be unemployed than older adults: 45.5 percent of 15-19 year-olds and 31.8 percent of 20-24 year-olds were unable to find work, compared with less than 17 percent of all other age categories (see Table 6).

Those under 24 years of age also saw the sharpest increase (11.2 percent) in unemployment from 2007 to 2009. The smallest increase was found in the 35-44 age group (0.6 percent). This suggests that employers preferred to keep more skilled, experienced employees.

A sign that formal sector employment, especially in the civil service, may be shielded from the effects of the crisis is that there has not been a decline in pension contributory income since the crisis began. A slight delay in employer contributions has been observed, however, and contributions now take, on average, five months instead of three months.

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38 Saint Lucia Statistical Department.
Unemployment is higher for women than for men. It should be noted, however, that while the women’s rate of unemployment before the crisis (at 19.5 percent for January-March 2007) was more than double that of men (at 8.9 percent), the rate has held steady over the period since then, while the number of men not unemployed increased by 6.7 percent (Table 7). In other words, men account for virtually the entire increase in unemployment in Saint Lucia over the past two years. This appears to be linked to loss in construction sector jobs and a greater reluctance among men to take on lower status and lower paying jobs.

The consequences of unemployment manifest themselves in a number of ways, from reduced consumption to continued dependency on parents, domestic abuse, stress, depression and even suicidal thoughts.

Table 6. Unemployment rates by age (%)

<table>
<thead>
<tr>
<th>Age Group</th>
<th>2007 (Jan – March)</th>
<th>2009 (Jan – March)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-19</td>
<td>34.2</td>
<td>45.4</td>
<td>11.2</td>
</tr>
<tr>
<td>20-24</td>
<td>26.4</td>
<td>31.8</td>
<td>5.4</td>
</tr>
<tr>
<td>25-34</td>
<td>11.3</td>
<td>16.6</td>
<td>5.3</td>
</tr>
<tr>
<td>35-44</td>
<td>11.8</td>
<td>12.4</td>
<td>0.6</td>
</tr>
<tr>
<td>45-54</td>
<td>7.2</td>
<td>9.7</td>
<td>2.5</td>
</tr>
<tr>
<td>55-64</td>
<td>6.3</td>
<td>8.4</td>
<td>2.1</td>
</tr>
<tr>
<td>Over 65</td>
<td>13.4</td>
<td>14.4</td>
<td>1.0</td>
</tr>
<tr>
<td>Average</td>
<td>13.6</td>
<td>17.4</td>
<td>3.8</td>
</tr>
</tbody>
</table>

Source: Saint Lucia Statistical Department

Table 7. Unemployment rates by gender and age (Jan-March) (%)

<table>
<thead>
<tr>
<th>Age group</th>
<th>2007</th>
<th>2009</th>
<th>Change</th>
<th>2007</th>
<th>2009</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>15-19</td>
<td>34.8</td>
<td>47.0</td>
<td>12.1</td>
<td>32.9</td>
<td>44.0</td>
<td>11.0</td>
</tr>
<tr>
<td>20-24</td>
<td>11.9</td>
<td>30.2</td>
<td>18.4</td>
<td>45.7</td>
<td>33.4</td>
<td>-12.4</td>
</tr>
<tr>
<td>25-34</td>
<td>8.6</td>
<td>13.6</td>
<td>5.0</td>
<td>14.1</td>
<td>20.0</td>
<td>5.9</td>
</tr>
<tr>
<td>35-44</td>
<td>5.9</td>
<td>10.0</td>
<td>4.1</td>
<td>18.9</td>
<td>15.0</td>
<td>-4.0</td>
</tr>
<tr>
<td>45-54</td>
<td>3.6</td>
<td>8.9</td>
<td>5.3</td>
<td>11.6</td>
<td>10.8</td>
<td>-0.9</td>
</tr>
<tr>
<td>55-64</td>
<td>3.3</td>
<td>9.0</td>
<td>5.7</td>
<td>10.5</td>
<td>7.3</td>
<td>-3.2</td>
</tr>
<tr>
<td>Over 65</td>
<td>11.6</td>
<td>14.0</td>
<td>2.4</td>
<td>16.9</td>
<td>14.9</td>
<td>-2.0</td>
</tr>
<tr>
<td>Total</td>
<td>8.9</td>
<td>15.7</td>
<td>6.7</td>
<td>19.5</td>
<td>19.5</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Source: Saint Lucia Statistical Department
5.0 SOCIAL PROTECTION AND POLICY RESPONSE

5.1 Existing social protection measures

The Government of Saint Lucia has made significant investments in its social development programmes. The CPA (2005/06), however, notes that despite the wide range of social protection programmes, there is a need for better coordination. In particular, the collapse of income in the agriculture sector and rapid urbanization have increased the need for assistance to the newly vulnerable.39

Expenditures on social assistance were approximately EC$34.1 million in the financial year (FY) 08/09. This represents a decrease of five percent in nominal terms and 14 percent in real terms between FY06/07 and FY08/09. The FY09/10 budget, however, includes an estimated 43 percent real increase in social assistance, largely driven by the addition of programmes and projects implemented under the newly formed Saint Lucia Social Development Fund (SSDF), the largest programme. The SSDF implements community infrastructure projects and in 2008/09 absorbed 35 percent of public assistance.40 Approximately one fourth of low-income households benefit from the SSDF programme.

The Government is currently preparing a strategy for social safety net reform, to move in the direction of conditional cash transfers, rationalizing services to reduce duplication of application procedures and programme administration. The integration of the Basic Needs Trust Fund and the Poverty Reduction Fund into the Saint Lucia SSDF in 2009 is a step in this direction.

The Government of Saint Lucia is aware of the challenges facing society. The Prime Minister, in his 2009 Budget Address, noted that:

“...The world economic crisis has brought to the fore the need to have social stability and provide security for our people. As we face turbulent economic waters and an increasingly challenging international environment characterized by rising unemployment and increasing poverty, there is a greater need to provide new safety nets and to extend existing ones to reach out to the vulnerable.”41

5.2 Policy response

Despite its deteriorating fiscal position, the Government has been pro-active in introducing response measures to the crisis. It has taken a multi-pronged approach, implementing economic stimulus measures, increasing social support and accelerating capital investment projects. In September 2008 the Government outlined its policy response, which included tax and expenditure measures, as follows:42

Tax measures:

- Increase in personal income tax threshold from EC$16,000 to EC$17,000;
- Increase in allowances for mortgage interest from EC$15,000 to EC$18,000 and EC$20,000 for first time homeowners for two years;
- Extension of tax amnesty by one year;

39 Saint Lucia CPA 2005/06, p 163.
41 Saint Lucia Budget Address 2009.
• Increase in allocation for tax refunds of EC$2.5 million;
• Delay in introduction of VAT.

**Subsidies:**

• Reduction in fuel retail prices, with price pass-through in September 2009;
• Provision of EC$10 million for direct subsidization of rice, flour and sugar;
• Improved targeting of subsidies.

**Capital measures:**

• Expediting construction projects to create jobs and stimulate economic activity;
• Intensify efforts aimed at implementing the housing development programme.

**Social support measures:**

• Increase of 2-5 percent in payments to pensioners;
• Strengthening of social safety nets;
• Review/rationalize list of persons receiving public assistance;
• Holistic Opportunities for Personal Employment (HOPE) programme – provision of short-term employment and personal development, requiring participation in training programmes.

The impact of these responses has not yet been evaluated. Understanding the degree to which responses were successful at mitigating negative impacts, their cost effectiveness, and whether they reached the groups most in need will help Saint Lucia be better prepared for the next crisis.
6.0 MAIN FINDINGS FROM FOCUS GROUP DISCUSSIONS

6.1 Introduction

Findings on the social impacts of the crisis are based on focus group discussions and key informant interviews. They illustrate how different sub-populations experience the combined effects of food/fuel price increases and the global economic crisis. Although the findings cannot be considered representative, and the population that shares these views or has been similarly affected cannot be quantified, they nonetheless serve several purposes by:

- Empowering ordinary citizens by recording and transmitting their views to policymakers and development partners;
- Filling an information gap in the economic crisis research by providing the perspectives of a broad selection of (potentially) affected groups, information that was previously unavailable;
- Describing the dynamic process through which the crisis has been transmitted, beyond the change in social and economic indicators; and
- Highlighting the types of policy interventions desired by ordinary citizens.

The following sections summarize the main findings, transmission channels, affected groups, and tabulate the negative and positive impacts, coping strategies and recommendations made by individuals.

6.2 Transmission channels of the crisis

6.2.1 Job loss

Rising unemployment appears to be the main transmission of the crisis in Saint Lucia, with a range of consequences including:

- Migration and family disruption (with young people more likely to migrate in search of work);
- Sale of household assets to make ends meet;
- Loss of skills and network;
- High levels of stress in the home;
- Rise in domestic abuse as the expectations of normal life cannot be met.

Always a formidable challenge, losing a job is especially hard on individuals in the context of high prices, uncertainty over the future of the economy, and concerns regarding competition from younger, lower-paid employees. Some residents expressed difficulty in finding a job commensurate with their qualifications.

A laid-off male hotel employee with a family reported they had to cut back on expenditures and he was drawing down his savings to manage. He said the stress of being unemployed was high. In the long-term, unless he or his wife finds work, this family may risk joining the ranks of the vulnerable.

At the same time, discussions with laid-off hotel workers demonstrated how job loss does not inevitably lead to reduced welfare or lifestyle changes for every individual. Some rely on alternative income sources, such as family members or small businesses. This is more feasible when monthly recurrent costs are reasonable when, for example, they do not have a mortgage or rental payments to make. A middle-aged hotel employee from Gros Islet reported that her lifestyle had not, in fact, changed since she was laid off one year earlier because her two grown sons, employed in the private...
sector, were supporting her. She noted that she had sent them to good schools, invested in their education, and now they are helping her. Another female, a 50 year old hotel employee had opened her own shop in anticipation of being laid off and now earned enough to maintain her previous lifestyle from this business. She was both astute, paying attention to signals in the economy, and pro-active, taking measures to protect herself.

This is not to say that those who have lost their jobs are complacent. All three laid-off hotel employees were actively job hunting and expressed a strong desire to resume employment. They expressed anxiety about their age, (all were in their 40s or 50s) and felt that businesses would be more interested in younger workers when they began hiring again since older workers, although more experienced, demand commensurately higher salaries.

Because there is more to employment than remuneration, the social cost of not working must also be considered. For example, the laid-off employees said that working at hotels was an enjoyable experience because of the ‘interaction with guests from all over the world.’ The experience of the former hotel employees underlines the importance of alternative sources of livelihood as a coping strategy.

### 6.2.2 Reduced consumption

Focus group discussions illustrated the many ways in which Saint Lucians have been reducing their consumption. There has been a general cutback on discretionary spending, with a heightened awareness of the difference between what people want and what they need. There was general consensus that people are managing their budgets more carefully.

Reduced consumption is an indication of the crisis as transmitted through unemployment, falling remittances, rising debts, and consumer uncertainty. In turn, a decline in consumption has its own economic consequences:

- Reduced revenues for businesses, which may result in layoffs;
- Lower tax revenue, creating pressure on government budgets; and
- Reduced imports, easing balance of trade pressure.

There are social consequences as well:

- Substitution of cheaper, lower quality goods;
- Less nutritious diet, fewer meals; and
- Loss of social capital, if unable to go out or engage in formal and informal social gatherings.

Whether or not these impacts materialize, and how important they are to welfare, will depend on a number of factors: the nature of the affected goods and services; the magnitude of the decrease in spending; and the actual and expected duration of the recession. Policy decisions regarding what services to cut or support will have distributional impacts.
6.2.3 Health

The impact of the crisis on the health of the population can be transmitted in several ways, for example through a reduction in healthcare services resulting from budget cuts, through delayed treatment as symptoms are ignored or illnesses tolerated due to lack of personal funds, or a deterioration in diet. While these impacts, except in the worst cases involving emergency treatment, would likely not manifest themselves (or be measurable) in the short-term, the neglect of healthcare needs can exacerbate the problem and increase morbidity.

Concerns expressed by focus groups suggest that, unless income begins rising again, this could indeed be the case, (assuming, as always, that the change in behaviour is related to the crisis).

6.2.4 Remittances

Remittances, in the form of cash transfers or the shipment of barrels by relatives living abroad, are a key source of income and consumption for many households in the Caribbean, including Saint Lucia. Remittances are presumed to have decreased in recent years, but data for Saint Lucia was not available.43 There are indications that remittances have declined region-wide, although complete data on a country-by-country basis was not available. Based on focus group discussions, any changes in remittances do not appear to have had significant welfare impacts. Remittances were only mentioned by two people, and in a non-personal way. The issue did not stimulate discussion and does not seem to represent a significant factor in terms of welfare impact.

6.3 Impacts by group

The impacts of the crisis, experienced by particular groups, are described in the following pages. In general, the following groups and individuals are thought to be most affected by the crisis:

• Small business operators in debt because of payments for tools of their trade and who are experiencing a slowdown in business. This includes taxi operators paying for vehicles and small contractors who have bought tools on credit to work as sub-contractors;

• Single female heads of households who have been laid off, especially those with children and who are not specifically targeted by the social safety net programmes;

• People working in the tourism industry in businesses that have slowed down due to declines in tourist arrivals, especially hotel and restaurant workers.

• People laid off due to the fall-off in construction, including the self-employed and small contractors.

• People laid off from manufacturing companies directly impacted by the slowdown on demand in export markets (e.g. US and other Caribbean countries);

• Households with members who suffer from chronic illnesses and disabilities, especially those

43 ECCB Balance of Payments Statistics (2008) include ‘migrant transfers’ as a sub-category under the Capital Transfers category, and provide a proxy for remittances (since they represent a share of all transfers). However, the data for 2008 does not appear to be up to date, and 2009 figures are not available.
needing care, special treatment and/or monitoring on a regular basis;

- People who have lost jobs but are not eligible for social support;
- The elderly, especially those who were accustomed to getting assistance from abroad in the form of remittances and goods, but who no longer have access to these sources;
- The elderly who suffer from chronic illnesses and cannot get the traditional type and level of care from the public health service;
- Youth from low income households with low skills and qualifications, who find the need to work in order to help provide for the family but do not have the requisite skills and experience to compete in the labour market;
- Beneficiaries of social assistance who have seen their purchasing power shrink as a result of higher prices;
- Poor and vulnerable groups eligible for social welfare services, but who continue to be missed by the system, due to inefficient targeting and/or lack of information sharing.

6.3.1 Men and women

It was generally agreed that men and women are affected differently by the crisis, specifically by loss of work, and respond in different ways. The participants of the hotel employees focus group believed that males were more negatively affected, because they are generally unwilling to take just any job, while the women said “they would take on any job” if they had to feed their children. “Men,” it was said, “would rather starve than do menial labour” and this was partially related to social interaction with their peers. Men were said to have a more difficult time adapting to the new circumstances than women, as a man’s pride may stand in the way of him taking a lower-status or lower-salary work, while women said they would do any sort of work to provide for their family.

“You’re not a man in your own house, because you cannot provide for your family.”

“Men rather not work than to take up a job with a low salary; this puts more pressure on the woman.”

“The crisis has affected men’s ego. For example, my friend used to be a manager and now he is a painter and he feels that his ego had been deflated. He says that it is embarrassing and uncomfortable for him.”

“Men are proud people. I have worked my whole life to keep from begging and men keep a lot of things to themselves.”

“The woman is more flexible in the crisis because they may take on any job to feed the children; although women do also have issues with self-esteem.”

“The woman can squeeze and make do with what she has. If there is one fish, she will make the fish stretch for the family but the man will want to have a whole fish on his plate.”

“Wives will take it harder and deeper and strive to make ends meet and where they can get the things to eat and manage with the children.”

“Men have an attitude that tomorrow will see for itself; they may have five dollars today but it is for their own pleasure not for the household; however, responsible men will bring home the pay check and ask their wives or the women in the home to manage it.”

“Women are managers of affairs, they manage the money and see how they can make it work.”
The views of the youth on the subject of gender were more mixed, with some suggesting the burden of the crisis can fall heavily on women as well as men, but in different ways. In particular, the phenomenon of women entering new avenues of employment, prostitution on the one hand and construction on the other, were noted.

“Men are drowning: women are swimming because men give women the money and leave their needs behind.”
“Women sell their bodies to make money.”
“Women now bring pain to my heart because I see they are now into construction doing back-breaking work. These jobs were done traditionally by men.”
“Women working and still want the man to give her money.”
“A woman would use whatever little extra money that is leftover to make herself look good but the man would not do that.”

6.3.2 Youth
Children and youth are considered a special at-risk group in Saint Lucia. Based on focus group discussions, the impact of the crisis on youth appears to be primarily through reduced job opportunities, greater difficulties in obtaining higher education and increased risk of becoming involved in the drug trade (Saint Lucia has become a transhipment point for drugs between South and North America). They also face many of the same consumption restrictions that other age groups do.

Because youth are at a crossroads in terms of choosing a profession, negative impacts arising from the crisis may be irreversible if they forego education or engage in high risk activities such as the drug trade.

6.3.3 Elderly
The elderly are considered more vulnerable to shocks than younger people, a fact related to reduced income, disease and disability. Pension coverage is lacking: in 2005 only 19.2 percent of people above retirement age (63) drew a pension while the vast majority must rely on other income sources. As spouses die and with family often overseas, finding adequate support becomes more difficult.

44 Saint Lucia CPA 2005/06.
45 International Labour Organization website
This is reportedly a particular concern for elderly women (who live longer and therefore make up a larger share of this age group), but it places many elderly at risk of poverty during retirement. The main impact of the crisis as experienced by elderly persons is through higher prices, less money available to purchase medicines, and the fall in remittances. It is difficult to determine whether the challenges this demographic faces are linked to the crisis, or are the typical challenges faced by Saint Lucians as they age.

6.3.4 Persons with disabilities (PWD)

Only three persons with disabilities were interviewed. In addition to impacts common to other groups (less money for food, lower discretionary spending) they reported few PWD-specific impacts. Main impacts were related to additional expenditures because of their condition, forcing them to make a choice between their specific needs as PWDs and general needs, something the non-disabled do not have to face.

6.3.5 Farmers

Contrary to expectations, the rise in food prices has done little to help farmers cope. The decline of the banana sector and high prices for inputs, particularly fertilizer, indicates that farmers have not been immune to the crisis. Diversification to new agricultural activity has not met with any major success.

6.3.6 Hotel and restaurant employees

Based on the experience of hotel workers, it seems the crisis has shifted the power in favour of employers over employees in the hospitality industry. There is pressure to work longer hours, take on more jobs, and even for women to provide sexual favours, with the unspoken threat of being laid off always in the background. The issue of businesses taking advantage of the crisis to cut costs and squeeze employees to be more productive was heard several times.

6.3.7 Construction and trucking industry workers
With the decline in the construction sector, the trucking industry has also been hit hard. Truck drivers and others have described how the impact has affected their business. The main avenues have been through loss of contracts and problems with debts and obtaining credit.

“People do not want to pay for clothing; my machine is in the clothing store and it just sits there. Even though I make the clothes, I cannot sell it.”
“This crisis has encouraged shoplifting.”
“I prepare the meals and half of it don’t sell.”

6.3.8 Entrepreneurs and small business owners
All kinds of retail businesses (grocery stores, bakeries, variety stores, or food processors, etc.) have experienced impacts of the recession. Interviews with vendors in Castries, with restaurant owners in Dennery and a focus group with entrepreneurs in Laborie confirmed that business was very slow, resulting from lower purchasing power among customers as higher prices and rising unemployment take their toll. Impacts on retail businesses cover a wide spectrum.

Competition has increased. At the market in Castries, vendors said they have to offer discounts on their products or customers will go to another vendor. This applies to other businesses as well.

When asked how they managed during these difficult times, entrepreneurs described a wide variety of coping strategies. Included among the strategies were the purchase of less stock, minimizing the number of purchases and decreasing wastage, and purchasing only what they believe customers are certain to buy.

“We have to buy things by half case because we can’t buy stock like before.”
“We go to buy stock and the prices keep fluctuating. This makes the consumers angry because today the item is one price and soon after that price has increased.”
“You must use your savings to keep the business afloat.”

In a sign of how serious the downturn is, all of the Laborie focus group participants, aside from the bakery owner, claimed that if the current situation did not improve they would have to close their shops.

“One construction company taking all the jobs and you can’t get work.”
“Banks threatening to seize trucks.”
“Insufficient work to meet your needs; cannot make the money, can barely make EC$250 a fortnight.”
“Trucking is now like a waste of time, but you can’t move to another job because there’s none.”
“Construction workers are not fully paid by their employers – a domino effect – affects payment of credit bills.”

“Customers usually ask for discounts and it’s tough to heed to such request because the overheads are high. However, to compete with the hair salons I give discounts and make a loss; I have to go to my savings to buy the products.”
“You constantly juggle and negotiate for better prices. For example, to purchase lard for the use in the bakery, the price continues to fluctuate and I have to be telling the sellers that this place has a better price, can they give it to me at that price instead.”

“We usually ask for discounts and it’s tough to heed to such request because the overheads are high. However, to compete with the hair salons I give discounts and make a loss; I have to go to my savings to buy the products.”
“It’s tough to heed to such request because the overheads are high. However, to compete with the hair salons I give discounts and make a loss; I have to go to my savings to buy the products.”

“Insufficient work to meet your needs; cannot make the money, can barely make EC$250 a fortnight.”
“Trucking is now like a waste of time, but you can’t move to another job because there’s none.”
“Construction workers are not fully paid by their employers – a domino effect – affects payment of credit bills.”
6.4 Summary of impacts and groups affected

Two major transmission channels of the crisis in Saint Lucia are apparent: unemployment and high prices. Falling remittances are noted, but not emphasized as the chief impact. And while it is not possible to determine which groups are most affected, across a range of demographic groups the consequences of contraction in certain sectors, job losses, reduced consumption, and higher prices appear to be significant.

Table 8 summarizes the impacts of the crisis discussed by focus group participants.

<table>
<thead>
<tr>
<th>Impact</th>
<th>Examples of groups with whom impact is most commonly associated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Psychological and emotional</strong></td>
<td></td>
</tr>
<tr>
<td>Increased levels of stress</td>
<td></td>
</tr>
<tr>
<td>Feelings of inadequacy</td>
<td>Men</td>
</tr>
<tr>
<td>Feelings of embarrassment</td>
<td>Men</td>
</tr>
<tr>
<td>Rising domestic violence</td>
<td>Families</td>
</tr>
<tr>
<td>Family breakdown</td>
<td>Families</td>
</tr>
<tr>
<td>Depression</td>
<td>Adults</td>
</tr>
<tr>
<td>Parents expressing anger at children</td>
<td>Parents/children</td>
</tr>
<tr>
<td>Less socializing with friends</td>
<td>Youth</td>
</tr>
<tr>
<td>Hyperactive behaviour</td>
<td></td>
</tr>
<tr>
<td><strong>Employment</strong></td>
<td></td>
</tr>
<tr>
<td>Employers taking advantage of employees - sexually</td>
<td>Employees</td>
</tr>
<tr>
<td>Employers taking advantage of employees – working them harder</td>
<td>Employees</td>
</tr>
<tr>
<td>More difficult finding work commensurate to qualifications</td>
<td>Skilled/educated workers</td>
</tr>
<tr>
<td>Taking on work atypical for gender (e.g. women engaging in construction)</td>
<td>Women</td>
</tr>
<tr>
<td>Anxiety of not finding work due to age</td>
<td>Older unemployed</td>
</tr>
<tr>
<td>Payment delays</td>
<td></td>
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<tr>
<td>Partial payment</td>
<td></td>
</tr>
<tr>
<td>Accepting lower status/skilled profession to remain employed</td>
<td></td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td></td>
</tr>
<tr>
<td>Forgoing education in order to work, or because too expensive</td>
<td>Youth</td>
</tr>
<tr>
<td>Not buying school books</td>
<td>Children</td>
</tr>
<tr>
<td>More difficulty in getting loans</td>
<td>Youth</td>
</tr>
<tr>
<td><strong>Housing</strong></td>
<td></td>
</tr>
<tr>
<td>Inability to pay mortgage</td>
<td>Homeowners</td>
</tr>
<tr>
<td><strong>Health and diet</strong></td>
<td></td>
</tr>
<tr>
<td>Inability to buy food</td>
<td></td>
</tr>
<tr>
<td>Fewer visits to doctor</td>
<td></td>
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<tr>
<td>Hair loss</td>
<td></td>
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<tr>
<td><strong>Illegal activity</strong></td>
<td></td>
</tr>
<tr>
<td>Entering the drug trade</td>
<td>Young men</td>
</tr>
<tr>
<td>Rise in shoplifting</td>
<td></td>
</tr>
<tr>
<td><strong>Financial/budgeting issues</strong></td>
<td></td>
</tr>
<tr>
<td>Needing extensions to credit</td>
<td></td>
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<tr>
<td>Banks threatening to seize property</td>
<td></td>
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<tr>
<td>Delinquencies on loans</td>
<td></td>
</tr>
</tbody>
</table>
### Impact and Examples

<table>
<thead>
<tr>
<th>Impact</th>
<th>Examples of groups with whom impact is most commonly associated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decrease in savings</td>
<td></td>
</tr>
<tr>
<td>Arrears on utility/telephone bills</td>
<td></td>
</tr>
<tr>
<td>Bills not getting paid</td>
<td></td>
</tr>
<tr>
<td>Drop in child support allowance</td>
<td></td>
</tr>
<tr>
<td><strong>Consumption/assets</strong></td>
<td></td>
</tr>
<tr>
<td>Reduced allowance for school, etc.</td>
<td>Children/youth</td>
</tr>
<tr>
<td>Reduction in remittances</td>
<td></td>
</tr>
<tr>
<td><strong>Businesses/entrepreneurs</strong></td>
<td></td>
</tr>
<tr>
<td>Lower sales</td>
<td></td>
</tr>
<tr>
<td>Increased competition</td>
<td></td>
</tr>
<tr>
<td>Taking losses</td>
<td></td>
</tr>
<tr>
<td>Minimizing wholesale purchases</td>
<td></td>
</tr>
<tr>
<td><strong>Disabled</strong></td>
<td></td>
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<tr>
<td>More difficult to obtain equipment</td>
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</tbody>
</table>

There have been some positive impacts from the crisis, as related by those interviewed. These are summarized in Table 9.

**Table 9. Positive impacts of the crisis**

<table>
<thead>
<tr>
<th>Impact</th>
<th>Examples of groups with whom impact is most commonly associated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Psychological/emotional</strong></td>
<td></td>
</tr>
<tr>
<td>Helping others/neighbours</td>
<td></td>
</tr>
<tr>
<td>Spending more time with children (if unemployed)</td>
<td></td>
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<tr>
<td>Bringing people together</td>
<td></td>
</tr>
<tr>
<td>Praying more</td>
<td></td>
</tr>
<tr>
<td><strong>Consumption/expenditures</strong></td>
<td></td>
</tr>
<tr>
<td>Self-sufficiency through backyard/kitchen gardening</td>
<td>Home owners</td>
</tr>
<tr>
<td>Conserving energy in the home</td>
<td></td>
</tr>
<tr>
<td>Cutting back on waste</td>
<td>Businesses/entrepreneurs</td>
</tr>
<tr>
<td><strong>Health and diet</strong></td>
<td></td>
</tr>
<tr>
<td>Less meat in diet</td>
<td></td>
</tr>
</tbody>
</table>
6.5 Coping strategies

Asked how people were coping with the crisis, many different strategies were mentioned. The two broad categories of coping mechanisms are: more careful budgeting and lifestyle changes related to consumption; and changes in job search behaviour, including engaging in high risk activities such as transactional sex.

In some cases, the pressures of eking out a livelihood may lead to reduced educational attainment, with long-term implications for welfare.

Table 10 summarizes coping strategies discussed by focus group participants.

<table>
<thead>
<tr>
<th>Table 10. Coping strategies</th>
<th>Examples of groups with whom strategies are most commonly associated</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Consumption and lifestyle changes</strong></td>
<td></td>
</tr>
<tr>
<td>Switching to less expensive food</td>
<td></td>
</tr>
<tr>
<td>Eating fewer meals</td>
<td></td>
</tr>
<tr>
<td>Going without discretionary purchases/leisure activities</td>
<td></td>
</tr>
<tr>
<td>Fewer clothing purchases</td>
<td></td>
</tr>
<tr>
<td>Selling of assets</td>
<td></td>
</tr>
<tr>
<td>Moving back in with parents</td>
<td>Young persons</td>
</tr>
<tr>
<td>Renting smaller homes</td>
<td></td>
</tr>
<tr>
<td>Rearranging priorities</td>
<td></td>
</tr>
<tr>
<td><strong>Employment</strong></td>
<td></td>
</tr>
<tr>
<td>Migration in search of work</td>
<td>Youth</td>
</tr>
<tr>
<td>Engaging in prostitution / transactional sex</td>
<td>Women</td>
</tr>
<tr>
<td>Postponing payments of bills</td>
<td></td>
</tr>
</tbody>
</table>

“Young girls look for babies so that the ‘baby daddy’ can take care of them.”

“Dependence on family members from the rural areas to send ground provision to town/urban areas for consumption.”

“Bread as a substitute for meals.”

“Migration (among young people).”

“Not paying bills; pleading with companies for extensions to credit (truck drivers).”

“Conserv[e] energy.”

“Selling drugs.”

“Students might be used to carry bananas for parents instead of paying workers.”

6.6 Perception of government response

The perception of the Government’s response to the crisis is linked mostly to subsidy measures. Many measures introduced were not mentioned in the focus group discussions, though this is not necessarily a measure of their effectiveness. The view among entrepreneurs in Laborie was that the Government had done nothing there to help the area deal with the crisis. Among the youth group in Mabouya Valley, only the subsidies on basic products were mentioned as a concrete example:

“There is the HOPE programme, but the young persons (the targeted groups) who are to benefit most from the programme are not interested – they do not want to get trained, they just want the quick money.”

“I heard there is a HOPE programme but it is not in this community.”

“I understood that there would be items in a food basket where prices would be reduced including baby food; what happened to that idea?”

“No measures; can’t see anything; no relief.”

“Some things have been done but does not reach the truck drivers.”
7.0 RECOMMENDATIONS

This study focused on social impacts and policy response measures to the crisis, rather than on specific issues regarding the effectiveness of the social sectors. This report therefore includes focus group recommendations made by average citizens as well as broad recommendations applicable at the regional level, which should be assessed for their relevance to the Saint Lucia case.

7.1 Focus group recommendations

Recommendations to the Government arising from focus group discussions are outlined here. They are organized by topic and, except for minor editing, provided verbatim. This is in keeping with one of this study’s core objectives of giving voice to affected groups. Some of the recommendations are uninformed and simplistic, but there are a number of ideas worth further exploration.

Training and education:
- Conduct workshops for young people to get hands-on experience, as many youth are on the streets;
- Provide assistance in obtaining a grace period from the banks for repayment of loans;
- Create more job opportunities to respond to national needs;
- Conduct workshops on innovation throughout the communities;
- Invest in training;
- Reform the education system to meet the challenges of the global crisis;
- Skills training for persons with disabilities and enact labour laws that encourage employers to employ such persons.

Employment:
- Provide unemployment insurance – to cope with expenditures after being laid off;
- Job placement assistance;
- Creation of registry to find out how we can be helped through international contracts that match our skills outside the country;
- Instil and encourage entrepreneurship among young people;
- Retire more civil servants to create more opportunities for younger persons in the public service.

Business support:
- Reduce interest rates on loans;
- Expand the manufacturing sector using local products;
- Ban some imports;
- Develop agro-processing;
- Decentralize services for people; if you are in business too much time is wasted travelling to the city centre;
• Make credit available for business people;
• Enforce greater compliance from businesses who do not pay national insurance for workers;
• Provide bail-outs for small business;
• Provide necessary guidelines and procedures regulating ownership of trucks and the rights of private truckers on island to be gainfully employed by foreign investors in the implementation of national projects;
• Offer concessions to the construction industry, thereby generating more work for the truckers.

Elderly:
• Provide health care for the elderly – make medication more readily available at local primary health care pharmacies;
• Strengthen support networks for the elderly.

Subsidies/tax reductions:
• Remove consumption tax on some items;
• Do not introduce VAT;
• Establish price controls, set minimum wages.

Other:
• Be willing to take on more risks to respond to crises;
• Strengthen the BUY LOCAL campaign to reduce imports;
• Government should be frank and explain the situation to the people;
• Promote healthy lifestyles as a national priority to reduce the rates of hypertension and diabetes in the country;
• Introduce minimum wage standards and a labour code;
• Increase penalties for praedial larceny;
• More social forums or town hall meetings to provide for further clarification.

7.2 Region-wide recommendations

Create a system to identify and target the most vulnerable groups, prioritize social problems and dispatch resources in emergency situations. Inadequate information regarding those most likely to be affected and what their needs are is essential to efficient emergency response. Competing needs can quickly lead to confusion and poor returns on allocation of resources if a system of prioritizing is not in place. The ability and usefulness of existing programmes in crisis situations should be catalogued. Several countries have myriad small social programmes targeting a wide range of issues and groups. They often add up to less than the sum of their parts, as the current crisis has revealed. Not all people have the same needs. Decisions on support need to be made on the basis of urgency, severity of impact on society, sustainability of the solutions identified, as well as on the need to identify and protect the most vulnerable in the society.

Implication for resilience: Awareness of which programmes best serve those identified as most
vulnerable during crises will enable government to ramp up, at short notice, financial and human resources to protect them, and reduce the risk of permanent marginalization.

**Streamline and integrate social assistance/protection functions.** At present, mandates are often assigned to ministries not adequately aligned to the portfolio. Closely related policy areas may be scattered across different ministries, all focused on a higher priority sector. Social development departments, seen as less prestigious, are often attached to ministries with an entirely different focus. Gender is one area often assigned to random ministries and given little regard as to where the issue would be best addressed. An ideal solution would be the creation of a social protection agency whose mandate is to coordinate programmes, create an enabling environment, and monitor and evaluate the delivery of the social programmes for efficiency and effectiveness.

*Implication for resilience:* With mandates related to social assistance and social development spread across ministries and given relatively lower priority, developing a coherent and timely response becomes more difficult.

**Reduce duplication within and between ministries.** Related to and possibly resulting from the absence of a national development plan is the fact that in many countries there is often duplication within and between ministries. Planning is spread across ministries and is poorly integrated. This leads not only to poor coordination but to inefficient use of scarce resources, both human and financial, which countries with high debt/GDP ratios can ill afford. Consolidation of duplicated programmes is needed, along with central and sector-specific planning.

*Implication for resilience:* Reducing duplication will free up resources to provide assistance for more individuals, and reduce the possibility of individuals or families who aren’t in need taking advantage of emergency spending.

**Promote an integrated planning and policy dialogue/framework.** Planning must be improved in terms of identification and management of risk. Few of the experiences or vulnerabilities exposed by the recent crisis are new. To date, however, the management of risk in all its forms, and the implementation of strategies across sectors, particularly social and environmental, has been very weak. Participatory decision-making and consultations, in which effective communication with key stakeholders and beneficiaries have taken place, will provide the space for Government to implement social and economic policies with the cooperation of those whose lives are affected. It will also allow for inputs from stakeholders to which they will be more committed. This is a process that can take some time to become embedded in the culture and should not be seen as a makeshift solution for a specific situation. Barbados’ social contract is a good example of how this can work.

*Implication for resilience:* Decision-making for response to externally-induced crises, which is primarily top-down, may not reveal whether measures are implemented as intended, having the intended effect or going to the intended beneficiaries.

**Strengthen the capabilities of research agencies in the collection and processing of data, as well as the generation and analysis of statistical indicators.** Better management of resources can strengthen the resilience of countries in the region. To better manage resources, timely, accessible and reliable data must be collected and stored. Information management systems adequate to the task are therefore essential. Conceptual frameworks for understanding the issues and the connections across sectors are key to developing sound indicators and useful data.

*Implication for resilience:* Incomplete or missing data on vulnerable groups, beneficiaries, and applications introduce an element of guesswork into planning for contingencies.

**Evaluate and redesign existing social safety net programmes.** This needs to be
implemented against the background of a philosophical shift from the provision of social assistance/social welfare to one of social empowerment. This principle has been accepted in theory (based on interviews with key informants) but in practice the shift has not yet been made. In this regard, one of the practices that needs to be highlighted is that of training and development for employment. Programmes like these need to be targeted and aligned to labour market needs and availability of opportunities. Other important components of the recommendation to evaluate and redesign the social safety net programmes include:

- **Improve targeting:** as resources become scarcer, it is more important that a country has a good targeting mechanism. Assistance that goes to those who don’t need it is both inequitable and wasteful. Two ways to improve targeting are through means testing and conditional cash transfers. Neither of these is well-developed in the region.
- **Institutionalize effective monitoring and evaluation systems:** without a monitoring system, it is impossible to know whether the policies a government has implemented are working, how effective they are at meeting the goals, and what changes need to be made.
- **Develop a common registry of beneficiaries:** under the Social Protection Agency, this would be a natural outcome. In cases where it is not possible to create such an agency, a common registry of beneficiaries will improve the ability of the agencies to target beneficiaries and reduce the practice of accessing several programmes (double dipping) at once.

**Implication for resilience:** Thorough review of existing social programmes is needed to determine their effectiveness in the face of a crisis.

**Improve data collection.** Data collection as a tool for decision-making needs to be improved. Capacity in statistics offices and at research agencies must be strengthened. Currently, data management systems are weak; too much data is still recorded manually and fragmentation and duplication are common. There is a need for harmonization. In part, it is a technical issue – there is a need for more modern equipment – but there are also institutional deficiencies; staffing is insufficient and the range of skills is limited. Steps to overcoming obstacles to improved data collection need to be taken including:

- Creating a framework for systematically collecting social statistics data in one place, to overcome the fragmentation;
- Broadening the mandate of the statistics offices to harmonize data and standardize data collection methods using international standards;
- Creating a mechanism for a coordinated approach among agencies, especially donor agencies that are collecting data, so as to not burden the staff at the country level who are already struggling with limited capacity. This is true in terms of human resources at various levels within country offices.
- Encouraging the reporting and presentation of data for management with adequate disaggregation and documentation to assist in policy monitoring and decision-making.

Having recognized the shortcomings in its data collection, the Saint Lucia Statistics Department, in collaboration with the Ministry of Finance, Economic Affairs and National Development has begun developing a framework for the capture and development of social indicators with the objective of monitoring the MDGs and to assist with policy decision-making. Financing is provided by the European Union. To this end, Dev-Info software has been modified to suit the Saint Lucia case and has been rechristened Helen-Info. It is housed at the Department of Statistics, and other ministries involved in data capture have been introduced to the software, trained in its use and now submit collected data to the Statistics Department.

**Implication for resilience:** Lack of data means responses cannot be targeted efficiently and effectively, and are based on guesswork.
Promote a culture of evidence-based decision-making. In order to improve policymaking, a culture of relying on evidence, as opposed to political imperatives, vested interests, intuition, or even theory is needed. Analysis that assesses both intended and unintended consequences and feeds into policy debate and policy design can strengthen the policymaking process. Considerations in this regard include:

- a lack of evidenced-based culture: identification of problems is too often based on perception;
- for decision-making to become evidence-based, data collection and analysis must assume a higher level of priority for policy-makers. Currently, social statistics are either not collected, or collected but not analyzed.

Implication for resilience: Technical solutions for strengthening resilience will not be effective unless there is an underlying belief that evidence is important.

7.3 Sector-specific measures

The following recommendations relate to areas indirectly related to social assistance, but were nonetheless deemed important to strengthening a country’s resilience in the face of crisis.

Crime prevention:

Effective management of crime through preventive and remedial measures is essential. The ECCB review is emphatic on this issue, calling on member governments and peoples of the ECCU to address violence and social deviance, noting that “Failure in this endeavour is not an option, our lives and livelihoods depend on it.”

Examples of measures that could address the problem include:

- Addressing dysfunctional behaviour at primary school level;
- Strengthening criminal justice systems;
- Helping re-integrate those with a criminal past into society; and
- Cultivating appropriate values within the family.

The Minister with responsibility for Home Affairs and, by extension, National Security have met with the Police Commissioner to develop a comprehensive plan for addressing crime. Meanwhile, the government-sponsored Community Action Plan for Safety has continued to develop strategies and community activities to deal with the crime situation in Saint Lucia.

Entrepreneurship:

- Promote entrepreneurship and expand micro-enterprise development and innovation;
- Pilot the creation of business incubators;
- Increase opportunities for small business development by providing technical assistance; and
- Institute regulatory framework and incentives to encourage banks to provide credit to small businesses.

\[^{47}\text{ECCB. (2009) p 8.}\]
Agriculture:

- Promote diversification to limit dependency and support the substitution of imports;
- Promote efficiency and increase crop yields;
- Increase access to finance to enable larger farms;
- Support training and linking of farmers with other industries; and
- Build capacity to increase access to markets.

To be most effective, the recommendations need to become part of a broad national development plan, with overarching strategic visions for where a country would like to be within a specific period of time. Many governments have and continue to introduce a range of social protection programmes, but this is not the same as a coherent social protection policy. A national development plan will inform social sector development and reforms and guide planning in the medium and long-term. Before the technical issues are tackled, however, a strategic vision for national development is needed.

Policy proposals are often constrained in their implementation due to the lack of an enabling environment at what can be called the ‘macro-social’ level. This is related to the need for laws, regulations and resources to be made available to ensure the smooth implementation of specific recommendations.
8.0 References


Ministry of Finance International Financial Services and Economic Affairs, Central Statistical Office


Saint Lucia Tourist Board


University of the West Indies. 2009. Barbados and OECS Corporate Performance and Outlook Report. Published by the Department of Management Studies at UWI, Cave Hill.
ANNEX 1. RESEARCH QUESTIONS

FOCUS GROUP DISCUSSION - QUESTION TOPICS

Ice breaker – Discussion of the world economic downturn (that Obama has had to deal with; that took place in America; creating familiarity with the concept).

Do you believe that the situation in this country has been affected by the economic crisis/downturn?
In what ways has the crisis affected you? How was your life different before?
Are there other groups within the population that have not been similarly affected?
What have you done to cope with the crisis?
What measures have been put in place by the government to help the country/your group deal with the crisis?
Do you think that any of these measures were meant for your group?
How have your lives changed since the measures were put in place?
If you had to advise the government on what were some of the best things to do to help the country to deal with the crisis, what would you advise?

KEY INFORMANT INTERVIEWS - QUESTION TOPICS

Regional and international donor agencies and multilateral organizations

Do you believe that the economic crisis has affected the poor and vulnerable populations in the region?

Why do you believe this? What are your reasons for saying so?

To what extent has the crisis affected the work of your organization in the region?

How has this manifested itself? (budget constraints; companies pulling out of the region; programme reduction [needs to be explained either in terms of people, scope or funds or all three])

Which areas are your organization most committed to supporting? Why?

What kinds of advice would you give to Governments in the region to best deal with the impact of the economic crisis?

Do you think a harmonized approach is needed if the region is to survive this crisis? If so what approach is best?

Other stakeholders, including Non-Governmental Organizations and Community-based organizations, as well as the Private Sector

Who are your clients/customers/beneficiaries?

How has the economic crisis affected the work/activity in which you are involved?

On a scale of 1-5, with 5 being the most severe, how badly would you say it has affected you/your organization?
What measures have you put in place to cope with these changes? How have you managed/adjusted/coped?

How do you think your clients/customers/beneficiaries have been affected?

How do you think your clients/customers/beneficiaries are managing/coping?

For the private sector: Would you be willing to put measures in place to assist your customers in coping with the crisis? If yes, what and why? If no, why not?

If you were able to advise the government on what were some of the best things to do to help the country to deal with the crisis, what would you suggest/recommend?
ANNEX 2. INDIVIDUALS CONTACTED

<table>
<thead>
<tr>
<th>Name</th>
<th>Organization/Role</th>
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<td>Williams, Donovan</td>
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