

# St Lucia: A country profile of economic vulnerability and economic resilience<sup>1</sup>

## Introduction

### Definitions

This report presents a profile of the economic vulnerability and economic resilience of St Lucia. Economic vulnerability is defined as the exposure of an economy to harmful external economic shocks that are outside the economy's control, typically resulting from high degrees of economic openness and dependence on a narrow range of exports. Economic resilience refers to policy-induced ability of an economy to withstand and rebound from the negative effects of such shocks. In this report, such resilience is associated macro-economic stability, market efficiency, good political governance, social development and good environmental management, as explained in Briguglio et al. (2006, 2009). Economic vulnerability and insufficient resilience typically lead to a slower and more volatile pattern of economic development (Cordina 2004a, 2004b).

### Aim of the profiling exercise

This profile attempts to identify the sources of inherent economic vulnerability and to identify gaps in policy-induced resilience in St Lucia. It also proposes policy orientations aimed at economic resilience building. The treatment of specific issues of vulnerability and resilience in this report is at a high and strategic level, which could be eventually followed by further in-depth and specific studies.

### Data issues

The conceptual framework for building a country profile of economic vulnerability and resilience requires an array of quantitative and qualitative information<sup>2</sup>. The information used in this report was compiled through:

- available statistical sources from St Lucia sources, the International Monetary Fund and the World Bank;
- presentations delivered during a two-day country consultation conference organised for the purposes of compiling this report<sup>3</sup>;
- a key-stakeholder survey undertaken by means of a detailed questionnaire on the four aspects of economic resilience, namely macro-economic stability, market efficiency, governance and social and environmental concerns.

With regard to statistical sources, St Lucia participates in the IMF General Data Dissemination System (GDDS)<sup>4</sup>. This indicates that the basic statistical data required for the purposes of the economic vulnerability and resilience profile is largely available, and is in itself an indicator of good governance that is conducive towards economic resilience.

The two-day consultation conference yielded a significant amount of qualitative information regarding the sources of vulnerability and resilience of St Lucia.

The key-stakeholder survey was intended to elicit qualitative information to complement the quantitative data. Useful information was obtained from these surveys, however the response rate was lower than expected.

## Country background

St Lucia is a small island state located in the Caribbean Sea. It has a population of approximately 171,000 persons. The country has a stable democracy and is a member of the Organisation of Eastern Caribbean States (OECS), CARICOM and various international organisations<sup>5</sup>. In terms of population and economic size, St Lucia is the largest among the nine small island developing states (SIDS) within the OECS, which account for a total population of 606,000 persons<sup>6</sup>. Membership within the OECS entails regional co-operation in trade and development issues. St Lucia also participates within the Eastern Caribbean Central Bank, the currency of which, the Eastern Caribbean dollar, is fixed to the US dollar<sup>7</sup>.

The challenges to economic development faced by St Lucia are similar to those faced by other SIDS including a high degree of economic openness, relatively high dependence on a narrow range of exports, resource limitations, peripherality from major markets, high costs associated with international transport, and limited ability to exploit economies of scale. These realities lead to economic vulnerability mostly due to exposure to external economic shocks. In addition, the economic growth of St Lucia over the past ten years has been negatively affected by natural disasters as well as loss of preferential treatment in its exports of bananas.

Table 7.1 details a number of key economic and social indicators for St Lucia. The country had a per capita GDP of US\$5,721 in 2007, which the World Bank classifies as within the upper middle category.

Economic growth was sluggish during 2007, at 0.5 per cent in real terms. This reflected a marked downturn from the relatively high rates of growth sustained since 2001, which had peaked at 4.9 per cent in 2006. The slowdown in 2007 reflected a weak performance in the tourism sector, in good part due to the effects of global demand and high oil prices on holiday travel. It was also a result of lower construction activity following an investment boom in recent years (St Lucia, 2008). Adverse meteorological conditions and the continuing effects of declining preferential treatment and its ensuing uncertainty on production also affected banana exports in 2007. The IMF expects growth to recover somewhat in 2008 and 2009, mainly on account of increased tourism capacity generated by foreign direct investment inflows. However, the challenges to growth experienced in

2007, including the gradual erosion of preferences with respect to banana exports, are expected to persist.

The unemployment rate remained high at 14 per cent. The unemployment rate in St Lucia is strongly conditioned by demographic factors featuring a strong growth in the labour force entry age category, which has to some extent attenuated in 2007. Inflation for the entire year was contained at 2.7 per cent, although significant incipient inflationary pressures were in the offing on account of the weakening of the US dollar and the increase in commodity prices. This was reflected in an inflation rate at the year-end which reached 6.8 per cent and is likely to persist in 2008.

St Lucia has high and persistent fiscal deficits, which stood at almost 7 per cent of GDP in 2007. The authorities have embarked on a programme of fiscal consolidation, but the IMF (2008) comments that achieving sound public finances, particularly in relation to the current deficit, and ensuring debt sustainability remains a key challenge. The country also experienced persistent deficits on the external current account in recent years, which reached 30.3 per cent of GDP in 2007. This was partly a marked rise in imports related to foreign direct investment in the tourism industry, but in part also reflected difficulties, in spite of the depreciating US dollar, in export markets as well as the increase in prices of imported strategic commodities leading to adverse terms of trade. The IMF (2008) expects current account deficits to be reversed in the medium term and comments that they were in good part financed by non-debt-creating external capital inflows.

The country experienced significant shifts in economic activity during the past decade. Agriculture shrank from over 8 per cent to around 3 per cent of GDP, mainly on account of preference erosion in banana export markets. At the same time, the share of financial sector activity increased by over 6 percentage points to 13 per cent of GDP, with the IMF (2008) commenting upon the positive developments in the regulation and supervision of banks and international financial services providers. This sector was actually the main engine of economic growth in 2007. Manufacturing, construction and tourism maintained roughly constant shares of GDP over the past decade, with the latter two sectors, however, showing a significant degree of volatility. In the case of construction, this is due to the cycle of the completion of projects. With respect to tourism, volatility reflects tendencies in international demand. Within manufacturing, one half of the output consists of food and beverages. The real estate sector increased its share within GDP by two percentage points during the past decade in a stable manner, and now accounts for around one-ninth of economic activity.

From the perspective of social development, St Lucia has a life expectancy at birth of 74 years, a relatively high infant mortality rate of 23.5 per thousand, and a literacy rate of almost 95 per cent. In this respect, it is to be commented that death rates, particularly those of infants, have increased significantly since 2003. The Government of St Lucia (2008) attributes this to lifestyle diseases.

**Table 7.1. St Lucia: Key indicators**

Variable	Level	Period
GDP – total (US\$M)	978	2007
– per capita (US\$)	5,721	2007
– real growth	0.5%	2007
Unemployment rate	14.0%	2007
Inflation rate	2.7%	2007
Fiscal balance (as a proportion of GDP)	–6.9%	2007
External current account balance (as a proportion of GDP)	–30.3%	2007
GDP composition:		
Agriculture	2.9%	2007
Manufacturing	5.6%	2007
Construction	7.0%	2007
Wholesale and retail	11.3%	2007
Hotels and restaurants	10.4%	2007
Transport	9.5%	2007
Communications	9.4%	2007
Banking and insurance	13.0%	2007
Real estate	10.9%	2007
Life expectancy (years)	74.0	2006
Infant mortality (per thousand)	23.5	2007
Literacy rate	94.8%	2004

Sources: St Lucia (2008), World Bank (2008)

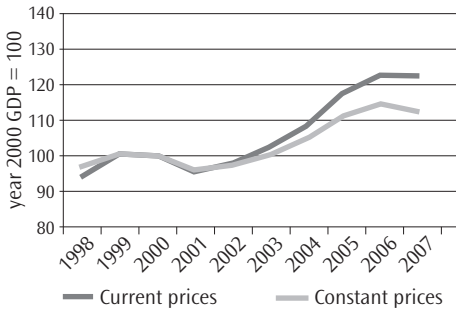
## A vulnerability profile of St Lucia

Briguglio et al. (2008) propose a methodology to derive an economic vulnerability/resilience profile based on three facets, namely, an assessment of the extent of symptoms of economic vulnerability, an analysis of the causes of vulnerability and a study of the sources of economic resilience which would enable the derivation of a policy gap analysis. This section of the report utilises the variable list template developed within this conceptual framework in order to derive an economic vulnerability and resilience profile for St Lucia.

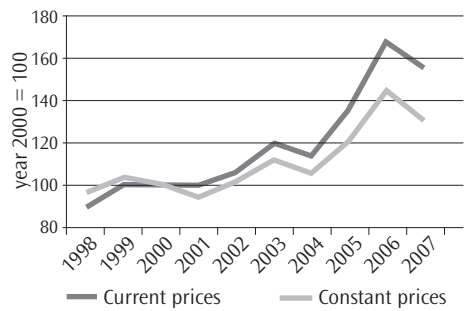
### An assessment of the symptoms of economic vulnerability

This facet relates to the manifestation of vulnerability or lack of resilience and attempts to determine whether a country appears to be suffering from any one or more of the symptoms of vulnerability or otherwise. This may be discerned by considering the levels and volatility over time of a number of key variables including: GDP; consumption; imports; exports; exchange rates and prices. The extent of reliance on short-term shock absorbers which may attenuate the effects of shocks and of insufficient resilience to them is also to be considered. These shock-absorbers include the extent of deficits on the external current account and the size of government expenditure. An analysis of these variables for the economy of St Lucia is presented in Figures 7.1 through to 7.6.

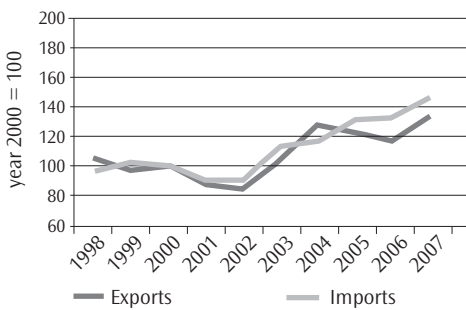
**Figure 7.1. GDP per capita**



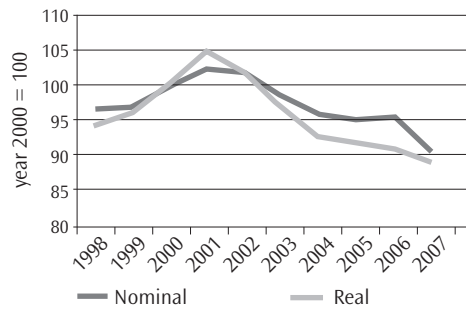
**Figure 7.2. Private consumption expenditure**



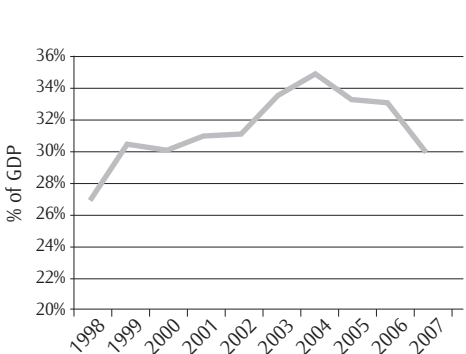
**Figure 7.3. Exports and imports of goods and services**



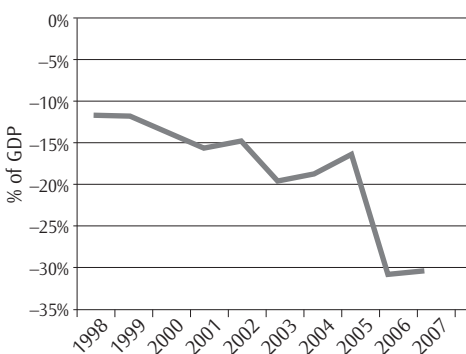
**Figure 7.4. Real and nominal effective exchange rates**



**Figure 7.5. Government expenditure**



**Figure 7.6. External current account balance**



Source: St Lucia (2008), World Bank (2008)

During the decade to 2007<sup>8</sup>, St Lucia experienced an increase in per capita real GDP averaging 1.5 per cent per annum, which may be perceived to be relatively low for a country at its current state of development<sup>9</sup>. This was underpinned by notable fluctuations in the level of real per capita GDP during the decade, which actually fell in 2001 and 2007, and recovered significantly especially between 2003 and 2005 (see Figure 7.1). This indicates a significant exposure to the effects of vulnerability and lack of resilience during the period under consideration, which includes a slow and relatively volatile pattern of growth. The development of GDP at current prices followed a similar trend, averaging at relatively low 2.6 per cent per annum. It may be noted that in recent years,

growth in GDP at current market prices has been increasingly subject to inflationary pressures.

An analysis of private per capita consumption expenditure, presented in Figure 7.2, shows more accentuated trends of this nature. At constant prices, the variable advanced at an average rate of 3 per cent per annum between 1998 and 2007, but with notable fluctuations around the trend. At current prices consumption grew at a rapid pace during the decade under consideration, averaging 5.6 per cent per annum. It is noted that the average growth in consumption, as well as its volatility, significantly outstripped that registered in GDP.

The volatility in output during the decade under consideration in good part mirrored fluctuations in exports, which during the period were conditioned by shocks to international demand, commodity prices, trade preference erosion and natural disasters. As a result of these factors, exports actually dropped in 2001/2 and in 2005/6. In the last three years of the analysis, GDP growth was also strongly affected by developments in construction, in turn resulting from foreign direct investment in the tourism sector (see Figure 7.3)<sup>10</sup>. The same factors conditioned the development of imports during the period, which in the final two years were especially influenced by the increases in international commodity prices.

Briguglio et al. (2008) propose the consideration of the real and nominal effective exchange rates indexes as a measure of volatility to prices. Within the context of the currency anchor provided within the East Caribbean Central Bank arrangement, it does not appear that exchange rate shocks are being a significant source of vulnerability for St Lucia. This is indicated in Figure 7.4, which shows a persistent but gradual effective exchange rate depreciation in line with developments in the US dollar over past years, which has tended to contribute to external competitiveness without inducing currency volatility. On the other hand, inflationary pressures are starting to dent competitiveness advantages associated with a depreciating real exchange rate.

Turning next to the shock absorbers in the face of the effects of economic vulnerability, it is noted that St Lucia has a relatively high government expenditure to GDP ratio which increased progressively right up to 2004, as shown in Figure 7.5. Efforts at fiscal consolidation since then led to a reduction in this ratio, implying that this tool cannot be resorted to indefinitely to absorb economic shocks.

St Lucia experienced a consistently negative and volatile performance on its external current account during the decade to 2007, as shown in Figure 7.6. This indicates a high degree of susceptibility to external economic conditions as discussed above, affecting export demand, the terms of trade as well as foreign direct investment into the country.

St Lucia, therefore, went through developments manifesting economic vulnerability and lack of resilience during the decade to 2007. These were especially reflected in the low and sometimes negative rates of real economic growth, export volatility and a negative and volatile performance on the external current account. Data for 2007 and 2008 also indicate the emergence of significant inflationary pressures induced by shocks to import prices.

## An assessment of the causes of economic vulnerability

The next step in developing the economic vulnerability and resilience profile is to determine the causes of the vulnerability giving rise to these manifestations of vulnerability. This facet of the profile relates to the underlying causes of vulnerability and is aimed at assessing the inherent fundamental conditions which may be rendering a country vulnerable to exogenous shocks. In the conceptual framework developed in this regard, Briguglio et al. (2008) ascribe the causes of vulnerability to the degree to which a country is exposed to shocks and the extent of incidence of such shocks. In turn the degree of exposure to shocks depends upon openness to international trade, the concentration of output, and the price elasticity of imports and exports. The incidence of shocks is proxied by the volatility of gross fixed capital formation, of foreign direct investment and of the terms of trade.

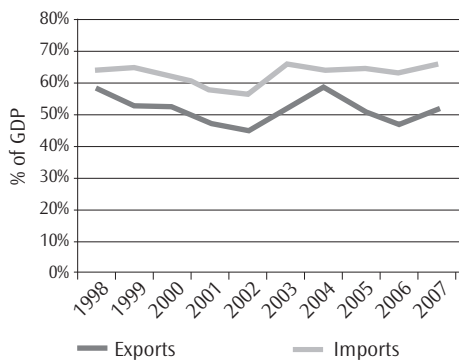
Figures 7.7 through 7.9 provide information on variables which proxy the exposure of St Lucia to exogenous shocks.

Figure 7.7 indicates that both imports and exports are substantial when compared to the country's GDP, typical of the levels of a country of the size of St Lucia. As a result, the economy is strongly influenced by developments in international markets.

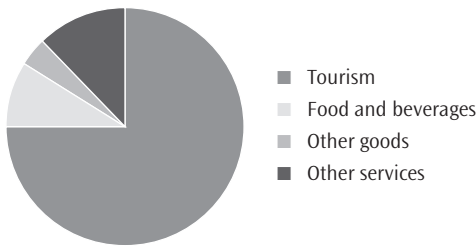
The risk of being affected by external shocks is even greater when the high degree of export concentration is taken into account. Around three-quarters of export receipts accrue from tourism, while another one-eighth is generated by food and beverages, as shown in Figure 7.8. Diversification into exports of other products and services remains limited, albeit it has been increasing in recent years. This implies that shocks to the two main export revenue sources are bound to have profound effects on the economy.

It is to be further considered that food exports still consist, to a considerable extent, of bananas, which is a commodity export, with the consequent implications for volatility in prices and demand and trade preference erosion. Likewise, tourism has a volatile demand, conditioned by factors such as international economic growth, environmental risks, domestic and international political developments, changes in the availability of transport facilities and business decisions of international tour operators.

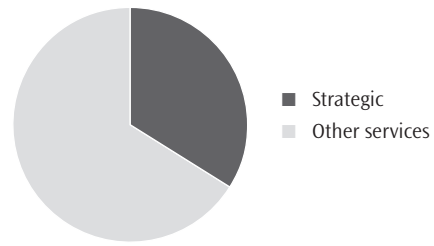
**Figure 7.7. Trade openness (% of GDP)**



**Figure 7.8. Export concentration**



**Figure 7.9. Distribution of imports**



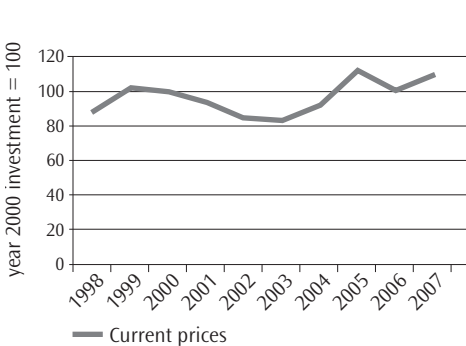
Source: St Lucia (2008)

On the import side, close to 35 per cent of imports are made up of strategic commodities which are of the nature of necessities, including energy and food, as shown in Figure 7.9. This leaves the economy exposed to shocks in the international supply of these commodities, typically affecting their prices.

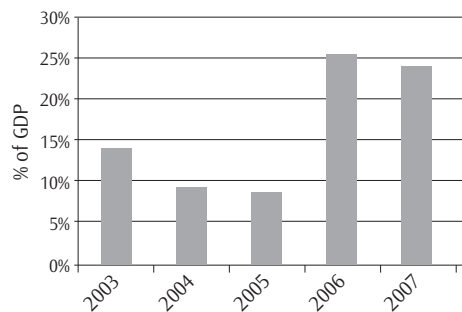
The exposure to external shocks was an important determinant of the symptoms of vulnerability identified in the preceding section, including the relatively slow and volatile growth as well as the adverse and fluctuating performance on the external current account. This, however, must also be viewed in terms of the incidence or extent of occurrence of the shocks to which the country is exposed.

Figure 7.10 shows the part played by changes in gross fixed capital formation to economic development in St Lucia. Over the past decade, gross fixed capital formation has fluctuated significantly. This in good part reflected changes to demand from the international sector, particularly with regard to the development of tourism infrastructure which in turn affected construction activity. The volatility in gross fixed capital formation in part reflects significant swings in foreign direct investment flows, which over the past five years has fluctuated from 7 per cent to 25 per cent of GDP, as shown in Figure 7.11.

**Figure 7.10. Gross fixed capital formation**



**Figure 7.11. Foreign direct investment**



Source: St Lucia (2008)

The incidence of shocks needs also to be evaluated, according to Briguglio et al. (2008), by fluctuations to the GDPs of the main trading partner countries and to the terms of trade. In this regard, it may be commented that the main trading partners of St Lucia are other members of the OECS, which are themselves economically vulnerable countries as well as the United Kingdom, which is presently experiencing a significant slowdown in demand growth. Adverse terms of trade shocks are also known to have taken place, particularly with respect to the prices of banana exports and those of strategic commodity imports.

Thus, it can be concluded that the symptoms of vulnerability which St Lucia has experienced in the past decade are in part due to inherent structural features in the economy including its exposure to international business and commodity concentration, together with notable fluctuations in gross fixed capital formation. It cannot be excluded that frequent and significant shocks to external demand and to the terms of trade took place. Countries facing these types of shocks can however be successful in overcoming their effects through appropriate resilience-building policies, the assessment of which is the next element in this profile.

## **A resilience profile of St Lucia**

This facet of the profile aims to highlight the strengths and weaknesses within the policy formulation milieu of a country towards the objective of economic resilience building. Economic resilience counteracts the effects of economic vulnerability by increasing the economy's ability to cope with the adverse effects of exogenous shocks. Briguglio et al. (2008) propose an approach which evaluates policy-induced economic resilience based on five dimensions, namely: macro-economic; market efficiency; governance; social development; and environmental management.

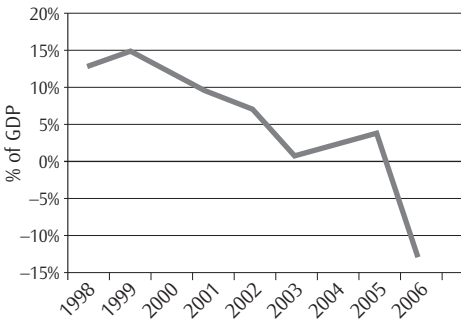
## **An assessment of the sources of economic resilience**

### **Macro-economic stability**

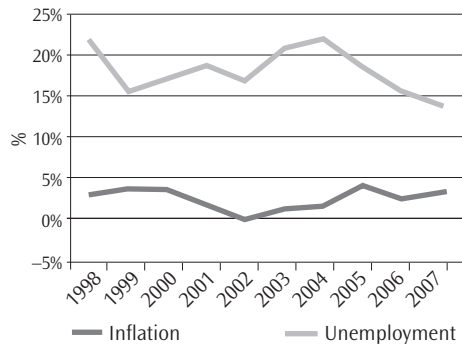
Figures 7.12 through 7.15 present an analysis of the variables that are considered to proxy the extent to which macro-economic policy is creating conditions that are conducive to the establishment of economic resilience. A fundamental requisite towards economic resilience is for a country to generate sufficient savings to create a buffer against potential shocks. The saving rate of the economy of St Lucia fluctuated around 15 per cent in 1999, but has since then slumped and became negative in 2006 at around -14 per cent of GDP, as shown in Figure 7.12. This is a direct result of consumption growth which exceeded that of GDP during the past decade, as observed earlier on. It also reflects the persistence of fiscal deficits, particularly on the current fiscal balance. An insufficient level of saving is not sustainable in the medium term and could adversely impact on the economic resilience of the economy of St Lucia.

Developments in inflation and unemployment are shown in Figure 7.13. To promote economic resilience, it is important for these variables to be at low levels so that if adverse shocks should hit the economy, they would not further aggravate a serious situation. On account of the currency anchor combined with low inflation in trading partner countries,

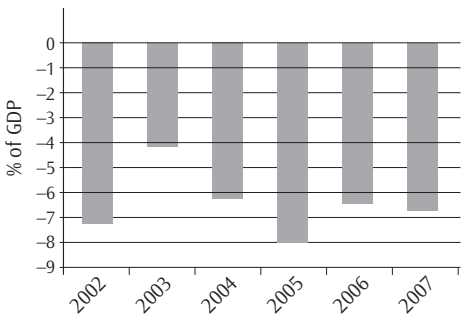
**Figure 7.12. Total saving (investment plus current account balance)**



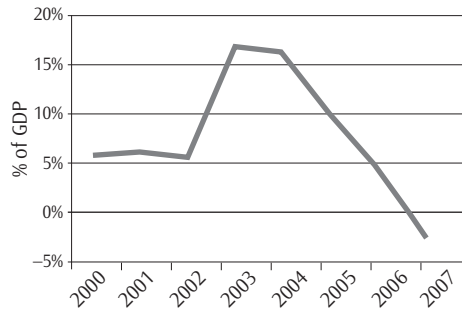
**Figure 7.13. Inflation and unemployment**



**Figure 7.14. Fiscal balance**



**Figure 7.15. Net external assets**



Source: St Lucia (2008)

inflation was relatively low during the past decade, but has responded to the increase in prices of commodity imports in the past two years.

The unemployment rate is persistently high in St Lucia, a reflection of a significant inflow of population into the working age category which is not being matched by demand for jobs<sup>11</sup>. The difference between supply and demand has tended to narrow since 2005, albeit this trend has slowed down in 2007 owing to the lacklustre economic growth. High unemployment, with its economic, social and political implications, may be considered as a serious drawback to the resilience of St Lucia.

The fiscal balance showed a persistent deficit which is lately being to some extent addressed, as shown in Figure 7.14. A lack of fiscal policy discipline, which has also impinged negatively on the levels of public and external debt, is another important constraint to the economic resilience of St Lucia.

The net external asset position gives another indication of the availability of buffer reserves from which to meet the effects of adverse shocks. Figure 7.15 shows that the net external asset position of St Lucia was healthy for a number of years, but it turned negative in 2007. This, once again, is a reflection of excessive expenditure relative to output as well as of the effects of economic vulnerability. This is another matter of potential concern regarding the resilience of St Lucia from a macro-economic viewpoint.

### **Market efficiency**

Micro-economic market efficiency is essential for economic resilience as it will contribute to an efficient allocation of resources enabling the economy to better withstand the effects of adverse shocks. There are three components to micro-economic market efficiency relating to: capital mobility, labour market flexibility and product market efficiency.

In terms of capital mobility and financial market efficiency, conditioned as they are by participation in the Eastern Caribbean Central Bank, St Lucia does not appear to have any serious threats to resilience. Further development in regulatory structures are warranted so as to continue to consolidate the sector.

With regard to labour market efficiency, policy structures or directions aimed at addressing the persistently high rates of unemployment appear to be weak. Education structures, while delivering high primary and secondary enrolment rates and high literacy rates, appear to be somewhat detached from the needs associated with the country's economic development potential. Opportunities for higher education, lifelong learning, re-skilling and multi-skilling may be severely limited in St Lucia. St Lucia is a contributing member of the University of the West Indies and is also the beneficiary of grant/scholarship assistance from several countries, but the country has not adapted well enough to the changing needs in education. There are also significant challenges in pre-tertiary education, reflected in drop-out rates by young people from the formal education system and a low quality of education in some areas.

In terms of product market efficiency, there are, in general, no grave concerns save for the pricing of fuels, which is an important production and consumption element in the country. Regulatory interventions within monopolistic markets are not producing the desired results in terms of pricing efficiency, such that an overhaul of the system is advocated. There otherwise appear to be sufficient structures for the proper operation of product markets, although this comment is to be qualified by the fact that small market size may be leading to insufficiencies in the overall competition environment.

The involvement by St Lucia in regional trading arrangements is fostered by its participation in the OECS and CARICOM, which is considered to be a positive resilience element for the country. Property rights, including those of an intellectual nature, are generally well-protected in St Lucia.

In terms of fostering productivity, competitiveness and growth, it appears that the bulk of investment and economic development is being directed to the tourism sector. While this sector presents considerable opportunities for St Lucia, such an approach may result in an unbalanced pattern of growth with an increasing production concentration, and hence proneness to vulnerability. A development strategy involving a broader base of production, including the development of higher-value added and innovative areas such as ICT and renewable energy technological development may be contemplated, as well as the pursuit of better inter-industry linkages between tourism and agri-processing.

### **Political governance**

With respect to political governance, St Lucia has a system based on democratic principles. However, the country appears to need a deeper engagement in social dialogue, as the policy-

making agenda is often dominated by two major political parties leaving little space for NGOs and other organisations. Within this context, there is growing recognition for the need to further develop notions of government accountability and transparency with the active participation and development of existing institutions. The rule of law, the quality of the judiciary and the impartiality of the Law Courts are sufficient to contribute to effective governance in St Lucia.

### **Social development**

With regard to social development, there are concerns surrounding the health system in St Lucia, due to the increases in death rates, particularly those of infants, in recent years. The economy's income levels as well as constraints on fiscal expenditure have resulted in an underdeveloped system of welfare and poverty prevention. This problem is further accentuated by the high levels of unemployment in the country, entailing that poverty and its prevention remain crucial challenges to be tackled in order to effectively build social cohesion. In view of the resource limitations, poverty alleviation programmes must be implemented efficiently and selectively so as to target the most urgent needs, making the best possible use of donor engagement. Social cohesion is also adversely affected by the emergence of vulnerable economic categories of society, particularly the people who are involved in banana production, as well as by linguistic and urban-rural dichotomies. Statistical tools to better assess the poverty and social cohesion concerns of St Lucia also need to be developed.

### **Environmental management**

Man-made environmental problems do not appear to impinge to any significant extent in St Lucia, however, the incidence of natural disasters is a matter of concern. Disaster management and civil protection management systems have improved in recent years, but further progress is called for in this crucial area, especially in the development of appropriate insurance schemes and early warning systems. Environmental governance institutions are also relatively underdeveloped and can be expected to become a necessity in future with the further development of construction, real estate and tourism activity. Issues such as deforestation and coastal zone management may call for attention in the near future.

## **Policy implications and conclusions**

### **Resilience strengths**

The principal economic resilience strengths that can be identified from this analysis include:

- the potential of further developing the economy in key areas such as tourism and financial services, the latter having attracted considerable foreign direct investment in recent years;
- participation in the OECS and in the Eastern Caribbean Central Bank which provide a measure of resilience in the external trade and monetary dimensions;
- the maintenance of stable governance structures based on democratic principles and the rule of law;
- a relatively successful system of basic education.

## Resilience weaknesses

The principal economic resilience weaknesses that can be discerned include:

*From the macro-economic perspective:*

- an insufficient level of savings to sustain the significant level of investment needed at the current stage of the country's economic development;
- excessive fiscal deficits, in part due to the mounting demand on the public sector for economic and social services in the wake of shocks, including those arising from natural events;
- excessive domestic consumption relative to the production of income, which is leading to an unsustainable external asset position;

*From a micro-economic perspective:*

- the absence of labour market policy structures and lacunae in higher and further education and skills acquisition;
- inefficiencies in the pricing of fuel;
- an excessive focus on the key sectors of tourism, leading to a high dependence on this sector, and possibly precluding the development of other potentially innovative areas of economic success for St Lucia, such as those related to ICT or environmental technologies;

*From a social perspective:*

- an insufficient involvement in social dialogue and NGO involvement in policy-making;
- the persistence of poverty in the face of resource constraints and high rates of unemployment, with the relative problems likely to exacerbate in the wake of the increases in energy and food prices;

*From an environmental perspective:*

- the need for further improvement in governance structures for environmental and disaster management, particularly in the development of insurance schemes and early warning systems.

The policy implications that emerge from this analysis may be synthesised in terms of the need to:

- engender macro-economic balance, first and foremost by addressing the fiscal deficit through efficient and inexpensive revenue generating mechanisms (such as VAT) and an effective prioritisation of expenditures (especially for capital programmes);
- address insufficient demand for labour by promoting a balanced and diversified growth strategy while enhancing opportunities for skills acquisition, particularly with regards to re-skilling and multi-skilling of the labour force, including the possibility of a managed influx of skilled labour within CARICOM arrangements;
- develop the social model in an effective and efficient manner so as to be able to build social cohesion at the lowest possible cost;
- enhance environmental and disaster management governance structures.

An ancillary issue is the need to have better statistical reporting systems particularly in the

area of social development in order to be better able to gauge the extent of the challenges and to devise appropriate policy interventions.

Other small island developing states have successfully dealt with these basic development issues in recent years and now enjoy a substantial degree of economic resilience. It is probably useful for St Lucia to closely follow instances of best practice from other small island developing states in order to devise solutions that are most suited to its current and future development needs. It is, however, recognised that in the case of St Lucia, the reliance on international donor involvement and assistance remains crucial for the development of economic resilience.

## Notes

- 1 This report was prepared for the Commonwealth Secretariat by Lino Briguglio, Gordon Cordina, Nadia Farrugia and Stephanie Vella. It was completed on 3 September 2008.
- 2 The conceptual framework for country profiling of economic vulnerability and resilience was developed in Briguglio et al. (2008).
- 3 The conference entitled 'Profiling Economic Vulnerability and Economic Resilience in Small States: The Case of St Lucia' was held on 16–17 June 2008 at the Gaiety, Rodney Bay, St Lucia.
- 4 Member countries of the IMF voluntarily elect to participate in the GDDS. The GDDS framework is built around four dimensions – data characteristics, quality, access, and integrity. It is intended to provide guidance for macro-economic, financial, and social data.  
<http://dsbb.imf.org/Applications/web/getpage/?pagename=gddswhatgdds>
- 5 Including the Commonwealth, United Nations, IMF and World Bank.
- 6 <http://www.oecs.org/about-the-oecs/member-states> accessed on 26 July 2008.
- 7 <http://www.oecs.org/about-the-oecs/institutions> accessed on 26 July 2008. One US dollar is equivalent to 2.7 Eastern Caribbean dollars.
- 8 A complete and final dataset for the purposes of this analysis is available up to 2007. Reference to provisional data and estimates for 2008 is made, where relevant.
- 9 The average growth over the decade for St Lucia is estimated at around 0.5 percentage points lower than that in the Latin American and East Caribbean group, and around 3 percentage points lower than the middle-income country group (source: World Bank, 2008).
- 10 Data for imports and exports for St Lucia is only available at current market prices. This reflects the absence of expenditure side GDP at constant prices.
- 11 The youth unemployment rate is estimated at around 34 per cent.