

## **Annex II. St. Lucia: Summary of Appendices**

### **Fund Relations**

St. Lucia does not have outstanding obligations to the Fund. St. Lucia is a member of the Eastern Caribbean Central Bank (ECCB), which manages monetary policy and the exchange system for its eight members. The common currency, the Eastern Caribbean dollar, has been pegged to the U.S. dollar at the rate of EC\$2.70 per U.S. dollar since July 1976. St. Lucia has accepted the obligations of Article VIII, Sections 2, 3, and 4, and maintains an exchange system free of restrictions on the making of payments and transfers for current international transactions. The last Article IV consultation was concluded by the Executive Board on September 26, 2007 (IMF Country Report No. 08/67). CARTAC has provided extensive technical assistance in recent years. In addition, FAD fielded a VAT and tax administration mission in September/October 2007, a PSIA mission on poverty and trade preference erosion in December 2007, and MCM fielded a debt management mission in April/May 2008.

### **Relations with the World Bank Group<sup>10</sup>**

In September 2005, the Eastern Caribbean Sub-Region Country Assistance Strategy (CAS) for FY 2006–09 was presented to the Board of the World Bank. The strategy supports the sub-region's development agenda through two main pillars: (i) stimulating growth and improving competitiveness; and (2) reducing vulnerability, by promoting greater social inclusion and strengthening disaster risk management. There are eight active World Bank projects in St. Lucia for a net commitment of approximately US\$47.68 million: Telecommunications and ICT Development, Water Supply Infrastructure Improvement, HIV/AIDS Prevention and Control, the Caribbean Catastrophe Risk Insurance Facility, the OECS Skills for Inclusive Growth, the OECS E-Government for Regional Integration, St. Lucia Disaster Management, and St. Lucia Education Development.

### **Relations with the Caribbean Development Bank<sup>11</sup>**

St. Lucia continued to receive financing from the Caribbean Development Bank (CDB) for infrastructure development, human resource development, the formulation and implementation of economic, social and sectoral policies, direct and indirect lending to the productive sectors, environmental protection and poverty reduction. At end-2007, St. Lucia had a total outstanding balance of US\$129.9 million. Since 1970, CDB financing for St. Lucia has been distributed mainly in the transportation and communication, education, and manufacturing sectors.

### **Statistical Issues**

St. Lucia participates in the Fund's General Data Dissemination System (GDSS). Although the statistical database compares well with those of its ECCU peers, there are weaknesses in coverage, frequency, quality, and timeliness, in particular: incorporation of tourism in the national accounts, the public sector beyond the central government, and the balance of payments.

---

<sup>10</sup> Adapted from text prepared by World Bank staff in June 2008.

<sup>11</sup> Adapted from text prepared by Caribbean Development Bank staff in June 2008.

INTERNATIONAL MONETARY FUND

ST. LUCIA

**Staff Report for the 2008 Article IV Consultation—Informational Annex**

Prepared by the Western Hemisphere Department

July 10, 2008

Contents

Page

Appendices

|      |  |                   |
|------|--|-------------------|
| I.   | Fund Relations .....                               | <a href="#">2</a> |
| II.  | Relations with the World Bank Group.....           | <a href="#">3</a> |
| III. | Relations with the Caribbean Development Bank..... | <a href="#">7</a> |
| IV.  | Statistical Issues .....                           | <a href="#">8</a> |

**Appendix I. St. Lucia: Fund Relations**  
(As of June 20, 2008)

**I. Membership Status:** Joined 11/15/79; Article VIII

| <b>II. General Resources Account:</b> | <b>SDR Million</b> | <b>%Quota</b> |
|---------------------------------------|--------------------|---------------|
| Quota                                 | 15.30              | 100.00        |
| Fund holdings of currency             | 15.29              | 99.97         |
| Reserve Position                      | 0.01               | 0.04          |
| Holdings Exchange Rate                |                    |               |

| <b>III. SDR Department:</b> | <b>SDR Million</b> | <b>%Allocation</b> |
|-----------------------------|--------------------|--------------------|
| Net cumulative allocation   | 0.74               | 100.00             |
| Holdings                    | 1.60               | 215.77             |

**IV. Outstanding Purchases and Loans:** None

**V. Latest Financial Arrangements:** None

**VI. Projected Obligations to the Fund:** None

**VII. Exchange Rate Arrangement:** St. Lucia is a member of the Eastern Caribbean Currency Union which has a common central bank (the Eastern Caribbean Central Bank) and currency (the Eastern Caribbean dollar). Since July 1976 the Eastern Caribbean dollar has been pegged to the U.S. dollar at the rate of EC\$2.70 per U.S. dollar. St. Lucia has accepted the obligations of Article VIII, Sections 2, 3, and 4. St. Lucia maintains an exchange system free of restrictions on payments and transfers for current international transactions.

**VIII. Last Article IV Consultation:** St. Lucia is currently on the 12-month cycle. The last Article IV consultation was concluded by the Executive Board on September 26, 2007. The relevant documents are IMF Country Report Nos. 08/67 and 08/68.

**IX. Technical Assistance (September 2007–July 2008):** Several missions from the Caribbean Regional Technical Assistance Center (CARTAC) have visited St. Lucia since September 2007. In the area of public finance, CARTAC consultants assisted the authorities in financial programming, assessing the impact of a pass-through of the international price of fuel, the introduction of a VAT and a market-based property tax, and with other measures aimed at containing expenditures. A FAD TA mission in January 2008 studied the poverty impact of trade preference erosion and mitigating measures. FAD also fielded a mission in November 2007, with a view to providing a strategy for successful introduction of the VAT, reviewing ongoing Customs and Excise Department reforms, and offering advice for the medium term on strengthening the VAT. MCM TA in May 2008 provided a process framework to assist the authorities in formulating an effective medium-term debt management strategy.

## **Appendix II. St. Lucia: Relations with the World Bank Group**

(As of June 16, 2008)

In September 2005, the Eastern Caribbean Sub-Region Country Assistance Strategy (CAS) for FY06-09 was presented to the Board of the World Bank. The strategy supports the sub-region's development agenda through two main pillars: (1) stimulating growth and improving competitiveness; and (2) reducing vulnerability, by promoting greater social inclusion and strengthening disaster risk management. Recognizing the OECS countries' weakened creditworthiness due to high debt ratios, Bank activities will focus on leveraging available donor grant financing. Following the recommendations of the recently completed growth and competitiveness study for the OECS, IBRD and IDA support would focus on providing technical and financial assistance for interventions to support the two main pillars. An indicative Base Case lending scenario consisted of about US\$51.3 million in IDA resources for the four OECS IDA eligible countries. An OECS CAS Progress Report was completed in June 2008.

### **I. PROJECTS**

There are eight active World Bank projects in St. Lucia for a net commitment of approximately US\$47.68 million.

The **OECS E-Government for Regional Integration Program** was approved by the Board on May 27, 2008. This project consists of a US\$2.4 million IDA credit (two thirds of which is from the Regional IDA allocation) to St. Lucia and is designed to promote the efficiency, quality, and transparency of public services through the delivery of regionally integrated e-government applications that take advantage of economies of scale. The program is structured in phases. Phase 1 focuses on cross-sectoral e-government issues, as well as on specific applications in the public finance area (including Public Financial Management or PFM, tax, customs and procurement), and also includes an e-government in health pilot project (possibly together with preparatory and complementary activities in other social and productive sectors). Subsequent phases of the program are expected to deepen the assistance provided under Phase 1, while expanding the program to cover other sectors, in particular, health, education, agriculture, tourism, postal, among others that may emerge during the early stages of implementation of Phase 1.

The **OECS (LC) Skills for Inclusive Growth** project was approved in May 2007 for US\$3.5 million of IDA credit. The objective of the project is to assist the Government of St. Lucia to increase the employability of youth through private-sector driven training. This objective will be pursued through three means: (i) establishment of a competitive training scheme that finances private sector-driven training and traineeships, (ii) development of an improved policy framework for delivering training by enhancing OECS collaboration in training and

introducing occupational standards to increase quality and value of training, and (iii) strengthening institutional capacity to better implement, monitor, and plan training.

The **OECS Catastrophe Risk Insurance Facility (CCRIF)** was approved in January 2007. This is the world's first ever multi-country catastrophe insurance pool. The bank approved a US\$4.5 million IDA credit for St. Lucia to finance their contribution to the fund over three years. The Facility will enable governments to purchase catastrophe insurance coverage against adverse natural events, such as a major earthquakes or hurricanes. The CCRIF allows participating countries to pool their country-specific risks into one, better-diversified portfolio, resulting in a substantial reduction in the premium cost of 45-50 percent.

The **Telecommunications and ICT Development Project**, approved in May 2005 for US\$543,000, half coming from IBRD loans and the other half form IDA credit, aims at improving the access, quality, and use of telecommunications and ICT services to achieve socio-economic development in the Organization of Eastern Caribbean States (OECS). The project has four components: 1) strengthening the national and regional regulatory frameworks and promoting additional competition in the telecommunications sector. Emphasis will be given to capacity building of Eastern Caribbean Telecommunications Authority (ECTEL) and the National Telecommunications Regulatory Commissions (NTRCs) by providing them with assistances to revise the regional and national sector legislation, and develop a modem interconnection regime; 2) reviewing current universal access policy, creating related guidelines, and providing financial support to establish a Universal Service Fund (USF); 3) improving growth and competitiveness in ICT-enabled services through utilization of broadband infrastructure; 4) ensuring management and administration of the overall project.

The **St. Lucia Water Supply Infrastructure Improvement Project** was approved in December 2001 for US\$1.3 million in IBRD loans. In May 2005, an additional financing of US\$3.85 million in IBRD loans and US\$5.69 million in IDA credit was approved. The total commitment for this project is now US\$10.84 million. The objectives of the St. Lucia Water Supply Infrastructure Improvement Project are: (i) to alleviate the water shortage in the entire north of the country; (ii) to implement urgent investments that will result in additional revenues, and reduction of the likelihood of commercial users abandoning the system; and (iii) to improve the potential of a successful partnership between the Government and the private sector. On April 10, 2007, a request for an additional US\$1.84 million was approved for this project.

The **HIV/AIDS Prevention and Control Project** was approved in July 2004 for US\$6.4 million, with half the financing through IBRD loans and the other half from IDA credit. The project supports the national program, which aims to prevent and control the spread of the epidemic, and to mitigate the socio-economic impact of the disease on the population. The project will use a two-pronged strategy: targeting interventions at high risk groups, and implementing non-targeted activities for the general population. The first component - Community and Civil Society Initiatives - will finance HIV/AIDS prevention, care, and support activities of Civil Society Organizations, women's organizations, professional

organizations, trade unions, and private sector organizations. The second component will support the response to HIV/AIDS by non-health sector line ministries, namely, basic cross-cutting HIV/AIDS activities which all ministries are expected to implement under their respective sectoral HIV/AIDS programs. The third component will strengthen the capacity of the Ministry of Health to provide technical guidance for the national response to HIV/AIDS, specifically it will strengthen HIV/AIDS related services for prevention, treatment, and care delivered through the health care system. Finally, the fourth component will help build the institutional capacity for scaling up responsiveness, by financing technical advisory services, training, staffing, equipment, goods, and general operating costs.

The **St. Lucia Disaster Management Project II** was approved in June 2004 for US\$7.5 million and consists of US\$3.8 million in IDA credit, and US\$3.7 million from the IBRD. This project aims at further reducing the country's vulnerability to adverse natural events (hurricane, floods, etc.) through investment in risk management activities. The project four components: Component 1) Physical Prevention and Mitigation Work: (a) coastal protection works for Dennery Village; (b) rehabilitation and reconstruction of two bridges; (c) drainage, river walls and slope stabilization; (d) retrofitting of schools and health centers; (e) procurement of additional stock; (f) technical audits for works at Dennery Village; (g) training and capacity building. Component 2) Strengthening Emergency Preparedness and Response: (a) construction of the Emergency Operations Center and additional satellite warehouses; (b) installation of water tanks; (c) technical assistance and training for the National Emergency Management Office; (d) specialized disaster equipment. Component 3) Institutional Strengthening: (a) building code training and sensitization; (b) technical assistance in territorial planning; (c) vulnerability assessment. Component 4) Project Management: (a) technical assistance to the Project Coordination Unit and technical audits.

The **St. Lucia Education Development Project** was approved in June 2002 for US\$12.0 million, half of which is from IDA credit, and the other half coming from the IBRD. The overall program objective is to build human capital in the OECS which in turn will contribute to the diversification of their economy and more sustainable growth. There are three main project components. The first increases equitable access and equity in secondary education, particularly in poor rural communities. The second component comprises 4 subcomponents, which: 1) develop curriculum for Forms I-III and provide instructional guides, textbooks, and other resource materials; 2) establish learning resource centers, and expand and upgrade learning centers, including science and information technology labs; 3) elaborate program to support participation of disadvantaged students, and related teacher development in special education; and 4) provide school-based improvement projects, and extra-curricular activities. The third component expands the education management information system, including networking of schools and EMIS training.

## II. ECONOMIC AND SECTOR WORK

The Bank has completed a series of analytical work relating to public sector capacity in the OECS including a number of Public Expenditure Reviews, an Institutional and Organizational Capacity Review and, in late 2007, a Country Fiduciary Assessment. The Bank also prepared an OECS study on Growth and Competitiveness (2005), a Caribbean Air Transport Report (2006), and a regional study on Crime, Violence, and Development: Trends, Costs, and Policy Options in the Caribbean (2007). St. Lucia was also included in the OECS Doing Business Report in 2007, the first multi-country special report to be undertaken by the Foreign Investment Advisory Service (FIAS). Follow-on detailed diagnostic work for St. Lucia is expected in FY09. In addition, an OECS Private Sector Financing Study was completed in early 2008.

St. Lucia will also benefit from ongoing and planned analytical and advisory activities including the following: A Caribbean Skills and Curriculum Study, a Caribbean Financial Sector and Regulation report, a Caribbean Social Protection Strategy Review, a Trade Integration in the Caribbean: Policy Options for Sustained Growth, Job Creation, and Poverty Reduction report, a CARICOM study on Managing Nurse Migration, and an OECS Tourism Backward Linkages Study. A Regional Energy Security report is also planned for FY09.

## III. FINANCIAL RELATIONS

(In millions of U.S. dollars)

|  | Principal    | Available*   | Disbursed*   |
|--|--------------|--------------|--------------|
| OECS E-Government for Regional Integration Program | 2.40         | 2.40         | 0.00         |
| OECS (LC) Skills for Inclusive Growth              | 3.50         | 3.66         | 0.26         |
| OECS Catastrophe Risk Insurance Facility           | 4.50         | 1.33         | 3.51         |
| Telecommunications & ICT Development Project       | 0.54         | 0.38         | 0.21         |
| Water Supply Infrastructure Improvement            | 10.84        | 1.28         | 10.17        |
| HIV/AIDS Prevention & Control                      | 6.40         | 3.91         | 2.86         |
| LC Disaster Management Project II                  | 7.50         | 1.73         | 6.22         |
| Education Development Project                      | 12.00        | 0.24         | 13.13        |
| <b>Total</b>                                       | <b>47.68</b> | <b>14.93</b> | <b>36.36</b> |

\*Amounts may not add up to original principal due to changes in the SDR/US\$ exchange rate since signing.

### Disbursements and Debt Service (Fiscal Year ending June 30)

|                     | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008** |
|---------------------|------|------|------|------|------|------|------|--------|
| Total disbursements | 1.3  | 1.3  | 10.6 | 4.5  | 3.6  | 9.1  | 17.8 | 8.2    |
| Repayments          | 0.8  | 0.8  | 1.2  | 1.4  | 1.2  | 1.3  | 1.6  | 2.2    |
| Net disbursements   | 0.5  | 0.5  | 9.4  | 3.1  | 2.4  | 7.8  | 16.3 | 5.9    |
| Canceled            | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0  | 0.0    |
| Interest and fees   | 0.4  | 0.4  | 0.5  | 0.6  | 0.7  | 0.8  | 0.8  | 1.2    |

\*\* Data as of June 16, 2008

**Appendix III. St. Lucia: Relations with the Caribbean Development Bank (CDB)**  
(As of June 24, 2008)

CDB interventions in St. Lucia have facilitated sustainable development by supporting investments in both social and economic infrastructure. This support has been financial and non-financial in nature and was aimed at ensuring that St. Lucia remains competitive in the global economy while ensuring that the needs of vulnerable groups are addressed. Specifically, the CDB has been involved in areas such as infrastructural development, human resource development, the formulation and implementation of economic, social and sectoral policies, direct and indirect lending to the productive sectors, environmental protection and poverty reduction. Going forward, it is expected that the Bank will continue to support sustainable economic growth by providing support for policy reforms and other efforts which promote good governance, facilitating upgrades to utilities and infrastructure, improving the competitiveness of the tourism sector, supporting medium and small enterprises, reducing vulnerability to natural hazards and fostering inclusive social development.

Notwithstanding some decline in borrowing activity in recent years, reflecting to some extent the availability of alternative sources of financing, St. Lucia remains the second-largest beneficiary of CDB funding, with US\$265.5 million being approved to St. Lucia cumulatively in loans, contingent loans, equity and grants from 1970 to 2007. Of this amount, US\$136.8 million were approved from Ordinary Capital Resources with the remainder being sourced from the “soft” window. In 2007 St. Lucia benefited from a grant of US\$8,000 to assist small scale private sector entities in building capacity to compete more effectively in the local and regional markets. At the end of December 2007, St. Lucia had a total outstanding balance of US\$129.9 million compared to US\$148.7 million at the end of the previous year. There were no new approvals for the January to March period of 2008. Below is a summary of the cumulative sectoral distribution of CDB approved assistance to St. Lucia.

**Sectoral Distribution of Approved Financing (Net) to St. Lucia, 1970 to 2007**

| Sectors                        | In Millions of<br>U.S. Dollars | In Percent |
|--------------------------------|--------------------------------|------------|
| Transportation & Communication | 76.0                           | 28.6       |
| Education                      | 43.9                           | 16.5       |
| Manufacturing                  | 23.2                           | 8.7        |
| Agriculture                    | 24.2                           | 9.1        |
| Water                          | 19.0                           | 7.2        |
| Tourism                        | 14.2                           | 5.3        |
| Housing                        | 18.2                           | 6.9        |
| Health                         | 8.5                            | 3.2        |
| Power and energy               | 1.4                            | 0.5        |
| Micro and Small                | 0.6                            | 0.2        |
| Mining                         | 0.06                           | 0.02       |
| Multisector                    | 36.2                           | 13.6       |
| TOTAL                          | 265.5                          | 100.0      |

## **Appendix IV. St. Lucia: Statistical Issues**

(As of June 26, 2008)

Data provision has some shortcomings, but is broadly adequate for surveillance. Although the statistical database compares well with those of its Eastern Caribbean Central Bank (ECCB) peers, the accuracy and timeliness of macroeconomic statistics should be improved in order to achieve adequate standards for Fund surveillance and meet the authorities' needs. There are persistent weaknesses in coverage, frequency, quality, and timeliness, in particular regarding the national accounts, data on the public sector beyond the central government, and the balance of payments. Also, comprehensive and regular labor statistics are not available. The Ministry of Economic Affairs publishes bi-annually an economic and social review, which includes statistics on many macroeconomic sectors. The ECCB publishes a quarterly economic and financial review and an annual balance of payments for each member country.

St. Lucia is a participant in the General Data Dissemination System (GDDS). Its metadata, which include detailed plans for statistical development in the main macroeconomic areas over the short and medium term, have been posted on the Fund's Dissemination Standards Bulletin Board (<http://dsbb.imf.org>) since September 21, 2000.

### **Real Sector Statistics**

The authorities are revising GDP estimates to obtain better sectoral estimates, but the process is being delayed by data collection problems. Attempts are being made to compile quarterly GDP estimates with funding from the Organization of American States. Given the increasing importance of tourism activities, a new comprehensive survey of the sector is necessary to establish key data, such as the average length of stay in different types of accommodations and the average daily expenditure by type of tourist arrival. This information should be cross-checked with other related activities (i.e., restaurants and transportation) to ensure consistency. Missions fielded by the Caribbean Regional Technical Assistance Center in 2005 and 2007 aided development of export and import price indices and initial work on measuring price developments in the tourism sector. The rebasing exercise of the CPI has been completed—the new CPI basket (base January 2008) is based on the 2006 Household Expenditure Survey. Another area in need of improvement is labor statistics, in particular, the reporting of private and public employment and wages.

### **Government Finance Statistics**

Reporting of central government data has improved substantially over the last few years, but deficiencies remain in the rest of the public sector. The authorities are reporting monthly data on the central government's current revenue and expenditure, using a Fund-compatible economic classification, with lags of a couple of months. However, frequent and substantial revisions suggest that there is a need for further refinement. With regard to the rest of the public sector, the periodicity and timeliness of data reporting should be improved; annual financial statements and projections are currently obtained directly from the entities during

Fund missions and partially consolidated public sector accounts are only compiled by the Fund staff. Data on domestic debt of the public sector are not available on a regular basis. No fiscal data are reported to STA for publication in the *GFS Yearbook* or in *IFS*.

### **Monetary and Financial Statistics**

Monetary statistics are compiled and reported to the Fund by the ECCB on a monthly basis based on a standardized report form since July 2006. In April 2007 a data ROSC mission assessed the monetary statistics with reference to the GDDS, and the Data Quality Assessment Framework (DQAF, July 2003). It indicated that the institutional coverage of the other depository corporations is incomplete, as data for mortgage companies, finance companies, building societies, and credit unions—all of which accept deposits—are excluded. Also, accrued interest is not incorporated in the value of the interest-bearing assets and liabilities, and valuation adjustments are included in other liabilities. In addition, source data for the commercial banks do not provide the disaggregation recommended in the Monetary and Financial Statistics Manual. Close coordination between the ECCB and the single regulatory unit (which supervises financial corporations other than those licensed under the Banking Act) is crucial.

### **Balance of Payments Statistics**

Balance of payments data are compiled by the ECCB on an annual basis. Although recent data provide a more detailed breakdown of goods than in the past, in other areas they do not provide sufficient detail to enable publication of the full classification used in the fifth edition of the *Balance of Payments Manual*. Annual data up to 2005 are published in the IFS. In general, enhanced data resources and better compilation procedures are needed to improve the accuracy and timeliness of balance of payments statistics. Efforts should also be made to compile quarterly balance of payments statistics and the annual international investment position statement.

### **External Debt**

The Ministry of Finance has a comprehensive database for public and publicly guaranteed external loans that provides detailed and reasonably up-to-date breakdowns of disbursements and debt service. Information on bonds placed abroad is compiled annually and monthly data are provided only at the staff's request. There is a need to restore the quality of information on these bonds, which has weakened recently as the distinction between resident and nonresident holders was discontinued.