



FUTURE TOURISM: Rethinking Tourism and MSMEs in times of COVID-19

Tourism Diagnostic Report Saint Lucia

United Nations Development Programme



FUTURE TOURISM DIAGNOSTIC REPORT SAINT LUCIA

JUNE 2022

UNDP Barbados and the Eastern Caribbean
Prepared by Dr. Mareba Scott

ACKNOWLEDGEMENTS

UNDP would like to express its gratitude to the government and tourism micro, small and medium enterprises of Saint Lucia, the Ministry of Finance, Economic Development and the Youth Economy and the Ministry of Tourism, Investment, Creative Industries, Culture, and Information. A special note of appreciation is extended to the Caribbean Tourism Organization (CTO), the Eastern Caribbean Central Bank (ECCB) and the Organisation of the Eastern Caribbean States (OECS).

ACRONYMS & ABBREVIATIONS

ACS	Association of Caribbean States
CARDTP	Caribbean Digital Transformation Project
CARPHA	Caribbean Regional Public Health Agency
CBT	Community Based Tourism
CHTA	Caribbean Hotel and Tourism Association
CTO	Caribbean Tourism Organization
EC	Eastern Caribbean
ECCB	Eastern Caribbean Central Bank
GDP	Gross Domestic Product
GTRCMC	Global Tourism Resilience and Crisis Management Centre
ICT	Information and Communications Technology
IDB	Inter-American Development Bank
IMF	International Monetary Fund
ITU	International Telecommunications Union
MICE	Meetings, Incentives, Conferencing and Exhibitions
MSME	Micro, Small and Medium Enterprise
NIC	National Insurance Cooperation
NIS	National Insurance Scheme
NTO	National Tourism Organisation
OECS	Organisation of Eastern Caribbean States
OTA	Online Travel Agency
PMA	Pitons Management Area
SIDS	Small Island Developing State
SLHTA	Saint Lucia Hotel and Tourism Association
SLTA	Saint Lucia Tourism Authority
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
UNWTO	United Nations World Tourism Organization
USD	United States Dollar
UWI	University of the West Indies
WB	World Bank
WTTC	World Travel and Tourism Council
XCD	Eastern Caribbean Dollar

LIST OF FIGURES & TABLES

Figures

Figure 1- Caribbean Tourism Sub-Sectors.....	14
Figure 2- Areas of Focus for Diagnostic Study.....	15
Figure 3- Cruise Passengers vs Stay-over Visitors 2010 - 2020.....	20
Figure 4- Distribution of Stay-over Visitors by Source Market in 2020.....	23
Figure 5- Tourist Arrivals by Main Purpose of Visit 2019.....	23
Figure 6- Expenditure by Source Markets January – June 2021.....	25
Figure 7- Major Trends in Consumer Behaviour and Travel Demands in 2022.....	36

Tables

Table 1- Cruise Calls, Yacht Calls and Visitor Expenditures 2015 - 2020.....	21
Table 2- Stay-over Visitors by Source Markets 2015 - 2020.....	22
Table 3- Visitor Expenditure by Item January – June 2021.....	24
Table 4- World Bank’s Digital Economy Levers.....	28
Table 5- SWOT Analysis for Digital Transformation of Tourism MSMEs.....	32
Table 6- SWOT Analysis for Tourism Product & Market Development.....	39

EXECUTIVE SUMMARY

Tourism has been one of the most affected economic sectors due to the COVID-19 pandemic. The Caribbean, as the most tourism dependent region in the world, was particularly hard hit. Travel & Tourism Gross Domestic Product (GDP) contribution in Saint Lucia declined 71.7 per cent, and tourism employment dropped 34.3 per cent, costing 21, 800 individuals their jobs in 2020. Women were particularly impacted as female workers account for 57. 4 per cent of the accommodation and food services sub-sectors.

The “**FUT-Tourism: Rethinking Tourism and MSMEs in times of COVID-19**” project was established by the United Nations Development Programme (UNDP) in Barbados and the Eastern Caribbean in January 2021, to revamp the tourism sector through regional dialogues and policy solutions, and technical and financial assistance for Micro, Small, and Medium Enterprises (MSMEs) within the sector.

This diagnostic report focuses on Output 1.2 of the overall project and seeks to develop a country specific tourism diagnostic for Saint Lucia. The diagnostic builds on the findings of the UNDP Regional Policy Dialogues on Tourism held between May and June 2021. Through desk research and interviews with a tourism MSME and three tourism officials, the report provides data and compiles information on impacts, current policies, ongoing efforts, needs and opportunities that could have a catalytic impact on the tourism sector in Saint Lucia. The report analyses three priority areas that were identified in the UNDP Regional Policy Dialogues:

I. Digital Transformation of MSMEs, including the informal sector

Saint Lucia has as a fair digital infrastructure, characterised by 102 mobile cellular subscriptions per 100 inhabitants, 51 per cent Internet usage by the population; and low fixed broadband subscriptions (18 per 100 inhabitants). It is anticipated that the World Bank (WB) funded Caribbean Digital Transformation Project (CARDTP) will enhance digital entrepreneurship in all sectors by increasing digital connectivity, improving digital public services, and creating technology-enabled businesses and jobs. Tourism officials stressed that a lack of

awareness and appreciation for the opportunities that a digital presence can provide are the main challenges with older tourism operators but younger entrants to the tourism industry are already oriented towards having a digital footprint. Additionally, some tourism MSMEs lacked devices and/or lacked connectivity. Without addressing awareness, know-how and access, the full potential of digital financial services such as DCash (launched in 2021) will not be maximized. Given the country’s high dependence on tourism and the fact that 70 per cent of visitors research a destination online before booking, opportunities for digital entrepreneurship by tourism MSMEs starts with online service and product launches. At the national level, policy interventions for digital transformation include incentivising digitalization through taxes credits or financial support; re-designing training; creating flexible and targeted programmes at various levels; and improving access by creating ICT hubs in communities.

II. Diversification of the Product Offering: Product and Market Development:

Saint Lucia has a distinctive mix of product offerings, and its Tourism Strategy & Action Plan 2020-2030 is focused on value over volume-balancing visitor value and diversifying the product towards a more appealing stayover prospect. Identified gaps related to product diversification were poor accommodation diversity (domination of the all-inclusive hotel sector); quality and diversity of experiences and attractions; and lack of a focused marketing strategy. Positioning the destination as the “most spectacular island in the Caribbean”, is not adequately distinctive and a positioning strategy that conjures up an



image of relaxation and renewal is recommended given global travel trends for the “great outdoors” and the destination’s strengths in the “relaxers” and “romantics” market segments. The destination is actively developing the village tourism concept for greater inclusivity and linkages. Women can benefit and make a significant contribution to community-based tourism (CBT) activities through traditional cuisine, cooking lessons, arts and craft and accommodation services. More emphasis needs to be placed on developing CBT activities for domestic and international tourists, and growing the creative sector to support culture, heritage & the arts, as well as the events market. Areas for policy intervention include environmental protection, climate change adaptation, and strengthening the data management capacity in the sector.

III. Stakeholder Engagement and Regional Coordination

It was felt that financial support, guidance, and training would go a long way in assisting MSMEs. All stakeholders agreed and acknowledged that the COVID-19 pandemic has emphasized the need

for Saint Lucia to have a more diversified economy. Tourism policy maker should seek to create a different mechanism for stakeholder engagement e.g., a Sustainable Destination Council or some other locally engineered partnership between the residents and the private and public sector tourism stakeholders. This will build awareness; encourage buy-in; promote entrepreneurship; and inclusivity. Coordination efforts at the regional level should focus on harmonizing travel protocols and reducing airline ticket taxes to support the intra-regional travel market.

Access to financing and capacity building of Saint Lucia’s tourism MSMEs would be key areas to accelerate the transition towards a more inclusive and sustainable tourism industry and progress toward the Sustainable Development Goals (SDGs). Additionally, the future of tourism in Saint Lucia requires a greater concentration on unique experiences, tourism value over tourists’ volume, natural hazard and climate change resilience, and concerted actions for greater inclusivity.



TABLE OF CONTENTS

1.	Introduction	10
1.1	The FUTURE-Tourism Project	10
1.2	Project Context	11
1.3	Objectives of the Diagnostic Report	13
1.4	Diagnostic Methodology	13
1.5	Structure of the Report	15
2.	Country Profile	18
2.1	Saint Lucia in Brief	18
2.2	Tourism in Saint Lucia	20
2.3	International & Regional Trends	26
3.	Focus Area I: Digital Transformation of MSMEs in the Tourism Sector	27
3.1	Overview	27
3.2	Saint Lucia's Digital Economy	29
3.3	Stakeholder Perspectives	30
3.4	Strengths, Weaknesses, Opportunities and Threat (SWOT) Analysis	32
3.5	Policy Interventions	33
	Additional Resources	33
4	Focus Area II: Diversification of the Product Offering: Product and Market Development	34
4.1	Overview	34
4.2	Product & Market Trends	34
4.3	Stakeholder Perspectives	37
4.4	Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis	39
4.5	Policy Interventions	40
	Additional Resources	40
5	Focus Area III: Stakeholder Engagement and Regional Coordination	41
5.1	Overview	41
5.2	Stakeholder Perspectives	42
5.3	Policy Interventions	42
	Additional Resources	45
6	Recommendations and Conclusion	46
	Annexes	47

1. INTRODUCTION

1.1 The FUTURE-Tourism Project

The “FUT-Tourism: Rethinking Tourism and MSMEs in times of COVID-19” project was established by the United Nations Development Programme (UNDP) in Barbados and the Eastern Caribbean in January 2021, to revamp the tourism sector through regional dialogues and policy solutions, and technical and financial assistance for Micro, Small, and Medium Enterprises (MSMEs) within the sector. The following 10 countries and territories in the Eastern Caribbean were targeted: Anguilla, Antigua and Barbuda, Barbados, the British Virgin Islands, Dominica, Grenada, Montserrat, Saint Kitts and Nevis, Saint Lucia and Saint Vincent and the Grenadines.

The project aims to technically and financially support MSMEs that are directly or indirectly linked to the tourism sector or have been significantly impacted by the COVID-19 pandemic. With gender equality and empowerment of women at its core, the project seeks to promote economic diversification, job creation and resilience with the “Blue Economy for Green Islands” approach in the tourism sector, thereby boosting recovery and supporting the digitally enabled transformation of the business processes and value chains of MSMEs.

There are three (3) main project outputs:

- (i) **Output 1:** Regional dialogue and policy solutions for the tourism sector enhanced through sub-regional and national diagnostics using consultative and participatory approaches:

Output 1.1: This output will create regional dialogues bringing together governments, regional organisations, big tour operators and anchor companies with MSMEs and other relevant stakeholders.

Output 1.2: Building on 1.1, this output seeks to develop or enhance country specific diagnostics in at least five (5) countries, and one (1) sub-regional analysis for the Eastern Caribbean. Consultations will provide data and compile information on the current situation, existing policies, on going efforts, needs, trends, scenarios, and opportunities that could have a catalytic impact on the sector.

- (ii) **Output 2:** Technical support for MSME retooling and access to markets within tourism value chains:

Focuses on the development of environmentally sustainable value chains with an inclusive business approach where MSMEs, women-owned businesses, producers’ associations and cooperatives that operate either as suppliers, manufacturers, distributors and/or commercial channels receive the support required to adapt to the new market conditions.

- (iii) **Output 3:** Financial assistance for the economic recovery of MSMEs affected by the impact of COVID-19:

Provision of grants to MSMEs to facilitate strategic investments and to further support resilience recovery from the impact of COVID-19. This may include investments to repurpose production facilities to manufacture high demand goods and services related to the tourism industry and/or transition from an in-person, physical interaction business model to a virtual and online one.

This report focuses on Output 1.2 and builds on the findings of the UNDP Regional Policy Dialogues on Tourism held between May and June 2021 and provides data and compiles information on impacts, current policies, ongoing efforts, needs and opportunities that could have an impact on the tourism sector.



1.2 Project Context

Tourism has been one of the most affected economic sectors due to the COVID-19 pandemic. The Eastern Caribbean saw its first set of COVID-19 cases being reported in March 2020 with travel restrictions instituted shortly thereafter. According to the World Tourism Organisation (UNWTO, 2020)¹, by April 6th, 2020, **96% of all worldwide destinations had introduced travel restrictions** in response to the pandemic and around 90 destinations had completely or partially closed their borders to tourists. The Caribbean, as the most tourism dependent region in the world, was particularly hard hit. The World Travel & Tourism Council (WTTC) reported

that COVID-19 stripped the region’s economy of US\$33.9 billion in 2020. The Caribbean Travel & Tourism sector’s contribution to Gross Domestic Product (GDP) dropped 58 per cent, higher than the global average. Travel & Tourism’s impact on the region’s GDP fell from USD\$58.4 billion (14.1%) in 2019, to USD\$24.5 billion (6.4%) in 2020. Heavy reliance on international travel made Caribbean countries even more vulnerable. Travel and tourism GDP contributions in countries of the Organisation of Eastern Caribbean States (OECS), such as Saint Lucia saw a steep decline of 71.7 per cent, Dominica 64.6 per cent, St Kitts and Nevis 72.3 per cent, Grenada 65.5 per cent and St Vincent and the Grenadines 67 per cent (WTTC, 2020²).

¹ UNWTO (2020) https://webunwto.s3.eu-west-1.amazonaws.com/s3fs-public/2020-04/TravelRestrictions_0.pdf

² World Travel and Tourism Council, WTTC (2020)

<https://wttc.org/Portals/0/Documents/Press%20Releases/WTTC%20research%20reveals%20Travel%20Tourism%20sectors%20contribution%20to%20Caribbean%20GDP%20dropped%20by%2034%20billion%20in%202020.pdf?ver=2021-05-27-121243-767>



Over 680,000 Caribbean Travel & Tourism jobs were lost, the majority in the Small and Medium Enterprise (SME) sector (WTTC, 2020) with many of these businesses owned by or employing women. Across the world, women make up most workers in the tourism industry, more than half in the accommodation and food services sectors. Women are more likely to undertake entrepreneurial activities in tourism than in other sectors and many women hold low skilled jobs in the tourism sector, making them vulnerable to shocks (UNCTAD, 2020³). Given the increasing care responsibilities of women, exacerbated by closures/lockdowns and online learning during the pandemic, it is anticipated that women's livelihoods in the tourism industry will not be easily rebuilt.

Micro, Small and Medium-sized Enterprises (MSMEs) which play a major role in most economies and represent about 90 per cent of businesses and more than 50 per cent of employment worldwide⁴ are equally challenged to rebuild post-pandemic. In the Caribbean, MSMEs account for 1 in 2 jobs and more than one-third of output. However, narrower profit margins and lower liquid reserves than other businesses, make it more difficult for MSMEs to withstand economic shocks. Additionally, MSMEs are characterised by many players operating informally and therefore some are unable to participate in social protection programmes such as unemployment benefits. One approach proffered to build the resiliency of MSMEs, is to build capacity for electronic commerce so businesses can engage suppliers and customers in real-time, while supporting health protocols and reducing supply chain delays that can lead to operational challenges.

While the anticipated travel & tourism rebound in the Caribbean started in 2021, recovery has taken much longer than anticipated as some countries have experienced a resurgence of the virus amidst new variants and vaccine hesitancy. As part of COVID-19 recovery efforts, the United Nations Development Programme (UNDP) Barbados and the Eastern Caribbean, in collaboration with ten countries and territories and partners, has launched the "FUT-Tourism: Rethinking Tourism and MSMEs in times of COVID-19" project to support governments, national institutions and the private sector including

MSMEs, to quickly adapt and respond to the contemporary needs of tourism demand.

1.3 Objectives of the Diagnostic Report

The main objectives of the diagnostic report are:

- To assess digital infrastructure at country level
- To examine opportunities for digital entrepreneurship for MSMEs in the tourism sector
- To identify market trends and opportunities or MSMEs in the tourism sector
- To identify catalytic interventions which are gender-responsive and reflect on specific women's needs to access training, financing or technical support
- To identify initiatives that will accelerate the transition towards a more inclusive and sustainable tourism industry and progress towards the Sustainable Development Goals (SDGs)

1.4 Diagnostic Methodology

The country selection for the diagnostic study was determined through consultations with the UNDP FUT-Tourism Project Coordinator and based on the timely response by countries to the invitation to participate in a country-specific diagnostic study.

The diagnostic study employed secondary and primary data collection methods. Secondary research included a literature review and analysis of tourism and related sector strategies and action plans, including for the digital economy; tourism demand, market assessment and performance reviews; statistical analysis; and competitive analysis.

A virtual focus group and interviews were planned as part of the consultative and primary data collection process for Saint Lucia. Invitations were

³ https://unctad.org/system/files/official-document/ditcinf2020d3_en.pdf

⁴ <https://www.worldbank.org/en/topic/sme/finance>

issued to thirty-five tourism (35) MSMEs and four (4) of them accepted the invitation to participate. The focus group participants were selected from the UNDP’s Tourism MSME database which was created for the FUT-Tourism Project. Saint Lucia’s database initially comprised of 196 MSMEs. The participants were purposively selected to ensure representation from Caribbean tourism’s eight (8) sub-sectors **See Figure 1- Caribbean Tourism Sub-sectors**. These sub-sectors represent the key players in the regional tourism value chain.

Only one (1) tourism MSME attended the focus group session on the designated date. Therefore, the focus group was converted into a one-to-one interview. The tourism MSME interviewee was anonymized to protect her identity. Interviews were also conducted with three (3) government officials representing the Ministry of Tourism and one officer assigned the tourism portfolio at the Ministry of Finance. **See Appendix I - Interviewee Profiles**.

Two (2) interview requests were sent to the Saint Lucia Hotel and Tourism Association, but no response was received.



Figure 1- Caribbean Tourism Sub-Sectors



Source: CTO⁶, 1999.

⁵ Saint Lucia’s MSME database had a high percentage of double registrants for a single business, this, combined with other database errors means that the sample population is much less than reported. It was beyond the author’s scope of works to sanitize the database.

⁶ Caribbean Tourism Organization (1999). A Guide to Tourism Careers, Education and Training in the Caribbean.



1.4.1 Limitations

The diagnostic report is not meant to be an in-depth analysis of every aspect of the tourism sector in Saint Lucia but focuses on the themes and related issues that emerged during the project’s Regional Policy Dialogue, with special emphasis on MSMEs in the tourism sector. The report does not, for example, include a diagnostic on institutional arrangements, air and maritime sectors, funding mechanisms or tourism legislation.

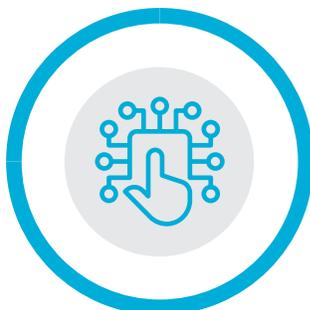
Desk research and virtual collection methods does not provide a verification means or an evaluation of the state of the tourism product or the opportunities for diversification. Conducting a virtual focus group, though practical in the COVID-19 era, is not an inclusive consultative process particularly if the informal sector is to be captured in the diagnostic. Lack of connectivity, devices and/or digital skills may have prohibited participation by some MSMEs. Furthermore, tourism MSMEs lack of participation in the virtual interviews could also be attributed to some level of fatigue with consultations or research/report preparations. Many tourism MSMEs across the sub-region described themselves as being in “survival mode”, therefore income generating opportunities may have been prioritized over engaging with the Consultant.

Additionally, the Consultant was constrained by time as six (6) diagnostic studies, including this report for Saint Lucia, were to be researched, drafted, and finalized in eighty (80) workdays (4 months). The primary data collection commenced during the start of the busy winter-tourism season and continued during the Christmas season, which made key informants/potential interviewees tardy or unresponsive.

1.5 Structure of the Report

The diagnostic report for Saint Lucia focuses on three (3) of the four (4) priorities identified in the Regional Policy Dialogue (See **Figure 2**). The fourth area identified in the Regional Policy Dialogue-Monitoring Key Performance Indicators, is treated as a cross cutting issue, as monitoring and evaluation are central to programme management; and project planning, implementation, and closure.

Figure 2- Areas of Focus for Diagnostic Study



Digital Transformation of MSMEs, including the informal sector



Diversification of the product offering: Product and Marketing Development



Stakeholder engagement and regional coordination

The three (3) priority areas form the core diagnostic areas and sections of the report. Each focus area includes stakeholder perspectives and policy interventions. Additional resources are provided at the end of each focus area. The diagnostic focus areas follow the introduction and the country profile. The report ends with recommendations and conclusion.

Cognizant of the significant role that women play in the Caribbean MSMEs and tourism sectors, and the need for a gender-sensitive approach to the reporting and analysis, the current initiatives and policy solutions proffered in the study also highlight linkages with the SDGs. Throughout the report one (or more) of the following 17 symbols related to the SDGs are highlighted:



Source: UNDP Barbados and the Eastern Caribbean⁷, 2021

The remaining sections of the report are structured as follows:

Section 2- Country Profile

The section includes a review of tourism performance by source markets, category of visitors, purpose of visit and assessment of the contribution of tourism to the economy. The impact of COVID-19 on tourism demand, international and regional tourism trends are also provided.

Section 3- Focus Area I: Digital Transformation of MSMEs, including the informal sector

This section provides a detailed digital diagnostic for the country using the World Bank’s (WB) Digital Economy Levers. The chapter also includes a SWOT analysis for Digital Transformation of Tourism MSMEs and stakeholder perspectives about the challenges, opportunities and barriers they see for their businesses. Policy interventions are also provided.

⁷ <https://easterncaribbean.un.org/en/sdgs>



Section 4- Focus Area II: Diversification of the product offering: Product and Market Development.

This section includes an assessment of the country’s core tourism products and a competitive analysis that considers changing consumer behaviour and travel trends. Stakeholder perspectives of the country’s product offerings and opportunities are also included. A SWOT analysis for product and market development and policy interventions are also provided.

Section 5- Focus Area III: Stakeholder engagement and regional coordination

This chapter provides an account of stakeholder engagement and examples of regional coordination that has been strengthened since the pandemic. Stakeholder perspectives are presented, as well as policy interventions.

Section 6- Recommendations and Conclusion

The final section of the report provides over-arching recommendations for a more adaptive and responsive tourism industry. The chapter stresses the need to de-emphasize volume driven strategies and to embrace quantitative and qualitative indicators of tourism’s performance and benefits.

2. COUNTRY PROFILE

2.1 Saint Lucia in Brief

The French, Dutch and English all battled for Saint Lucia in the 1600s but like several of its Caribbean island neighbours, Saint Lucia had thriving indigenous populations before European colonizers arrived. Firstly, there were the Arawaks, and centuries later the Caribs, who won several battles, but ultimately sold their land to the French West India Company, making Saint Lucia a French territory in 1651. The French influence is reflected in the island's culture including its language and names of places, but the Carib heritage also persists and blends with the African, English, and Dutch influences. After many battles, the French ceded Saint Lucia to the British in 1814 and Saint Lucia was one of the last European colonies to attain independence in 1979⁸.



The country's economy is driven primarily by tourism (68% of GDP pre-COVID), banana production, and light manufacturing. As a tourism destination, Saint Lucia is characterized by a number of iconic landmarks and heritage sites including the Pitons—two volcanic spires on the southwestern coast of the island which rise side by side from the sea—Gros Piton and Petit Piton. The Pitons were inscribed as a UNESCO World Heritage Site in 2004. The Pitons are situated in the Pitons Management Area (PMA) which is a multiple use conservation and management area of 1,134 hectares of land and 875 hectares of sea, respectively. The PMA falls within the Soufriere Volcanic Centre which offer diverse geological features, including a site of geothermal activity with fumaroles and hot sulphur springs. Petroglyphs and diverse artifacts bear witness to the Amerindians who

once inhabited what is now the PMA⁹. As part of its commitment to the 2030 SDGs, the Government of Saint Lucia has signaled its intention to harness geothermal energy from the dormant drive-in volcano as well as, solar (photovoltaic), wind and biomass from tourism and agriculture.

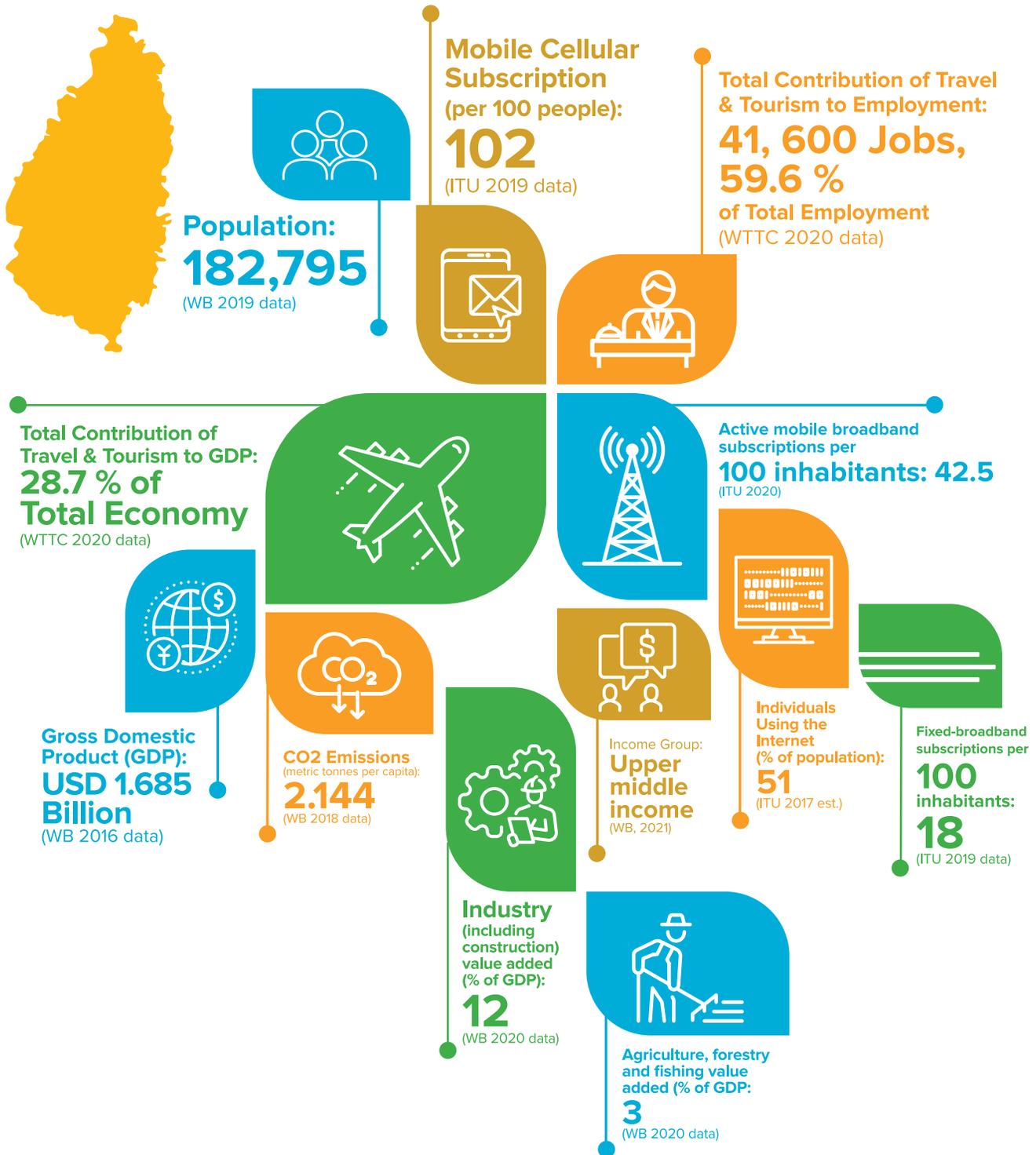


Apart from being a biodiversity hot spot, as a Small Island Developing State (SIDS), Saint Lucia's vulnerabilities include size, inability to capitalize on economies of scale, distance from international source markets, limited economic diversification and climate change. Tourism is both a victim and a contributor to climate change. A tourism product predicated on natural assets is a fragility that SIDS must contend with, as climate change impacts can lead to bio-diversity loss, loss of forest cover, loss of aesthetic appeal and a general imbalance in ecosystems, thereby threatening the livelihoods of already vulnerable communities. Additionally, the loss of ecological assets and historical monuments represent lost opportunities for tourism and a diminished visitor experience.

⁸ <https://www.stlucia.org/en/discover-saint-lucia/history-culture/>

⁹ <https://whc.unesco.org/en/list/1161>

FACT SHEET



Sources: World Bank (WB, 2021)¹⁰; International Telecommunications Union (ITU, 2021)¹¹; World Travel and Tourism Council (WTTC, 2021)¹².

¹⁰ <https://data.worldbank.org/country/st-lucia?view=chart>

¹¹ <https://www.itu.int/md/D18-RPMAMS-C-0002>

¹² <https://wtcc.org/Research/Economic-Impact>

2.2 Tourism in Saint Lucia

2.2.1 Significance of Tourism to the National Economy

Tourism is given high priority in Saint Lucia, as the Government sees tourism as a valuable tool to promote economic growth by providing employment, foreign exchange, and infrastructural development. The country’s high dependence on tourism is reflected in the data from WTTC where Travel & Tourism accounted for 79.7 per cent of total employment (63, 400 jobs) in 2019 and contributed 68.1 per cent to GDP, valued at XCD 3,433.8MN (USD1,271.8MN).¹³

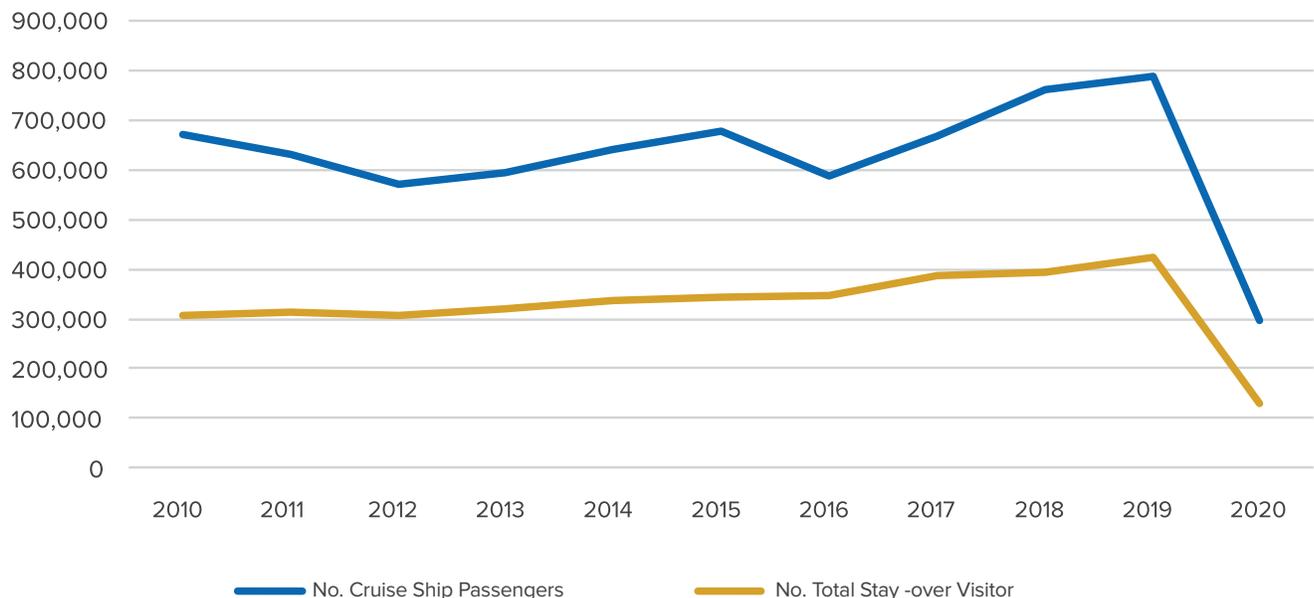
Over the years, the sector’s development has been supported and guided by, inter alia, the Saint Lucia Tourism Policy (2003), the Saint Lucia Tourism Benchmarking and Competitiveness Assessment (2013) and more recently the Tourism Strategy and Action Plan 2020-2030 (completed in 2019). While the pandemic would have tempered Saint Lucia’s future outlook and targets set, the Tourism Strategy’s Vision for 2030 is: ***Saint Lucia will consistently achieve above-average growth in high value, sustainable tourism.***

The 2020-2030 Tourism Strategy also highlights the desire to better spread the benefits of tourism more equitably around the island, to achieve greater wealth creation, job tenure, employment opportunities, greater appreciation in communities of the value and benefits of the tourism economy, and thereby create greater social cohesion¹⁴.

2.2.2 Tourism Demand & Trends

Over the period 2010-2019, Saint Lucia enjoyed a more consistent growth in stay-over visitors than cruise passengers, until a precipitous decline in both categories of tourists in 2020 due to the COVID-19 pandemic. Cruise passenger arrivals fluctuated over the ten-year period 2010-2020 but enjoyed steady growth between 2016 to 2018 increasing from 587,421 passengers in 2016 to 786,743 passengers in 2019, followed by a 62 per cent decline in 2020 to 267,562 passengers. Stay-over visitors grew steadily from 318,626 stay-over arrivals in 2013 to 423,736 stay-over arrivals in 2019, followed by a decline of 69 per cent to 130,699 stay-over visitors in 2020. **Figure 3** highlights the trends in cruise passenger and stay-over visitors for the period 2010 to 2020.

Figure 3- Cruise Passengers vs Stay-over Visitors 2010- 2020



Data Source: ECCB

¹³ <https://wtcc.org/Research/Economic-Impact>

¹⁴ Tourism Strategy and Action Plan 2020-2030 FINAL (October 2019)

When cruise calls and yacht calls data are compared, the number of cruise calls are far less than the number of yacht calls (**See Table 1**). While cruise ships bring large passenger volumes for a few hours, the economic impact is relatively small. For example, 786,743 cruise passengers represented 5.6 per cent of the total visitor expenditure in 2019.

A 2018 study entitled, *Saint Lucia in the Cruise Tourism Global Value Chain* found that only 48 per cent of cruise passengers would be willing to return to the island for a land-based vacation in the next three years, while 62 per cent would recommend the island. Cruise passenger had a less favourable impression of the island when compared with their stay-over counterparts. The latter overwhelming satisfied and would recommend the island. It was also found that the average amount spent by cruise passengers on food and beverage in Saint Lucia is less than half the regional average (Duke University, 2018)¹⁵.

While available data for Saint Lucia’s yachting sector is dated (most recent 2002) the multiplier effect and value added to the local economy exceeds the contribution of the cruise sector due to the following:

- A longer length of stay;
- The direct employment generated at the marina for provisioning and repairs;
- The indirect employment generated in the various tourism sub-sectors e.g., tours, taxi services, car rentals, restaurants, supermarkets, laundry services, fuel operations, financial services; and
- Participation in community-based tourism activities.

Table 1- Cruise Calls, Yacht Calls and Visitor Expenditures 2015-2020

	2015	2016	2017	2018	2019	2020
Number of cruise ship calls	387	381	423	370	372	174
Number of yacht calls	10,090	9,917	10,709	9,913	9,618	3,476
Total Visitor Expenditure (US\$ million)	768.1	750.6	855.6	923.2	1022.1	n.a
of which Cruise Expenditure (US\$ million)	19.7	41.5	47.2	55.5	57.4	n.a

n.a. not available, Data Sources: ECCB and CTO

¹⁵ Duke University (2018). St. Lucia in the Cruise Tourism GVC. Duke Global Value Chain Centre <https://gvcc.duke.edu/cggclisting/saint-lucia-in-the-cruise-tourism-global-value-chain/>

The analysis of data for the period 2010 to 2020 revealed that the USA, has consistently been Saint Lucia's main tourism source market, and stay-over arrivals have consistently grown since 2015. A similar growth pattern can also be observed for the Caribbean, which was Saint Lucia's second largest source market from 2017 to 2019. During the pandemic, Caribbean travel demand was significantly suppressed, and stay-over arrivals from the regional market in 2020 was outstripped by the UK market. Prior to 2015, the United Kingdom was Saint Lucia's second largest source market. **Table 2** illustrates stay-over visitors from Saint Lucia's main source markets from 2015 to 2020 and **Figure 4** demonstrates the percentage share of major source markets in 2020.

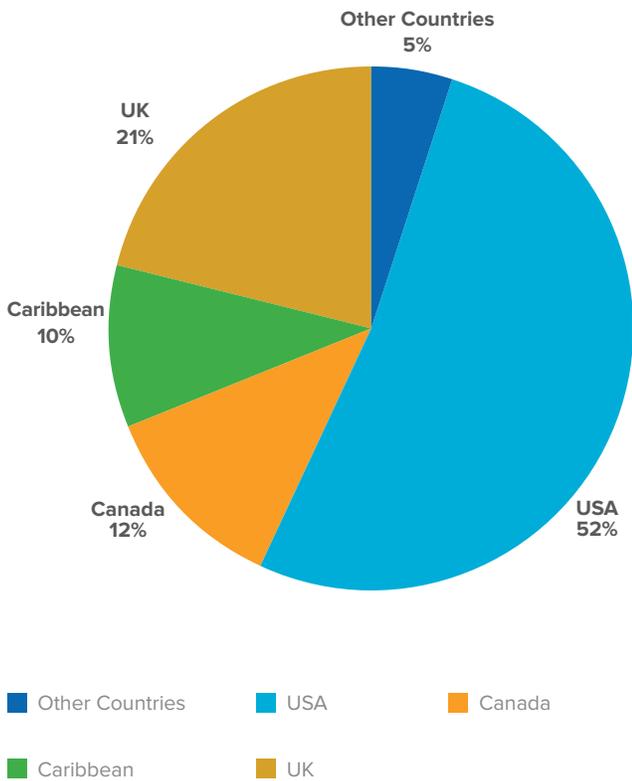
During the pandemic, Caribbean travel demand was significantly suppressed, and stay-over arrivals from the regional market in 2020 was outstripped by the UK market.

Table 2- Stay- over Visitors by Source Markets 2015-2020

	2015	2016	2017	2018	2019	2020
No. Stay-over Visitors - Other Countries	22,573	20,784	26,397	25,804	26,645	7,190
No. Stay-over Visitors - USA	152,738	157,576	168,223	175,073	191,719	67,888
No Stay-over Visitors – Canada	38,677	37,772	42,578	40,213	40,872	15,272
No. Stay-over Visitors – Caribbean	62,745	67,226	76,349	77,548	83,493	12,571
No. Stay-over Visitors – UK	68,175	64,514	72,580	76,142	81,007	27,778
Total Stay-over Visitors	344,908	347,872	386,127	394,780	423,736	130,699

Data Source: ECCB

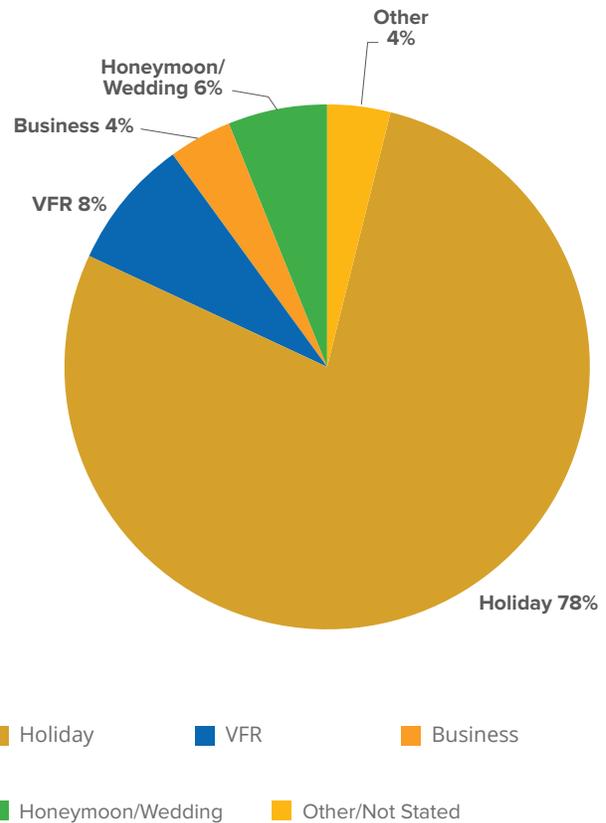
Figure 4- Distribution of Stay-over Visitors by Source Market in 2020



Data Source: ECCB

Leisure is the main motivation for travel to Saint Lucia. Almost 80 per cent of the visitors to the island in 2019 travelled for holiday. Visiting, Friends and Relatives (VFR) and Honeymoon and Weddings were second and third reasons respectively, for travel to the island in 2019. See **Figure 5**.

Figure 5- Tourist Arrivals by Main Purpose of Visit 2019



Data Source: CTO

Saint Lucia collects detailed data on visitor expenditure and is able to analyse and report on average daily expenditure, expenditure by source markets and expenditure by categories of items along the tourism value chain. This places Saint Lucia in an excellent position to make data driven tourism policy decisions, design specific market strategies and to identify business and related product development opportunities.

Recent (preliminary) data collected by the Saint Lucia Tourism Authority (SLTA) on average visitor spend on specific times for the first two quarters

of 2021 is highlighted in **Table 3**. Accommodation, Food and Beverage and Tours are the top three expense items for visitors.

Table 3 – Visitor Expenditure by Item January – June 2021

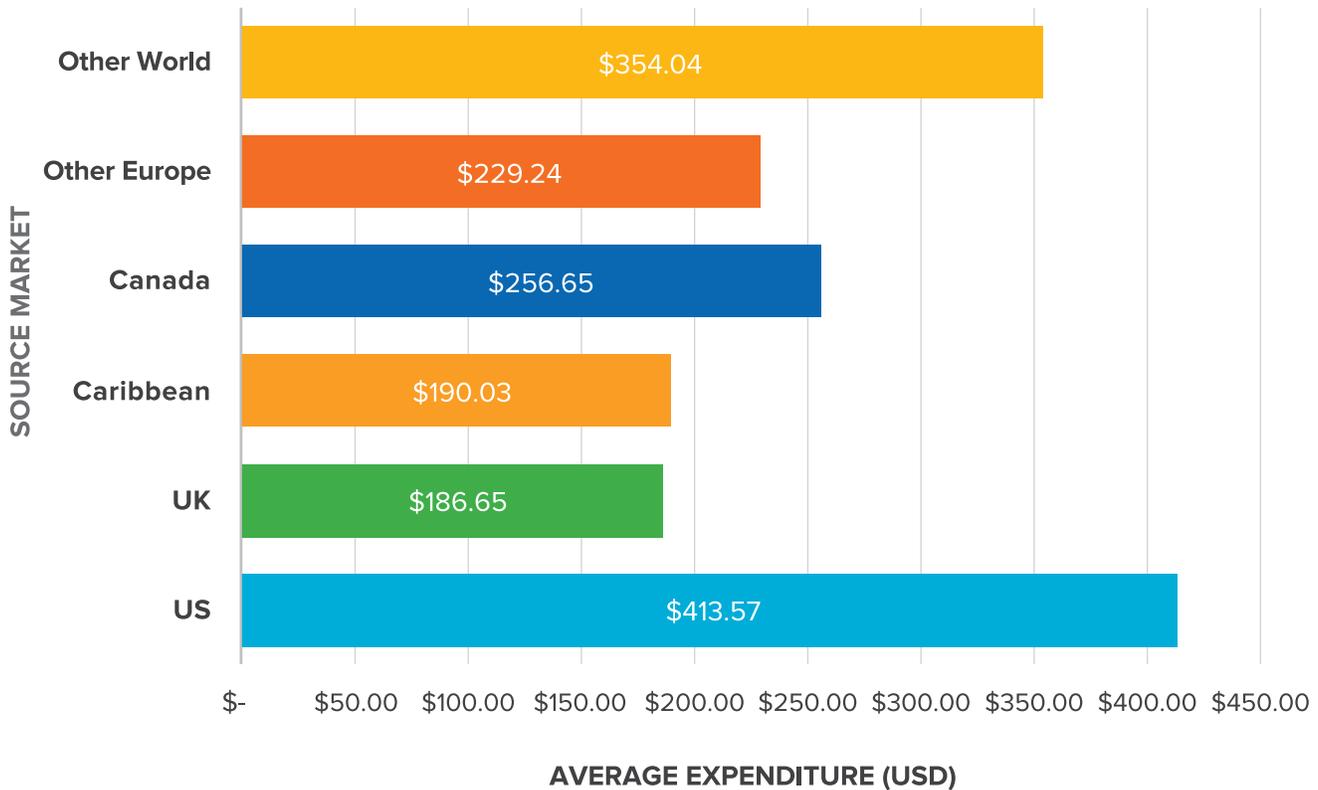
Item	Share	Expenditure (USD)
Accommodation	66.4%	129,027,059
Food & Beverage	13.7%	26,649,290
Entertainment	2.5%	4,885,863
Transportation	4.3%	8,431,590
Tours	10.1%	19,622,566
Other Shopping	2.1%	4,020,408
All other spending	0.8%	1,555,900
Total	100%	194,192,677

Source: SLTA

The average expenditure for the first two quarters of 2021 reveals that the US market, the island's main source market, has the highest average visitor

spend when compared to all other source markets. **See Figure 6.**

Figure 6 – Expenditure by Source Markets January - June 2021



Data Source: SLTA

2.2.3 Impact of COVID-19

Like many destinations in the region and internationally, Saint Lucia was severely impacted by the COVID-19 pandemic. According to WTTC (2021), Saint Lucia’s Travel & Tourism employment levels were down 34.3 per cent and GDP by 71.7 per cent in 2020 when compared to 2019¹⁶. Women and the informal sector were severely affected, as female workers account for 57.4 per cent of the accommodation and food services and 59% of the wholesale and retail sectors.

Overall, the level of employment in Saint Lucia is 83.7 per cent of the average labour force (2008-2019) of 83,977, of which 39,153 (47.6%) are women. Based on the most recent data (2009), 27.3 per cent of the labour force is informally employed

and these workers are responsible for as much as 8 per cent GDP. The main occupations in the informal sector include service and craft jobs, and small-scaling farming. These informal workers often cannot benefit from social support programmes if they are not part of the National Insurance Scheme (NIS). However, the Government’s COVID response did not neglect non-contributors. Actions taken by the Government during the pandemic included public health measures, border closures, curfews, a state of emergency and school closures. The response was combined with a Social Stabilisation Plan which featured income support (Economic Relief Programme) by the National Insurance Corporation (NIC) for contributors and an Income Support Programme for non-NIC contributors of XCD 500 monthly for 3 months (April to June 2020). Additionally, the Economic Recovery and Resilience Plan provided

¹⁶ <https://wtcc.org/Research/Economic-Impact>

support to the business sector through credit and liquidity support, as well as, supporting vulnerable households. Saint Lucia also acquired, among other financial support, the IMF Rapid Credit Facility USD 29 Million to support its COVID-19 Response Initiatives (UNDP, UNICEF and UN Women, 2020)¹⁷.

While the pandemic is still on-going, Saint Lucia has reaped the dividends from being one of the first Caribbean countries to relaunch tourism and reopen its borders in June 2020 with stringent COVID-19 measures, including visitor testing requirements and certification.

Data from the Saint Lucia Tourism Authority as at August 2021, points to a 525 % increase in stay-over arrivals between the 8-month period January to August of 2021 when compared to the similar period in 2019. However, 2021 cruise arrivals are yet to rebound, and was down 98.7 % from 2019, for the period January to August.

2.3 International & Regional Trends

The World Tourism Organisation (UNWTO) reported a modest improvement in international tourism arrivals in June and July 2021. However, for the first seven (7) months of 2021 arrivals were 40 per cent below 2020 levels, and down 80 per cent pre-pandemic levels of 2019. Small islands in Africa, Asia and the Pacific, and the Caribbean, as well as a few small European destinations, recorded the best performance in June and July, with arrivals coming close to, or sometimes exceeding pre-pandemic levels. The UNWTO Panel of Experts continue to expect a rebound in 2022, driven by unleashed pent-up demand, mostly during the second and third quarter of that year (UNWTO, 2021).¹⁸

According to the World Travel and Tourism Council (WTTTC), which represents the global Travel & Tourism private sector, the Caribbean's Travel & Tourism sector is recovering at a faster rate than any other region in the world, with its contribution to GDP expected to rise more than 47 per cent this year, compared to just 30.7 per cent globally. The Caribbean is now benefiting from more relaxed restrictions around the world and low infection rates, which is in turn boosting international travel spend

and aiding the region's swift economic recovery. While the global economy is set to receive a modest 30.7 per cent year on year increase from Travel & Tourism in 2021, representing USD 1.4 trillion and is mainly driven by domestic spending, the Caribbean region can expect a year-on-year increase of 47.3 per cent, representing an increase of nearly USD 12 billion, driven by both international and domestic travel spend. However, while the Caribbean is recovering faster than other regions, this is still below its performance in 2019, a record year for the sector, where Travel & Tourism represented more than 14 per cent of the region's GDP contributing more than USD 58 billion to its economy.

WTTTC's research reveals that at the current rate of recovery, Travel & Tourism's contribution to the Caribbean economy could see a further year-on-year rise of 28.7 per cent in 2022, representing a boost of USD 10 billion.



After 680,000 Travel & Tourism jobs were lost in the Caribbean in 2020, a 12 per cent rise in jobs (compared to 0.7% globally) is expected this year, with a similar potential year-on-year jobs rise across the sector in 2022 by 11.5 per cent (WTTTC, 2021)¹⁹.

The CTO expects 2021 tourist arrivals to the region to exceed 2020 levels by 60 to 70 per cent but still 23.3 per cent below 2019 levels.

¹⁷ UNDP, UNICEF and UN Women 2020. Saint Lucia COVID-19 Heat Report: Human and Economic Assessment of Impact.

¹⁸ World Tourism Organization (2021). World Tourism Barometer. Volume 19 (5) September 2021.

¹⁹ World Travel & Tourism Council. Caribbean Travel & Tourism sector recovering faster than any other region in the world. <https://wtcc.org/News-Article/Caribbean-Travel-and-Tourism-sector-recovering-faster-than-any-other-region-in-the-world>

3. FOCUS AREA I: DIGITAL TRANSFORMATION OF MSMEs IN THE TOURISM SECTOR

3.1 Overview

The tourism and hospitality industry has long been transformed by Information and Communications Technologies (ICT). The industry continues to use innovative ICT tools along the tourism value chain- from the Online Travel Agencies (OTAs), to pre- and in-trip virtual tourism experiences, to artificial intelligence, to geo-tagging, to social media, and contactless transactions. The industry continues to innovate in the pandemic era, using ICT tools to map and control the risk of diseases by contact tracing, mapping COVID-19 hotspots and sending mobile alerts for tourists and residents to avoid crowded areas and practice social distancing.

The use and adoption of digital technologies provide new opportunities to improve productivity and increase the market access of the private sector. Many MSME that had the capacity to improve their on-line presence during the pandemic, did so, others were unable to transition largely due to a lack of know-how, devices and/or connectivity.

On the public side, digital technologies increase the efficiency of public expenditure and enhance the cost effectiveness of public services. Overall, digital technologies have been proven to boost growth, expand opportunities and improve service delivery (World Bank, 2020)²⁰.

The COVID-19 pandemic created innovation in the private and public sectors, where many services became accessible and payable online. Simultaneously, the move to more online services brought the digital divide into greater focus, as those without connectivity were left behind, even registration for COVID-19 vaccines in some Caribbean territories were initially on-line, which meant only those who were connected moved ahead in the queue, irrespective of health or age vulnerability. The education sector also continues to be challenged globally, where disadvantaged communities, cannot easily adapt from face-to-face learning to on-line learning, whether synchronous or asynchronous, due to the lack of connectivity and/or devices.

The International Telecommunication Union (ITU) views technology as a major accelerator of economic growth and development and an important driver of progress towards the 17 SDGs. Their 2020 edition of Measuring Digital Development: Facts and Figures highlights some global trends:

- **Mobile phone ownership widespread-** Ownership of mobile phones has been shown to be an important tool to empower women. In almost one third of the economies for which data are available (31 out of 69), women's mobile phone ownership is close to parity with that of men.
- **Rural areas continue to face greater challenges** than people in urban areas in terms of remaining connected during lockdowns, especially in developing economies. Large swathes of the rural landscape are still not covered by mobile broadband networks, and fewer house-holds in these areas have access to the Internet.
- **The rollout of communications infrastructure is slowing-** observed since 2019 but too early to say if it has stalled because of the pandemic.

²⁰ World Bank (2020). Acceleration Digital Transformation in Zambia. Digital Diagnostic Report. The World Bank

- **Mobile cellular subscriptions have been declining** for the first time in history, and the growth in mobile broadband subscriptions is levelling out. It is uncertain if this is due to the COVID-19 crisis.
- **Young people are enthusiastic adopters of technology** and have relatively high levels of Internet use. This trend is observable where connectivity is available and affordable. Young people aged 15 to 24 have a 70 per cent usage rate. This trend is encouraging in view of the fast-growing youth demographic in much of the developing world.
- **International bandwidth usage growth accelerated in 2020.** International bandwidth usage is estimated to have grown globally by 38 per cent. Growth of international bandwidth usage in developing countries outstripped growth in developed countries (ITU, 2020).²¹

Recent research by the ITU (2021) points to gender parity in Internet usage in the Americas, a region of 35 countries, which includes Saint Lucia and 15 other Caribbean SIDS. In fact, a very small inverse

gender gap was observed in the Americas region in 2020, where an average 77 per cent of women and 76.3 per cent of men used the Internet. The ITU also noted that the COVID-19 pandemic has had an accelerating impact on digital development in the Americas region in many sectors, including retail, public services, education, health, and agriculture²².



The World Bank has identified 5 key levers that drive the growth of a digital economy and serve diagnostic tools. These levers- digital infrastructure; digital skills, digital entrepreneurship, digital platforms, and digital financial services- are the foundation of digital transformation opportunities that can be applied in many social and economic sectors such as tourism and agriculture. **Table 4** presents the digital economy levers and a description. These levers have been used to provide a digital diagnostic for Saint Lucia in Section 3.2.

Table 4- World Bank's Digital Economy Levers

DIGITAL ECONOMY LEVERS	DESCRIPTION
Digital Infrastructure	Examines connectivity (mobile and Internet), the Internet of Things (mobile devices, computers, and geospatial instruments) and data repositories (e.g., data centres and clouds).
Digital Skills	User skills for effective use of ICT tools, systems, and devices. Business skills to identify how digital technologies can create new opportunities or new business models.
Digital Entrepreneurship	The process of designing, launching, and running a new business, new product, or new service, where creating or using digital technology is a driver of new value creation.
Digital Platforms	Digital channels that offer products and services including government services and systems, as well as commercial platforms products and services.
Digital Financial Services	Provides individuals and households with convenient and affordable digital channels through which to pay, save, borrow, and insure. This can be firms or government digital channels that transact with customers and suppliers.

Source: World Bank (2020)²³

²¹ Measuring Digital Facts and Figures 2020. International Telecommunications Union. <https://www.itu.int/en/itu-d/statistics/pages/facts/default.aspx>

²² ITU (2021) Digital Trends in the Americas 2021. International Telecommunications Union

²³ World Bank (2020). Acceleration Digital Transformation in Zambia. Digital Diagnostic Report. The World Bank

3.2 Grenada’s Digital Economy

Saint Lucia is among four beneficiary EC countries for the World Bank (WB) funded Caribbean Digital Transformation Project (CARDTP) being implemented by the OECS Commission. USD 15 million has been allocated to Saint Lucia for the implementation of national project activities. The development objective of the project is to increase access to digital services, technologies and skills by governments, businesses, and individuals in the participating countries. The project entails three components:

- **Component 1:** Digital Enabling Environment- aims to support the development of a positive enabling environment for the region’s digital economy that drives competition, investment and innovation while promoting trust and security of online transactions.
- **Component 2:** Digital Government Infrastructure, Platforms and Services- aims to support public sector modernization, resilience, and delivery of digital public services to individuals and businesses.
- **Component 3:** Digital Skills and Technology Adoption- aims to better equip individuals and businesses across the region for the jobs and economy of the future and to spur innovation and productivity growth.²⁴

According to the WB (2021), the annual work plan for Saint Lucia focuses on responding to the immediate needs emerging from the COVID-19 pandemic and investing in modernizing and strengthening the government’s digital infrastructure to support public sector modernization efforts and better enable secure remote working²⁵.

Digital infrastructure - data compiled by the ITU (2021)²⁶ demonstrates that Saint Lucia has relatively low mobile broad band subscription and just over half the population using the Internet (based largely on 2019 data):

- 42.5 active mobile broadband subscriptions per 100 inhabitants

- 18 fixed-broadband subscriptions per 100 inhabitants- this is greater than the global average
- 102 mobile cellular subscriptions per 100 inhabitants – this performance is middle of the range in the Americas. Saint Kitts and Nevis and Antigua and Barbuda are regional front-runners with 148 and 193 subscriptions, respectively
- 51 percent of individuals use the Internet (compared to 81 percent in Saint Kitts and Nevis and less than 30 percent in St Vincent and the Grenadines)

Digital skills assessment is highly subjective as it often based on self-reporting. The ITU considers the value for basic ICT skills as the average value of available recent data for 4 computer-based activities: copying or moving a file or folder; using copy and paste tools to duplicate or move information within a document; sending e-mails with attached files; and transferring files between a computer and other devices. Using either ITU’s definition or WB’s definition of digital skills, in the absence of data, an assessment of digital skills for Saint Lucia’s tourism MSMEs cannot be made. Tourism officials should conduct a survey of tourism MSMEs to assess their digital skills and design training accordingly.

Digital entrepreneurship- It is anticipated that the CARDTP will enhance digital entrepreneurship in all sectors as it is expected to contribute to increased digital connectivity, digital public services and the creation of technology-enabled businesses and jobs. Training provided as part of the UNDP-FUT Tourism Project would have also enhanced tourism MSMEs’ ability to transform their on-line presence, service delivery and product offerings however, a comparatively low Internet usage by the population stymies digital entrepreneurship.

Digital Platforms and Digital Financial Services- Saint Lucia is ranked 112 out of 193 countries globally on the 2020 United Nations E-Government Survey and is considered in the middle group of countries on the Online Services index (OSI). The OSI

²⁴ <https://www.oecs.org/en/our-work/knowledge/library/projects/caribbean-digital-transformation-project-cardtp>

²⁵ <https://projects.worldbank.org/en/projects-operations/project-detail/P171528>

²⁶ ITU (2021) Digital Trends in the Americas 2021. International Telecommunications Union

assesses the national online presence of all 193 United Nations Member States. Since the last survey (2018) Saint Lucia moved from the middle country group to high group on the E-Government Development Index (EGDI), representing strides in e-government development²⁷.

Saint Lucia is also one of the pilot countries for the implementation of the Eastern Caribbean Central Bank's (ECCB), DCash, a digital version of the EC dollar. The pilot was launched on 31st March 2021. DCash provides an opportunity for businesses, including tourism MSMEs, to conduct financial transactions, including receive instant payments from customers through smart devices. With a significant intra-Caribbean tourism market and tourism becoming increasingly contactless, digital payment platforms such as DCash can be a potential game changer. The participating financial institutions and agents for DCash in Saint Lucia (as at December 2021) are:

- 1st National Bank Saint Lucia Limited
- Bank of Saint Lucia
- Jannou Credit Union
- Penny Pinch Inc
- Capita Financial Services

According to the ECCB, there were less than 3,000 DCash users as at December 31, 2021, and between 11- 20 % of these users were utilising DCash Merchant (based on the response to the Consultant's questionnaire). After a 12-month implementation period the ECCB will assess the potential efficiency and welfare gains that could be achieved, i.e., deeper financial inclusion, economic growth, resilience, and competitiveness in the currency union.²⁸

3.3 Stakeholder Perspectives

The tourism MSME interviewed for this diagnostic study was gravely impacted by the COVID-19 pandemic and to date, has ceased all business operations with the hope to resume in 2022. Her business offered a nature tour and a farm-to-table experience. A website is currently being developed in preparation for the re-opening of the business. The tourism MSME interviewee shared her plans for the business and challenges with getting staff to adopt and adapt to new technologies:

“We are working on our website, as well as when the business is up and running, we are looking to go all digital... I really wanted to put measures in place and to have Quickbooks and I sent persons on training. You will find them every day on Facebook, but when it comes to the real thing they will not be interested. Staff was more interested in the marketing side of things than upgrading their digital skills for the business accounting. I wanted the staff to be more involved, and you know, to have a presence (on social media) on a daily basis posting something if somebody comes, and you know. These are the things that I wanted to do but I came cross a lot of opposition with a lot of staff”.

Tourism MSME Interviewee

The business owner recounted that when she initially started operations in 2014, staff did not have bank accounts and they had to be convinced to open accounts, which later made it easier for the owner to make contributions to the NIC. One employee expressed the view that a manual system was more accurate than a computer.

Tourism officials expressed that the age-group of some of the local tourism operators was a contributory factor to slow technology adoption and the digital transformation of their businesses. Additionally, some lacked devices and/or lacked connectivity. However, government officials felt that part of the problem was awareness, and this could be addressed through capacity development.

“For some of these MSMEs, the devices are not sophisticated enough to allow them to manoeuvre a platform so they may need some upgrading or they may need to replace their devices. There may be cases where they might need assistance to invest in devices.”

Senior Tourism Officer, Ministry of Tourism

²⁷ United Nations E-Government Survey 2020. Digital Government in the Decade of Action for Sustainable Development.

[publicadministration.un.org/egovkb/Portals/egovkb/Documents/un/2020-Survey/2020%20UN%20E-Government%20Survey%20\(Full%20Report\).pdf](https://publicadministration.un.org/egovkb/Portals/egovkb/Documents/un/2020-Survey/2020%20UN%20E-Government%20Survey%20(Full%20Report).pdf)

²⁸ <https://www.dcashec.com/about>



The COVID-19 pandemic accelerated the Ministry of Tourism’s own digital transformation. The Ministry’s leadership and example in this regard could help to increase the rate at which technology is adopted and incorporated into the business operations of the various tourism sub- sectors:

“COVID has in some way fast tracked our own efforts at leveraging the opportunities within the digital economy. First of all, we developed a Ministry of Tourism website that allows businesses to transact on that platform and has actually allowed us to provide support. We are facilitating certification of businesses because it is a requirement for them to resume operations in this COVID era. The platform allows businesses to submit all their documentation and even those that wish to access incentives. The website is really all encompassing, and it has been used as part of our certification of businesses. At the moment, with the resumption of cruise activities, we are working with some operators on the stlucia.org portal where this QR Code allows passengers to select the various tours that are available as part of a bubble. We’re currently working with some operators in designing this...establishing this platform that will allow passengers to access various tours so they can have a more enhanced experience while in the destination.”

Director Product Development, Ministry of Tourism

The Ministry of Tourism is also working with one of the tourism transport associations to develop their website to facilitate e-commerce. Officials stressed that a lack of awareness and appreciation for the opportunities that a digital presence can provide is challenging with older operators but younger entrants to the tourism industry are already oriented towards having a digital footprint.

3.4 Strengths, Weaknesses, Opportunities and Threat (SWOT) Analysis

A SWOT Analysis is a useful and simple tool that gives a snapshot of key issues. A SWOT Analysis for key digital transformation issues in the tourism sector is summarized in **Table 5**. When the Digital Economy Levers are analysed in the context of the tourism MSMEs, there are significant opportunities for digital skills development and digital entrepreneurship in Saint Lucia, and this was recognized by the tourism MSME interviewed for this report.

Revamp school curricula to enhance digital skills at all levels- from early childhood to primary to tertiary, as well as, in academic and vocational programmes.

Table 5- SWOT Analysis for Digital Transformation of Tourism MSMEs



3.5 Policy Interventions

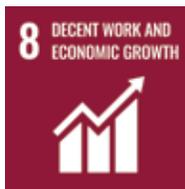
It is often difficult in SIDS to separate tourism players from non- tourism players, as many businesses are directly or indirectly connected to the tourism sector. Additionally, tourism has many inter-sectoral linkages, therefore, a whole-of society approach is needed when an area significantly impacts the population and digital transformation is an area of development that will impact all businesses, government, and society. The following proposed policy interventions will impact all levels of society including tourism MSMEs:



- **Incentivise Digitalization:** Provide tax incentives for private citizens and businesses to acquire digital devices and tax credits and/ or other forms of financial support for MSMEs to digitize their accounting systems, improve online presence including website development, e-commerce, and inventory management.
- **Re-design Training:** The Ministry of Tourism Investment, Creative Industries, Culture and Information and the Saint Lucia Tourism Authority, as well as the Saint. Lucia Hospitality Association, should ensure that entrepreneurial skills development for the tourism sector incorporates digital skills and demonstrable opportunities for digital entrepreneurship. Train-the-Trainer programmes should be rolled out for MSMEs to ensure wide and fast capacity development.
- **Flexible and Targeted Programmes:** Revamp school curricula to enhance digital skills at all levels- from early childhood to primary to tertiary, as well as, in academic and vocational programmes. Ensure women and and marginalized communities have access

and digital literacy; and rural and urban children have equal opportunities to gradually transition to blended learning environments.

- **Improve Access:** Create ICT hubs with free Internet and access to devices in marginalized communities. Hubs may be sponsored by large business including those in the tourism and hospitality industry.



Additional Resources

- Giga Project in the OECS <https://gigaconnect.org/oeecs/>
- Connect2Recover <https://www.itu.int/en/ITU-D/Pages/connect-2-recover.aspx>
- Caribbean Tourism Organization’s Digital Tourism Toolkit <https://www.onecaribbean.org/resources/digital-tourism-toolkit/>

4. FOCUS AREA II: DIVERSIFICATION OF THE PRODUCT OFFERING: PRODUCT AND MARKET DEVELOPMENT

4.1 Overview

Saint Lucia's Tourism Strategy & Action Plan 2020-2030 is focused on value over volume-balancing visitor value and diversifying the product towards a more appealing stayover prospect. The strategy speaks to the need to minimise tourism's pressure on the island's natural resources, to ensure the sustainability of tourism, and to improve the quality of life of residents. As part of the Ministry's commitment to sustainable tourism development, it has published a Low Carbon and Resource Efficient Action Plan for the Accommodation sector in Saint Lucia which ultimately seeks to decouple tourism growth from carbon emissions.

According to the Tourism Strategy, Saint Lucia will be positioned as the "most spectacular island in the Caribbean" with seven (7) segments identified for mid-long term growth opportunities- Inclusive relaxers, Luxury relaxers, Domestic and Regional relaxers, Romantics, Explorers, MICE (Meetings, Incentives, Conferencing and Exhibitions) delegates, Adventure Sport Enthusiasts. Identified gaps related to product diversification were:

- Quality and diversity of hospitality services and amenities- poor accommodation diversity (domination of the all-inclusive hotel sector)
- Quality and diversity of experiences and attractions together with limited island wide distribution of the product
- Demand conditions- lack of a focused marketing strategy

Policy makers have recognised some of these gaps and are working towards improving the visitor experience- developing new products and improving sites and attractions; and building awareness in the local population to make tourism more inclusive and to encourage more local entrepreneurship in the sector. However, the marketing strategy is still in need of revamping.

The 2020-2030 Tourism Strategy recommends positioning Saint Lucia as the "most spectacular island in the Caribbean", but this is not adequately

distinctive. There should be a positioning strategy that conjures up an image of relaxation and renewal. Data cited earlier in Section 2 of this report showed that holidays, the visiting, friends and relatives, and weddings and honeymoons are the main motivations for travel to Saint Lucia. The MICE market is not significant and while there may have been global growth opportunities before the pandemic and possibility post-COVID-19, Saint Lucia has to ensure that there is tourism market segment compatibility, for example, MICE delegates are incompatible with Romantics.

4.2 Product & Market Trends

At the international level, the growth in nature-based tourism and outdoor recreation, also serves to enhance the wellness market. According to Winter et al (2019) nature-based tourism and outdoor recreation provide benefits to individuals, communities, and society and thereby contribute to sustainability. These tourism niches support conservation and provide mental and physical health benefits²⁹ – benefits that have been amplified since the COVID-19 pandemic. Beyond the opportunities for MSMEs in the travel trade, there also opportunities to grow the food and beverage sub-sector through agro-processing and the provision of products to support the wellness market. Saint Lucia is already well-positioned to capitalize on this product offering for its "relaxers", "romantics" and "adventure" target segments.



The CEO and founder of Responsible Travel, Justin Francis believes that post-pandemic trends will see an increasing role for expert tour guides who can provide opportunities for tourists to gain experience about traditional crafts, cooking skills and receive personalized and inclusive tours. There will be a focus on nature and small islands, as people will increasingly crave space and a slower pace. While there will be a greater tendency to

travel close to home, getting off the beaten track will appeal to the majority, and tourists will attach increasing value to sustainability measures³⁰. These trends are consistent with the 2022 trends in changing consumer behaviour and travel demand identified by a WTTTC and Trip.com Group Report³¹ and research conducted by Google and Ipsos³². **Figure 7** represents the author's compilation and analysis of the trends identified in the reports.

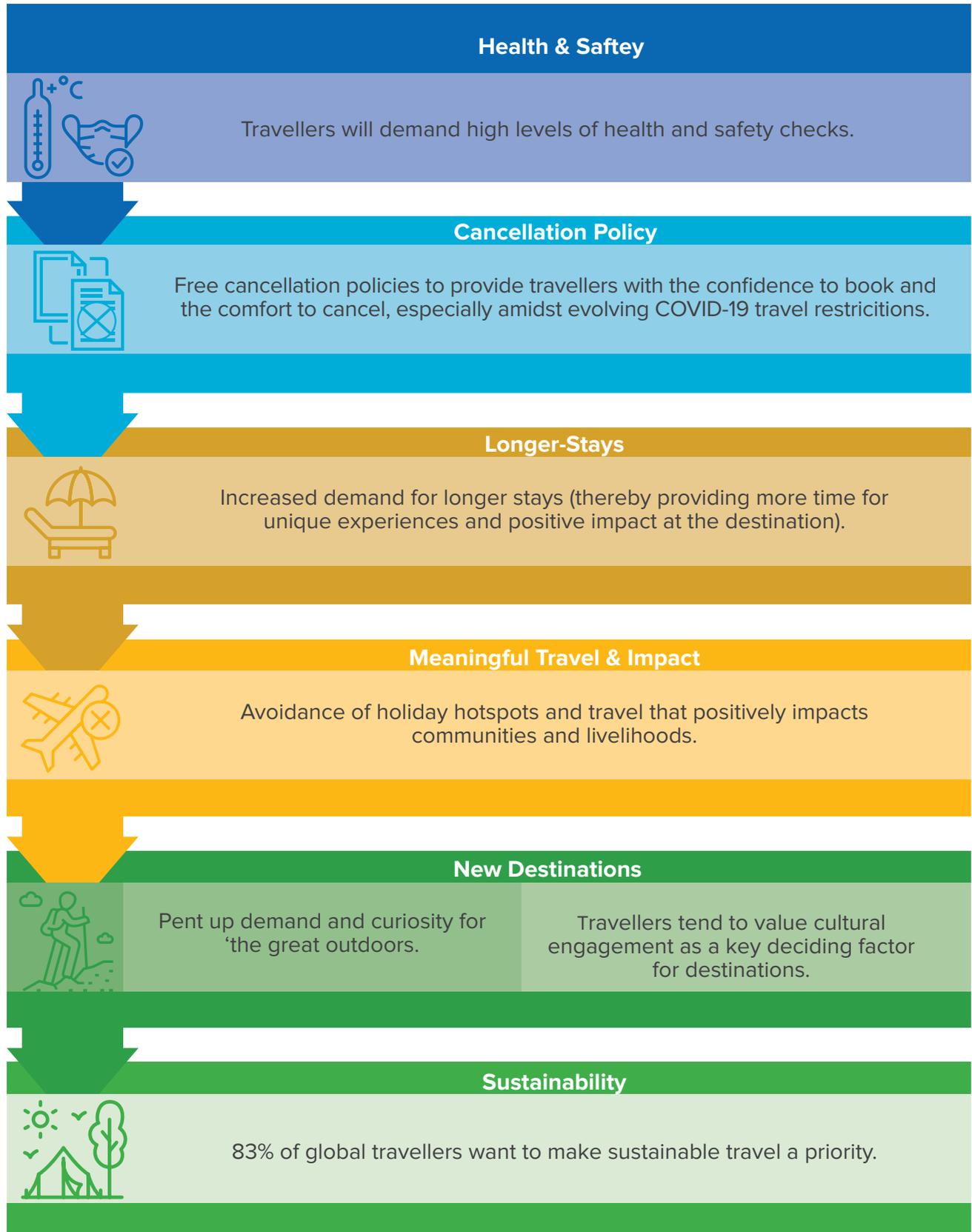
²⁹ Winter et al (2009). Outdoor Recreation, Nature based tourism and Sustainability. Sustainability 2020 12, (81) pp. 1-12 d Sustainability. Sustainability 2020 12, (81) pp. 1-12

³⁰ Top 10 Travel Trends 2021 <https://www.responsibletravel.com/copy/travel-trends>

³¹ <https://wttc.org/News-Article/New-report-from-WTTC-and-Trip-com-Group-reveals-latest-consumer-trends-and-the-shift-in-traveller-behaviours>

³² <https://traveltalksplatform.com/google-highlights-2022-travel-trends/>

Figure 7 - Major Trends in Consumer Behaviour and Travel Demands in 2022



Research conducted in 2019 by the Compete Caribbean Partnership Facility (CCPF) entitled, ***Diversification of Caribbean Tourism Experiences***³³ (even though the research was conducted before the COVID-19 pandemic) provides some useful insights that can be beneficial to the further development of Saint Lucia’s tourism product offering. The CCPF report identified four (4) Community Based Tourism (CBT) activities for Caribbean MSMEs to prioritize based on high benefits and high US interest:

- **Local tourism**- community experiences with local people.
- **Food and beverage tours**- rum, coffee and chocolate tours.
- **Traditional Cuisine**- Offered at family-run or local restaurants.
- **Farm to Table**- Culinary experience involving locally grown and prepared food.

Saint Lucia has already targeted three communities- Gros Islet, Soufriere, and Canaries- for its village tourism concept which is synonymous with CBT. Rum distillery, cocoa and chocolate tours are current product offerings that Saint Lucia can innovate. The CCPF research also highlighted that beach tourism will continue to remain a feature of Caribbean tourism, as sun, sea and sand are still motivating factors for travel to the Caribbean, but other factors highlighted earlier, are fast emerging. Tourists expressed a preference for transportation to be combined with packaged activities and were generally willing to pay more than current prices, as much as, USD 300 per CBT activity.

4.3 Stakeholder Perspectives

The tourism MSME interviewee thought Saint Lucia target segments (identified in the island’s current tourism strategy) were “quite impressive” but stressed the need for sustainability, product diversification and diversification of the local economy. She felt that there was an over-reliance on tourism. The business owner was a big proponent for the development of village tourism (CBT), which could make tourism in Saint Lucia more inclusive, and suggested that Saint Lucia should develop and promote more farm-to table experiences.

“They have brought in village tourism, but my argument is this - if you’re bringing in village tourism, it has to be sustainable. when you look at the economy and the way things are going...when it comes to having economies in the Caribbean in particular, we don’t necessarily have to be totally reliant on tourism, I think that with the advent of COVID it showed that we definitely need to have more than one...you know...income. We truly need to diversify, looking at other avenues rather than only relying solely on tourism. There are so many dishes from farm to table- it’s becoming a huge thing and why not show what we have in terms of manufacturing certain foods, growing certain foods that are important and cut down on importing some foods- foods we should have been manufacturing ourselves, growing ourselves”.

Tourism MSME Interviewee

Policy makers indicated that there were several initiatives geared towards providing an environment conducive to product and market development that protects its ecological assets and grows tourism in a sustainable manner:

- **Developing a Maritime Strategy:** aimed at revitalizing the yachting sector and reaping significant economic benefits from the sector given their higher spend and the longer stay of yachties. Also repositioning Saint Lucia as a cruise destination by offering new experiences and new tours. Part of the new experiences include a beach enhancement project which would offer more diversified beach experiences for the yacht and cruise sectors.
- **Building on the Extended Stay Visitor Programme** – to attract digital nomads
- **Creating a Legislative Framework for Village Tourism:** This includes the establishment of a Village Tourism Company to oversee the development of CBT products.

³³ <https://www.competecaribbean.org/documents/diversification-of-caribbean-tourism-experiences/>



- Developing and enhancing the blue economy through the establishment of new products and a beautification project within one of the main touristic hubs. It is expected to provide a renewed opportunity for linkages related to yachting, dining and maritime activities and support investment in improving the management of assets and building climate resilience.

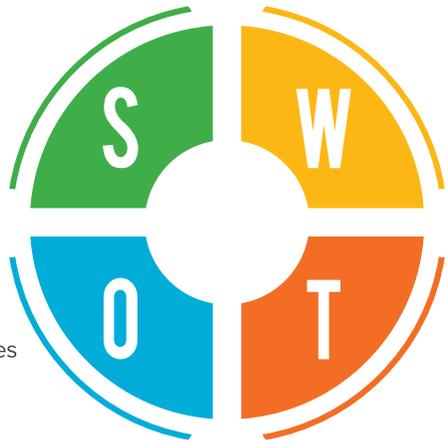
Rum distillery, cocoa and chocolate tours are current product offerings that Saint Lucia can innovate.

4.4 Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis

A SWOT Analysis was conducted for Saint Lucia in order to determine the opportunities for diversification of the product offering- product and marketing

development. The opportunities are not limited to women owned MSMEs but to all MSMEs however, it is anticipated that women can benefit and make a significant contribution to CBT activities in Saint Lucia through traditional cuisine, cooking lessons, arts and craft and accommodation services. An assessment for tourism product diversification is provided in Table 6.

Table 6- SWOT Analysis for Tourism Product & Market Development



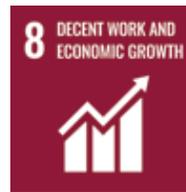
4.5 Policy Interventions

Saint Lucia appears to be on the right path in its attempts to address weaknesses and critical issues for the sustainable growth of the tourism industry on the island. The following interventions are not limited to agencies with responsibility for tourism, because strong inter-sectoral linkages are needed for the success of a destination:

- **Environmental Protection:** The cruise and yachting tourism are important components of Saint Lucia's tourism economy, but all forms of marine tourism come at cost to the environment, therefore, stringent measures must be in place to guard against coral reef degradation and seagrass damage; sewage, fuel, and lubricating oil pollution; and the preservation of designated marine protected areas.



- **Focus on Value over Volume, Packaging, and Inclusivity:** Product and market development should focus on attracting longer stay visitors and providing more authentic experiences. More emphasis needs to be placed on developing community-based tourism activities for domestic and international tourists, and growing the creative sector to support culture, heritage & the arts, as well as the events market. Inclusivity and the empowerment of women will be further enhanced through strengthening the on-line presence of tourism MSMEs, given that 70 % of visitors research a destination on-line, before booking.



- **Addressing adaptation to climate change within the tourism sector.** Resilience to climate change and disaster vulnerabilities have been recognized as areas of strategic importance for sustainability. Sectoral adaptation plans exist for some sectors, including tourism, therefore attention should be directed to implementing such plans.
- **Strengthening data management capacity** is a pivotal element to inform evidenced-based decisions and interventions.



Additional Resources

- Community Based Tourism Enterprise Handbook and Training Materials <http://ourtourism.onecaribbean.org/cbt-toolkit/>
- The Development of a Strategic Business Management Model for the Development of Heritage Tourism Products in the Caribbean <https://www.onecaribbean.org/content/files/CRSTDPHeritage%20Tourism%20Report.pdf>

5. FOCUS AREA III: STAKEHOLDER ENGAGEMENT AND REGIONAL COORDINATION

5.1 Overview

Tourism policy makers have recognized that the local population in Saint Lucia needs to have a bigger stake in the development and ownership of tourism. The development of village tourism is one attempt to create greater inclusivity and ownership, but more awareness building is needed to promote opportunities and guard against visitor resentment. This resentment can be manifested through criminal activities and visitor harassment. More equitable distribution of the tourism pie and access to opportunities is needed. While the Ministry of Tourism has been able to digitally transform its own operations, if tourism MSMEs do not have the ICT tools and training, the digital divide can exacerbate local conflicts about who benefits and who are excluded from economic opportunities. A holistic, whole of society approach is therefore needed.

The COVID-19 pandemic has strengthened the inter-Ministerial collaboration within the public sector, particularly amongst agencies with responsibility for Tourism, Health, Finance, Social Services and National Security. There has also been stakeholder engagement between the private and public sectors to advance health and safety protocols and the safe reopening of some economic sectors.

There has been heightened collaboration and coordination between international and regional organisations and national agencies within the Caribbean. Collaborative efforts by countries and institutions sought to provide technical, social, and financial support in response to the pandemic. As part of the FUT-Tourism Project, the UNDP Barbados and the Eastern Caribbean office has engaged in significant stakeholder consultations and collaborated with regional and tourism players in the public and private spheres (including MSMEs). The following examples of regional coordination are also noteworthy:

- World Tourism Day Conference 2021 (September 27) – Virtual Caribbean Tourism Conference jointly hosted by the CTO, University of the West Indies (UWI), Caribbean Regional Public Health Agency (CARPHA), (CHTA), OECS, Association of Caribbean States (ACS), Caribbean Development Bank (CDB), Inter-American Development Bank (IDB), UNDP, Global Tourism

Resilience and Crisis Management Centre (GTRCMC), Organization of American States (OAS) and Compete Caribbean.

- Guidelines and Checklists for Safely Resuming Business Operations and Restoring Caribbean Tourism in 2020 – developed by CTO, CHTA, CARPHA, OECS and the GTRCMC.
- CARPHA's Tourism and Health Program: Provides regional guidelines for traveller health issues in accommodation and passenger ship settings, capacity building in food safety, hospitality health and safety, and environmental standards. The Tourism and Health Information System (THIS)- is a web-based application for syndromic surveillance of populations in tourist accommodations. The system was developed by CARPHA in partnership with the CHTA, CTO and the IDB. This real time, early warning system is confidential and only accessible by national authorities. **See Appendix II-Coordination and Surveillance Pathway for THIS Web App** which illustrates the coordination required. The early warning system forms part of the approach to comprehensive disaster risk management. The accommodation sector in Saint Lucia is currently not participating in the implementation THIS.

5.2 Stakeholder Perspectives

The tourism MSME interviewed for the diagnostic is a member of the Saint Lucia Hotel and Tourism Association and the Chamber of Commerce. She expressed the view that tourism officials focused more on the accommodation sector, particularly hotels and not enough attention is given to small businesses. The business owner also suggested that financial support, guidance and training would go a long way in assisting MSMEs.

“I want to say that we need nurturing, we need support, we need financial support. And don't give me money and tell me oh you will go and do this, and I do not have a clue as to how to handle the money because something else is going to come along and I say Oh, let me do this. If I have outlined everything that I need, okay help me navigate etc. Put measures in place to ensure that there is sustainability. Do not leave us to sink or swim. Help us to navigate, support us in every way possible. My hope is that those people in offices will listen more and again I'll reiterate support us in every way possible, providing training courses and help the business to grow... helping us to move forward in whatever that we need. I know it's all about making a collaborative effort”.

Tourism MSME Interviewee

One tourism official interviewee suggested that some persons may not be in their system to enable maximum stakeholder engagement. This highlights the digital divide, and strategies to overcome it are needed. The official added that Caribbean people tend to value face to face interaction, and this may have been a difficult transition for some tourism stakeholders during the pandemic. Tourism policy makers shared that despite the challenges of the pandemic, they have taken concerted actions to reach as many tourism operators as possible.

“The tourism officers have really stretched themselves over the last year...trying to attend to the different stakeholders, because everybody wants to open up at the same time, but nobody wants to ensure that they have all the required measures, so we engage via WhatsApp via Email via Zoom, home and in person?”

Senior Tourism Officer, Ministry of Tourism

All stakeholders agreed and acknowledged that COVID-19 has emphasized the need for Saint Lucia to have a more diversified economy.

At the regional level, Saint Lucia's policy makers expressed the need for joint action on health and safety; and addressing tourism management capacity for data collection, including tourism satellite accounting.

5.3 Policy Interventions

The pandemic has highlighted how difficult it is to harmonize certain policies at the regional level. Arguably COVID-19 health and safety protocols governing border entry must be based on the current sources and level of transmission of the virus from the tourism generating region and the host population, respectively. However, contemporary challenges should not deter attempts to tackle some long-standing issues that hinder the development of Caribbean tourism and the protection of its ecological assets. These interventions will benefit Grenada and other destinations:

- **Reducing regional airline ticket fees and taxes.** The cost of regional travel has been a perennial problem. For some Caribbean destinations, it has proven cheaper to travel to Florida than to fly to some regional destinations. Research and analysis by the ACS reveal that intra-regional flights among Caribbean SIDS for extra-regional flights originating from outside of the Caribbean illustrates that the average amount of taxes and fees included in the full fare of a given intra-regional flight is weighted approximately 13 times heavier per nautical mile





travelled than for its extra-regional counterpart. (Although the distance travelled on intra-regional flights is much shorter). On average, the base fare for a short-haul intra-regional flight, which excludes taxes and fees, costs an average of 4.8 times more per nautical mile than an extra-regional flight³⁴. Regional airlines and other tourism players such as the CTO have long argued that the fees and taxes on airline tickets are hampering the development of the intra-regional travel market. It is an issue that the former Chairman of CARICOM, Prime Minister Gaston Browne had placed on his agenda and made a reality for Antigua and Barbuda, which reduced airline ticket taxes by 50 % in July 2021. The Government of Barbados has also reduced taxes on regional airline tickets. These recent initiatives illustrate what is possible, but more harmonization, and the cooperation of Caribbean airport authorities is needed.

- **Developing Environmental Policies for Marine Tourism:** There has been a few unsuccessful attempts to develop a Regional Cruise Tourism Policy dating back to the 1990s. In the end the cruiselines pit island Governments against each other and quickly trade one port of call for the next, resulting in the loss of revenue from head taxes and loss of income for hair-braiders, vendors, tour operators, guides, taxi-drivers, and others. A lower hanging fruit could be policies for environmental protection and polluter pay-mechanisms to protect the region's blue economy- not only for touristic pursuits but also for food security. The Caribbean Sea is a common regional asset, threatened by climate change and needs protection. There must be greater stakeholder engagement, education, coordination and commitment to environmental monitoring and protection.

³⁴ <http://www.acs-aec.org/index.php?q=transport/aviation-taxation-burden-an-examination-of-caribbean-sids>

- **Capacity Development and Funding Mechanisms for MSMEs:** Ongoing strategies to empower women and enhance digital skills is needed. MSMEs need a more expanded view of what going digital means—not limited to social media marketing or online sales but for accounting, records management, and forecasting. Public and private sector leaders have noted that MSMEs need handholding, which means that more incubator programmes are needed. Even with funding from external sources, MSMEs need to know where funding is available and how to develop winning proposals. National and sub-regional financial institutions need to reassess what it

means to be credit worthy. They should should work with the Government to provide guarantees and /or reimagine financial mechanisms that could give MSMEs greater access.

- **Establish Mechanism For National Stakeholder Engagement:** This could be a Sustainable Destination Council (as adopted in Saint Kitts) or some other locally engineered partnership between the residents, the private and public sector tourism stakeholders to build awareness; encourage buy-in; promote entrepreneurship; and inclusivity; and to develop a sustainable tourism destination.

Additional Resources

- Sustainable Tourism Destination Council
<https://www.gstcouncil.org/for-destinations/>
- UNDP Finance Hub for SDGs and COVID-19 Recovery
<https://sdgfinance.undp.org/>
- Integrated Policy Practitioners Network
<https://sdgintegration.undp.org/ippn>
- Resuming Tourism Operations in Era of COVID-19
<https://www.onecaribbean.org/resources/guidelines-and-checklists-resuming-operations/>

6. RECOMMENDATIONS AND CONCLUSION

Digital technologies can enhance output and productivity but too many businesses in the region have been slow to adapt to the changing environment. Studies have shown that an increase in broadband services and the adoption of digital technologies can increase output and tourism MSME in Saint Lucia must be encouraged to get on-board. There should be strategies to increase the penetration of broadband services as this can contribute up to a 3.2% increase in GDP and increase in productivity by 2.6 percentage points (IDB, 2018). The lessons learnt during the Covid-19 pandemic and the future of tourism in Saint Lucia requires:

- (i) Robust health and safety protocols: if harmonized at least across the OECS, this will bolster intra-regional tourism and stakeholder engagement and collaboration with public, private, and community-based organisations
- (ii) Further development of the intra-regional travel market given the global trends to shorter travel distances and longer stays (vii) Market and product development to reduce the seasonality of demand of the various categories of visitors
- (iii) Agile tourism strategies that are anticipatory of hazard events arising out of climate change impacts, global economic shocks, and other crises (viii) Evidence-based decision making
- (iv) Inclusive and sustainable tourism that supports the development of niche markets with lower environmental impacts and products and market that make a greater contribution to the local economy Value must take precedence over volume. Countries in the Caribbean, and even more so the smaller islands of the Eastern Caribbean, must recognize there is an incompatibility with a volume driven tourism development strategy and sustainability. Unmanaged expansion cruise and air arrivals has incremental social and environmental impacts with implications for over-crowding, traffic management, sewage treatment, waste management, domestic transport, water demands, health, safety, security, and other issues. There must be a shift away from arrivals as a key performance benchmark to other quantitative and qualitative benchmarks that balance economic contributions with the social and physical/ecological carry capacity of the destination.
- (v) Strengthening of inter-sectoral linkages to increase GDP contributions and reduce leakages
- (vi) Use of ICT tools and applications for marketing including crisis communication;-



ANNEXES

Annex I- Interviewee Profiles

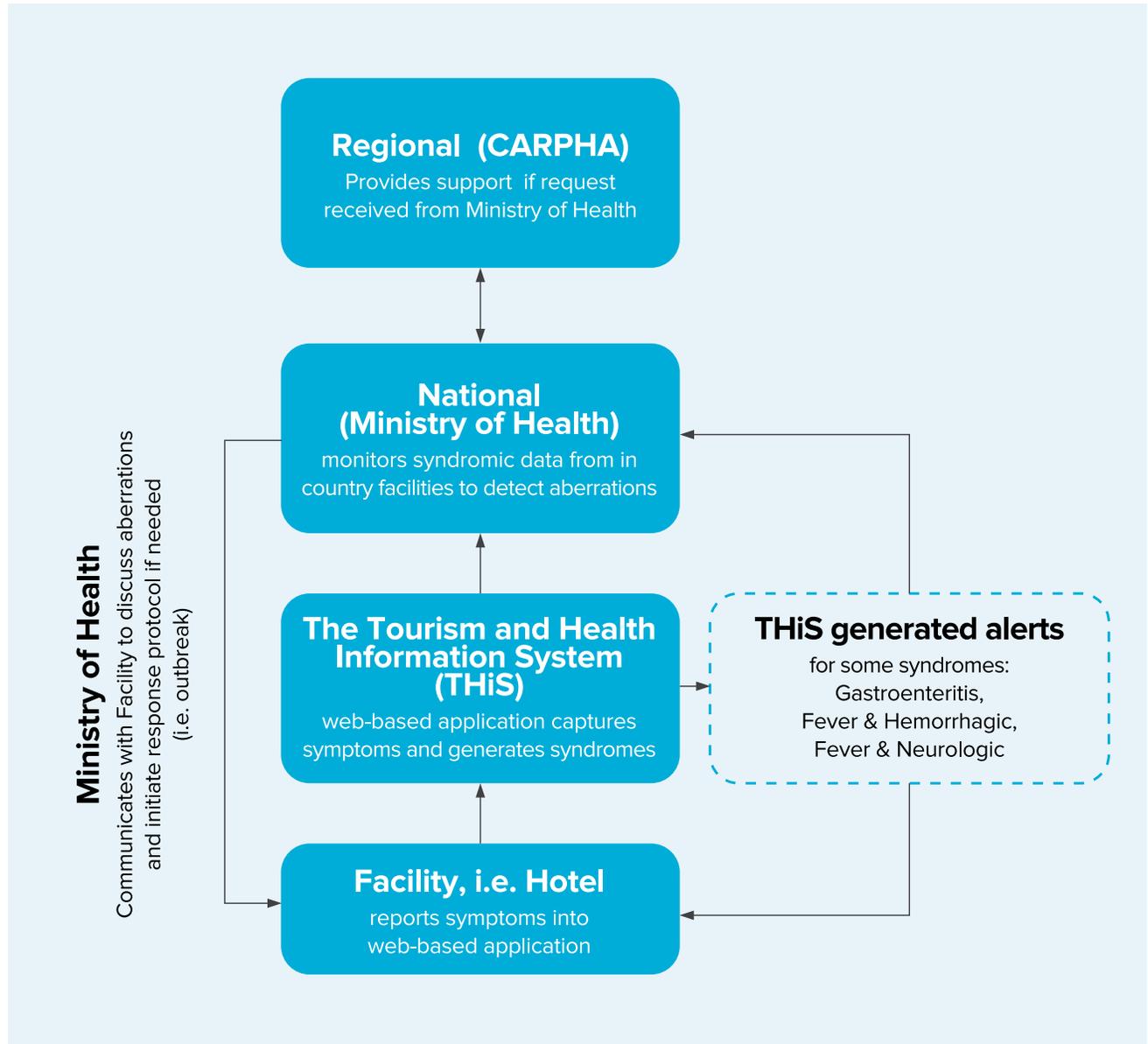
(a) SUMMARY PROFILE OF SAINT LUCIA FOCUS GROUP

Coded Name	Tourism sub-sector	Woman-Owned business	Business Registered	Business' On-line presence	On-line orders/ reservations	Process Payments On-line
SL01	Attractions; Food & Beverage	Yes	Yes	Facebook, Instagram, Trip Advisor, Other	Yes, via WhatsApp	No

(b) Interviewees: Tourism Officials

- Ann-Margaret Adams- Director of Product Development, Ministry of Tourism
- Taramattee Girdari- Senior Tourism Officer, Ministry of Tourism
- Stanza Deligny- Economist, Department of Economic Development, Tourism Portfolio- Ministry of Finance

Annex II - Coordination and Surveillance Pathway for THiS Web App



Source: CARPHA, 2021³⁵

³⁶ <https://carpha.org/THP/THiS-Hotel-Based-Surveillance>





CONTACT US

Telephone:

Tel: +1 (246) 467 6000

Emails:

registry.bb@undp.org

communications.bb@undp.org

Website:

<http://undp.org/barbados>

