

Annex

***Saint Lucia* - European Community
Country Strategy Paper
and
National Indicative Programme
for the period 2008 – 2013
(10th EDF)**

The Government of Saint Lucia and the European Commission hereby agree as follows:

- (1) The Government of Saint Lucia, (represented by Mr. Donovan Williams, the National Authorising Officer,) and the European Commission, (represented by Mr. Amos Tincani, and Mr. Valeriano Diaz, the Heads of Delegation for Barbados and the Eastern Caribbean) hereinafter referred to as the Parties, held discussions in Saint Lucia and Barbados from June 2006 to April 2008 with a view to determining the general orientations for cooperation for the period 2008–2013.

During these discussions, the Country Strategy Paper and an Indicative Programme of Community Aid for Saint Lucia were drawn up in accordance with the provisions of Articles 2 and 4 of Annex IV to the ACP-EC Partnership Agreement, signed in Cotonou on 23 June 2000 and the revised Agreement signed in Luxembourg on 25 June 2005. These discussions complete the programming process in Saint Lucia.

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

- (2) As regards the indicative programmable financial resources which the Community plans to make available to Saint Lucia for the period 2008-2013, an amount of EUR 8 100 000 is earmarked for the allocation referred to in Article 3.2 (a) of Annex IV to the ACP-EC Partnership Agreement (A-allocation) and an amount of EUR 2 000 000 for the allocation referred to in Article 3.2 (b) (B-allocation). These allocations are not entitlements and may be revised by the Community, following the completion of mid-term and end-of-term reviews, in accordance with Article 5.7 of Annex IV to the ACP-EC Partnership Agreement.
- (3) The A-allocation is intended to cover macroeconomic support, sectoral policies, programmes and projects in support of the focal or non-focal areas of Community Assistance. The Indicative Programme under Part 2 concerns the resources of the A-allocation. It also takes into consideration financing from which Saint Lucia benefits or could benefit under other Community resources. It does not pre-empt financing decisions by the Commission.
- (4) The B-allocation is intended to cover unforeseen needs, such as emergency assistance, where such support cannot be financed from the EU budget, as well as contributions to internationally agreed debt relief initiatives and support to mitigate the adverse effects of instability in export earnings. The B-allocation shall be triggered according to specific mechanisms and procedures and therefore does not yet constitute a part of the Indicative Programme.
- (5) Resources can be committed within the framework of the present Country Strategy Paper and Indicative Programme upon the entry into force of the 10th EDF multi-annual financial framework for the period 2008-2013 of the revised ACP-EC Partnership, but not before 1 January 2008. Financing decisions for projects and programmes can be taken by the Commission at the request of the Government of Saint Lucia within the limits of the A- and B-allocations referred to in this document. Financing decisions can also be taken on the basis of Article 15(4) in conjunction with Article 4(1)(d) of Annex IV to the APC-EC Partnership Agreement for support to non-State actors or on the basis of Article 72(6) to the ACP-EC Partnership Agreement for humanitarian and emergency assistance funded from the B-allocations. Financing decisions shall be taken and implemented according to the rules and procedures laid down in the EC Council regulations on the implementation of the 10th EDF and on the Financial Regulation applicable to the 10th EDF and in Annex IV to the ACP-EC Partnership Agreement.



- (6) The European Investment Bank may contribute to the implementation of the present Country Strategy Paper by operations financed from the Investment Facility and/or from its own resources, in accordance with paragraphs 2(c) and 3 of Annex Ib to the ACP-EC Partnership Agreement regarding the 10th EDF multi-annual financial framework for the period 2008-2013.
- (7) In accordance with Article 5 of Annex IV to the ACP-EC Partnership Agreement, the National Authorising Officer and the Head of Delegation shall annually undertake an operational review of the Indicative Programme and shall undertake a mid-term review and an end-of-term review of the Country Strategy Paper and the Indicative Programme in the light of current needs and performance.


The mid-term review shall be undertaken in 2010 and the end-of-term review in 2012. Following the completion of the mid-term and end-of-term reviews, the Community may revise the resource allocation in light of current needs and performance.

Without prejudice to Article 5.7 of Annex IV concerning reviews, the allocations may be increased according to Article 3(5) of Annex IV in order to take account of special needs or exceptional performance.

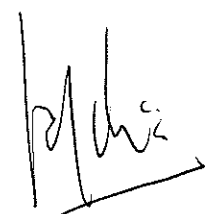
- (8) The agreement of the two parties on this Country Strategy Paper and the National Indicative Programme, subject to the ratification and entry into force of the revised ACP-EC Partnership Agreement and the 10th EDF multi-annual financial framework for the period 2008-2013, will be regarded as definitive within eight weeks of the date of the signature, unless either party communicates the contrary before the end of this period.

Done at Castries, St. Lucia, this 3rd day of December 2008

Signatures



Prime Minister, Hon. Stephenson King
For the Government of Saint Lucia



Head of Delegation Mr. Valeriano Diaz
For the European Commission

LIST OF ACRONYMS

A&CE	Adult and Continuing Education
ACP	Africa, Caribbean, Pacific
ACS	Association of Caribbean States
CARICAD	Caribbean Centre for Development Administration
CARICOM	Caribbean Community
CARIFORUM	Caribbean Forum
CARTAC	Caribbean Regional Technical Assistance Centre
CDB	Caribbean Development Bank
CDE	Centre for the Development of Enterprise
CEHI	Caribbean Health Institute
CIDA	Canadian International Development Agency
COTS	Caribbean Open Trade Support Program
CPA	Country Poverty Assessment
CRIP	Caribbean Regional Indicative Programme
CRNM	Caribbean Regional Negotiating Machinery
CSM	CARICOM Single Market
CSME	CARICOM Single Market and Economy
CSP(s)	Country Strategy Paper(s)
CTA	Centre for the Development of Agriculture
DFID	Department for International Development
DIPECHO	Disaster Preparedness Programme
EC	European Commission
XCD / XCD	Eastern Caribbean Dollars
ECCB	Eastern Caribbean Central Bank
ECCU	Eastern Caribbean Currency Union
ECE	Early Childhood Education
ECHO	European Commission Humanitarian Aid Office

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ECLAC	Economic Commission for Latin America and the Caribbean
EDF	European Development Fund
EEZ	Exclusive Economic Zone
EIB	European Investment Bank
EPA(s)	Economic Partnership Agreement(s)
EPPU	Economic Policy and Planning Unit
ESDP	Education Sector Development Plan
ESRO	Economic Recovery Support Operation
EU	European Union
FA	Financing Agreement
FMO	Framework of Mutual Obligations
FPSR	Fiscal and Public Sector Reform
GDP	Gross Domestic Product
GSPTAC	Growth and Social Protection Technical Assistance Credit
GSPTAC	Growth and Social Protection Technical Assistance Credit
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HRMIS	Human Resource Management Information System
ICC	International Criminal Court
ICT	Information Communication Technology
IDB	Inter-American Development Bank
IFIs	International Financial Institutions
ILO	International Labour Organisation
IMF	International Monetary Fund
IOCR	Institutional and Organisational Capacity Review
IOM	International Organisation for Migration
IWC	International Whaling Commission
LAC	Latin America and Caribbean
LTARP	Land Tenure and Administration Reform Programme

MDG(s)	Millennium Development Goal(s)
MEAs	Multilateral Environmental Agreements
MOH	Ministry of Health
MTESP	Medium Term Economic Strategy Paper
MTR	Mid-Term Review
MTS	Medium-Term Strategy
NAO	National Authorising Officer
NDP	New Democratic Party
NESDEC	National Economic and Social Development Council
NHIP	National Health Insurance Programme
NIP	National Indicative Programme
NIPi	National Investment Promotions Incorporated
NRMU	Natural Resources Monitoring Unit
NSA(s)	Non-State Actor(s)
OAS	Organisation of American States
OCT	Overseas Countries and Territories
ODS	Ozone Depleting Substances
OECD	Organisation for Economic Cooperation and Development
OECS	Organisation of Eastern Caribbean States
PMU	Project Management Unit
PPA	Participatory Poverty Assessment
PSD	Private Sector Development
PSIP	Public Sector Investment Programme
PWLAs	People Working and Living with AIDS
RAPCENs	Reception and Palletisation Centres
RDF	Regional Development Fund
RIP	Regional Indicative Programme
RSS	Regional Security System

RTA	Regional Technical Assistance
SALW	Small Arms and Light Weapons
SFA	Special Framework of Assistance
SIAs	Sustainable Impact Assessments
SLC	Survey of Living Conditions
SNE	Skills Training and Special Needs Education
SLU	Saint Lucia
TA	Technical Assistance
TCF	Technical Cooperation Facility
TRIPS	Total Revenue Integrated Processing System
TRTA	Trade Related Technical Assistance
UK	United Kingdom
ULP	Unity Labour Party
UN	United Nations
UNCBD	United Nations Convention on Biological Diversity
UNCCD	United Nations Convention to Combat Desertification
UNCLOS	UN Convention on the Law of the Sea
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
UPP	United Progressive Party
US(A)	United States of America
USAID	United States Agency for International Development
WB	World Bank
WMD	Weapons Of Mass Destruction
WTO	World Trade Organisation

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SUMMARY

The purpose of this Country Support Strategy is to provide a framework for EU assistance programmes in Saint Lucia under the 10th EDF. It outlines the current status of the EU–Saint Lucia relations, elaborates a detailed country diagnosis, summarises the Government's development agenda, reviews the past and present cooperation with the EC and the activities of other major donors, and concludes with the proposed EU response strategy and its corresponding indicative work programme.

Saint Lucia, one of the four Windward Islands, is a small lower-mid-income economy with an area of 620 sq km and 158 km of coastline; a population of 168,400 (2006 estimate); and an estimated GDP of EUR 608 456 094 (USD 925 000 000) and GDP per capita of EUR 3 648 (USD 5 546) (both figures for 2006 at current market prices). Saint Lucia is a well-established parliamentary democracy with universal suffrage, free elections, a multiparty structure, equality of access to political activity and participative decision-making. Saint Lucia achieved independence from the UK in 1979. The chief of state is Queen Elizabeth II as represented by a Governor General. The Prime Minister, the Hon. Stephenson King, was sworn into office in September 2007. Saint Lucia is a member of the Organisation of Eastern Caribbean States (OECS), the Caribbean Community (CARICOM) and the Association of Caribbean States (ACS). Its economy is traditionally agriculture-based (bananas and other crops), but with a growing services sector centred on tourism, and a manufacturing sector which is showing relative growth. It is a small island developing state (SIDS) with all the inherent challenges such as a narrow economic base and a high vulnerability to external shocks and natural disasters. The country enjoys a relatively high index of human development (0.795 in 2005) as social indicators are relatively good. (According to the UNDP Human Development Report in 2007, Saint Lucia was ranked 72 out of 177 countries). However, there are also considerable social gaps and deficiencies, one of the most important being a high level of poverty linked to a high unemployment rate.

The Government's Strategy over the medium term (2006-2011) will concentrate on the need to exploit all opportunities for sustained growth and development and to restructure and reposition the economy for successful integration within an increasingly liberalized regional and international trading environment, in particular the CARICOM Single Market and Economy (CSME) and the OECS Economic Union. The key priorities of the Government's development strategy are to halt any further decline in the agricultural sector and encourage agriculture and wider economic diversification; provide the enabling environment to foster a private sector-led growth, notably to boost tourism activity with a deliberate emphasis on increasing returns to the local economy through effective linkages; encourage education and human resource development; support the emerging informatics industry and financial services sector, and also encourage the adoption of appropriate technology as a means for achieving greater efficiency.

The EC aid provided to Saint Lucia since 1975 is estimated at EUR 150 000 000. The biggest share has come through the Stabex and SFA mechanisms, which is equivalent to almost three times the amount of the NIPs, and is used to expedite the ongoing restructuring of the banana sector and to support economic diversification. The 7th, 8th and 9th EDF focused on health, namely the building of a new hospital which is due to start in early 2009.

The EC and the Government hereby propose to allocate 85% of the "A Envelope" under the 10th EDF to **Private Sector Development** to assist the Government with the implementation of policies and strategies aimed at achieving private sector-led growth. Approximately 7.5%

of the “A Envelope” will be allocated to the *Technical Cooperation Facility*, including to *support Non-State Actors*. The remaining 7.5% will be allocated to *Technical Assistance to the NAO Office* and other key line Ministries.

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PART 1:
STRATEGY PAPER

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CHAPTER I: The Framework of Relations between the Donor and the Partner Country

I.1.1. General objectives of the EC's external policy

In accordance with Article 177 of the Treaty establishing the European Community, Community policy in the sphere of development cooperation shall foster:

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

Europe should project a coherent role **as a global partner**, inspired by its core values in assuming regional responsibilities, promoting sustainable development, and contributing to civilian and strategic security.

The Union has developed a broad range of external relations tools in the shape of the common trade policy, cooperation under bilateral and multilateral agreements, development cooperation, humanitarian aid and financial assistance, as well as the external aspects of internal policies (energy, environment, transport, justice and home affairs, etc).

EU external action, including the Common Foreign and Security policy, common trade policy and cooperation with third countries, provides a framework both for integrating all EU instruments and for gradually developing a set of common actions based on common positions in the broader sphere of political relations.

Enlargement has entrusted the EU with even greater responsibilities, as a regional leader and as a global partner. It should therefore strengthen its capacity to promote human rights, democracy and the rule of law as well as its capacity to focus on the fight against poverty, both in its neighbourhood and through its multilateral and bilateral policies, which are mainly aimed at sustainable development and political stability. Thus, the EU will achieve genuine consistency between its domestic and external agendas, and thereby contribute to global security and prosperity.

I. 1.2. Strategic objectives of cooperation with the partner country

The Treaty objectives are confirmed in Article 1 of the *ACP-EU Partnership Agreement*, signed in Cotonou on 23 June 2000 and revised in Luxembourg on 25 June 2005. The overarching objective of the *Cotonou Agreement* is to promote the development of a common strategic approach to poverty reduction, consistent with the objectives of sustainable development and the gradual integration of ACP countries into the world economy. Cooperation between the Community and Saint Lucia shall pursue these objectives, taking into account the fundamental principles set out in Article 2, in particular the encouragement of "ownership" of the strategy by the country and populations concerned, and the essential elements and fundamental element as defined in Articles 9 and 11b of the Agreement.

While the Treaty and the Cotonou Agreement provide the legal basis for EC cooperation with ACP countries, the recently adopted *European Consensus on Development* sets the general

policy framework at EU level. The primary and overarching objective of EU development policy is the eradication of poverty in the context of sustainable development, in line with the international agenda, and paying particular attention to the Millennium Development Goals (MDGs), as well as the promotion of human rights and good governance.

Better aid effectiveness is essential to achieving poverty eradication. Therefore the EU will advance coordination, harmonisation and alignment. It will promote better donor complementarity by working towards joint multi-annual programming based on partner countries strategies and processes, common implementation mechanisms, joint donor wide missions, and the use of co-financing arrangements. The EU will take a lead role in implementing the Paris Declaration commitments on improving aid delivery and it will capitalise on the experience of new Member States to strengthen their role as donors.

Policy coherence for development will advance in a number of areas. The aim is for all EU non-aid policies to make a positive contribution to the developing countries' efforts to attain the MDGs.

The principle of concentration will guide the Community's country and regional programming. This means selecting a limited number of priority areas of action, through the dialogue with partner countries, rather than spreading efforts across too many sectors. In this context the Community will be primarily active in nine areas, taking into account its comparative advantages in a number of them. The areas are trade and regional integration; the environment and the sustainable management of natural resources; infrastructure, communications and transport; water and energy; rural development, land-use planning, agriculture and food security; governance, democracy, human rights and support for economic and institutional reforms; conflict prevention and fragile states; human development; social cohesion and employment.

The mainstreaming approach will be strengthened for four cross-cutting issues: democracy, good governance, human rights, and the rights of children and indigenous peoples; gender equality; environmental sustainability; and the fight against HIV/AIDS.

I.1.3 Main bilateral agreements

Saint Lucia is signatory to a tax information exchange agreement with the US (in 1987) and to a multilateral convention on the avoidance for the avoidance of double taxation with the CARICOM countries (in 1994) and with Switzerland (in 1963).

CHAPTER II: Country Diagnosis

II.1. Analysis of the political, economic, social and environmental situation in the recipient country

II.1.1 Political and institutional situation

Saint Lucia, one of the four Windward Islands, is a small island state with an area of 620 sq km and 158 km of coastline. Saint Lucia is a well-established parliamentary democracy with universal suffrage, free elections, a multi-party structure, equality of access to political activity and participative decision-making. Saint Lucia is a member of the Organisation of Eastern Caribbean States (OECS) and the Caribbean Community (CARICOM). Saint Lucia gained independence from the UK in 1979. The Head of State is Queen Elizabeth II, as

represented by a Governor-General. The Prime Minister, the Honourable Stephenson King, leader of the United Workers' Party (UWP) was sworn into office in September 2007 after the death of Sir John Compton. The bicameral Parliament consists of the Senate (11 seats; six members appointed on the advice of the prime minister, three on the advice of the leader of the opposition, and two after consultation with religious, economic, and social groups) and the House of Assembly (17 seats; members are elected by popular vote from single-member constituencies to serve a five-year term). According to the Constitution, the next elections are due in May 2012.

Saint Lucia is not considered to have significant problems with human rights or protection of civil liberties, and freedom of speech and freedom of the press are upheld. A declaration of individual rights and freedoms is enshrined in the Constitution of Saint Lucia. However, Saint Lucia is a party only to the International Convention on the Elimination of All Forms of Racial Discrimination and the Convention on the Elimination of all Forms of Discrimination against Women and the International Convention on the Rights of the Child. Recourse to the death penalty still exists in Saint Lucia, although it is not often used. Saint Lucia has signed the Rome Statute of the International Court of Justice but has not concluded a bilateral "non-surrender" agreement with the United States under Article 98 of the Statute.

According to the US State Department (released on 11 March 2008) human rights report "while the government generally respected the human rights of its citizens, there were problems in a few areas, primarily abuse of suspects and prisoners by the police, long delays in trials and sentencing". This report also documents that violence against women and child abuse were serious problems in the country. In addition, according to the US report, although there are no laws that explicitly prohibit all forms of trafficking in persons, there are laws prohibiting slavery, forced labour, forced imprisonment, or kidnapping that could be used to prosecute alleged traffickers, however, there were no records of such prosecutions during the year despite reports of incidences of trafficking in persons.

Finally, in its Concluding observations of 2006, the UN Committee on the Elimination of Discrimination against Women urged Saint Lucia "to pursue a holistic approach in addressing the question of prostitution, and in particular to provide women and girls with educational and economic alternatives to prostitution, including economic empowerment programmes for women agricultural workers who may have lost their livelihoods with the change in the banana trade regime" (paragraph 20) and also called the government to "intensify its awareness-raising efforts about violence against women, in particular domestic violence, and the unacceptability of all such violence" (paragraph 22).

The legal system is based on the UK common law system as exercised by the Eastern Caribbean Supreme Court of Justice. There is provision for appeal to the Privy Council in London. However, the Caribbean Court of Justice (CCJ), which was formally inaugurated in April 2005, is intended to preside over disputes arising from the interpretation and implementation of CARICOM treaties. It is also intended to be the final court of appeal for member states, replacing the Privy Council. Despite some progress, the adoption of the court by CARICOM member countries is slow and not in a unified manner, as individual governments have difficulties in complying with the requirement to abolish the use of the Privy Council. Although Saint Lucia has signed the agreement to establish the CCJ, it has not yet taken steps to replace the Privy Council.

II.1.2 Economic and commercial situation

Regional Context Overview

The six countries of the Eastern Caribbean (OECS) are at a critical juncture in their development. After three decades as independent states, they are struggling to find new sources of growth and to reduce vulnerability in a context characterised by increasing competition at a global level, the ending of trade preferences, and declining donor resources. These challenges are coupled with internal fiscal imbalances and high debt ratios, and the inherent weakness of small island states. As the first decade of the 21st century enters its second half, all OECS countries are in the top fifteen of the world's most indebted emerging markets (relative to GDP). The impressive gains in terms of social development achieved over the last 30 years are at risk of being eroded by the fiscal and debt situation and by the economic transformation that may be required in order to adapt to the changing external environment. Signs of this erosion are already emerging in the form of rising poverty in both rural and urban areas; disenfranchised youth and high unemployment; and a related increase in crime. All countries also face the risk posed by the growing HIV/AIDS epidemic affecting the entire Caribbean.

In addition, as small states, the six OECS countries face significant vulnerability to external shocks, which include natural disasters; limited opportunities for economic diversification and high dependence on external trade; high cost of public service provision due to diseconomies of scale; and limited capacity in the public and private sectors. However, in a few areas, these shortcomings are being successfully overcome through regional initiatives and projects.

In view of the above context, five policy response areas are emerging as the most obvious priorities for all OECS countries in the medium term. These areas are: fiscal consolidation/public sector reform; a regulatory environment for private sector development; creation of a wider market and a level playing field; skills development; and security enhancement (especially natural disasters).

Overview of Saint Lucia

Saint Lucia is a lower-middle income country with a small, open economy. It has an area of 620 sq km; a population of 168,400 (2006 estimate); a population density of 272 inhabitants per sq km; an estimated GDP of EUR 608 456 094 (USD 925 000 000) and GDP per capita of EUR 3 648 (USD 5 546) - both figures are for 2006 at current market prices. Saint Lucia's economy is traditionally agriculture-based (bananas and other crops), but with a growing services sector centred on tourism, and a growing manufacturing sector. It is a small island developing state (SIDS) with all the inherent challenges, such as a narrow economic base and a high vulnerability to external shocks and natural disasters.

The financial services sector is growing in importance and represented 12.65% of GDP in 2006. From a general point of view, the Commission considers that the development of the offshore financial services sector is likely to advance in parallel with the development of an appropriate regulatory framework based on principles of good governance in the financial and tax areas.

The development in the offshore services sector has proceeded in parallel with the implementation of a series of systematic reforms to the regulatory framework in order to ensure its appropriateness in a period of increasing harmful tax practices.

The specific measures pursued by Saint Lucia to ensure compliance with recognized international principles on transparency and effective exchange of information for tax purposes include:

- Its commitment towards the OECD Financial Action Task Force Tax Reform initiative
- An active programme of fiscal reform which addresses public expenditure management; revenue management and audit modernisation in the form of the Eastern Caribbean Economic Management Programme (ECEMP) financed by the Government of Canada through CIDA and implemented in conjunction with the Caribbean Technical Assistance Centre (CARTAC). This programme includes a very vigorous tax component, which involves new systems such as value-added tax or some variations thereof, which Saint Lucia hopes to implement by April 2008.
- A Joint Eastern Caribbean Central Bank/International Monetary Fund process of self-assessment of its international taxation regime and related matters which have introduced significant reforms and modernization in this area.
- Its commitment to the OECS Economic Union which will address tax governance issues at a regional level in a manner that will be harmonised with international requirements.

By virtue and in the spirit of the Paris Declaration of 2004 on donor coordination to which the EU has committed itself, there is less need for specific emphasis on furthering the issue of tax reform in the unilateral context of EC/Saint Lucia cooperation, although it is worthy of mention.

Recent Economic Performance

The economy of Saint Lucia, after stagnating in the early 1980's, grew by an annual average of 8.5% between 1985 and 1990. It slowed to 1.3% between 1993 and 1997, in view of the problems facing the banana industry at the time. It rose to 3.89% in 1999 before falling back to a negative growth rate of -4.05% in 2001; since then it has been on a path of steady growth reaching 5.0% in 2006. Inflation averaged about 3.5% during 1999 and 2000 before arising dramatically to reach 5.4% in 2001. The rate of inflation dropped to very low levels averaging 0.75% between 2002 and 2004. During 2005 an inflation rate of 5.2% was recorded, mainly as a result of fuel prices on the international market pushing the average CPI up to 3.9% compared to 1.5% in 2004. The price hike for fuel led to increases in food prices, cost of transportation and communications and electricity. In 2006, the Saint Lucian economy returned to its low inflationary path with an inflation rate of -0.6%.

Tourism is currently the main source of foreign exchange in the Saint Lucian economy. However, during 2006 and the first half of 2007 exogenous factors such as contraction in the US and Caribbean markets resulted in a slowdown in the sector, which manifested itself in a decline in tourism receipts, which fell from USD 356 000 000 in 2005 to USD 284 600 000 in 2006. Despite a 7.9% fall in stay over arrivals to 147,821 increased cruise passengers led to a 25.9% increase in total tourist arrivals to 505,699.

The agricultural sector, once the stronghold of the Saint Lucian economy, accounted for 5.5% of GDP in 2004 - down from 14% in 1994 - and declined further to 3.9% in 2006. Bananas, which are by far the most important export crop declined by 23.2% over the period 2004 -

2005 when production reached 42,326 tons in 2004, with earnings of EUR 15 039 106, to a low of 30 007 tons and earning of EUR 13 000 000 in 2005. In 2006, 34 000 tons of bananas were exported, accounting for EUR 13 549 296 in export receipts. The gradual decrease in banana exports is partly due to the change of market conditions as well as low productivity and structural handicaps in the banana industry.

The manufacturing sector is perhaps one of the most diverse in the OECS region and includes food processing, beverages, paper products, clothing and assembly of electronics. Its contribution to GDP grew in 2006 largely reflecting the impetus created by the growth in construction and tourism activity which increased confidence in the economy in 2006.

The construction sector has played an important role in mitigating the socio-economic impact of the decline in the banana industry as evidenced by the 12.5% increase in construction activity in 2005 and a 13.2% increase in 2006. The sector's share of real GDP also rose from 7.5% in 2004 to 8.0% in 2005 and to 8.7% in 2006. This growth was largely led by private sector construction activity, particularly in the tourism and housing sectors, as specific Government incentives geared to increasing the accommodation capacity ahead of 2007 Cricket World Cup took effect.

Structure and management of public finances

Although the public debt as a percentage of GDP increased from 39% in 1990/2000 to 63.9% in 2006 this was largely seen as necessary in order to bolster economic growth in the face of a continued downturn in the agricultural sector and also the tourism sector following the 2001 terrorist attack on the United States. The IMF¹ has noted that, although public debt in Saint Lucia is lower than in other Eastern Caribbean Currency Union countries, it is high by international standards; but it praised the Government's efforts towards deepening fiscal consolidation and reducing public debt through spending discipline and reforms aimed at increasing the efficiency of the tax system.

The high GDP growth rate of 5.0% achieved in 2006, together with Government's fiscal strategy of utilizing a combination of revenue and expenditure measures to improve the fiscal balance and reduce public debt, should augur well in terms of achieving a public debt target of 60% of GDP by 2010. The fiscal strategy is based on an "active scenario" which seeks to address any deterioration of the fiscal accounts [if current policies and programmes remain unchanged (passive scenario)] by focusing primarily on measures which are designed to reduce pressure on the expenditure side of the fiscal accounts, such as a postponement or prioritization of pipeline capital projects and exercising restraint in the growth of public sector wages.

Medium-Term Prospects²

In their Article IV Consultation report on Saint Lucia, the IMF Executive Board indicated that, in 2007, growth is expected to slow slightly as a result of a post-ICC Cricket World Cup fall-off in construction activities, a lacklustre performance in tourism and slow recovery from hurricane damage to banana production. However, macro-economic outcomes are expected to continue to strengthen in the medium term, in line with anticipated growth in real GDP and

¹ Joint statement by the Government of Saint Lucia and the IMF at the conclusion of the 2005 Article IV Consultation Discussions held between 4 – 18 July 2005.

² IMF, Public Information Notice (PIN) No. 08/01, January 2008

the construction sector. Plans to enhance the government's revenue raising ability by introducing a more adjustable mechanism for retail fuel pricing, a market valuation-based property tax and a value added tax are expected to boost macro-economic prospects.

Trade policy and external environment, in particular regional cooperation agreements and EPAs

Saint Lucia is a member of the OECS, CARICOM and the Association of Caribbean States (ACS). As a member of the CARIFORUM Group of ACP States, Saint Lucia concluded an Economic Partnership Agreement with the European Union in December 2007.

The OECS countries have already achieved a high level of integration with a common judiciary, a common currency and central bank (the OECS countries plus Anguilla make up the Eastern Caribbean Currency Union), joint foreign representation, a common directorate of civil aviation, pharmaceutical procurement, telecommunication regulation, banking regulation, and close collaboration in health, education and security matters. On 21 June 2006, after a year of public debate, the Heads of Government signed a Declaration of Intent to submit an Economic Union Treaty for ratification.

As regards the CARICOM Single Market and Economy (CSME), the OECS countries joined in July 2006 (Barbados, Belize, Guyana, Jamaica, Suriname and Trinidad and Tobago signed the CSME Agreement in February 2006). The OECS countries see the establishment of a Regional Development Fund and of preferential and concessionary measures as an essential condition to allow them to participate meaningfully in the CSME. Under the Treaty of Chaguaramas establishing the CARICOM, OECS countries are classified as Less Developed Countries (LDC) and are exempt from certain liberalisation obligations. In particular, Art. 56 gives protection to certain designated sub-sectors in respect of goods from other CARICOM countries. Both the LDC category and the related protection have been incorporated under Art. 164 in the Revised Treaty of Chaguaramas establishing the CSME.

The EU and the African, Caribbean and Pacific countries (ACP) have been working to put in place new **Economic Partnership Agreements (EPAs)** by the start of 2008. The aim of the EPAs is to progressively and asymmetrically remove barriers to trade and enhance cooperation in all areas related to trade. They also aim to prove an open, transparent and predictable framework for goods and services to circulate freely, as well as promoting incoming investment, thereby increasing the competitiveness of the ACP.

On 16 December 2007, the European Commission initialled a comprehensive EPA with Saint Lucia and the other CARIFORUM countries (CARICOM plus the Dominican Republic) covering all of the areas under negotiation.

The general approach is to build on and reinforce regional integration in the Caribbean (market building) and, in the subsequent market opening, to use asymmetric flexibility for the benefit of the Caribbean in terms of product coverage and deadlines for the abolition of tariffs, thereby helping to promote sustained wealth creation and development. In this context, traditional ACP banana producers are also faced with the challenges of a changing EU trade regime for bananas. Already the changes implemented in 2006, while preserving ACP preferential market access, have led to a more open EU market with increased competition. The phasing out of import licences may also require an adjustment in some ACP operators' commercial strategies. However, a large proportion of Windward banana exports has shifted to the Fair Trade market as a result of a successful market differentiation strategy. The sector

will need to continue upgrading its competitiveness in view of future challenges and opportunities, i.e. continued pressure on the MFN tariff on the one hand and the potential of EPAs to secure and improve ACP market access on the other.

II.1.3 Social situation, including decent work and employment

Demographic Factors

Saint Lucia's population was estimated at 166 800 in 2006, an increase of 1.2% over the previous year. Between 2002 and 2006, population growth rates showed a general increase. Birth rates declined between 1999 and 2004. By contrast, since 2002, the death rate has continued to increase. According to the 2001 Census, 51.8% of the total population were females and 48.9% were males. A Core Welfare Indicators Questionnaire Survey conducted in the last quarter of 2004 indicated that just over half of the population live in urban areas and two-thirds live in the north of the island (Castries Urban, Castries Rural and Gros Islet). Just under one third are between 5 and 19 years old, and 42% are between the ages of 15 and 39. Recent data indicate that the average household size is 3.4 in urban households and 3.5 in rural households. Internal migration and the desire of the young unemployed to seek jobs, have led to a contraction of the population in some rural areas and an increase in the population in the urban and peri-urban areas in the north. The economically active population is estimated at about one third of the population, with 22% employed in agriculture, 25% in manufacturing, 53% in tourism and other services. Saint Lucia is ranked as a lower-middle income country.

Education

The Government of Saint Lucia continues to place a high priority on the education of its population, as the development of its human resource is seen as a key factor for social transformation and sustained economic growth. The Government has been focusing on the quality of education at all levels of the education system, which is reflected in a literacy rate for adults (age 15 and older) of 94.8% in 2005. Moreover, efforts have been intensified to attain universal secondary education, which was achieved in September 2006. Over the past five years, fiscal expenditure on education has increased from EUR 26 944 444 to EUR 29 598 765, representing 15 - 17% of Central Government expenditure.

The disparity in the performance of males and females is an area of concern. The UN Sub-Regional Country Assessment for Barbados and the OECS indicate that in Saint Lucia, at primary level, enrolment rates among males and females were 91% and 94% respectively. By contrast at secondary level the corresponding rates were 72% and 86%. Enrolment rates were similar in urban and rural areas, but secondary school enrolment was lower in the poorest households, especially in rural areas (67%).

One initiative which is providing training opportunities, particularly for young persons, is the Centres for Adolescent Renewal and Education (CARE). These centres offer a two-year programme, including job-training experience, to students at five centres throughout the country.

An additional concern resulting from the high investment in education is the diminishing rate of return to the country in terms of productivity. There is also concern that educational attainment is not translating into sustainable livelihoods, employment and perhaps self-sustaining capacity.

Health

Saint Lucia's health indices are indicative of the high priority the Government has placed on Health Sector Reform. For the period 2000-2005, life expectancy at birth was 73.1 years and the under five infant mortality rate (per 1,000 live births) was 14. Only 5% of the population was considered under-nourished between 2002-2004. The general objectives of Health Sector Reform are: the improvement of the administration and management of the health service, enhancement of health service delivery and equitable access to health care by the poor. in conjunction with the establishment of a system of sustainable financing for the health sector. The health sector, as the focal sector of the 8th and 9th EDF National Indicative Programme, has been well placed for radical improvement. Two important initiatives in this regard have been the completion of a Policy and Strategic Plan for the improvement of the health system and the completion of plans for the construction of a new hospital to replace the existing Victoria Hospital.

Expenditure on health has gradually increased in recent years both in absolute terms and as a proportion of total government expenditure. On average, health expenditure represents approximately 5% of Saint Lucia's GDP or alternatively, according to PAHO (2002), a per capita expenditure of USD 138 on national health.

During the last quarter century, there have been improvements in most health-related MDGs, including life expectancy, immunization coverage, primary health care, access to potable water, sanitation and sewerage management, infant, child and maternal mortality and reductions in communicable diseases.

Chronic non-communicable diseases, such as heart disease, diabetes mellitus, hypertension and cerebral-vascular disease and cancer, are the major causes of morbidity and mortality. Intentional and non-intentional injuries are rapidly increasing and are the major cause of morbidity and mortality among children, adolescents and young adults (78% of the Saint Lucian population is under 45 years and 32% are under 15 years). Communicable diseases continue to generate a significant burden of disease, while the number of reported cases of HIV/AIDS has increased year on year. There were 452 HIV infections reported between 1985 and 2004. Mental illness is a persistent and growing concern and also produces a significant burden.

Employment and rural development

The Department of Statistics has reported an overall decline of 3.6 percentage points in the unemployment rate, from 22.3 % in 2003 to 18.7% in 2005. However, district comparisons of these employment statistics reveal major differences. For example, Gros Islet in the north, which could be considered the hub of tourism-related development and construction activity, experienced a dramatic drop in unemployment from 18.2% in the first quarter of 2004 to just 6.3% in the last quarter of 2005. By comparison, Micoud which is a largely agricultural district, experienced an increase in unemployment from 7.3% to 21.7% over the same period. These figures are testimony to the structural changes occurring within the economy, characterised by the increasing growth potential of the service-related sector, with the increase in employment opportunities in hotels and restaurants, the construction boom associated with the expansion of tourism infrastructure and the decline of the traditional agricultural sector. There is a real concern that the adverse social impact of these structural changes is likely to be reflected not only in high unemployment in the rural communities, but also in the other associated social ills of teenage pregnancy, crime and drug abuse.

II.1.4 Environmental situation

Saint Lucia does have an important biodiversity, both terrestrial and marine. Its pristine coastal environment is the basis for the tourism sector. And important forest area is protected and ensures good water quality on the island. Climate change is already having significant serious impacts on Saint Lucia and these impacts will increase over years and decades to come. They are projected to include water contamination and loss of arable land as well as an increase in extreme weather events such as the hurricanes that already affect Saint Lucia. Projected sea level rise will affect coastal areas and the tourism business sector. Climate change is a threat to development and diminishes the chances of achieving the Millennium Development Goals. In this context, adaptation to climate change becomes a pre-condition for sustainable development.

As part of the OECS, Saint Lucia is a signatory to the St. George's Declaration of Principles of Environmental Sustainability in the OECS (SGD). Over the past three years, Saint Lucia has formulated a National Environmental Policy and a National Environmental Strategy (NEMS). The NEMS refers to all existing policies, plans, programmes and strategies, including those which have been developed under international and regional agreements. Although the NEP and NEMS were approved in 2004, the government lacks the financial support to implement the activities which are identified in the NEMS and are critical for the success of the NEP. The country has also formulated a preliminary set of indicators under a project aimed at promoting Integrated Development Planning (IDP) in the country.

The country is also a signatory to approximately 26 multilateral environmental agreements, all of which involve obligations to which the country must adhere. Since responsibility for implementation of these MEAs lies within various ministries, a holistic approach is needed to ensure optimum use of technical and financial resources. The Government's efforts in the area of environmental management are directed at public awareness, development of information systems to better monitor the environment, capacity building and institutional strengthening and legislative review. Integrated Coastal Zone Management, solid waste management and Hazard Risk Management are also key elements of its environmental strategy.

II.1.5 Saint Lucia in the International Context

Saint Lucia enjoys close relations with its neighbours. It is an active member of the Organisation of Eastern Caribbean States (OECS), and shares a common currency and common judiciary system with the other six full OECS members and Anguilla (Eastern Caribbean Currency Union). On 21 June 2006, the Heads of Government signed a Declaration of Intent to submit an Economic Union Treaty for ratification after a year-long public debate. The new Economic Union Treaty will replace the Treaty of Basseterre, which established the OECS in 1981. The new Treaty makes provision for an Executive Commission with supranational powers and a full single market, which includes the four freedoms.

Saint Lucia is also a Member of the Caribbean Community (CARICOM), which is in the process of establishing a single market and economy that will include not only a fully functioning common market, but also the harmonisation of macroeconomic policies and eventual monetary integration.

It is also a Member of the Association of Caribbean States (ACS), which was established as a mechanism for consultation, cooperation and concerted action, and brings together all the countries of the Caribbean Basin (the sovereign states of Central America, CARICOM, Cuba,

Dominican Republic, Colombia, Mexico and Venezuela) with an overall population of some 200 million. Together they have pledged their commitment to strengthen cooperation in trade, tourism, transport, natural disasters, environment, language training, and cultural cooperation.

Saint Lucia is also a member of the OAS, the International Whaling Commission (IWC), the ACP group and the UN. In the IWC, the country tends to vote for the resumption of commercial whaling. At the 58th IWC Annual Meeting, Member Countries adopted the "Saint Kitts Declaration", coming out against the whale hunting moratorium and in favour of restoring the IWC to its original whale stocks management mandate. The Declaration was sponsored by all OECS Countries.

Saint Lucia is a participating partner in the OECD Global Forum on Taxation, which is aimed at doing away with harmful tax regimes and establishing a level playing field for the global economy by implementing the principles of transparency and exchange of information for tax purposes. It took part in the last meeting of the Forum held in Melbourne on 15-16 November 2005, contributing in particular to the factual assessment of its tax regimes.

Saint Lucia is also a member of the "*Organisation Internationale de la Francophonie*".

II.2. Poverty reduction analysis

The 1995 Assessment highlighted the need for special attention and a co-ordinated response to poverty issues. Consequently, the Ministry of Social Transformation was created in 2001. The Ministries of Health, Education and Gender Relations also play a critical role. Civil society organizations, too, are committed to poverty reduction, but many of them are weak and lack the institutional capacity to manage projects and sustain their efforts.

Among other initiatives aimed at poverty reduction was the development of an Interim Poverty Reduction Strategy and Action Plan, in 2003. This plan outlined the way forward for government to develop a national social development policy which fully incorporates the poverty reduction agenda.

A Draft Social Policy for Human Development was also developed in 2003. The strategic objectives are:

- The provision of sustainable economic opportunities, at both the macro and micro levels, in a manner that benefits all sectors of society, including the poor.
- The empowerment of people and communities, the inclusion of the concerns of marginalised people in institutions and organisations, and the promotion of social integration, individual self-esteem and cultural identity.
- The promotion of universal access to health, education, water and sanitation, and the protection of vulnerable individuals and groups.

Through support from the CDB, a Country Poverty Assessment (CPA) was initiated at the end of 2005 and completed in June 2007. The exercise included both a quantitative survey of living conditions and a qualitative Participatory Poverty Assessment. It is anticipated that on the basis of the CPA findings, the Poverty Reduction Strategy and Action Plan will be adjusted.

The Public Sector Investment Programme for 2002 – 2006 is estimated at EUR 254 320 987, of which 38% goes to the social sector. In these social sectors, there are a number of policies and programmes of relevance to poverty reduction. These include, inter alia, the Education Sector Development plan, a Shelter Development Project and a number of initiatives in the Health Sector. The Education Sector Development plan addresses poverty issues from two angles – (a) alleviating the negative impacts of poverty on educational opportunities and (b) building skills and capacity as instruments of poverty reduction. The Shelter Development Project, which is funded through a loan from the CDB, aims to improve the shelter conditions of low-income households by facilitating access to affordable credit, serviced plots, improved housing and upgraded facilities in squatter settlements.

II.3. The recipient country's development strategy

The Government of Saint Lucia has recognized the need to restructure and reposition the economy for successful integration within an increasingly liberalized, regional and international trading environment specifically the Caricom Single Market and Economy (CSME).

As such, the focus of its medium-term development strategy is on arresting further declines in the agricultural sector through strategic production and marketing linkages with the buoyant tourism sector; human resource development and appropriate labour market skills training, with a concentration on appropriate technology adaptation - especially ICT - across all export sectors, including the emerging informatics sector, and the development of the relevant infrastructure base, fiscal incentive framework and overall enabling environment for private sector development.

This economic agenda is strongly underpinned by an awareness of the need to adopt a complementary approach to social recovery orientation and social protection which is geared to developing the capacity, particularly in rural communities, for a sustainable improvement in livelihoods through a range of interventions focused on increased employability of young people and other vulnerable sections of the population, plus education and health measures aimed at ensuring the total well-being of the individual.

The Government of Saint Lucia's medium-term development policy translates into a commitment to implement the following ongoing measures:

- Comprehensive review of the incentive framework and enabling environment in order to stimulate private sector investment.
- Reform of the tax system to examine options for revenue replacement, as well as to address equity and efficiency issues.
- Revision and subsequent implementation of the Poverty Reduction Strategy and Action Plan.
- Implementation of a programme for Agricultural Diversification through the work of the Saint Lucia Agricultural Diversification Agency (SLADA).
- Development of a programme for Health Sector Reform to facilitate universal access to health care.

- Maintaining, modernizing and strategically expanding the country's infrastructure.
- Improving the quality of the human resource base.
- Increasing the level of access to basic social services and social infrastructure.
- Strengthening all aspects of the project life cycle, through a coordinated approach to development planning and project monitoring.

II.4. Analysis of the viability of current policies and the medium-term challenges³

The recent improvements in Saint Lucia's economic activity present an opportunity to address the challenges to long-term growth and reduce unemployment, and reverse the rapid rise in public debt.

Key issues and challenges in this regard are:

- *Fiscal Consolidation:* The government has made commendable progress since 2003 in reducing fiscal imbalances, but the still fragile debt situation makes it important to build on this achievement. Public debt, which stood at 63.9% of GDP in 2006, has accumulated as a negative consequence of Government's attempts to stimulate growth, and is now creating significant vulnerabilities. Without resolute action, the public debt could rise to more than 90% of GDP by FY 2010/11. Even with the implementation of measures aimed at reducing the debt to GDP ratio to under 60% in FY 2010/11, the public finances would still remain highly vulnerable to shocks, and the authorities should aim to continue lowering debt over the medium term.
- *Broaden the economic base and increase competitiveness:* EU banana preferences have undoubtedly made it more necessary to diversify agricultural production but efforts in this regard will be hindered by topographic constraints, high labour and other input costs and slow technological and skills adaptation. There is a need to facilitate structural change in the economy, as the expansion of the tourism sector has not been sufficient to compensate for the decline in banana production and manufacturing since the early 1990s. Further measures must be taken to promote domestic investment (outside of tourism), labour market flexibility (labour mobility under the CSME would offer obvious benefits) and *development of skills* in competitive sectors.
- *Cushioning the social impact of the movement of workers:* The banana sector will further decline, and assistance programs should aim to ease the movement of workers into other sectors, while cushioning the social impact. Consequently, a major challenge will be to design and implement appropriate social recovery and training programmes for vulnerable groups who will face difficulties in making the necessary adjustments within the new economy.
- *Trade liberalisation and regional integration:* The economy's growth potential will benefit from a stronger outward orientation with the implementation of the regional Cariforum EPA. Saint Lucia should now be taking steps - on its own and with CARICOM partners - to lower peak tariffs and eliminate restrictive licences which draw scarce resources into non-competitive activities, drive up costs of tourism services and impede export diversification. The liberalisation of the trade account should lower the cost of much-needed inputs to the

³ Based on the 2005 Article IV Consultation Discussions held between 4 – 18 July 2005.

tourism and manufacturing sectors, which depend heavily on imports for value added products and services.

- *Strengthening of the banking sector:* progress in this area should be monitored and encouraged, while taking into account the need to achieve compliance with internationally recognized principles on transparency and exchange of information for tax purposes.
- *Strengthening natural disaster management:* Saint Lucia has a well-designed disaster prevention and mitigation framework. Nevertheless there is still scope to iron out the remaining issues related to implementation and enforcement in line ministries, and to take better advantage of insurance mechanisms to reduce public asset exposure.
- *Improve the quality of economic data:* Although the quality of economic data in Saint Lucia is high relative to other ECCU countries, there is still scope for improvement. The national accounts, as well as consumer prices and wages data, remain subject to frequent revisions and are partly based on outdated samples and weights. There is insufficient information on private remittances, which are potentially large, and consideration should be given to introducing a regular survey of financial institutions.

Saint Lucia's regional and international commitments to the principles of transparency and exchange of information for tax purposes will contribute significantly to the country's smooth and gradual integration into the world economy, increased competitiveness and sustainable economic diversification.

The present Public Finance Management (PFM) system in Saint Lucia is thought⁴ to support the maintenance of aggregate fiscal discipline, as demonstrated in the improvement in budgetary outcomes in recent years. In terms of the **Credibility of the Budget**, total spending and the composition of spending are close to the approved budget and the stock of arrears is not significant (2% of expenditures). With regard to **Comprehensiveness and Transparency**, there is a reasonably robust classification system, low levels of unreported government operations, transparent inter-governmental relations and good public access to fiscal information. However, GoS' (Ministry of Finance) oversight of aggregate fiscal risk posed by other public entities need improvement. There are evidences of **Policy Based Budgeting**, as the annual budget exercise is orderly and participation satisfactory and there are improvements in the multi-annual perspective in fiscal planning, expenditure policy and budgeting. For the criteria **Predictability and Control**, the framework for taxpayer registration and tax assessment is good supported by good IT systems. The effectiveness in collection of taxes is improving which augers well for predictability in the availability of funds for commitment of expenditure. Recording and management of cash balances, debt and guarantees is very good, and the payroll controls are effective. Improvements are needed in terms of competition, value for money and controls in procurement and some budgetary internal controls need strengthening. In the category **Accounting, recording and reporting**, the reconciliation of central government bank accounts is generally good and the Ministries have access to information on resources received by service delivery units. The Office of the Budget provides comprehensive quarterly budget performance reports to the Ministry of Finance however, annual financial statements have not been prepared for several years. In terms of **External scrutiny and audit functions**, there are delays in the submission of annual financial statements to the Director of Audit, whose office does not have the resources to conduct regular and timely audits (compliance and performance). The Public Accounts

⁴ PFM Assessment of Saint Lucia based on PEFA Framework , Final Report, 2006

Committee's oversight of external audit reports on MDA's and public entities is weak. Donor performance indicators are reasonable.

CHAPTER III: Overview of past and present EC cooperation, complementarity and consistency

III.1 Overview of past and present EC cooperation (lessons learned)

The total amount of European Community aid given to Saint Lucia since 1975 is estimated to be more than EUR 150 000 000, the bulk of which is provided through the Stabex and SFA mechanisms and is being used to expedite the ongoing restructuring of the banana sector and to support economic diversification (in particular in the areas of tourism, private sector, education and ICT). The restructuring programme includes targeting efficient farms with EC-funded investment in irrigation and drainage and other infrastructure works to improve efficiency, quality, and labour productivity. A critical element of the programme is the implementation of programmes to help displaced farmers move into non-traditional agriculture and so minimise the adverse social impact from the restructuring of the industry.

Saint Lucia has a large backlog of unspent funds due to several factors: deliberate undercommitment of previous and present EDF NIP funds to finance the new Hospital, plus new EC financial regulations, in particular with respect to SFA allocations, which have slowed down the translation of project proposals into activities on the ground and caused problems of implementation due to weak capacity.

The year 2005 saw the approval of the Saint Lucia hospital project as a major 9th EDF project (using uncommitted funds from previous EDFs) and the commitment of most of the funds from the 9th EDF. Now that most of the EDF NIP funds are committed to the Hospital Project, the expectation is that, once the tendering process is completed in late 2008, a significant amount of funds will begin flowing from 2009 onwards. In terms of implementation of the current portfolio, SFA disbursements continued to be sluggish in 2007. For uncommitted Stabex Funds (about EUR 22 000 000), discussions are ongoing between the Delegation and the NAO to determine the best use of these resources, which may include adding a portion of these funds to the focal sector under the 10th EDF, Private Sector Development in the form of sector budget support.

Saint Lucia originally benefited from a 9th EDF allocation of EUR 4 500 000 under the A-envelope and EUR 15 000 000 under the B-envelope. Following the End-of-Term Review and transfers from funds left over from previous EDF allocations, the A-envelope now amounts to EUR 19 050 000 and the B-envelope to EUR 4 680 000.

The total active aid portfolio for Saint Lucia in 2007, including EDF (EUR 23 730 000), Stabex (EUR 57 000 000) and SFA (EUR 41 000 000) balances, stood at approximately EUR 121 730 000.

As the implementation of the 7th, 8th, and 9th EDF have been 'frozen' as a result of delays in the construction of the new hospital, the impact, results and lessons learned from past cooperation are related largely to the execution of the STABEX and SFA programmes. In this regard, overall implementation of these portfolios are behind schedule partly as a result of inadequate national capacities to execute the programmes/projects in a timely manner, in addition there is a proliferation of small projects which make administration difficult. To ameliorate this problem the Delegation has further intensified its monitoring of the EU-Saint

Lucia cooperation programme by increasing the number of missions to the island as well as undertaking several comprehensive reviews of the portfolio with the NAO. In addition, the parties concluded an agreement for increased technical assistance (TA) support to the EDF Project Management and Coordination Unit. The TA commenced duties in the first quarter of 2008.

III. 1.1 Focal sectors (and macroeconomic support)

9th EDF NIP EUR 4 500 000 – Focal Sector: Health (EUR 4 050 000)

The health sector and more specifically, the construction of the new hospital, is the focal sector for the 9th EDF. Part of the allocation was used for accompanying measures under the reform process, namely the preparation of the National Health Strategic Plan. The 9th EDF allocation is intended to complement the funds already available under the 7th and 8th EDF for this project, and the Government has also indicated its intention to use Flex resources and a transfer from the B to A envelope for the project. In 2005 the final design of the New National Hospital submitted by the Design Consultants was approved, and the FA was signed in 2006. The international tender procedure for the construction works was launched in mid-2006, but was subsequently cancelled because all of the tenders received exceeded the budget available for the project. Efforts are currently underway to commission an independent cost analysis which would assist the Contracting Authority and the Delegation in ensuring that adequate financing is in place before re-launching the tender and signing a contract before the end of 2008.

8th EDF NIP EUR 6 000 000 - Focal Sector: Social Infrastructure (EUR 5 400 000)

The funds allocated for social infrastructure under the 8th EDF will be utilized for the construction of the new hospital.

7th EDF NIP EUR 5 000 000 – Focal sector 1: Social infrastructure – Victoria Hospital Redevelopment Project (EUR 2 900 000)

Amounts of EUR 243 524 and EUR 150 000 from the 7th EDF were used for two studies. The first study was on the health care sector and provided input for the Government's White Paper on Health, and for the planning of Health Sector Reform. The second study was a feasibility study on the upgrade/reform of two hospitals (St. Jude and Victoria) and the construction of a new hospital in Castries. As a result of the studies carried out, it became apparent that an upgrading of the existing Victoria hospital was not feasible. The decision was therefore taken to build a new hospital. The feasibility study for the new hospital was completed in December, 2001.

III.1.2 Projects and programmes outside focal sectors

9th EDF: 10% (EUR 450 000) from the A-allocation has been earmarked for studies, audits and technical assistance in the area of regional integration under the Technical Cooperation Facility (TCF). To date, approximately 55% of these funds have been used, in particular for a preparatory study for the new hospital.

8th EDF: Drug Demand Reduction Programme (EUR 255 000): A Financing Agreement was signed for four countries (Antigua and Barbuda, Dominica, Saint Lucia and Saint Vincent and the Grenadines), relating to the Multi-Country Drug Demand Reduction Project, with Saint Lucia having an allocation of EUR 255 000 and the EC Delegation acting as coordinator and each country implementing its own individual Work Programme. The objective of the

programme is to reduce the demand for illegal drugs in Saint Lucia. The project includes the establishment of a systematic programme of research into the extent of alcohol and drug abuse, the sensitisation of the public to drug abuse issues, the training of drug and alcohol counsellors, and strengthening the operation of the Drug Abuse and Control Secretariat. The financing agreement expired on 30 November 2003.

The Use of Resources set aside for Non-State Actors

More recently STABEX and SFA funds have increasingly been used for complementary interventions such as diversification of the rural sector and broader (private sector-led) economic diversification to provide potential alternative employment opportunities. These interventions have been underpinned by the establishment of social safety nets, including Social Investment Funds, and NGO activities which complement the initiatives taken by governments and their agencies. An EU instrument introduced in 1999, the Special Framework for Assistance (SFA), which is also related to the banana sector, provides complementary resources for this development agenda. The programmes and projects - from their design stage and throughout their implementation - have involved the active participation of farmers' organisations, chambers of commerce, representatives of particular sectors, NGOs and the local communities in general.

No resources were set aside for NSAs under the 9th EDF. However it was agreed at the MTR "in-country-meeting" of December 2004 that, with the aim of strengthening civil society involvement in EU/Saint Lucia development partnership, a non state actor (NSA) advisory panel, representative of Saint Lucia's civil society, would be established by the Government of Saint Lucia after close consultation between the EC Delegation in Barbados and the National Authorising Officer. The panel would provide a forum for tripartite dialogue, information and consultation on development cooperation between the EU and Saint Lucia.

In the second half of 2005, a team of international consultants assisted the Government and the Delegation with the mapping of NSAs in Saint Lucia and in selecting the members of the Panel. The Panel was launched in May 2006 on the occasion of the in-country consultations on the 10th EDF Programming. NSAs are expected to benefit from the 10th EDF allocation.

III.1.3 Utilisation of B-Envelope

Before the MTR, the B allocation for Saint Lucia was EUR 15 000 000. Following the MTR, the A-Envelope allocation was revised by means of a transfer of EUR 6 000 000 from the B-Envelope. In 2005, Saint Lucia received EUR 3 000 000 of FLEX funds which can be used for the construction of the new hospital. There are no more resources in the B-Envelope for new commitments.

III.1.4 Other instruments

STABEX Transfers (EDF)

Article 186 of the Lomé IV Convention provides compensation for loss of export earnings on certain agricultural products on which countries' economies are dependent and which are affected by fluctuations in price or quantity or both of these factors. The use of such Stabex allocations is governed by a Framework of Mutual Obligations (FMO), which stipulates the objectives, obligations, actions and results that are expected to be achieved by the utilisation

of the Stabex transfers. Presently, Saint Lucia is implementing projects and programmes funded by Stabex allocations for 1994-1997.

The broad approach which has been followed in the FMOs is to support different sectors of the economy in order to achieve economic growth, secure foreign exchange earnings and support poverty reduction. Four broad areas have been targeted; banana commercialisation, agricultural diversification, economic diversification, and social sector and social protection measures. Following large allocations to Saint Lucia in 1995-1997, it was decided to disburse substantial parts of these allocations as direct budget support, in support of the national Public Sector Investment Programme (PSIP).

A major exercise of re-programming Stabex funds took place during 2002, resulting in a re-allocation to sectors that mainly focused on economic diversification. A new approach to private sector development was adopted and schemes such as the Rural Credit Facility and low-income housing support were launched. Discussions were initiated on a broader strategy to support a public sector reform, as well as more refined targeting for the support to social safety nets.

Saint Lucia has outstanding Stabex balances not covered by any FMO of about EUR 22 000 000. The Delegation and the NAO are in the process of discussing the best possible option to employ in the use of these resources, which may include adding a portion of these funds to the focal sector under the 10th EDF, Private Sector Development in the form of sector budget support.

Status of Stabex finances, as of 31 December 2007

Funding year	Total Funds (incl. interests)	Committed	RAC	Paid	RAL
Stabex 1994	26 282 772	24 423 752	1 860 020	23 889 961	2 392 811
Stabex 1995	20 525 844	19 773 295	752 549	19 612 126	913 718
Stabex 1996/97	14 039 379	13 415 853	623 526	12 312 885	1 726 494
Stabex 1998	5 022 730	0	5 022 730	0	5 022 730
Stabex 99/00 + Art. 195A	14 133 890	0	14 133 890	0	14 133 890
TOTAL	80 005 616	57 612 900	22 392 716	55 814 972	24 190 644

Special Framework of Assistance (EC Budget)

Council Regulation (EC) No. 856/1999 established a Special Framework of Assistance (SFA) for traditional ACP suppliers of bananas. Following changes to banana trade arrangements under Regulation (EC) No. 1637/98, which has changed the market conditions for traditional ACP suppliers and due to the potential impact on the most disadvantaged suppliers, the EU has recognised that particular efforts were needed to adapt to these new market conditions in order to maintain a presence of the ACP bananas on the Community market.

In order to benefit from the available funds, each qualifying country is required to prepare a strategy paper for the duration of the SFA. Additionally, each year a Financing Proposal must be submitted laying out the activities planned for implementation of the SFA allocation for that particular year.

In the case of Saint Lucia, the initial strategy focused on Banana Competitiveness Support, Diversification of the Agricultural Sector, provision of Social Safety Nets and Diversification of the Economy. These approaches have been adapted to the framework outlined under the Windward Island Action Plan and to the increased need to deepen reforms and refine the target groups in the areas concerned.

The implementation of most SFAs is well behind schedule, mainly due to capacity and design problems (these sizeable annual allocations comprise a large number of small interventions). The introduction of new EC financial regulations has also hampered the implementation of SFAs for 1999-2002.

SFAs for 2003 and 2004 were signed in December 2004 and February 2005 respectively. The implementation of SFA 2003 (focusing on natural resources management) is on-going and the implementation of SFA 2004 (focusing on private sector, diversification and social recovery) will start in early 2008. SFA 2005 was approved in November, 2005. The purpose of this SFA 2005 is to improve the competitiveness of the agricultural and other productive sectors through the introduction and sustainable use of Appropriate Technologies. The implementation of SFA 2005 is still being identified but should be launched by mid-2008.

The interventions under SFA 2006 and 2007 will mainly target Agriculture and Economic Diversification, Tourism and Energy.

Status of SFA finances, as of 31 December 2007

Funding year	Allocation	Committed	RAC	Paid	RAL
SFA 1999	8 716 159	7 093 350	1 622 809	7 049 552	1 666 607
SFA 2000	8 908 475	7 205 320	1 703 155	7 093 392	1 815 083
SFA 2001	9 388 463	8 740 000	648 463	6 013 863	3 374 600
SFA 2002	8 800 000	4 323 840	4 476 160	1 296 634	7 503 366
SFA 2003	8 000 000	6 843 621	1 156 379	2 054 072	5 945 928
SFA 2004	7 260 000	6 830 776	429 224	18 303	7 241 697
SFA 2005	6 170 000	0	6 170 000	0	6 170 000
SFA 2006	5 410 000	0	5 410 000	0	5 410 000
SFA 2007	4 600 000	0	4 600 000	0	4 600 000
TOTAL	67 253 097	41 036 907	26 216 190	23 525 816	43 727 281

Caribbean Regional Indicative Programme (EDF)

Saint Lucia, a member of CARICOM/Cariforum, is a beneficiary of the many regional programmes funded through the EDF. The 7th EDF RIP has an overall commitment of EUR 105 000 000 while the 8th EDF RIP has EUR 90 000 000 available. The 9th EDF CRIP is focusing on support for regional economic integration and integration into the world economy, for which an amount of EUR 57 000 000 is available.

Support from All-ACP funds (EDF)

The EC approved EUR 50 000 000 for an All-ACP Trade.Com programme in August 2003; the aim is to reinforce the analytical and research capacities for formulating trade policy by providing immediate assistance for ongoing negotiation and promoting activities for institutional support in the area of trade support services in ACP counties. A specific project ("Hubs and Spokes") initiated in 2004 has been designed for the Caribbean region. Under this project the OECS Secretariat benefits from the services of a Trade Policy Adviser, soon to be assisted by a Trade Policy Analyst.

The OECS has received Funding (EUR 280 000) for the Establishment of an OECS Representation Facility in Geneva to follow-up WTO matters, under the EUR 10 000 000 WTO Support Facility, as well as for Capacity Building in support of the preparation of the EPA (EUR 350 000) under the EUR 20 000 000 EPA Support Facility. The Caribbean Regional Negotiating Machinery (CRNM) has also received support (EUR 857 652) from the EPA Support Facility. The NAO Office also benefited from a 9th EDF Financial and Contractual Procedures Training held in Barbados in January 2005, under an All-ACP programme started in 2004.

Other budgetary sources (EC Budget)

In May 2003, the EC approved a Caribbean regional programme under budget line B7-701 (Human Rights Development) to further restrict the implementation of the death penalty in the Commonwealth Caribbean, with a view to its eventual abolition. In this context, numerous activities have been carried out in the fields of criminal appeals (free legal representation to prisoners under sentence of death in the Caribbean Commonwealth Countries), constitutional litigation, applications to international human rights bodies, training (four regional conferences and workshops) and a research study on murders in Trinidad & Tobago. Thanks to the project, the lives of more than 100 prisoners sentenced to death have been saved. A "Death Penalty Project limited" has been established in its own right as an independent NGO in order to provide free legal representation to many individuals facing death penalty in the Caribbean and in Africa. The project was concluded in 2006.

European Commission Humanitarian Aid Office (ECHO)

The European Commission's Humanitarian Aid department (ECHO) launched its first Disaster Preparedness (DIPECHO) Programme for the Caribbean in 1998, making available some EUR 12 000 000 for the activities to prepare the most vulnerable communities and mitigate against disaster and also, to a lesser degree, for disaster prevention. The 4th DIPECHO plan for the Caribbean was approved by the EC in 2003 and its projects were completed during the year 2004-2005.

During 2005, an external evaluation was carried out to assess the impact and the relevance of the DIPECHO programme in the region. Its main conclusions were that this programme had an important impact in the region and particularly in the most vulnerable communities, and

should be further supported. The Commission followed most of their conclusions and launched its 5th DIPECHO Action for an amount of EUR 3 500 000; this covers activities in the whole Caribbean region, but most particularly in Haiti, Cuba, Dominican Republic, Jamaica, Saint Kitts and Nevis, Saint Lucia and Saint Vincent and the Grenadines. Implementation was for fifteen months duration.

In June 2005, it was decided to launch a EUR 500 000 project to support the Red Cross in the Caribbean through the International Federation of the Red Cross to strengthen their preparedness to respond to disasters. This project includes the training of personnel in the respective national societies in evaluation and response mechanisms in water and sanitation, telecommunications, damage assessments and other components. Implementation was to June 2006.

European Investment Bank

The outstanding EIB loan portfolio for operations in Saint Lucia amounted to EUR 6 800 000 by the end of 2007, on signatures of EUR 19 900 000. Operations under the Bank's own resources amount to EUR 6 000 000 (on signatures of EUR 15 000 000), comprising global loans for the Bank of Saint Lucia (originally the Saint Lucia Development Bank, which subsequently merged with the Bank of Saint Lucia) and support for Saint Lucia Electricity Services (LUCELEC), the island's electricity generator. The global loan facility is intended to support loans and equity investments in the islands small and medium sized enterprises (SMEs), ultimately helping to provide jobs, wealth creation and economic growth. The LUCELEC facility provided support for the renewal of its generation capacity, improving efficiency and meeting increasing demand. Operations under the Investment Facility of the Cotonou agreement (risk capital) amount to EUR 800 000 (on signatures of EUR 4 900 000) comprising a number of global loans to the Saint Lucia Development Bank for SME development. Consideration is being given to extending further global loans to support equity investment in SMEs on the island.

Amongst the various projects that the Bank is currently pursuing is the development of global loan structures with financial intermediaries in the commercial sector that have a broad reach throughout the Eastern Caribbean. Three projects under this heading were signed in 2005: Caribbean Development Bank Global Loan III EUR 40 000 000, Cllico Investment Bank Global Loan EUR 20 000 000 and DFL IX EUR 7 000 000. All these facilities can be used throughout the Caribbean ACPs. Additionally the Bank supports the micro finance sector through Caribbean Microfinance Limited, which has subsidiaries in Grenada and Saint Lucia. Consideration is being given to extending regional financing for SMEs with further global loans, and support for a dedicated SME financing facility promoted by the ECCB.

Centre for the Development of Enterprise (CDE)

The CDE supports private sector development by providing non-financial services to ACP companies and businesses and support to joint initiatives set up by economic operators from the Community and the ACP States. In the OECS region, the CDE supports Private Sector development through sector programmes in Construction and Mining, Agro-processing, Wood, Herbal Medicines and Tourism. Over the period 1999-2005, CDE has assisted a total of 69 projects in the OECS region, carrying out 103 interventions at a total cost of EUR 719 035 of which EUR 517 376 was contributed by the CDE. Saint Lucia benefited from 30 interventions for a total amount of EUR 168 299.

The PROINVEST programme, funded from EDF all-ACP funds and managed by the CDE, aims at increasing investments between the Caribbean and Europe. PROINVEST has a fund of EUR 110 000 000 over five years to support private sector development in the African, Caribbean and Pacific Countries. By the end of 2005, the Programme had committed EUR 5 373 679 to activities within the Caribbean region; EUR 2 212 817 of this amount was committed during the course of 2005.

Centre for the Development of Agriculture (CTA)

The CTA supports policy and institutional capacity development and the information and communication management capacities of agricultural and rural development organisations in ACP countries. CTA assists organisations in formulating and implementing policies and programmes to reduce poverty, promote sustainable food security and preserve natural resources. In 2005, the Eastern Caribbean states benefited from CTA support to agricultural and rural development in the Caribbean at both regional and national levels. The activities at the regional level were implemented in collaboration with CARDI (CTA's Regional Branch Office for the Caribbean) and IICA. At the national level, the activities were targeted at the public and non-public sectors and implemented through direct partnership arrangements between CTA and the relevant institutions.

III.2 Information on the programmes of the Member States and other donors (complementarity)

The EC (with grants) and the CDB (mainly with loans) are the only two institutions with a comprehensive coverage and a significant level of assistance to the OECS Countries. All other bilateral and multilateral donors and institutions have small programmes, generally at regional or sub-regional (OECS) level.

Member States active in Saint Lucia include France and the UK (DFID), whilst Germany - via GTZ - has provided the OECS secretariat in Saint Lucia with technical assistance for the strengthening of technical/vocational training, the Natural Resources Monitoring Unit (NRMU) and the CARICOM sub-organisation CEHI (Caribbean Health Institute).

The UK continues to provide significant support to the Commonwealth Caribbean (currently amounting to £ 10 500 000 for 2005-2006). DFID's current strategy within the region places the emphasis on working with and through regional institutions. DFID's programmes in the region are focussed on three broad themes - economic management and public service delivery; trade, competitiveness and economic integration; and HIV/AIDS, crime and violence. In addition the UK has provided significant levels of bilateral debt relief to the Caribbean in recent years through the Commonwealth Debt Initiative.

The Caribbean Development Bank (CDB) is a significant donor to Saint Lucia and has approved loans with the emphasis on sectors such as macro-economic management, public sector reform and financial sector development, diversification in the export sectors, poverty reduction, HRD, environmental protection and infrastructure development.

Activities of CIDA, DFID, UN agencies, USAID and the World Bank in the Eastern Caribbean are increasingly conducted on the basis of sub-regional strategies. The principal areas receiving support from these agencies are: regional strategic objectives such as institutional support to regional institutions, implementation of the Common Single Market and Economy (CSME), HIV/AIDS programmes, environment programmes, social recovery

through economic diversification and job creation, emergency reconstruction and disaster mitigation, increased efficiency and fairness of legal systems, telecom reform, and the development of primary and secondary education.

Saint Lucia also receives technical assistance through the Caribbean Regional Technical Assistance Centre (CARTAC), which is a regional resource, based in Barbados that provides technical assistance and training in core areas of economic and financial management at the request of its participating countries. CARTAC operates like a UNDP project and is funded by all major donors, including the EC (with the largest share being provided by CIDA).

The donor community present in the Eastern Caribbean region has agreed to work through "Coordination Groups", under the umbrella of UNDP, in order to address specific areas of importance and those requiring immediate action. Groups have been established in the following areas: Disaster Management, Climate Change and Environmental Management (led by CIDA); Governance and ICT (led by DFID); Poverty and Social Sector Development (led by UNDP); and Trade & Private Sector (formerly led by the EC Delegation in Barbados, but to be merged with the CRNM Donor Coordination Group).

While the EC Delegation has good relationships with all donors and works particularly closely with DFID, WB and IMF, especially in the implementation of budget support programmes (there is co-financing with the WB and DFID in this area), donor coordination has so far been based on ad-hoc interventions. Therefore there is a need for a more systematic policy and operational coordination in the Eastern Caribbean. Coordination of policy-based assistance is a major challenge, given the relatively limited role of the WB and IMF in OECS countries. It is hoped that operational cooperation will be launched with the CDB through a memorandum of understanding and a contribution agreement (subject to an institutional and financial audit). Relations with CDE and CTA leave a great deal of scope for potential improvement. The EIB opened in 2006 a Caribbean Regional Representation Office in Martinique and this should considerably enhance the EIB portfolio and cooperation with EC Delegations in the region.

Donor dialogue around the OECS Economic Union debate and the various Donors' Country Strategy Papers exercise has improved recently (the Delegation has been consulted on the new programming strategies of the WB, the IDB, the CDB and UNDP, and vice-versa). There is scope for a more structured cooperation, which could be built on: the upgrading/scaling up of viable, small pilot projects that some donors are implementing; systematic sharing of the important analytical work; harmonisation of individual donor CSPs; complementary interventions between grant donors (EC) and lenders (IDB, CDB, EIB) with the use of co-financing, where feasible, and a working method, yet to be found, of donor cooperation on budget support.

III.3 Other EC policies

The EU political dialogue with the Caribbean takes place, inter alia, through the joint ACP-EC institutions. The annual dialogue between CARIFORUM and the European Commission provides a further opportunity for discussing a wide range of issues of mutual interest. The bi-annual EU-LAC Summit is also a major opportunity for advancing EU-Caribbean political dialogue at the highest level and for addressing the evolving relationship between the Caribbean, its geographical neighbours and the EU.

The EC *"renewed strategy" towards Latin America and the Caribbean* underlines the strong determination to strengthen the EU-LAC partnership. The strategy includes stepping up political dialogue between the two regions; stimulating economic and commercial exchanges; encouraging regional integration; tackling inequality; and tailoring its development and aid policy more closely to real conditions in Latin America and the Caribbean. The 4th EU-Latin America/Caribbean Summit ("Strengthening the bi-regional strategic association", Vienna, 11-12 May 2006) made commitments to reinforcing cooperation on human rights, protection of the environment, fight against drug trafficking and poverty.

The *Communication on an EU-Caribbean Partnership for Growth, Stability and Development* recently adopted by the Commission (March 2006) outlines the future policy for EU-Caribbean relations. Aimed at enhancing the Caribbean's own reform and development agenda, the EU approach will be based upon shaping a political partnership built on shared values; addressing economic and environmental opportunities and vulnerabilities; and promoting social cohesion and combating poverty. An EU-CARIFORUM sub-regional meeting that followed the EU-LAC Summit (13th May 2006) committed itself to deepening cooperation in support of regional integration, social cohesion, and the development of human resources, addressing the impact of migration, terrorist threats, drug-trafficking, organised crime, HIV/AIDS and economic and environmental challenges. Specifically, the EU and the Caribbean states have agreed to foster cooperation to address security threats, including non-proliferation of weapons of mass destruction (WMD), illicit Small Arms and Light Weapons (SALW) and combating terrorism. The EU also committed to consider supporting the establishment of a regional Development Fund for the Caribbean as a critical commitment to the restructuring and adjustment resulting from the upcoming establishment of the CARICOM Single Market and Economy (CSME).

The EU policy objective of *strengthening regional cooperation between the ACP States and its Overseas Countries and Territories (OCT) and Outermost Regions* is particularly important in the Caribbean, given the presence of several British and Netherlands' OCTs and three French Departments. In recent years, the DOMs have considerably strengthened their relationship with OECS Countries, in particular within the framework of the EU Interreg III-B Caribbean Programme and the Association of Caribbean States (ACS), yet joint cooperation activities are still at an early stage of development. The Clovis Beaugregard Conference (Martinique, 17-18 November 2005) bringing together for the first time the Caribbean DOMs and OCTs, CARIFORUM Member States, EU Member States (France, the Netherlands and UK) and the European Commission, paved the way for strengthening regional cooperation between the DOMs, OCTs and the neighbouring Caribbean Countries, and committed to work in the area of Trade and Investment, Interconnections, HIV/AIDS and Natural Disasters.

In an increasingly interdependent and globalised world, a major objective of EU development policy is to assist developing countries to better respond to the challenges and opportunities of the globalisation process. EU cooperation will be primarily oriented towards ensuring that the full CSME and the development-oriented EU-CARIFORUM Economic Partnership Agreement (EPA) enter into force by January 2008. Through the establishment of the EPA, the EU is seeking to help the Caribbean ACP partners to seize the opportunities of the new global challenges and address transitional costs, by combining trade relations with very substantial economic and development cooperation support.

In light of their close relationship, the UK and the Caribbean meet every two years to jointly discuss key issues of concern between the region and the UK. The 5th UK-Caribbean Forum (Barbados, 26-28 April 2006) discussed the impact of EU sugar regime reform on the

Caribbean, the need for human resource development, capacity building in legal drafting, further debt relief and support to the CSME-RDF, and national and regional security issues ahead of the 2007 ICC Cricket World Cup.

III.4 Description of the political dialogue with the partner country

The EU political dialogue with the Caribbean takes place mainly through the joint ACP–EC institutions, in particular the Council of Ministers and the Joint Assembly, which includes Members of Parliament of the signatory States. At the regional level, a specific dialogue once a year between CARIFORUM and the European Commission provides an opportunity to discuss a wide range of issues of mutual interest. The EU and the Caribbean base their political systems on pluralist democracy, fundamental rights and the rule of law, acting together and adopting multilateral approaches to global challenges.

Under Art. 8 of the Cotonou Partnership Agreement, a Political Dialogue between EC and Member States Representatives and Saint Lucia's Government Representatives was conducted for the first time during the MTR in December 2004. Topics discussed included the developments towards an EU Foreign Policy, drugs and drugs-related crime, regional security and the role of the Regional Security System (RSS), regional integration, the CSME and the ICC.

There was a further opportunity for political dialogue during the EU-Caribbean Programming Seminar held in Santo Domingo in April 2006 which was attended by EU Commissioner Louis Michel.

III.5 Description of the state of the partnership with the recipient country and progress towards harmonisation

In Barbados and the OECS Countries, there are only two Member States present on the ground having cooperation programmes, namely UK-DFID and France. Most of the DFID programmes are of a regional nature (CARICOM-wide). DFID has very few bilateral programmes in the OECS (Dominica and Grenada) and these are confined to addressing strategic issues such as Fiscal and Public Sector Reform. France, for its part, has a rather limited cooperation programme since the OECS Countries are no longer part of the *Zone de Solidarité Prioritaire*, and it therefore funds small ad hoc activities in these countries.

There is regular consultation, sharing of information and very good cooperation with these Member States, the cooperation with DFID on the Sugar Adaptation Strategies and Country Macroeconomic Assessments being one example.

An opportunity for consultation was offered to all EU Member States present in the region. Also, on 20 June 2006, in Saint Kitts, the Delegation held an important consultation session on the 10th EDF Programming in Barbados and OECS Countries, attended by the seven NAOs and all major Donors and Agencies, at which the UK and France participated.

CHAPTER IV: Response Strategy

Based on the analyses set out in the previous chapters, the EC response strategy has been formulated taking the following into consideration:

- The challenges and opportunities presented by globalisation and trade liberalisation, especially those posed by the establishment of the Caribbean Single Market and Economy (CSME) and the Economic Union of the Organisation of Eastern Caribbean States (OECS), and the need to adapt a country of limited resources to these new realities.
- The pronouncements made in the medium-term strategy by the Saint Lucia Government, in which agriculture, tourism, education and human development, informatics and financial services are the core sectors. The aim of the strategy is to respond to the challenges and opportunities presented by globalisation and to the need for the nation to strategically position itself in the global economy, particularly in view of the inherent implications for the banana industry.
- The Private Sector Development Strategy of the Government of Saint Lucia.
- The approval of a National Export Development Strategy, drafted in close consultation with key-stakeholders (Public Sector, Private Sector, Civil Society), aimed at fostering an "export-ready" private sector.
- The Education Sector Development Plan.
- The main challenges that need to be addressed in OECS Countries if they are to sustain social and economic growth and thereby reduce poverty, namely fiscal consolidation/public sector reform; private sector development; trade and regional integration; skills development; and security enhancement (especially natural disasters).
- The sectors already covered by past and on-going EC cooperation (in particular the envisaged Stabex Budget Support and SFA allocations for 2006-2008 targeting agriculture diversification, economic diversification and private sector development) as well as by co-operation from other development partners.
- The need to ensure complementarity between the intervention planned under the NIP and the support provided under the Caribbean Regional Indicative Programme (to focus on Regional integration & TRTA, ICT & transport, Tertiary Education, HIV/AIDS, Environment / Natural disasters, Security: crime and drugs) and thereby to ensure that the NIP is "integration-friendly".
- The objectives of the new EU Development Policy as defined in the EU Consensus for Development and in the Communication on an EU-Caribbean Partnership for Growth, Stability and Development - which identifies support to the private sector, Human Resource Development, and trade and regional integration as one of the main priorities for EU cooperation with the Caribbean - plus the comparative advantages of the EC as a provider of foreign aid.

- The need for a more effective donors' policy and operational coordination around the countries' home-grown policies and strategies to ensure full ownership of the interventions funded by donors.
- Complementarity with the interventions of bilateral and multilateral donors in the area of private sector development such as the USAID's Caribbean Open Trade Support programme which focuses on improving the investment climate in the OECS, the IADB's Multilateral Investment Fund Caribbean Microfinance Capacity Building Programme and the World Bank's OECS e-Government and Regional Integration Project.

The main measures to be taken by the Government as a contribution to the implementation of the response strategy are:

- The Government will maintain a stability-oriented macroeconomic policy framework.
- The Government will maintain progress in the implementation of a credible Public Finance Management (PFM) reform strategy.
- The Government will maintain progress in implementing its private sector development strategy.

IV.1 Focal Sector: Private Sector Development

It is hereby proposed that 85% of the "A envelope" be concentrated on Private Sector Development as the single focal sector of the EC country strategy for Saint Lucia.

The justification for this strategic choice is as follows:

- The strategy of the Government of Saint Lucia must be viewed in the context of the likely increased competitiveness within the global economic environment arising from greater integration across economies/societies and trade liberalization, via the implementation of the regional EPA. The processes of trade liberalization and economic integration will definitely impact on the development prospects of Saint Lucia, as small economies will face erosion of trade preferences and face possible erosion of their revenue base.
- This means that traditional agriculture will have to deal with issues related to competitiveness. Similarly, in the tourism sector, the product in Saint Lucia is regarded as high cost, and therefore adjustments must be made on the quality side to maintain Saint Lucia's competitive edge in the market.
- In Saint Lucia, poverty is defined less by the lack of access to social services (Health, Education), which tend to be provided reasonably effectively and efficiently (as reflected in the UNDP HDI), than by the lack of access to economic and employment opportunities. Therefore job creation, through the development of the enabling environment for the private sector and the strengthening of skills, is key in the strategy to combat poverty in Saint Lucia.
- There is a need to implement administrative reforms aimed at a more modern and effective public service that promotes and is supportive of private sector development.

Substantial improvements to the enabling environment for private enterprise, through a combination of institutional, fiscal, legislative, regulatory and administrative reforms and improvements are critical to achieving the objectives of fostering private sector competitiveness.

- Saint Lucia needs to create jobs that will activate the unemployed in the rural areas, where poverty is most pronounced. Investment in agriculture, community tourism, and human resource development (skills training etc), and improving the environment for private sector activity, offer the best prospects in this endeavour. The continuing effects of trade liberalization and globalization, and from regional integration, i.e. the CARICOM Common Market and Economy (CSME) and OECS economic union, make it imperative to put Saint Lucia's comparative advantages to better use and improve its human capital through education and training, thereby making for a more productive labour force and a more competitive economy. This is the main challenge for the country as a whole. Responding to some challenges remains primarily the responsibility of the Government; responding to others is primarily the responsibility of the private sector. Training of human resources and capacity building in line with the evolving needs of the private sector is therefore seen as the principal mechanism for enabling economic diversification and for reducing unemployment, poverty and social exclusion.

The private sector needs to become a dynamic "engine of growth" for the economy. The Government's strategic priorities in the field of private sector development are:

- Containment and reduction of the balance of payments current account.
- Upgrading capacities in public and private institutions, in order to increase their efficiency and effectiveness, particularly in the fields of policy development and implementation.
- Enhancement of educational and skills levels to enable young people to obtain employment.
- Commercialisation and privatisation of public enterprises and the introduction or strengthening of cost recovery mechanisms for Government services.
- Simplification/elimination of bureaucratic hurdles and bottlenecks that impede the growth of business.
- A review of tax policy and tax structure in the light of the regional integration agenda, via the implementation of the regional EPA with Cariforum.

Consequently, the interventions proposed within the focal sector will largely seek to advance the attainment of the objectives set out above.

It is therefore proposed to dedicate approximately 85% of the A-envelope allocation under the 10th EDF to a Private Sector Development Programme aimed at supporting the Government's efforts to increase the competitiveness of the economy and to achieve a successful integration into the global economy through the development of its Private Sector, with particular attention to the export-readiness of the private sector, the adequacy of human resources and the facilitation of an enabling environment, in particular through regional integration and trade liberalisation.

The overall objective of the intervention is to achieve sustainable social and economic development by improving national productive capacity, efficiency and quality (in commodity and labour markets) for increased economic competitiveness and for successful integration into the new global economic environment. The specific objective is to foster the development of the private sector by encouraging its export-readiness, training human resources in relevant areas, and taking advantage of trade liberalization and regional integration. The Programme will focus mainly on achieving an export-ready private sector, ensuring the adequacy of the human resource and ensuring congruency with the regional/international integration process.

This strategic choice is clearly consistent with the current policies sustained by the Government. The general objectives of the Government of Saint Lucia in the field of Private Sector Development are the enhancement of Saint Lucia's international competitiveness, and the acceleration of diversification within the economy. Accordingly, the Private Sector Development Programme is intended as a co-ordinated agenda of strategic interventions to improve medium-term growth and investment prospects so as to expand and diversify opportunities for employment, self-employment and sustainable income generation.

In recognition of the need for an export-led growth strategy, both the private and public sector in Saint Lucia have collaborated in formulating a National Export Strategy to facilitate effective, efficient and sustainable expansion of the export sector and to improve the competitiveness of targeted export industries. The National Export Strategy also focuses on improving the policy and legislative framework for the operation of export industries in Saint Lucia. Significantly the strategy focuses on developing the export of both goods and services.

The Government intends to foster private sector development by: creating the enabling environment; by developing the human resources and appropriate labour market skills training and by focusing on appropriate adaptation of technology especially ICT, across all export sectors. This is because there is a growing recognition that the productivity of and future prospects for the development of private sector enterprise depend on the quality of the human resource endowment and overall level of relevant skills competence needed to adapt to new technology and undertake the necessary retooling operations for greater production efficiency⁵. In this regard, there is a direct link between the human resource development interventions proposed in this Country Strategy and the contribution that such interventions could make towards facilitating labour mobility within the CSME as well as increasing the economic competitiveness of the various export sectors and reducing poverty. The proposed intervention is also consistent with private sector development interventions already being funded under SFA allocations.

The intervention is also consistent with EU cooperation objectives. The EU-Caribbean Partnership for Growth Stability and Development [COM (2006) 86], which is rooted in the principle of a political partnership based on shared values, identifies the following priorities (among others) for EU cooperation within the Caribbean:

a). Addressing Economic and Environmental Opportunities and Vulnerabilities through support for the private sector especially small and medium-sized enterprises, including the creation of the right environment for business development as well as for research and development and ICT technologies within the region. There will also be support for the

⁵ The World Bank Report - "A Time to Choose - Caribbean Development in the 21st Century" identifies skill shortages as a major hindrance to increased competitiveness by firms in Caribbean countries.

completion and operation of the Caribbean Single Market and Economy (CSME) as an element of both regional integration and the establishment of the EPA with the EU.

b). Promoting Social Cohesion and Combating Poverty by focussing on education as a strategy for pulling sections of society out of the 'poverty trap', as well as providing the skills base and 'know-how' to take advantage of economic diversification.

Regarding the method of implementation used for delivering the EC assistance under the 10th EDF, an assessment will be made of the possibility of using a sector-wide approach to provide sectoral budget support for the implementation of the Government's National Export Development Strategy or of a wider Private Sector Development Strategy. If the necessary conditions for budget support are not met by the time the intervention proposal is designed, a project approach will be used.

Cross-cutting issues will be an integral part of the Private Sector Development Programme, in particular with regard to gender equality in training human resources. Indicators of achievement that will enable the EC to measure progress on policy reforms will ensure that the rights of women, children and other disadvantaged groups of the population are taken into consideration and that the environment is adequately protected.

As regards complementarity with other donors, the proposed programme will take into account the assistance provided by donor organisations in corresponding areas, such as the continuation of an Office of Private Sector Relations, the investments in economic infrastructure, such as roads and water, that is needed to support the growth of private sector enterprise, support to Universal Secondary Education, the continuation and expansion of skills training programmes by the National Skills Development Centre (NSDC) and the implementation of the ASYCUDA++ pilot project for improving the efficiency of the Customs Department. The intervention will be designed in close consultation with Donors involved in private sector development such as EIB and CDE, and in the development of skills for the new economy such as the WB, which is developing a project entitled "OECS Skills Enhancement for Inclusive Growth".

Possible risks are primarily related to the change in Government priorities over the five years during which the programme is expected to be implemented, and to possible deterioration in the macro-economic and social policy environment in response to exogenous or endogenous shocks.

IV.2. Non Focal Sector 1: Technical Cooperation Facility

Approximately 7.5% of the "A Envelope" will be allocated to the Technical Cooperation Facility, in particular to support Non-State Actors.

The overall objective of the TCF is to support the implementation of the NIP and other relevant ad-hoc activities as needs emerge, including EPA related ones. The specific objective is to provide rapid financing for i) Technical Assistance; ii) Training Support and Capacity Building; and iii) Conferences and Seminars.

It is already planned that part of the funds under the TCF will be allocated to providing Support to Non-State Actors, notably through the consolidation of the NSA National Advisory Panel as an important instrument for enhanced dialogue between the Government, the EU, the private sector and civil society organisations. NSAs can benefit from the three

main areas of intervention of the TCF. The participatory approach of NSAs at all levels in a country's development is one of the fundamental principles of the Cotonou Agreement. NSAs are to be encouraged to take part in the design, implementation and review of national development strategies.

IV.2. Non Focal Sector 2: Technical Assistance to the NAO

Approximately 7.5% of the A Envelope will be allocated to providing Technical Assistance to the NAO Office.

The objectives are to provide technical assistance to the NAO Office in order to ensure efficient management and coordination of EC (not only EDF) funds; to guarantee an increased implementation rate in the future and, in areas identified or required, to promote good governance in the tax area or areas identified, through studies, other expertise or through capacity building initiatives for the relevant tax institution. Cooperation – both in the past and currently - has highlighted the huge importance of the need to provide the NAO Office with the necessary human resources to ensure a more effective, efficient and rapid implementation of EU-funded projects. The significant amount of funds that are still not disbursed under STABEX and SFA instruments is *inter alia* a result of the lack of capacity in the NAO Office and implementing Ministries/Agencies, and requires the provision of substantial technical assistance to improve the cooperation between Saint Lucia and the EC.

PART 2: NATIONAL INDICATIVE PROGRAMME

I. Indicative Programme

1.1 Introduction

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

1.2 Financial instruments

The implementation of the EC's cooperation strategy with Saint Lucia will be financed from several financial instruments. The following is an indication of their mobilisation, as currently envisaged.

1.2.1 10th EDF, A-envelope, EUR 8 100 000:

This envelope will cover long-term programmable development operations under the strategy, and in particular:

Focal Sector: Private Sector Development. This allocation is to cover the long-term development activities identified in the context of the response strategy. It will absorb EUR 6 885 000, which represents approximately 85% of the total funds made available by the EC. Sectoral budget support will be the method of implementation on the basis of the Government of Saint Lucia satisfying the required eligibility conditions. The action plan or road map to implement the strategy, as well as the national monitoring mechanism will be developed during the identification and formulation stages.

Non-focal Sector 1: Technical Cooperation Facility (TCF), notably to support Non-State Actors. This will take up to EUR 607 500, which represents approximately 7.5% of the total allocation.

Non-focal Sector 2: Technical Assistance to the NAO Office. This will take up to EUR 607 500, which represents approximately 7.5% of the total allocation.

1.2.2 10th EDF, B envelope, EUR 2 000 000: this envelope will cover unforeseen needs, such as emergency assistance, where such assistance cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate the adverse effects of instability in export earnings.

In accordance with Article 3(5) of Annex IV to the Cotonou Agreement, this amount may, if necessary, be increased in the light of the operational or ad hoc reviews.

1.2.3 Investment Facility: in addition to the financial instruments mentioned above, of which the A envelope is the main programmable basis for the NIP, the 10th EDF also includes an Investment Facility, which is an instrument managed by the European Investment Bank. The Investment Facility is not part of the NIP.

Some specific activities may be supported by the **Centre for the Development of Enterprise (CDE)** and the **Centre for the Development of Agriculture (CDA)**.

1.2.4 10th EDF regional indicative programme: this allocation will cover long-term programmable development operations under the regional strategy for the Caribbean Region. Although the allocation is not part of the Indicative Programme, it may have repercussions at national level depending on whether Saint Lucia participates in the programmes proposed under the regional framework. The theme of Disaster and Environment Management, under the non-focal area of the RIP, will be of particular importance and relevance to Saint Lucia due to its vulnerabilities in these areas.

1.2.5. Other financial instruments

Specific activities may be supported by external actions funded by the general budget of the European Community carried out under the financial framework for 2007-2013, subject to a special procedure and the availability of funds, and out of the own resources of the EIB. Legal entities from Saint Lucia can also participate in international scientific and technological cooperation across the entire 7th Research Framework Programme (2007-2013). Actions funded from the general budget include programmes funded under the Development Cooperation Instrument, such as the thematic programmes "investing in people", "non-State actors in development", "migration and asylum", "environment and sustainable management of natural resources" and "food security" (for which calls for proposals are made annually) and the programme for accompanying measures for ACP Sugar protocol countries, as well as actions funded from other instruments such as the stability instrument, the European instrument for democracy and human rights and or the instrument for humanitarian and emergency assistance (for which calls for proposals are made annually).

1.2.6. Monitoring and evaluation

The results and impact evaluations of individual activities (programmes, projects, sectors) under this CSP will be monitored in line with the Technical and Administrative Provisions that are attached to each individual Financial Agreement drawn up to implement this CSP.

The results and impact of the Community's cooperation with Saint Lucia implemented through the NIP and through other external actions funded by the general budget of the European Community will be assessed by means of an independent external evaluation. This country-level evaluation may be undertaken jointly with EU Member States and possibly also with other donor agencies.

1.3 Focal sector: Private Sector Development

An indicative amount of EUR 6 885 000 will be set aside for the intervention in this Focal Sector.

The overall objective of the intervention is to achieve sustainable social and economic development by improving national productive capacity, efficiency and quality (in commodity and labour markets) for increased economic competitiveness and for successful integration

into the new global economic environment. The specific objective is to foster the development of the private sector by encouraging its export-readiness, training human resources in the relevant areas, and taking advantage of trade liberalization and regional integration, as the principal mechanism for enabling economic diversification and for reducing unemployment, poverty and social exclusion.

Such an intervention will be an integral part of the Government's own long-term strategy to consolidate and implement its Private Sector Development Strategy, National Export Development Strategy and the Education Sector Development Plan.

It is envisaged that the intervention will be implemented through the method of sector budget support, if all the requisite conditions are met. Alternatively, the project approach will be used. The Sector Budget Support Modality will ensure full ownership of the intervention by the Government, based on its home-grown private sector and human resource development policies. Technical Assistance to the relevant Government Departments/Agencies is built into the Programme. This should also help foster operational coordination with other donors and institutions, including the EIB and CDE.

The Programme should comprise three principal elements:

1. Achieving an export-ready private sector

This component will specifically target outward-oriented and export-ready companies seeking product and market diversification. On a broader level, it will seek to develop an enabling environment for private sector operations, with a view to moving from public to private sector-driven growth. It will seek to address issues identified under the Private Sector Development Strategy and the Saint Lucia National Export Development Strategy (SLNEDS), such as:

- Systematic consultation with all relevant private-sector stakeholders to assess their needs and develop a more conducive business environment.
- Comprehensive review of the legislative, institutional, business and investment environment with a view to simplifying/eliminating bureaucratic hurdles and bottlenecks that impede the growth of business.
- Establishment of a policy, legislative and fiscal incentive framework to promote an export-oriented private sector.
- Establishment/Strengthening of institutions supporting/promoting investment and export development.
- Provision of support to facilitate the export-readiness and innovative activities of firms.
- Review of the economic infrastructure / utilities sector with a view to improving its efficiency.

2. Ensuring the adequacy of the human resource

This component will be addressed indirectly by supporting training, retraining and HRD activities in relation to the private sector's needs. It will address those priorities identified

under the Government of Saint Lucia's Education Sector Development Plan for ensuring that the skills produced match the demand from employers and will be developed through a tripartite consultative process involving the Government, representatives of the private sector and trade unions. This component will complement the efforts to be undertaken by the Government under the WB-funded OECS Skills Enhancement Project to be piloted in Saint Lucia which consists of two components: i) Establishment of a sustainable funding modality to facilitate demand-driven training (ii) Improvement of the training policy framework by increasing the quality and market value of training, as well as developing complementary policies. The main elements planned as part of this intervention are as follows:

- Systematic consultation with all relevant stakeholders to assess on a regular basis the required skills and training needs, based on a demand-driven approach.
- Development of an appropriate framework for facilitating private sector-driven skills development.
- Establishment/Strengthening of institutions supporting skills development.
- Establishment of a sustainable funding modality that will facilitate demand-driven training, including employer and student fee contributions.
- Development/implementation of skills training and productivity enhancement programmes, including vocational training.
- Development of a regionally consistent System of Certification and Accreditation.
- Facilitation of the development of a regional network of private sector training providers.

3. Ensuring congruency with the regional/international integration process

This component will seek to ensure that the proposed product and market strategies are reflected in bilateral and multilateral trade negotiations, and that the private sector takes advantage of the regional integration process to boost its exports. The intervention would support systematic consultation with the Private Sector in the regional integration process; the implementation of the provisions of the CSME and of the future OECS Economic Union; the establishment of the EPA with the EU; strengthening of regional cooperation with the DOMs, notably between private sector actors, and the provision of trade-related assistance (e.g. negotiation and trade facilitation).

The main sectoral policy measures to be taken by the Government as a contribution to the implementation of the response strategy in this field involve support for the establishment/strengthening of the institutions responsible for promoting investment, trade and export development. In addition, the Government will commission a National Training Council to oversee the implementation of a monitoring and regulatory mechanism for skills training service providers and the certification of occupational skills. The National Training Council will be commissioned by March 2008. The Government will also remain committed to regional integration and to the conclusion of international trade negotiations and will ensure adequate staffing to cover trade negotiations in different fora, in particular in the EU-CARIFORUM EPAs.

The main commitments by the Government to ensure mainstreaming of the cross-cutting issues will be reflected in specific indicators of achievement that will enable the EC to measure progress on policy reforms aimed at upholding the rights of women, children and indigenous people, and other disadvantaged groups of the population, as well as concerns over the issue of protection of the environment. Where necessary, the appropriate type of environmental assessment (SEA or EIA) will be carried out.

1.4 Other programmes

Technical Cooperation Facility

An indicative amount of EUR 607 500 will be set aside for the Technical Cooperation Facility (TCF), notably to support non-state actors (NSAs).

The overall objective of the TCF is to support the implementation of the NIP and other relevant ad-hoc activities as needs arise. The specific objective is to provide rapid financing for i) Technical Assistance; ii) Training Support and Capacity Building; and iii) Conferences and Seminars; and iv) to promote the use of results from scientific and technological cooperation as well as other relevant Community programmes to increase the synergies across the entire range of cooperation possibilities.

It is already programmed that part of the funds under the TCF will be allocated to providing Support to Non-State Actors, inter alia through the consolidation of the Task Force of the NESDEC, as an important instrument for facilitating deeper involvement of civil society in the Saint Lucia/EU partnership. NSAs can benefit from the three main areas of intervention of the TCF. The participatory approach of NSAs at all levels in a country's development is one of the fundamental principles of the Cotonou Agreement. NSAs will be encouraged to participate in political dialogue, policy dialogue, and programming/review of EU development aid as well as to take part in the design, implementation and review of national development strategies. The aim of the intervention would be to strengthen the capacities of NSAs, in order to support their involvement in the policy dialogue within the country, especially the involvement of small organisations with the capacity to reach and represent vulnerable or isolated groups of the population, and to allow them to play a more meaningful role nationally. This would focus mainly on strengthening the NSAs' internal structure and organisation, broadening their networks, improving their management qualities and setting up sustainable fund-raising mechanisms. Monitoring mechanisms to assess the quality of involvement will be also introduced. Support for Non State Actors eligible for funding can be provided as defined in Article 6 of the Cotonou Agreement and Article 4 (1) (d) of Annex IV to the revised agreement. Depending on their mandate, support to Non State Actors may cover activities including, inter alia, capacity building, advocacy, research, awareness raising, monitoring and delivery of services to the population. In supporting Non State actors, the EC may make use of article 15 (4) which allows it to be the Contracting Authority.

The main policy measures to be taken by Government as a contribution to the implementation of support for the NSAs are:

- Facilitate the operations of the recently established NSA Advisory Panel, which is widely representative of the civil society, and which should become the legitimate interlocutor within the tri-partite dialogue with Government and the EU.

- Facilitate the establishment and functioning of an institutional framework for consultation with civil society on national issues.
- Provide management support where needed and facilitate participation by NSAs in national development programming exercises.

Technical Assistance to the NAO

An indicative amount of EUR 607 500 will be set aside for providing Technical Assistance to the NAO Office and other key line ministries involved in the implementation of EU-funded projects.

The objective is to provide technical assistance to the NAO Office so as to ensure efficient management and coordination of EC (and not just EDF) funds and to guarantee an increased implementation rate in the future.

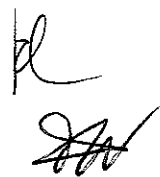
Past and present cooperation has highlighted the utmost importance of the need of providing the NAO Office with the necessary human resources to ensure a more effective, efficient and rapid implementation of EU-funded projects. It has to be acknowledged that the NAO Office deals with three different funding instruments (EDF, STABEX, SFA) with different procedures, and this places a strain on NAO Office management capacity. STABEX and SFA allocations are several times the amount of the NIP.

1.5 Intervention Framework & Performance Indicators

1.6.1 Focal Sector - Private Sector Development

Overall Objectives	Intervention Logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions
	To improve national productive capacity, efficiency and quality for increased economic competitiveness and for successful integration into the new global economic environment.	At least 5% GDP growth average over the period 2009-2014 10% increase in goods and service exports by 2013 10% increase in contribution of major sectors to GDP by 2013	Annual Economic and Social Reviews.	No major exogenous shocks
Programme Purpose	To foster private sector development by encouraging its export-readiness, training human resources in relevant areas, and taking advantage of trade liberalization and regional integration, as the principal mechanism for enabling economic diversification and for reducing unemployment, poverty and social exclusion.	10% returns on investments to private enterprises supported by 2013. Improvement in ranking of the Human Development Index by 2013	Independent Economic Impact Evaluation UNDP Human Development Report	Human and physical capital investment will translate into sustained economic growth
Results	<p>1. Achieving an export-ready private sector</p> <p>Consultation Mechanism with all relevant private sector stakeholders set up</p> <p>Review of the legislative and institutional environment for business development</p> <p>Establishment of the policy, legislative and fiscal incentive framework for the promotion of an export-oriented private sector</p> <p>Establishment/Strengthening of Institutions promoting investment and export development</p> <p>Provision of support to facilitate the export-readiness and innovative activities of firms</p> <p>Review of the economic infrastructure / utilities sector with a view to improve its efficiency</p>	<p>Meetings and Reports of the consultation mechanism</p> <p>Report of the Review Exercise</p> <p>Relevant supportive legislation enacted by 2010</p> <p>ISO Certification adopted by 2011</p> <p>An institutional framework for Trade & Export Promotion established and operational by 2009</p> <p>Number of firms quality assured</p> <p>Number of firms assisted in upgrading their operations</p> <p>Implementation of Recommendations of the Review</p>	Records of the Ministry of Commerce and other relevant Ministries/Agencies	
	<p>2. Ensuring the adequacy of Human Resources</p> <p>Consultation Mechanism to regularly assess demand-driven training needs set up</p> <p>Development of an appropriate framework for facilitating private sector-</p>	<p>Meetings and Reports of the consultation mechanism</p> <p>National Training Council established by 2009</p>	Records of the Ministry of Commerce, Education and other relevant	

	Intervention Logic	Objectively Verifiable Indicators	Sources of Verification	Assumptions
	<p>driven skills development</p> <p>Establishment/Strengthening of Institutions supporting skills development</p> <p>Establishment of a sustainable funding mechanism in support of demand driven training and traineeships</p> <p>Development/implementation of skills training and productivity enhancement programmes across the ten priority export sectors identified in the SLNEDS</p> <p>Development of a regionally-coherent National System of Certification and Accreditation</p> <p>Facilitating the development of a regional network of private sector training providers</p>	<p>Occupational Standards developed for certification of skills levels</p> <p>Development Plans for the upgrade of Training Services prepared by 2010 and implemented thereafter</p> <p>Sustainable Training Mechanism established and functional</p> <p>Number of Training Programmes developed</p> <p>Number of persons trained</p> <p>National System of Certification and Accreditation of Skills established</p>	<p>Ministries/Agencies</p>	
	<p>3. Ensuring congruency with integration processes</p> <p>Systematic consultation with the Private Sector in the regional integration process</p> <p>Implementation of the provisions of the CSME and of the future OECS Economic Union.</p> <p>Establishment of the EPA with the EU</p> <p>Strengthening of regional cooperation with the DOMs, notably between private sector actors</p> <p>Provision of Trade-related assistance (negotiation and trade facilitation).</p>	<p>All CSME provisions implemented by 2010</p> <p>EPA signed with the EU</p> <p>Number of projects/activities undertaken in cooperation with DOMs</p> <p>Number of firms benefiting from TRTA</p>	<p>Records of the Ministry of Commerce and other relevant Ministries/Agencies</p>	



1.6 Indicative timetable for commitments and disbursements

1.7.1 Indicative timetable of global commitments

	2008	2009	2010→
	Indicative allocation	12	12
FOCAL SECTOR - Private sector Development Sector Support	6 885 000 MEUR	FP	FD
NON FOCAL SECTORS	1 215 000 M EUR		
- Technical cooperation facility	607 500 M EUR	FP	FD
- TA to the NAO Office	607 500 M EUR	FP	FD
Total Commitments:	8 100 000 M EUR		
Total Cumulative Commitments :	M EUR		

1.7.2 Indicative timetable of disbursements

	2008		2009		2010 →		
	Indicative allocation	1	2	1	2	1	2
FOCAL SECTOR – Private Sector Development Sector Support	6 885 000 M EUR						
NON FOCAL SECTORS	M						
- Technical cooperation facility	607 500 M EUR						

- TA to the NAO Office	607 500 M EUR						
Total Commitments :	8 100 000 M EUR						
Total Cumulative Commitments :	M EUR						

607 500 M EUR

Total Commitments :

8100 000 M EUR

Total Cumulative Commitments :

MEUR

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1 st FOCAL AREA (6 885 000 M EUR)	Indicative allocation	2008				2009				2010→			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
- PSD Sector Support	6 885 000 M EUR					FP		FA		PI	PI	PI	PI
NON FOCAL AREAS (... M EUR)		2008				2009				2010→			
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
- Technical Cooperation Facility	607 500 M EUR	FP		FA		PI	PI	PI	PI	PI	PI	PI	PI
- TA to the NAO	607 500 M EUR	FP		FA		PI	PI	PI	PI	PI	PI	PI	PI
- Other	M EUR												

FP: Financing proposal

FA: Financing Agreement

PI: Project Implementation

1.7 Schedule of activities

APPENDIXES

A handwritten signature in black ink, consisting of a vertical line followed by a stylized 'H' and a diagonal stroke.

A. TABLE OF MACROECONOMIC INDICATORS									
Indicators	Actual								
	2000	2001	2002	2003	2004	2005	2006	2007	2008
Exports (GNES) annual growth									
Nominal GDP EC\$ fiscal year	1,878.97	1,893.49	1,861.40	1,921.62	2,042.94	2,203.69	2,382.29	2,480.73	
Nominal GDP US\$ fiscal year	691.59	696.93	685.12	707.28	751.94	811.11	876.84	913.07	
GDP nominal (US\$) calendar year	594.86	585.52	585.72	613.50	654.60	700.43	742.44	749.67	
GDP at factor cost (current prices) (EC\$)	1616.17	1590.79	1591.34	1666.82	1778.48	1902.99	2017.14	2037.311	
Gross domestic product at market prices	1,907.76	1,850.69	1,893.52	2,005.92	2,153.99	2,352.80	2,470.75	2,553.13	
External Current Account balance (% GDP)	-13.8	-15.8	-14.9	-19.8	-11.0	-17.2	-32.4	-32.7	
Current Account balance (US\$)	-96.80	-107.60	-104.00	-146.49	-86.86	-149.07	-295.00	-307.33	
National accounts (as % of GDP)									
Gross domestic product	100	100	100	100	100	100	100	100	
Agriculture	6.94	5.47	5.68	4.62	4.32	3.11	3.25	3.31	
Industry	19.6	19.4	18.5	18	18.1	18.3	18.1	17.5	
Services	73	73.8	75.1	76.6	76.6	76.4	76.7	77.6	
Total Consumption	84.32	86.21	89.55	92.37	86.66	83.86	77.75		
Gross domestic investment	25.72	24.62	21.96	20.36	20.97	23.43	29.80		
Government investment	7.3	7.5	10.7	7.1	8.1	10	7.5		
Private investment	17.1	16.5	12.9	11.7	12.6	19.1	17		
Exports (GNFS)	54.33	51.85	49.59	47.63	52.69	51.04	42.25	41.01	
Imports (GNFS)	62.70	56.26	57.41	65.04	46.48	48.70	56.93	57.29	
Gross domestic savings	17.4	16.4	16.8	15.2	...	...	...	...
Gross national savings	14.2	9.4	6.8	0.6	10	10.6	12.9	...	
Memorandum items									
Gross domestic product (US\$ million at current prices)	594.9	585.5	585.7	613.5	654.6	700.4	742.4	764.7	
GNI per capita (US\$, Atlas method)	4010	3790	3830	4030	4300	...	...	...
Real annual growth rates (%)									
Gross domestic product at factor cost (constant price)	-0.24%	-4.14%	0.66%	3.53%	3.85%	4.54%	5.00%	0.04%	
Gross domestic product at market prices	1,907.76	1,850.69	1,893.52	2,005.92	2,153.99	2,352.80	2,470.75	2,553.13	
Annual growth rates (%)	2.1	-2.99	2.31	5.94	7.38	9.23	5.01	3.33	
Balance of Payments (US\$ million)									
Trade Balance	-271.91	307.24	-228.2	-257	-289	-344	-440.21	-429	
Exports (GNFS)	381.5	353.2	345.6	351.68	419.35	441.99	384.18	385.39	
Merchandise FOB	253	218	203	285.13	266.56	351.76	440.54	464.1	
Imports (GNFS)	440.3	383.2	400.1	480.2	368.5	421.71	517.7	538.38	
Resources balance	58.8	30	54.5	128.52	-50.85	-20.28	133.52	152.99	
Net current transfer	18.5	14.6	12.2	12.79	13.82	12.89	11.91	11.95	
Current account balance	-96.8	-107.6	-104	-146.49	-86.86	-149.07	-295	-307.33	
Net private foreign direct investment	53.5	59.1	50	111.12	80.54	81.47	236.18	263.04	
Change in reserves	-4.5	-10.1	-4.8	12.71	-25.36	-15.89	-18.4	-1.15	
Public finance (as % of GDP at market prices)									
Current revenue	26.2	23.8	24	25.8	24.91	24.57	25.11	27.41	
Current expenditure	20.8	22.2	23.9	24.7	23.64	22.16	22.43	21.64	
Current balance	5.4	1.6	0.1	1.1	3.3	1.16	2.68	5.77	
Capital expenditure	7.3	7.5	10.7	7.1	9.38	9.95	12.27	8.47	
Primary balance	0.61	-1.26	-0.12	-3.63	-4.98	-3.91	-6.54	0.77	
Monetary indicators									
M2 / GDP	61.8	66.7	67.2	68.3	70.1	72.8	83.2	85.4	
Growth of M2 (%)	7.9	4.7	3.2	7.6	10.1	13.4	20.1	6.0	
Consumer price index (% eop)	3.6	2.1	-0.7	0.5	3.5	5.2	0.67	6.8	3.5
a. GDP at factor cost b. "GNES" denotes "goods and nonfactor services." c. Includes net unrequited transfers excluding official capital grants. d. Includes use of IMF resources. e. Consolidated central government. Data presented on a fiscal year basis (April - March). f. "LCU" denotes "local currency units." An increase US\$/LCU denotes appreciation. g. Data presented on a fiscal year basis (April - March). Source: World Bank Country Assistance Strategy for OECS Countries									

GDP at Factor Cost (Constant prices)							
SECTORS	2000R	2001R	2002R	2003R	2004PJ	2005pj	2006pj
Agriculture, Livestock, Forestry, Fishing	85.37	64.50	67.33	56.73	55.10	41.47	45.52
- Bananas	43.68	22.37	35.75	22.78	26.81	16.84	18.76
- Other Crops	19.57	20.48	13.50	14.27	11.30	8.15	8.94
- Livestock	7.67	7.20	6.86	6.64	6.77	6.92	6.25
- Fishing	13.21	13.22	10.02	11.88	9.10	8.48	10.52
- Forestry	1.24	1.23	1.20	1.16	1.12	1.08	1.05
Mining and Quarrying	7.66	5.71	5.82	5.83	5.70	5.50	6.59
Manufacturing	70.09	65.59	69.17	72.21	70.07	81.48	86.95
Construction	104.21	99.02	94.23	95.73	96.70	108.79	123.17
Electricity and Water	61.06	63.85	62.26	63.42	64.63	55.96	51.12
- Electricity	53.18	55.59	55.06	56.32	57.44	48.73	43.75
- Water	7.87	8.26	7.20	7.10	7.19	7.23	7.37
Wholesale and Retail Trade	146.05	124.84	126.39	136.21	147.68	156.29	170.39
Hotels and Restaurants	155.61	139.20	138.35	161.36	170.86	181.67	176.70
Transport	127.14	125.49	120.7	125.95	135.18	136.00	151.19
- Road Transport	86.90	87.05	84.73	85.18	86.09	87.46	90.09
- Air Transport	18.03	17.06	16.44	20.34	22.26	21.78	22.18
- Sea Transport	22.21	21.38	19.53	20.43	26.83	26.76	38.92
Communications	107.75	120.50	129.56	135.43	141.65	152.05	151.72
Banking and Insurance	124.42	127.72	129.294	131.854	138.363	150.40	177.39
- Banking	107.98	110.22	112.35	114.07	119.57	131.37	156.02
- Insurance	16.44	17.50	16.94	17.78	18.79	19.03	21.37
Real Estate and Owner Occupie	141.39	146.16	149.63	154.62	159.68	168.78	173.18
Producers of Government Service	145.89	149.43	146.97	143.93	149.82	162.34	178.23
Other Services	57.55	53.33	54.29	54.27	54.59	55.60	57.78
Less: Imputed Banking Service	-104.13	-106.21	-108.24	-109.95	-115.2	-123.67	-150.65
TOTAL	1230.06	1179.13	1185.74	1227.59	1274.82	1332.67	1399.27
Growth Rate	-0.24%	-4.14%	0.56%	3.53%	3.85%	4.54%	5.00%

B. Table of indicators for the MDGs

Millennium Development Goals	1990	1995	2000	2005
Goal 1: Eradicate extreme poverty and hunger				
Income share held by lowest 20%	..	5.2	..	..
Malnutrition prevalence, weight for age (% of children under 5)	..	..	..	..
Poverty gap at \$1 a day (PPP) (%)	..	..	..	..
Poverty headcount ratio at \$1 a day (PPP) (% of population)	..	..	..	..
Poverty headcount ratio at national poverty line (% of population)	..	..	..	..
Prevalence of undernourishment (% of population)	8	7	..	5
Goal 2: Achieve universal primary education				
Literacy rate, youth total (% of people ages 15-24)	..	..	..	..
Persistence to grade 5, total (% of cohort)	96	..	99	96
Primary completion rate, total (% of relevant age group)	122	116	101	96
School enrollment, primary (% net)	95	..	94	97
Goal 3: Promote gender equality and empower women				
Proportion of seats held by women in national parliament (%)	..	..	11	11
Ratio of girls to boys in primary and secondary education (%)	102	..	107	104
Ratio of young literate females to males (% ages 15-24)	..	..	..	..
Share of women employed in the nonagricultural sector (% of total nonagricultural employment)	48.3	48.4	48.5	48.0
Goal 4: Reduce child mortality				
Immunization, measles (% of children ages 12-23 months)	82	94	88	94
Mortality rate, infant (per 1,000 live births)	20	18	17	12
Mortality rate, under-5 (per 1,000)	21	21	16	14
Goal 5: Improve maternal health				
Births attended by skilled health staff (% of total)	..	100	..	99
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	..
Goal 6: Combat HIV/AIDS, malaria, and other diseases				
Contraceptive prevalence (% of women ages 15-49)	47	..	..	..
Incidence of tuberculosis (per 100,000 people)	20	19	18	17
Prevalence of HIV, female (% ages 15-24)	..	..	..	..
Prevalence of HIV, total (% of population ages 15-49)	..	..	..	..
Tuberculosis cases detected under DOTS (%)	..	111	57	92
Goal 7: Ensure environmental sustainability				
CO2 emissions (metric tons per capita)	1.2	2.1	2.1	2.0
Forest area (% of land area)	28	..	28	28
GDP per unit of energy use (constant 2000 PPP \$ per kg of oil equivalent)	..	..	..	..
Improved sanitation facilities (% of population with access)	..	..	..	89
Improved water source (% of population with access)	98	..	..	98
Nationally protected areas (% of total land area)	..	..	..	14.6
Goal 8: Develop a global partnership for development				
Aid per capita (current US\$)	92	332	70	67
Debt service (PPG and IMF only, % of exports of G&S, excl. workers' remittances)	2.1	2.8	7.5	6.1
Fixed line and mobile phone subscribers (per 1,000 people)	127	217	329	..
Internet users (per 1,000 people)	..	3	51	339
Personal computers (per 1,000 people)	..	1	141	160
Total debt service (% of exports of goods, services and income)	2.1	3.1	8.2	7.1
Unemployment, youth female (% of female labor force ages 15-24)	..	42.3	40.5	49.2
Unemployment, youth male (% of male labor force ages 15-24)	..	27.5	32.2	31.8
Unemployment, youth total (% of total labor force ages 15-24)	..	34.2	36.1	40.0
Other				
Fertility rate, total (births per woman)	3.3	2.9	2.0	2.1
GNI per capita, Atlas method (current US\$)	2,810	3,570	4,140	4,580
GNI, Atlas method (current US\$) (billions)	0.4	0.5	0.6	0.7
Gross capital formation (% of GDP)	25.8	18.7	26.5	21.0
Life expectancy at birth, total (years)	71	71	71	74
Literacy rate, adult total (% of people ages 15 and above)	..	..	..	..
Population, total (millions)	0.1	0.1	0.2	0.2
Trade (% of GDP)	156.7	136.9	119.8	129.6

Source: World Development Indicators database, the World Bank 51

APPENDIX 2 - Donor Matrix

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APPENDIX 3 - Executive summary of the Country Environmental Profile

Saint Lucia is a small island developing state (SIDS) located in the Eastern Caribbean. Its existence and development as a nation is constrained by factors such as limited land space, an open, fragile economy and limited human resources. It lies between 13°43' and 14° 07' North and 60° 05' West. It is situated 24 miles south of Martinique and 21 miles north of Saint Vincent. Saint Lucia is located on a submerged volcanic ridge connecting Martinique to the north with Saint Vincent to the south. Saint Lucia is 27 miles (42 km) long at its longest point and 14 miles (22 km) at its widest point, and has a total area of 238 sq miles (616 km²). The highest peak is Mount Gimie (3,145 feet). The Soufriere area on the west coast of the island is a collapsed caldera with domes and solfataric activity. Its most recent eruption occurred some 50,000 years ago. However, Saint Lucia lies on the Antillean Arc of Islands and is therefore subject to effects of the eruption of other active volcanic islands. These effects include earthquakes.

Saint Lucia is located within the Trade Wind belt. These winds approach from directions between the east-north-east to east-south-east. Stronger, more northerly winds are common from December to May. Average temperature is about 78° F (27 degrees C). Relative humidity is 75%, with little variation. The island's climate is characterised by a dry season which runs from January to May, and a wet season from June to December. The hurricane season extends from late June to the end of November. The island has been hit by a number of storms and hurricanes in the last few decades. During heavy rains, there is often flooding in low-lying areas. Due to its small size and location, Saint Lucia is high, vulnerable to disasters, and to the negative impacts of environmental change.

Despite its small size, Saint Lucia possesses a highly diverse ecosystem and is home to a wide range of flora and fauna. There are nineteen (19) endemic wildlife species of known plants, birds and reptiles confined to Saint Lucia's forests. These include one of the rarest birds in the world, the Saint Lucia Parrot (*Amazona versicolor*).

Saint Lucia possesses a coastline of astounding beauty and natural wealth. It comprises sandy beaches and rocky shores, mangals and cliff areas. Mangroves represent about 0.29% of the island's landmass. Mangal systems of Saint Lucia range from a few scattered scrub patches to the more diverse riverine and/or fringing mangal systems. Nearshore reefs, though limited in size, are quite diverse. Reef systems along the west coast are more diverse than those of the east coast. Being a small island, Saint Lucia depends heavily on these coastal resources for tourism and fisheries. According to Mitchell and Gold (1982), over 30% of the island's revenue is generated from the marine sector including sand mining, fishing, transport and tourism. Beaches along the west coast of Saint Lucia are washed by the relatively calm waters of the Caribbean Sea, while those of the east coast are washed by the much rougher waters of the Atlantic Ocean.

The environmental problems facing Saint Lucia are of major concern to the government, given the potential risk of serious degradation and destruction of the physical and natural environment if left unattended.

Another major challenge has been in the area of disaster management. The National Emergency Management Office (NEMO) is the agency responsible for testing and implementing adequate measures to ensure the efficient functioning of preparedness, mitigation and response actions regarding both natural and manmade disasters. Recent assessments of the local capacity for disaster management have revealed weak institutional capacity, lack of public demand for mitigation measures, significant human resource constraints and the continued perception by the general public of disaster management as the sole purview of government. A key recommendation is to strengthen the existing legal and institutional regime for disaster planning and management.

Significant progress has been made in the management of coastal and marine resources and defining of the roles of communities and stakeholders in this process. The Department of Fisheries (DOF) of the Ministry of Agriculture, Forestry and Fisheries is the lead agency for the management of marine resources and the Fisheries Management Plan of 1997 guides the operations of this Department. Even though the DOF has made substantial progress, there are certain areas – such as over-fishing of some species, destructive fishing practices, loss of resources to conflicting uses, and degradation and loss of nursery and spawning grounds due to storms, development and land based pollution – which continue to present challenges.

Saint Lucia has also made some progress in the management of its land resources. Two initiatives in this regard were a review of the planning legislation and institutional framework and the ongoing process of implementing key elements of a restructuring and strengthening programme. A new Physical Planning and Development Act

29 of 2001⁶ has been implemented which stipulates an EIA on proposed developments as a legal requirement. Other interventions include the OECS Building Code, Environmental Impact Assessment Regulations and Infrastructural Planning Standards that further support the Act. The Draft National Land Policy is expected to provide the policy basis to guide the sustainable use and management of land resources, including promoting conflict resolution measures within protected areas. While the National Land Policy is being developed, ongoing issues related to land development and land management are being addressed by a number of governmental and quasi-governmental agencies⁷.

The demand for energy in Saint Lucia continues to be met primarily by imported refined petroleum products. The dependence on imported energy coupled with an increasing rate of energy consumption has significant implications for the island's energy supply and balance of payments. The Sustainable Development & Environment (SD&E) Section of the Ministry of Physical Development has been involved in renewable energy initiatives as well as in pilot projects to provide solar photovoltaic systems for lighting.⁸ The SD&E Section is also the lead agency involved in the overall planning for the energy sector and was responsible for the development of the *National Sustainable Energy Plan* with the assistance of the OAS and the Washington-based Climate Institute. One component of this plan is aimed at maximising the use of renewable-energy and energy-efficiency alternatives. The *Plan* also provides for increased energy conservation and the increased use of renewable sources of energy, plus the legislative requirements to give effect to the outlined energy rationalisation and conservation strategies. The Government has also adopted policies abolishing all import duties and consumption duties on renewable energy technologies.

The quality of Saint Lucia's water is generally good thanks to forest reserve protection, and over the past 10 years there has been a considerable commitment to the collection, storage and management of freshwater resources. Water demand continues to increase rapidly in certain regions due to high infrastructural development and internal migration of persons to the more densely populated areas in the north of the island. The Saint Lucia National Water Policy Draft (2002) cited a study undertaken in 1994 that revealed national demand of 25 million cubic metres (MCM) per annum or a continuous flow of 800 l/s, with losses estimated at 30%.

Environmental management in Saint Lucia is currently dependent on the co-ordinated action of many agencies with varying responsibilities for key resource sectors and for the management, protection or development of resources. These institutions include:

- Water and Sewerage Company Incorporated (WASCO)
- Ministry of Planning, Housing, etc.
- Ministry of Agriculture, Forestry and Fisheries
- Ministry of Health
- National Solid Waste Management Authority
- Saint Lucia National Trust
- Saint Lucia Fire Services
- National Conservation Authority
- National Emergency Management Organisation (NEMO)

Over the years Saint Lucia has been a signatory to several international environmental conventions and has enacted several laws. The country aspires to a form of development that meets the needs and aspirations of all citizens and that is sustainable, equitable, harmonious, and respectful of culture and identity, and compatible with the legitimate claims and needs of other nations and societies. In this quest, the environment plays a central role, because it provides the natural resources (air, land, soil, water, landscapes, ecosystems and species) that

⁶ The new Planning Act has been enacted although there are components that are prerequisites, such as decentralisation of planning approvals to town councils that are still under development and so the act has not yet been signed into law.

⁷ Saint Lucia National Report to the World Summit On Sustainable Development, 2002

⁸ Saint Lucia National Report to the World Summit On Sustainable Development, 2002.

support economic, social and cultural development activities, and because the physical and mental well-being of people and of society as a whole cannot be maintained without a clean and healthy environment. Despite the challenges of environmental management that a small island developing nation such as Saint Lucia faces, it subscribes to the philosophy that development cannot be equitable or sustainable without effective natural resource conservation and environmental management.

From the early days of European colonisation, Saint Lucia's economy has been built almost entirely on the use of natural resources, especially in agriculture and, more recently, tourism. Today, in a globalised world dominated by trade liberalisation, large and growing disparities and inequities between rich and poor countries and regions, and security issues, the economic and environmental sustainability of Saint Lucia is under increasing threat.

As such, the environmental policy of Saint Lucia seeks to ensure that development is environmentally sustainable, while optimising the contribution of the environment to the economic, social and cultural dimensions of development.

The National Environmental Policy (NEP) and the National Environmental Management Strategy (NEMS) are formal expressions of the nation's commitment to arresting and reversing the trends of environmental degradation and ensuring that sound environmental management is fully integrated into the national development policy framework. They seek to complement and build upon the other policy statements and instruments that Saint Lucia has put in place to address issues of environmental quality and sustainability in the country.

The main policy interventions are as follows:

- Maintenance of ecosystem, species and genetic diversity
- Maintenance and enhancement of the natural productivity of ecosystems and ecological processes
- Optimisation of the contribution of natural and environmental resources to economic development
- Optimisation of the contribution of natural and environmental resources to social development
- Prevention and mitigation of the negative impacts of environmental change and natural disasters
- Maintenance and enhancement of the contribution of the environment to human health
- Fulfilment of regional and international responsibilities

The National Environment Policy provides the broad framework for environmental management in Saint Lucia, and establishes links with policies and programmes in all relevant sectors of economic and social development. The National Environmental Management Strategy aims to provide the specific directions and mechanisms for more effective policy implementation and includes specific results expected and actions necessary to achieve the policy objectives.

Within the five-year time-frame of the National Environmental Management Strategy (NEMS) Saint Lucia should have:

- 1 Improved mechanisms and more effective procedures to finance environmental management;
- 2 Systems and procedures to incorporate environmental management considerations into the country's main economic activities;
- 3 Systems and procedures to assess and mitigate the negative environmental impacts of human activities in critical areas;
- 4 Environmental standards that guarantee human safety and environmental conservation.

APPENDIX 4 - Country migration profile

The International Organization for Migration (IOM) is in the process of implementing, with the OAS, a regional programme on migration management in 13 Caribbean countries (Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Dominican Republic, Guyana, Haiti, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname, and Trinidad and Tobago). Availability of statistics has been identified as a serious weakness in the region, and IOM and ECLAC are planning to implement a capacity building programme in this area.

Also, CARICOM is currently conducting a study on migration in the Caribbean which is intended to identify trends and explain why people in the region migrate. The study follows the release of a United Nations report which shows a rapid increase in world migration. The study pays particular attention to the migration of teachers and nurses from the region, which has left regional educational and health institutions with serious problems.

As the Caribbean is a predominantly maritime region, a significant characteristic of its history has been migration, much of which was informal. Three main flows of irregular migration have been noted in the region today: illegal entry into the Caribbean from other regions, notably China and Latin America, using it as a transit point; illegal emigration from the Caribbean to North America and Europe; and intra-regional migration within the Caribbean from poor to rich countries. There are a number of barriers to the regulation of migration in the island states. First, many of the countries are dependent upon large numbers of visitors to their territories, as tourism is their primary export, and it is difficult to ensure that all those entering do not overstay. Second, the vast majority of borders are coastal, and the country extends over a myriad of small islands. Although the US Coast Guard offers a number of Caribbean states joint interdiction services, monitoring these porous borders requires huge resources that are simply not available in the region.

Although traditionally there has been a considerable amount of intra-Caribbean movement, the impact of globalization has contributed to a rise in migration, and female migration in particular. Many migrants come from poor or working-class circumstances, crossing borders or moving to cities in search of opportunities that will help improve their socioeconomic status. Others may migrate due to the devastation caused by conflict or natural disasters, to join family members or friends, or to seek out better educational opportunities.

The net immigration rate was estimated in 2006 at -1.73 migrant(s)/1,000 population (Source: World Fact Book)

APPENDIX 5 - CSP drafting process: particular attention to the involvement of NSA and local authorities

A first round of consultations between the EC and the Government of Saint Lucia took place in April 2006 (Seminar in Santo Domingo) attended by Commissioner Louis Michel, who stressed the importance attached to the Public Sector Reform and Private Sector Development and to the link between the regional and national programming. On a bilateral basis, Commissioner Michel brought up the issue of good governance, in particular in the area of public finance and the tax system. Cooperation on tax information exchange needs to be improved. Concern was also expressed about the high level of public debt.

With specific reference to NSAs, during the MTR "in-country-meeting" of December 2004 and with the aim of strengthening civil society involvement in EU/ Saint Lucia development partnership it was agreed that an advisory panel of non-state actors (NSA), representative of Saint Lucia's civil society, would be established by the Government of Saint Lucia. The panel would provide a forum for tripartite dialogue, information and consultation on development cooperation between the EU and Saint Lucia. In the second half of 2005, a team of international consultants assisted the Government and the Delegation with the mapping of NSAs in Saint Lucia and the selection of members of the Panel.

In May 2006, a team of consultants from the Food and Agricultural Organisation (FAO) facilitated consultations and dialogue among local stakeholders during the phase of drafting the Country Strategy Paper (CSP) and the National Indicative Programme (NIP). The process included a first round of meetings with the NAO and relevant government officials, aiming at providing the government with a comprehensive overview of the planning and main elements of the programming exercise, as well as gaining an insight into the national priorities, strategies and plans, and national orientations for the 10th EDF.

This exchange was followed by further in-country consultations, which involved both government and Non-State Actors, to present and discuss the 10th EDF programming exercise and launch the NSA Advisory Panel. The aim of this type of exercise was to ensure the dynamic participation of all Saint Lucia key stakeholders in the programming exercise and for future meetings of the NSA Advisory Panel to genuinely represent a national forum for constructive dialogue, mutual understanding and consensus building.

As part of the process of drafting Saint Lucia's CSP and NIP, a Programming Regional Workshop was held at the end of June 2006, involving all NAOs from the seven Eastern Caribbean countries for which the EC Delegation in Barbados is responsible (i.e. Antigua & Barbuda, Barbados, Dominica, Grenada, Saint Lucia, Saint Kitts and Nevis, Saint Vincent and the Grenadines), and representatives of the donors active in the region (CIDA, CDB, CARTAC, ECCB, EIB, French Cooperation, IDB, IMF, OECS, DFID, UNDP, USAID and WB). The aim of the workshop was to discuss - in a comprehensive forum - the 10th EDF programming exercise, the main priority reforms at regional level and for each country concerned, and the scope for synergies and coordination between the countries in their priorities for cooperation with the EU and other Donors.

A last round of consultation with the NAOs was held in Barbados in mid-July 2006 in order to agree on the Intervention Framework for the 10th EDF and to finalise the CSPs.

APPENDIX 6 - The harmonisation road map (where applicable)

Refer to paragraph 3.5 in the main document

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APPENDIX 7 - Table showing partner country positions in relation to key international conventions

HUMAN RIGHTS – MAIN GLOBAL CONVENTIONS

Convention	Saint Lucia status
Convention on the Prevention and Punishment of the Crime of Genocide	----
International Covenant on Economic, Social and Cultural Rights (CESCR)	----
International Covenant on Civil and Political Rights (CCPR)	----
Optional Protocol to the International Covenant on Civil and Political Rights (CCPR-OP1)	----
Second Optional Protocol to the International Covenant on Civil and Political Rights, aimed at the abolition of the death penalty (CCPR-OP2-DP)	----
International Convention on the Elimination of All Forms of Racial Discrimination (CERD)	14 Feb 1990
Convention on the Elimination of All Forms of Discrimination against Women (CEDAW)	8 Oct 1982 a
Optional Protocol to the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW-OP)	----
Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (CAT)	----
Convention on the Rights of the Child (CRC)	16 Jun 1993
Optional Protocol to the Convention on the Rights of the Child (CRC-OP-AC)	----
Optional Protocol to the Convention on the Rights of the Child (CRC-OP-SC)	----
International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families (MWC)	----
Agreement establishing the Fund for the Development of the Indigenous Peoples of Latin America and the Caribbean	----

The dates listed refer to the date of ratification, unless followed by an "a" which signifies accession; "d", which signifies succession; "s", which signifies signature only

ILO CONVENTIONS (SOURCE: ILOLEX - 2. 6. 2006)**Saint Lucia ratified 28 Instruments**

Convention	Ratification date	Status
<u>C5 Minimum Age (Industry) Convention, 1919</u>	14:05:1980	ratified
<u>C7 Minimum Age (Sea) Convention, 1920</u>	14:05:1980	ratified
<u>C8 Unemployment Indemnity (Shipwreck) Convention, 1920</u>	14:05:1980	ratified
<u>C11 Right of Association (Agriculture) Convention, 1921</u>	14:05:1980	ratified
<u>C12 Workmen's Compensation (Agriculture) Convention, 1921</u>	14:05:1980	ratified
<u>C14 Weekly Rest (Industry) Convention, 1921</u>	14:05:1980	ratified
<u>C15 Minimum Age (Trimmers and Stokers) Convention, 1921</u>	14:05:1980	ratified
<u>C16 Medical Examination of Young Persons (Sea) Convention, 1921</u>	14:05:1980	ratified
<u>C17 Workmen's Compensation (Accidents) Convention, 1925</u>	14:05:1980	ratified
<u>C19 Equality of Treatment (Accident Compensation) Convention, 1925</u>	14:05:1980	ratified
<u>C26 Minimum Wage-Fixing Machinery Convention, 1928</u>	14:05:1980	ratified
<u>C29 Forced Labour Convention, 1930</u>	14:05:1980	ratified
<u>C50 Recruiting of Indigenous Workers Convention, 1936</u>	14:05:1980	ratified
<u>C64 Contracts of Employment (Indigenous Workers) Convention, 1939</u>	14:05:1980	ratified
<u>C65 Penal Sanctions (Indigenous Workers) Convention, 1939</u>	14:05:1980	ratified
<u>C87 Freedom of Association and Protection of the Right to Organise Convention, 1948</u>	14:05:1980	ratified
<u>C94 Labour Clauses (Public Contracts) Convention, 1949</u>	14:05:1980	ratified
<u>C95 Protection of Wages Convention, 1949</u>	14:05:1980	ratified

<u>C97 Migration for Employment Convention (Revised), 1949</u>	14:05:1980	ratified
<u>C98 Right to Organise and Collective Bargaining Convention, 1949</u>	14:05:1980	ratified
<u>C100 Equal Remuneration Convention, 1951</u>	18:08:1983	ratified
<u>C101 Holidays with Pay (Agriculture) Convention, 1952</u>	14:05:1980	ratified
<u>C105 Abolition of Forced Labour Convention, 1957</u>	14:05:1980	ratified
<u>C108 Seafarers' Identity Documents Convention, 1958</u>	14:05:1980	ratified
<u>C111 Discrimination (Employment and Occupation) Convention, 1958</u>	18:08:1983	ratified
<u>C154 Collective Bargaining Convention, 1981</u>	06:12:2000	ratified
<u>C158 Termination of Employment Convention, 1982</u>	06:12:2000	ratified
<u>C182 Worst Forms of Child Labour Convention, 1999</u>	06:12:2000	ratified

INTERAMERICAN CONVENTION AGAINST CORRUPTION (1996)

SIGNATORY COUNTRIES	DATE	STATUS
Antigua & Barbuda	01/13/04	RA
Barbados	04/06/01	SI
Dominica	09/14/04	AC
Grenada	11/15/01	RA
Saint Lucia	01/23/03	AC
Saint Kitts & Nevis	08/04/04	RA
Saint Vincent & Grenadines	05/28/01	AC

RA = RATIFICATION

SI = SIGNATURE

AC = ACCESSION

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ROME STATUTE OF THE INTERNATIONAL CRIMINAL COURT (1998)

Country	Signature	Ratification, Acceptance(A), Approval(AA), Accession(a)
Antigua & Barbuda	23 Oct 1998	18 Jun 2001
Barbados	8 Sep 2000	10 Dec 2002
Dominica		12 Feb 2001 a
Grenada	----	----
Saint Lucia	27 Aug 1999	----
Saint Kitts & Nevis	----	----
Saint Vincent & Grenadines		3 Dec 2002 a



APPENDIX 8 - Debt Sustainability Analysis⁹

This debt sustainability analysis (DSA) assesses the sustainability of Saint Lucia's public and external debt. The analysis suggests that a key challenge will be achieving sound public finances to ensure debt sustainability. Staff estimates show that absent fiscal consolidation that would return the primary balance to its historical average, public debt would be on a rising and unsustainable path. This analysis also concludes that Saint Lucia's risk of external debt distress is high.

I. INTRODUCTION

"Macroeconomic outcomes have strengthened significantly in recent years, while fiscal imbalances have remained sizeable. Real GDP growth averaged 3¼% during 2003–05, and reached about 5% in 2006. Activity was sustained by construction and government services, both related to tourism and preparations for the Cricket World Cup (CWC). Fiscal imbalances remained high in 2006. Total tax revenues were strong, buoyed by reforms at customs. However, petroleum tax collection was poor (given the limited pass-through of world oil prices). Significant increases occurred in capital expenditures and wages and salaries. As a result, the overall deficit fell only slightly to 6½% of GDP in 2006, and gross public debt increased to 67% of GDP.

II. UNDERLYING DSA ASSUMPTIONS

The baseline scenario assumes authorities continue current policies with large overall imbalances that are financed commercially. In the medium term, growth is projected around 4¼%, driven mostly by public sector capital expenditure and some expansion of the tourism capacity. Under this scenario, the central government primary deficit (excluding grants) deteriorates rapidly peaking at around 6½% of GDP by 2012. While these main parameters imply a rate of growth higher than the staff projections and assumptions in the 2005 Article IV consultation DSA, they are consistent with the stronger growth observed in the period 2003–06, and with the projected expansion of tourism capacity.

III. EVALUATION OF PUBLIC SECTOR DEBT SUSTAINABILITY

At end-2006 public debt stood at about 67% of GDP, nearly twice the level of a decade ago albeit still the lowest in the ECCU. Expansionary budgets in 2000–02 sharply raised the fiscal deficit and debt-to-GDP ratio. In subsequent years the authorities strengthened fiscal management by tightening revenue administration and containing capital expenditure. Fiscal imbalances remained high in FY 2006/07, owing to increased CWC-related capital expenditures. External debt represents 44% of GDP, while domestic debt represents 23% of GDP. Regarding the stock of external debt, the largest share is owed to multilateral and bilateral creditors (around 27% of GDP, with the Caribbean Development Bank holding around three fifths of that share), followed by commercial creditors (around 12% of GDP). In the future, most of new external requirements are expected to be financed through the ECCU Regional Securities Markets (RGSM). On the domestic front, commercial banks are the most important lenders to the government.

Baseline scenario

Under the baseline scenario Saint Lucia would reach a public debt to GDP ratio of about 91% by 2012. The debt-to-GDP ratio would increase further to around 116% of GDP by 2017. All other indicators of debt sustainability show a sharp deterioration, particularly with the NPV of debt-to-revenue ratio increasing from 235% in 2007 to around 331% by 2012.

Alternative scenarios

Adjustment scenario

Under this scenario a fiscal adjustment would reduce the primary deficit of the central government to ½ of 1% over the medium term. This adjustment would restore the primary deficit to its average level over the last decade, and would require the introduction of a revenue positive VAT, introduction of a market valuation-based property tax and prioritization of capital expenditure. Under this adjustment scenario Saint Lucia would reach a public debt to GDP ratio of about 60%, the benchmark of the ECCB, by 2012. The debt to GDP ratio would decline further to around 53% of GDP by 2027. All

⁹ Extract from the IMF Article IV Consultation Report, September 2007

other indicators of debt sustainability would show a constant improvement, particularly with debt service as a share of current revenue falling from around 40% in 2006 to around 25% by 2012.

Changes in growth and primary balance

The sensitivity analysis shows that economic growth and the primary balance are the two key drivers of Saint Lucia's debt dynamics. If no fiscal adjustment is implemented and the primary deficit were [sic] to be kept at its 2006 level (3% of GDP), the NPV of debt-to-GDP ratio would reach 128% of GDP by 2027. Similarly if growth is assumed to remain at one standard deviation below the baseline, the NPV of debt-to-GDP ratio reaches 198% of GDP by 2027. The sensitivity analysis also shows the importance of containing expenditure if economic growth were to decline. In Alternative Scenario B1, in which growth declines to -0.6% for 2008 and 2009, the NPV of debt-to-GDP ratio increases rapidly reaching 199% of GDP by 2027. This is because as output slows, fiscal revenues are assumed to remain constant as a share of GDP while expenditures are assumed to remain constant in nominal terms relative to the baseline scenario, producing a substantial and permanent deterioration of the primary balance. This, in turn increases debt ratios markedly.

Natural disaster

The impact of a natural disaster on Saint Lucia's debt dynamics was also analyzed. Under this scenario it is assumed that a hurricane increases the primary deficit of the government by 3% of GDP in 2008, 2009 and 2010, reverting to its baseline levels thereafter. This shock accelerates the deterioration of the NPV of debt-to-GDP ratio reaching 108% of GDP by 2012.

IV. EVALUATION OF EXTERNAL DEBT SUSTAINABILITY

Saint Lucia's external debt sustainability analysis includes only public sector debt, since data on private sector external borrowing is not available. As a result, the external DSA follows a similar pattern to that of the public sector DSA. Under the baseline scenario the NPV of external debt shows a clear increasing path reaching 84% of GDP by 2017, and exceeding the prudential threshold of 50% by 2008. The NPV of debt to exports ratio increases rapidly exceeding the indicative threshold of 200% by 2020. Sensitivity analysis shows that the level of external debt is most responsive to a negative shock on output growth and costlier terms of financing. If the current account deficit, FDI and GDP growth are assumed at their historical averages, the external debt-to-GDP ratio increases to 100% by 2017. This is driven by the lower output growth, since the current account deficit and FDI evolve in a manner similar to that in the baseline scenario. Similarly, if GDP growth were to fall permanently to one standard deviation below the historical average, the external debt-to-GDP ratio would increase to 98% by 2017. If the interest rate on new borrowing was 2 percentage points higher than in the baseline, the external debt-to-GDP ratio would increase to 99% by 2017.

V. CONCLUSION

Absent a fiscal adjustment that would return the primary balance to its historical average, imbalances for the overall public sector would be on an increasing and unsustainable path exceeding a NPV of debt-to-GDP ratio of 100% by 2014. Staff analysis shows that with a fiscal adjustment. The actual impact of this shock could be lower given the recent participation of Saint Lucia in the Caribbean Catastrophe Insurance Facility, a regional insurance pool organized by the World Bank. The DSA uses policy-dependent external debt-burden indicators. Policy performance is measured by the Country Policy and Institutional Assessment (CPIA) index, compiled annually by the World Bank. The CPIA divides countries into three performance categories (strong, medium, and poor) based on the overall quality of its macroeconomic policies, with strong performers having higher prudential thresholds than poor performers. Saint Lucia is classified by the CPIA as a strong performer, with prudential thresholds on NPV of debt-to-GDP and debt-to-exports ratios of 50 and 200%, respectively. that would bring the primary deficit (including grants) to around ½ of 1% of GDP over the medium term (close to the long-term average), Saint Lucia would reach a sustainable public debt-to-GDP ratio of about 60%, the benchmark of the ECCB, by 2012. On the external front Saint Lucia faces a high risk of debt distress. The baseline scenario indicates a breach of the NPV of debt-to-GDP threshold by 2008, while different stress tests underlined Saint Lucia's vulnerabilities to natural disasters, costlier terms of financing, and lower output growth."

APPENDIX 9 – List of Government's commitments - SAINT LUCIA

	Governance area	Prospective commitments
1.	Political democratic governance	
	- Human rights	Saint Lucia Civil Code protects individual rights. (<i>ongoing</i>)
	- Fundamental freedoms	The Saint Lucia Constitution Order 1978 (<i>ongoing</i>)
	- Electoral process	-
	- Principles of constitutional democracy	-
2.	Political governance - rule of law	
	- Judicial and law enforcement system	Enshrined in the Saint Lucia Constitution Order 1978. The Revised Treaty of Chaguaramas provides for the Caribbean Court of Justice as the final appellate Court for the region (<i>ongoing</i>)
3.	Control of corruption	Integrity Commission in existence (<i>ongoing</i>) Independent Government Audit Department (<i>ongoing</i>) Finance Administration Act (<i>ongoing</i>)
4.	Government effectiveness	
	- Institutional capacity	Green Paper on Local Government Reform (<i>ongoing</i>)
	- Public finance management	Government is drafting a PFM Reform Programme to include a New Finance Act, Procurement Act and Public Enterprise Act, Medium Term Expenditure Framework, Fiscal Decentralization, Payroll Decentralization (<i>prospective</i>). PFM Assessment was completed in September, 2006 by independent EU evaluators (<i>ongoing</i>). The country will discuss tax information agreements with EU Member States, if approached, and this discussion will determine the outcome of the negotiations with the Member State on the agreement. The country will ensure transparency of the tax system under a tax information agreement concluded with an EU Member State. The country undertakes to consider how to remove the potentially harmful effects of its tax regimes in respect of EU Member States by 2013 at the latest. It also undertakes to confirm that it will not

		introduce similar regimes in the future.
5.	Economic governance	
	- Private sector/market friendly policies	<i>(ongoing)</i>
	- Management of natural resources	Incorporation of relevant aspects of the FAO Code of Conduct for Responsible Fisheries into National Fisheries act <i>(ongoing)</i>
6.	Internal and external security	
	- Internal stability / conflict	Maintenance of law and order
	- External threats and global security	Adherence to the Nuclear Non-Proliferation Treaty, UN Security Council Resolution 1373 (2001) and UN Convention on Terrorism, agreements relating to landmines and illicit arms trafficking and the Regional Security System
7.	Social governance	Devolution of social services to local government authorities; reforming of local government; National Policy on Gender Equality and Equity <i>(prospective)</i>
8.	International and regional context	
	- Regional integration	Participation in the CARICOM Single Market and Economy and the OECS Economic Union <i>(ongoing)</i> . Saint Lucia signed up to the Caricom Single Market in June, 2006.
	- Involvement in regional peer review mechanisms (e.g. APRM)	-
	- Migration	
9.	Quality of partnership	
	-Political dialogue	Continuation of EU-Saint Lucia Political Dialogue, EU-CARIFORUM, EU-LAC partnership <i>(prospective)</i>
	-Programming dialogue	Regular consultations with the EC Delegation <i>(ongoing)</i>
	-Non state actors	Launching of the NSA Panel in May, 2006 <i>(ongoing)</i>

APPENDIX 10 - PFM Assessment of Saint Lucia based on PEFA Framework, Final Report, 2006

Note: Shaded areas represent M2 scoring methodology		A	B	C	D
A. Credibility of the Budget					
PI-1	Aggregate expenditure out-turn compared to original approved budget	A			
PI-2	Composition of expenditure out-turn compared to original approved budget	A			
PI-3	Aggregate revenue out-turn compared to original approved budget	A			
PI-4	Stock and monitoring of expenditure payment arrears		B		
B. Comprehensiveness and Transparency					
PI-5	Classification of the budget		B		
PI-6	Comprehensiveness of information included in budget documentation			C	
PI-7	Extent of unreported government operations		B+		
PI-8	Transparency of Inter-Governmental Fiscal Relations			C+	
PI-9	Oversight of aggregate fiscal risk from other public sector entities				D+
PI-10	Public Access to key fiscal information			C	
C(i) Policy-Based Budgeting					
PI-11	Orderliness and participation in the annual budget process		B+		
PI-12	Multi-year perspective in fiscal planning, expenditure policy and budgeting		C+		
C(ii) Predictability and Control in Budget Execution					
PI-13	Transparency of taxpayer obligations and liabilities	A			
PI-14	Effectiveness of measures for taxpayer registration and tax assessment		B		
PI-15	Effectiveness in collection of tax payment			C+	
PI-16	Predictability in the availability of funds for commitment of expenditures		C+		
PI-17	Recording and management of cash balances, debt and guarantees		B		
PI-18	Effectiveness of payroll controls			D+	
PI-19	Competition, value for money and controls in procurement				D+
PI-20	Effectiveness of internal audit controls for non-salary expenditure			C+	
PI-21	Effectiveness of internal audit				D
C(iii) Accounting, Recording and Reporting					
PI-22	Timeliness and regularity of accounts reconciliation			C	
PI-23	Availability of information on resources received by service delivery units				D
PI-24	Quality and timeliness of in-year budget reports		B+		
PI-25	Quality and timeliness of annual financial statements				D
C(iv) External Scrutiny and Audit					
PI-26	Scope, nature and follow-up of external audit				D+
PI-27	Legislative scrutiny of the annual budget law			C+	
PI-28	Legislative scrutiny of external audit reports				D
D. Donor Practices					
D-1	Predictability of Direct Budget Support	NA			
D-2	Financial info provided by donors for budget, reporting on project, programme aid		B+		
D-3	Proportion of aid that is managed by use of national procedures			C	