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TOURISM: A CATALYST FOR SUSTAINABLE DEVELOPMENT

Presentation to: Saint Lucia Hotel and Tourism Association

AUGUST 30, 2019



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CARIBBEAN ECONOMY

REVIEW, OUTLOOK AND CHALLENGES

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SAINT LUCIA BLUEPRINT

POLICIES FOR SUSTAINABLE
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SUPPORTING TOURISM

CDB'S SUPPORT FOR THE CARIBBEAN
TOURISM SECTOR



Global geopolitical uncertainties are on the rise, changing global economic and political systems



Waves of Nationalism



Military Tensions and Mass Migration



China's growing influence



Evolving Financial Regulation



Cryptocurrency and digital currencies

e.g. ECCB, Haiti, CSN and Libra

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Big Picture: Ongoing Challenges for the Caribbean

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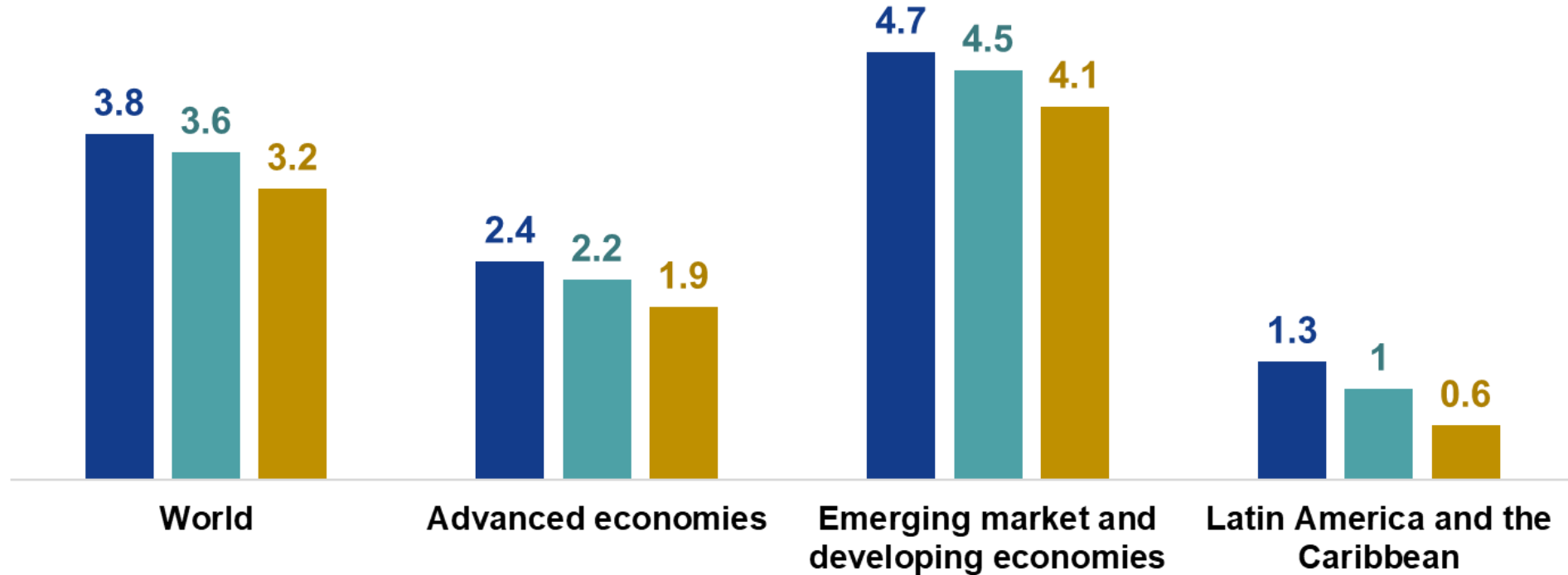




Global economic outlook is positive, but weakening

Real GDP Growth (%), 2017 – 2019

■ 2017 ■ 2018 ■ 2019



Source: IMF WEO Update July 2019

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OPEN PETROLEUM
ECONOMY

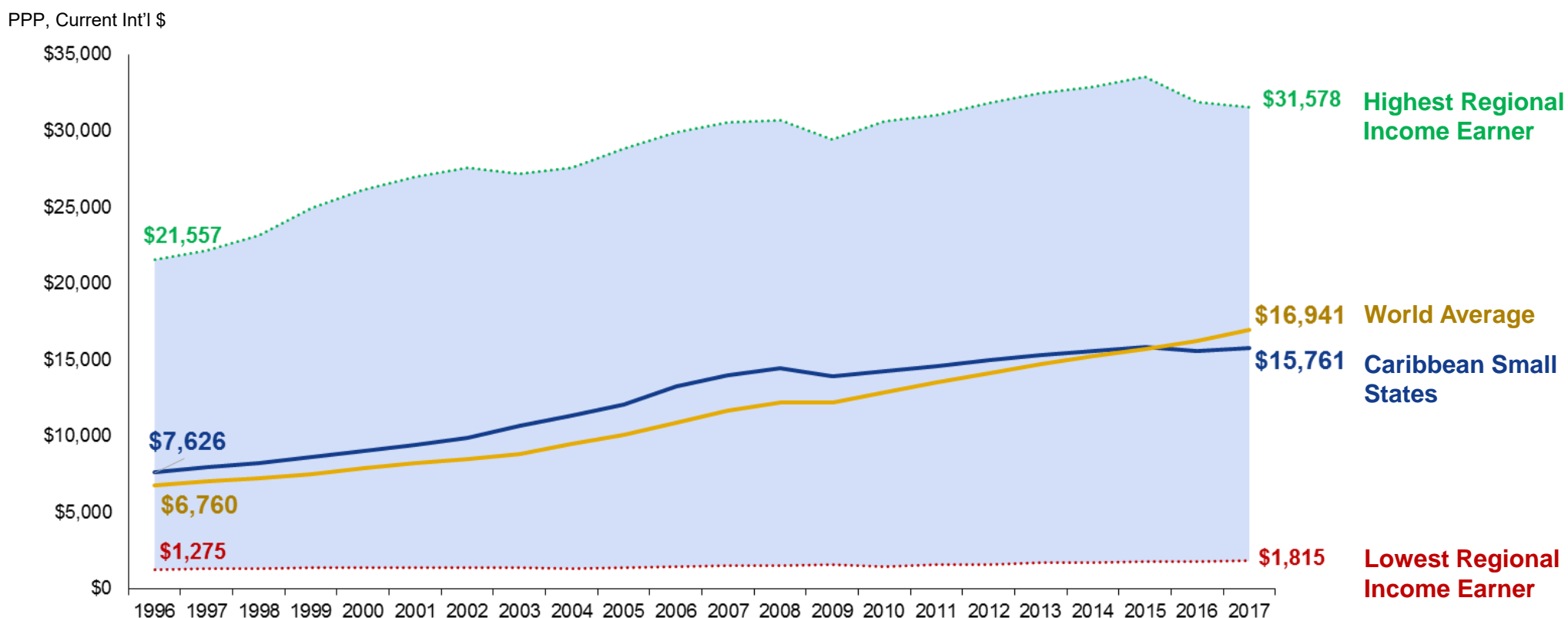
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GUYANA'S
ECONOMIC
TRANSFORMATION



Although per capita production doubled in the last two decades, this growth is uneven across the Region

GDP Per Capita*, 1996 – 2017



*PPP, current international \$

Note: Based on available data from the World Bank. The *Lowest Income Earner* is always Haiti. The *Highest Income Earner* is The Bahamas until 2008, then Trinidad and Tobago thereafter

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Many development challenges are persistent

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Macroeconomic

Low economic growth
Low commodity prices
High debt, low savings and declining reserves
Poor sovereign debt ratings
Loss of CBRs and high cost of AML/CFT compliance



Productivity & Competitiveness

Low rankings in the World Bank's Ease of Doing Business index
Large infrastructure gaps
Weak governance
Inefficient and costly transport links
High energy and electricity costs; nascent regulation



Human Development

High poverty and unemployment
Very high youth unemployment and poor education outcomes
High crime and citizen insecurity
Limited social data available for designing and measuring effective strategies



Environmental

High annual natural disaster costs
Low insurance payouts
Insufficient building codes
Poor climate change adaptation tools

Implementation Gap

Regional Approach Gap

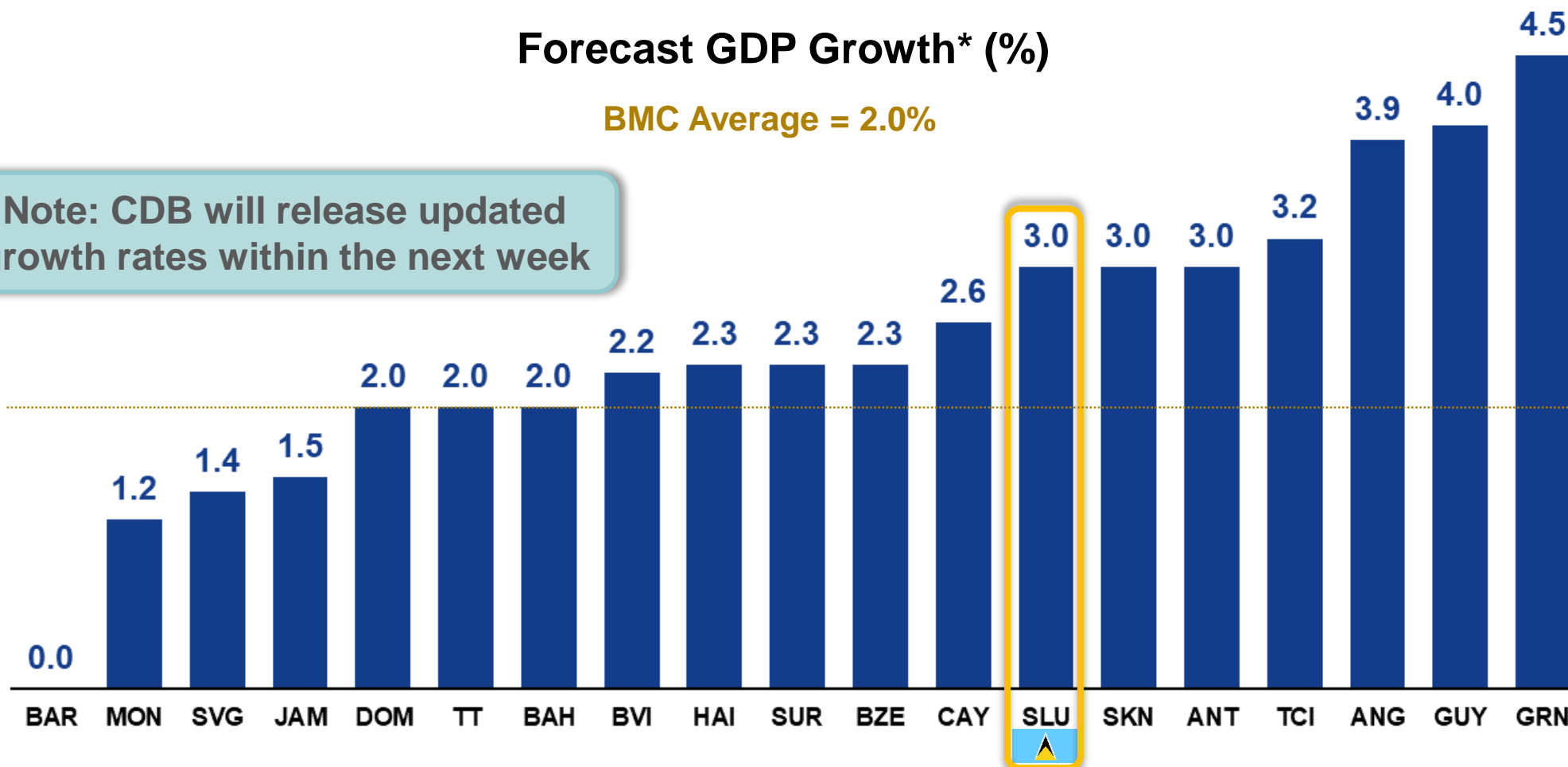


An early forecast predicts that the BMCs will grow by 2.0% in 2019

Forecast GDP Growth* (%)

BMC Average = 2.0%

Note: CDB will release updated growth rates within the next week



Source: CDB, Central Banks
*July 2019 update pending

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Regional debt levels are falling, but still very high

Over the last year, the **median debt level** has fallen slightly

Government Debt as a share of GDP

Latest available statistics for 2018

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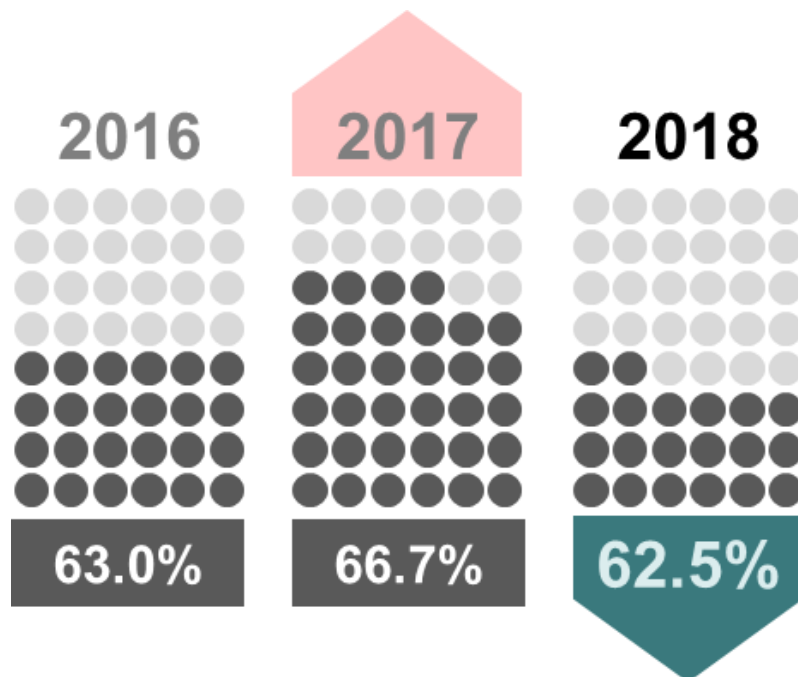
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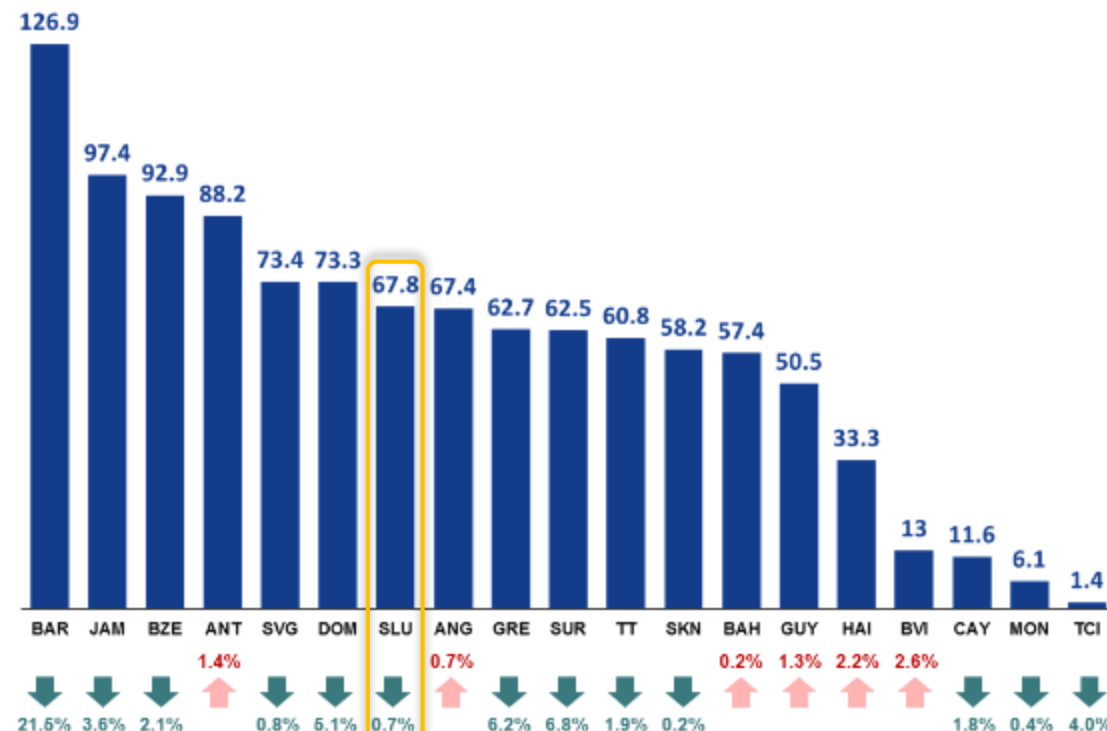
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Percentage point change
from end of 2017 to 2018:



Source: Central Banks



Ease of Doing Business Rankings have deteriorated across the Region

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WB Ease of Doing Business Rank

Country	2009		2019
 NZ	2	 1	1
 SIN	1	 1	2
 JAM	63	 12	75
 SLU	34	 59	93
 DOM	74	 29	103
 TT	80	 25	105
 ANT	42	 70	112
 BAH	55	 63	118
 BZE	78	 47	125
 BAR	NR		129
 SVG	66	 64	130
 GUY	105	 29	134
 SKN	67	 73	140
 GRE	84	 63	147
 SUR	146	 19	165
 HAI	154	 28	182


Saint Lucia
slipped 59 places
in the last 10 years

Regional Average

2009

81

out of 181 countries

2019

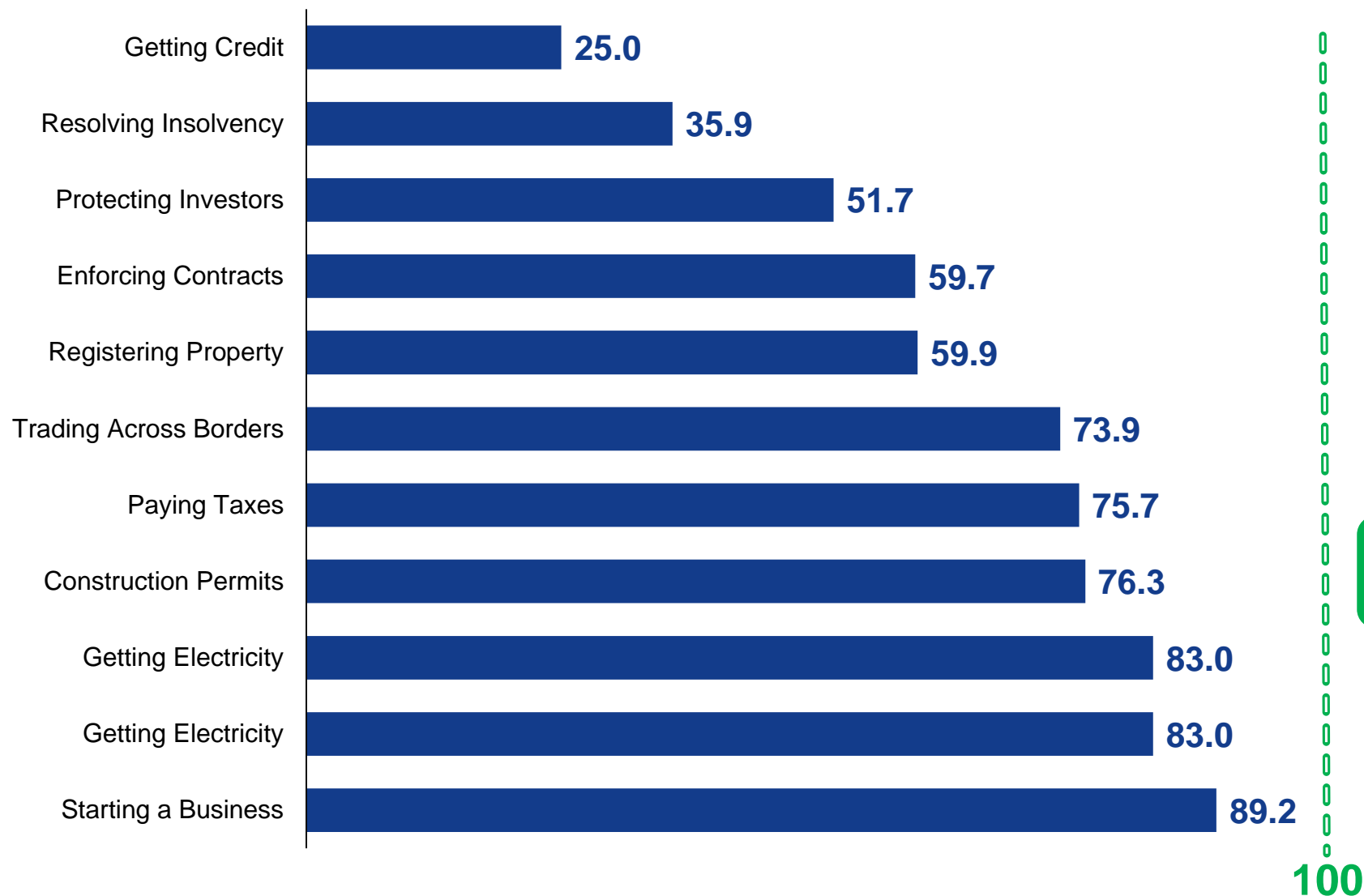
126

out of 190 countries



Saint Lucia's EODB score also worsened recently

Components of Score



Ranked 93rd
out of 190 countries

2016 Ranking: 77th

Between **2016 and 2019**,
Saint Lucia's business
environment benefitted from:

**1 Positive
Reform**

**1 Negative
Reform**

100

Source: World Bank Ease of Doing
Business Report 2019

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Many Caribbean economies depend on Tourism

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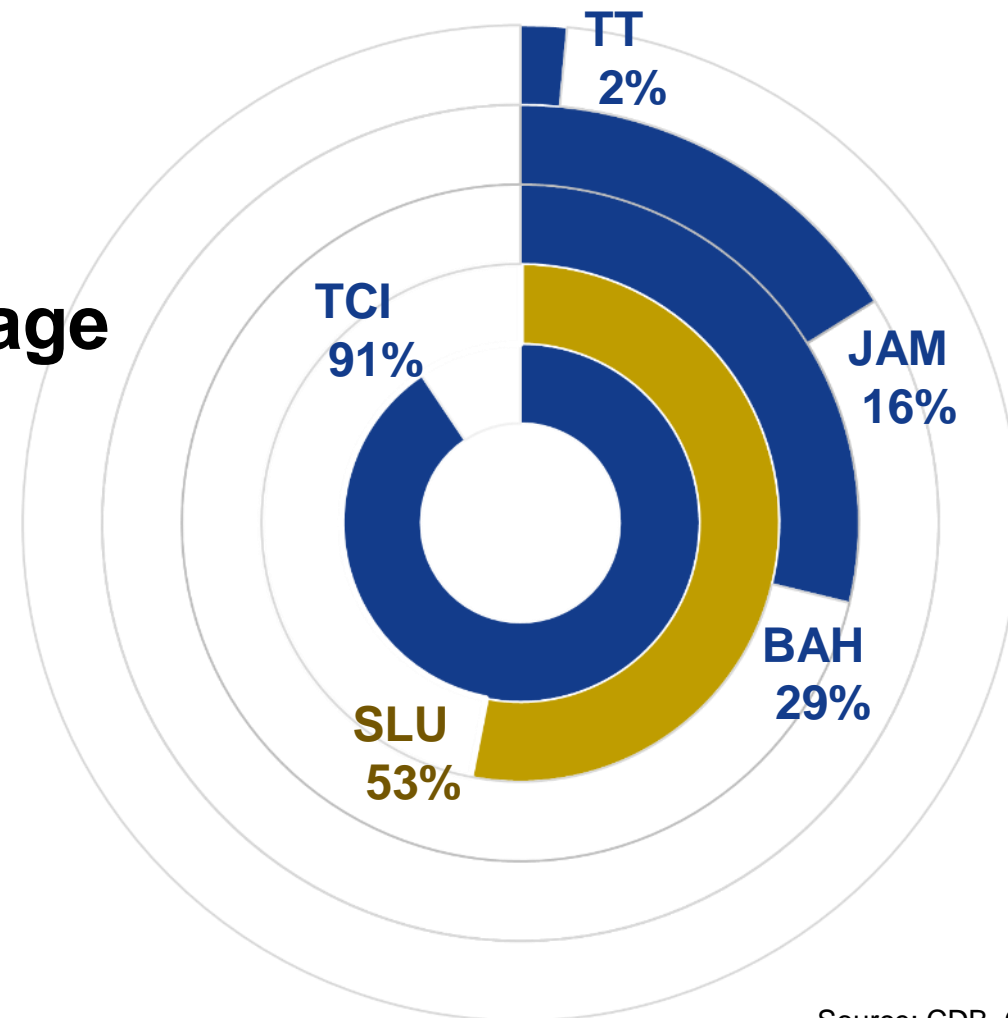
Across CDB's BMCs, tourism and related activities contribute

25% on average to GDP



Accounting for **53% of GDP** in 2014, Saint Lucia has **above average** tourism dependence

Tourism Sector Contribution to GDP, 2014



Source: CDB, CTO

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However, per visitor revenues have declined as one-day stays have become more common

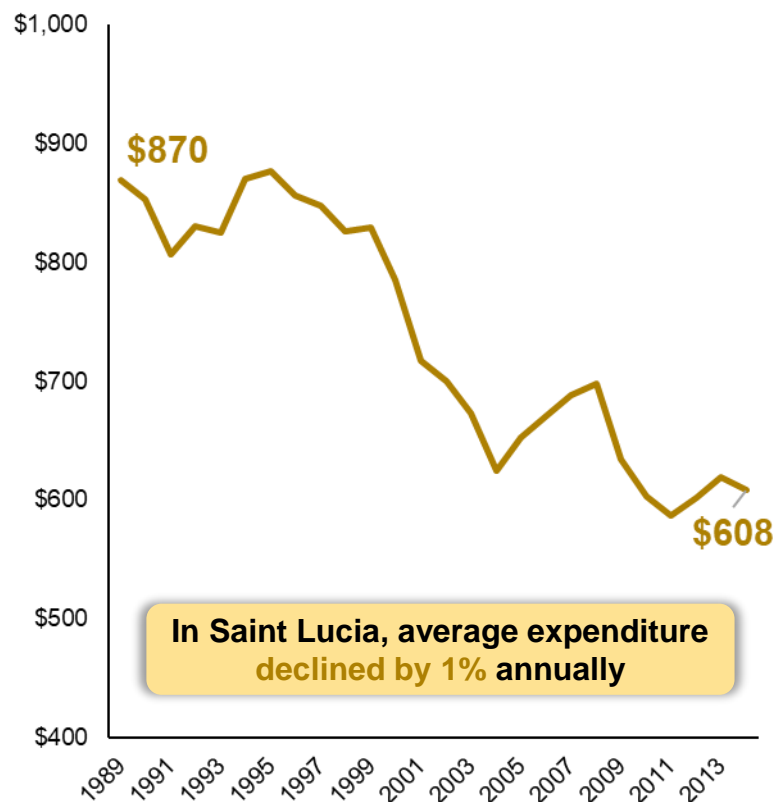
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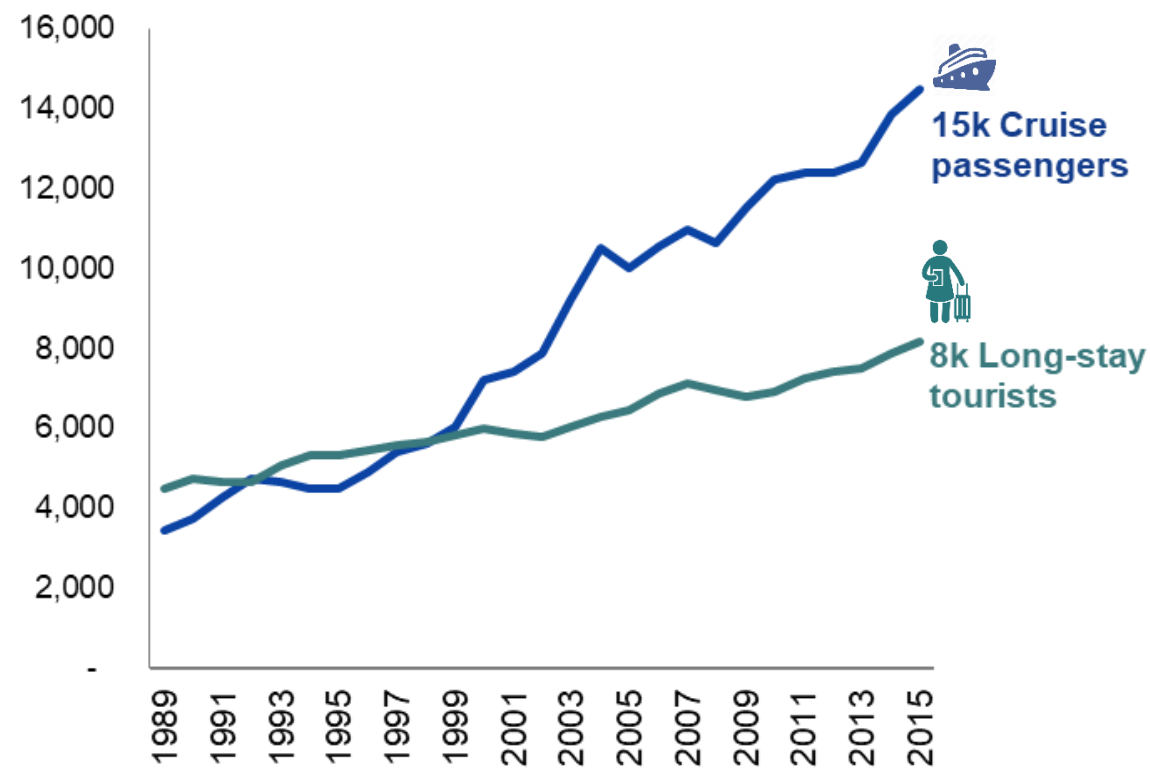
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**Expenditure per Visitor (USD)
1989 – 2014**



**Tourist Arrivals to BMCs ('000)
1989 – 2015**




Daily spending for the average **cruise passenger** is **55% lower** than for the average **long-stay tourist**

Source: CDB, CTO



Over the long term, tourism spending generates over 1.5x its value in GDP

Average Economic Impact of Tourism Expenditure in the Caribbean

 **10% or USD100**

Increase in visitor spending

Short-term

GDP
effect: 

0.58%-0.89% increase to GDP per capita or
USD35-54 impact on GDP

Long-term

GDP
effect: 

~2.6% or
USD155-160



Over the last decade, intra-regional travel has fallen while extra-regional travel increased

Passenger Growth by Region, 2007-17



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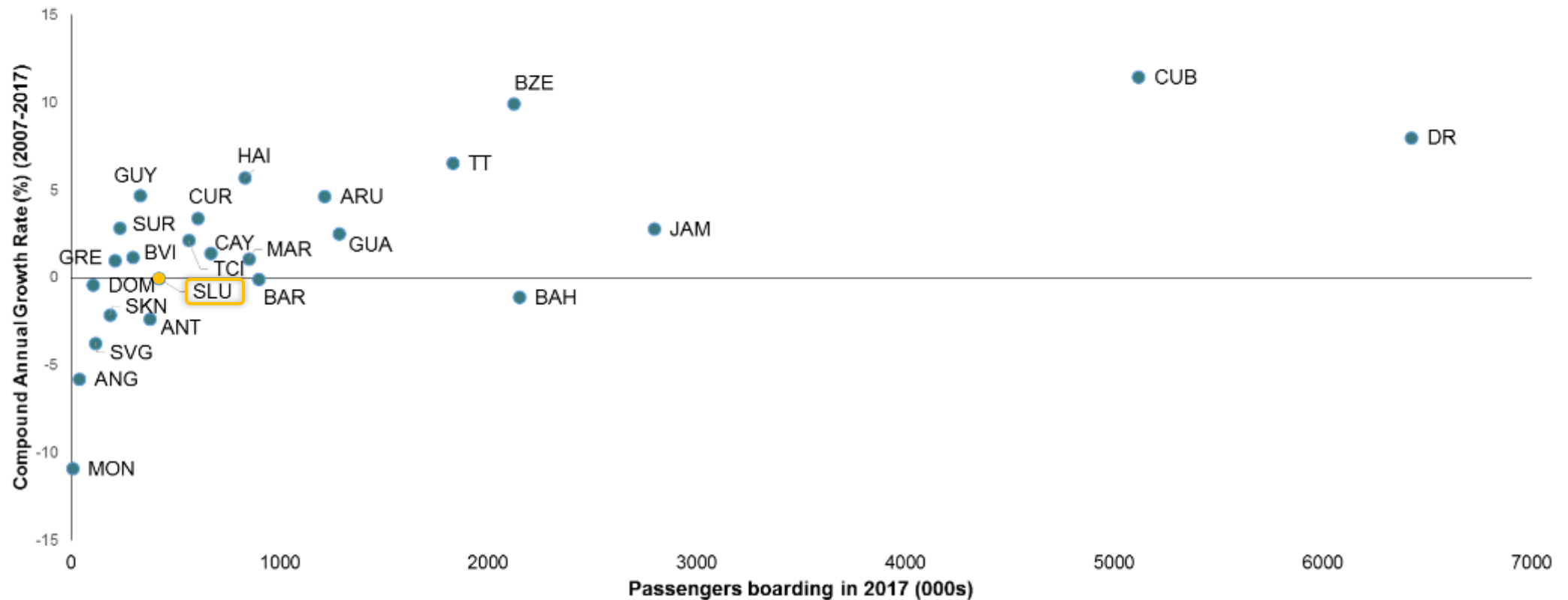
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Passenger growth rates vary widely across the Region

Passenger Growth by Country, 2007-17



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High costs have contributed to lower regional connectivity

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Causes for Lost Connectivity



**High costs, taxes,
and fees**

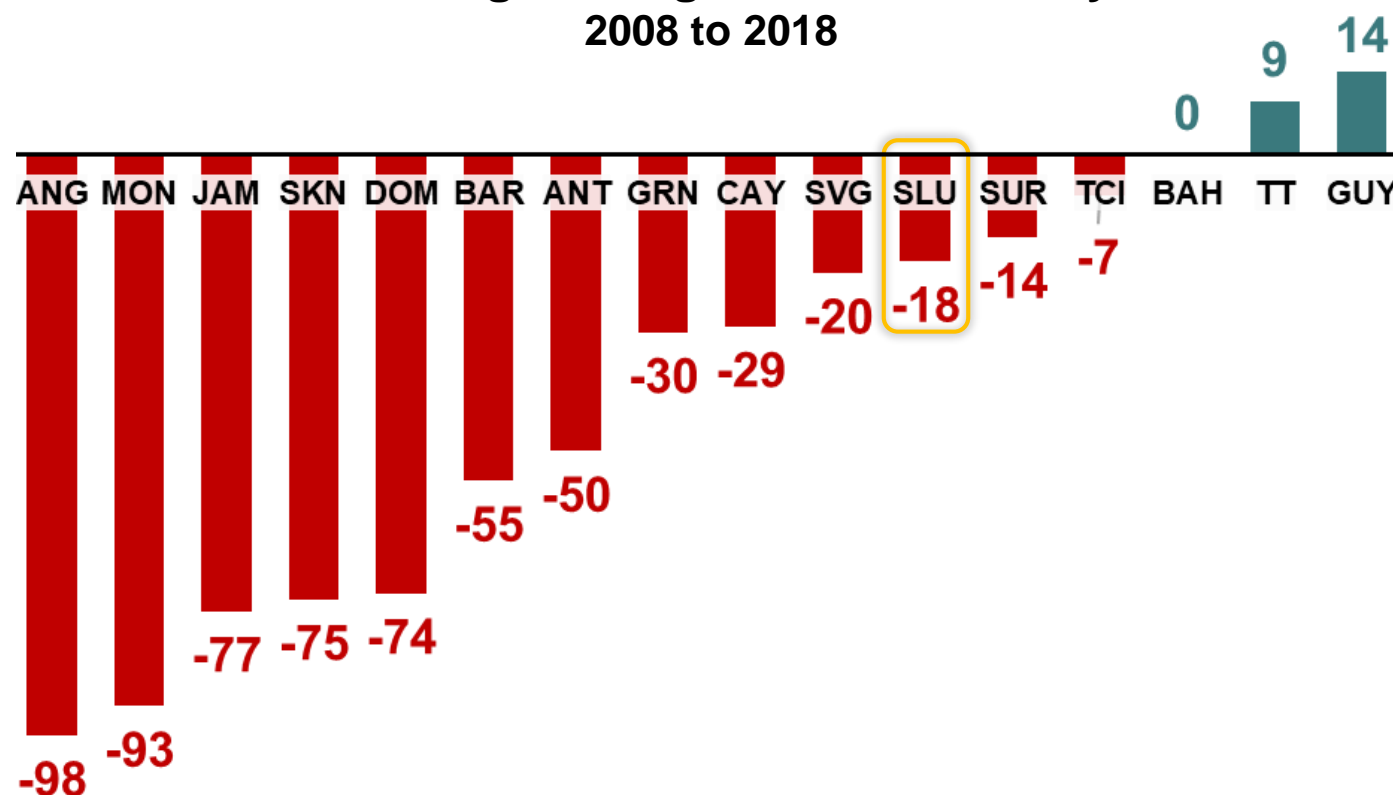


**Lack of regulatory
harmonisation**



**Inefficient
operations**

% Change in Regional Connectivity 2008 to 2018





The burden of taxes is highest on intra-regional flights

Taxes, Fees, and Charges

(for return travel in June 2018)

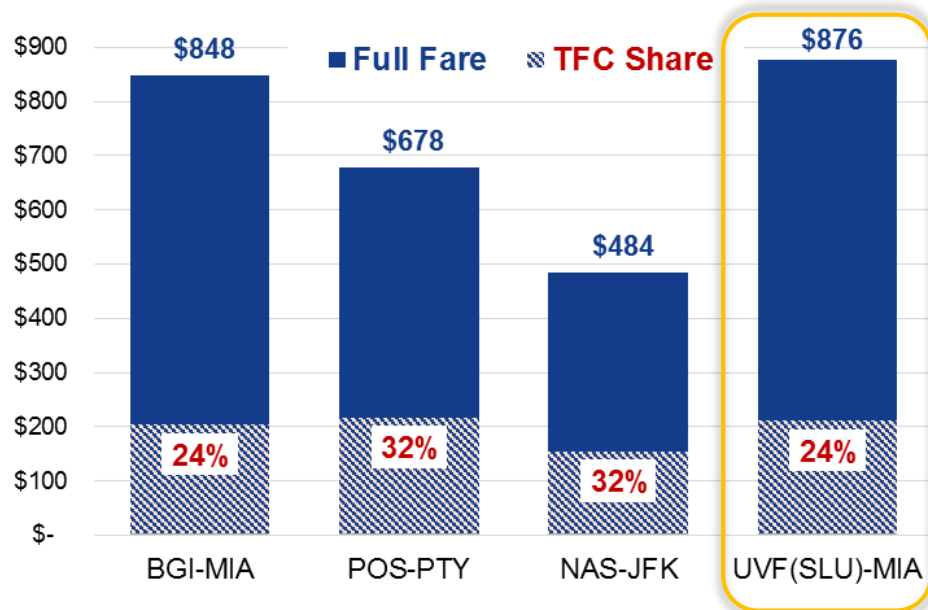
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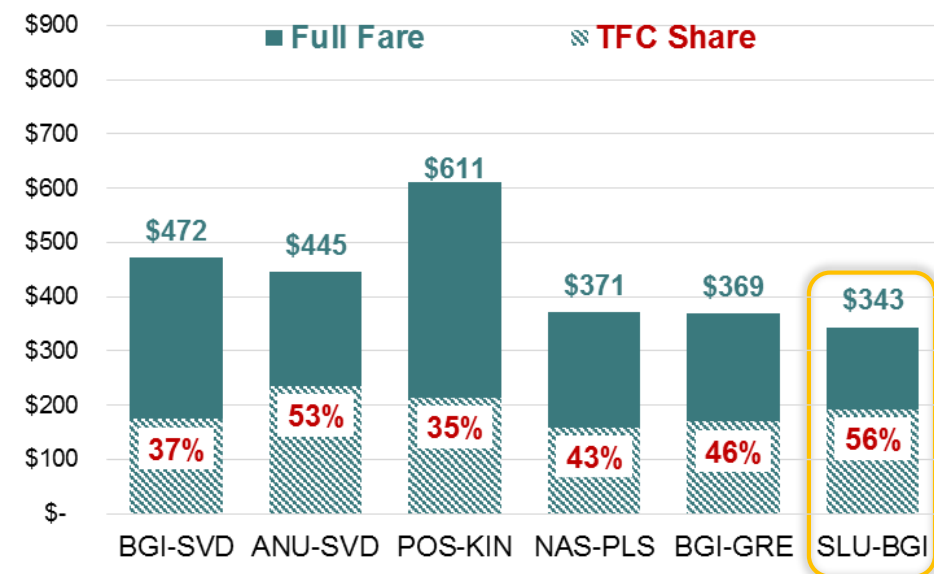
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Extra-Regional



Intra-Regional



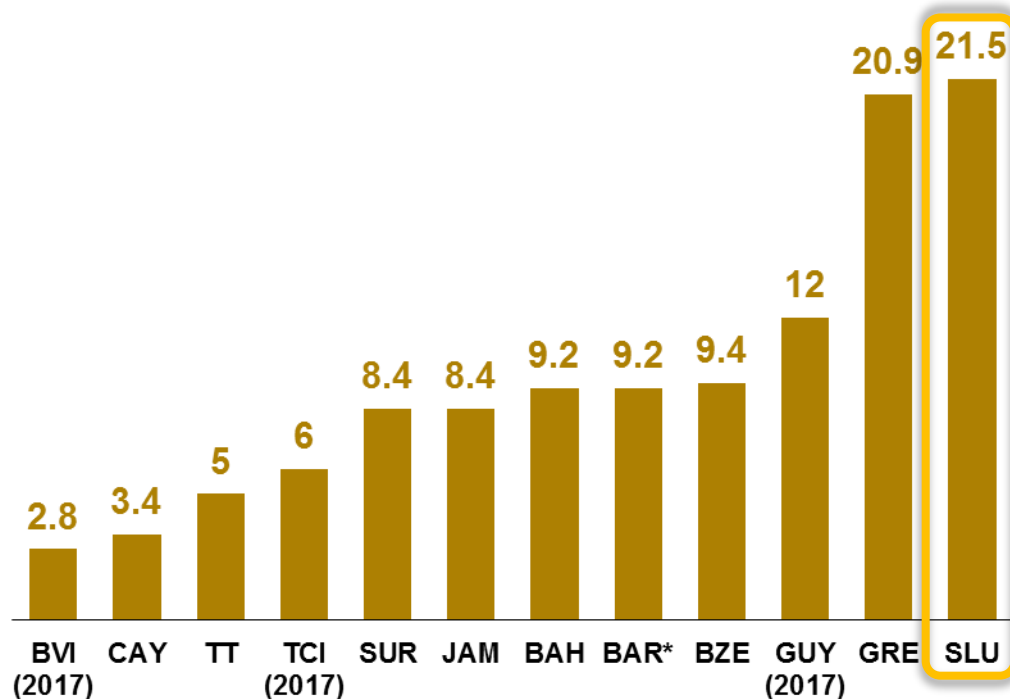
Source: CDB based on LIAT, CAL, BahamasAir, AA, Copa



Youth unemployment is also a challenge in many BMCs

Overall Unemployment Rate (%)

2018 estimate unless otherwise noted



**Barbados: Official statistic as at September 2018, therefore does not consider significant public sector layoffs in the fourth quarter*

In Saint Lucia
1 in every 3**
young people are unemployed



Source: IMF, Statistical Offices, local reporting, CDB

In 2018, the Central Statistical Office of Saint Lucia reported **36.3% youth unemployment**

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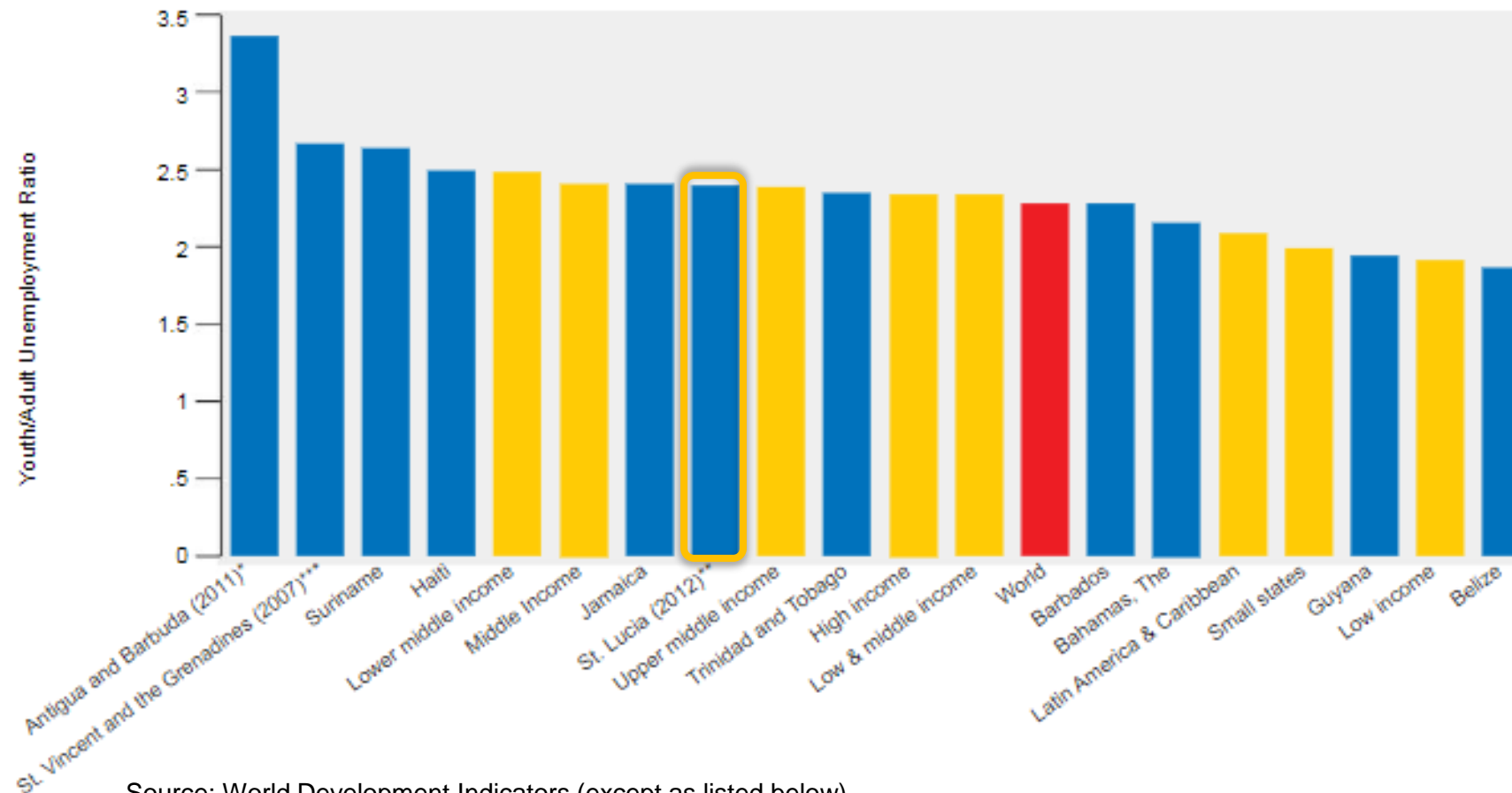
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Lucian youth are 2.5x more likely to be unemployed than adults

Youth/Adult Unemployment Ratio
2012 Estimates



Source: World Development Indicators (except as listed below)

*2011 Census of Housing and Population; **Labour Force Survey; ***Country Assessment of Living Conditions

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One in four Saint Lucians are monetarily and multi-dimensionally poor

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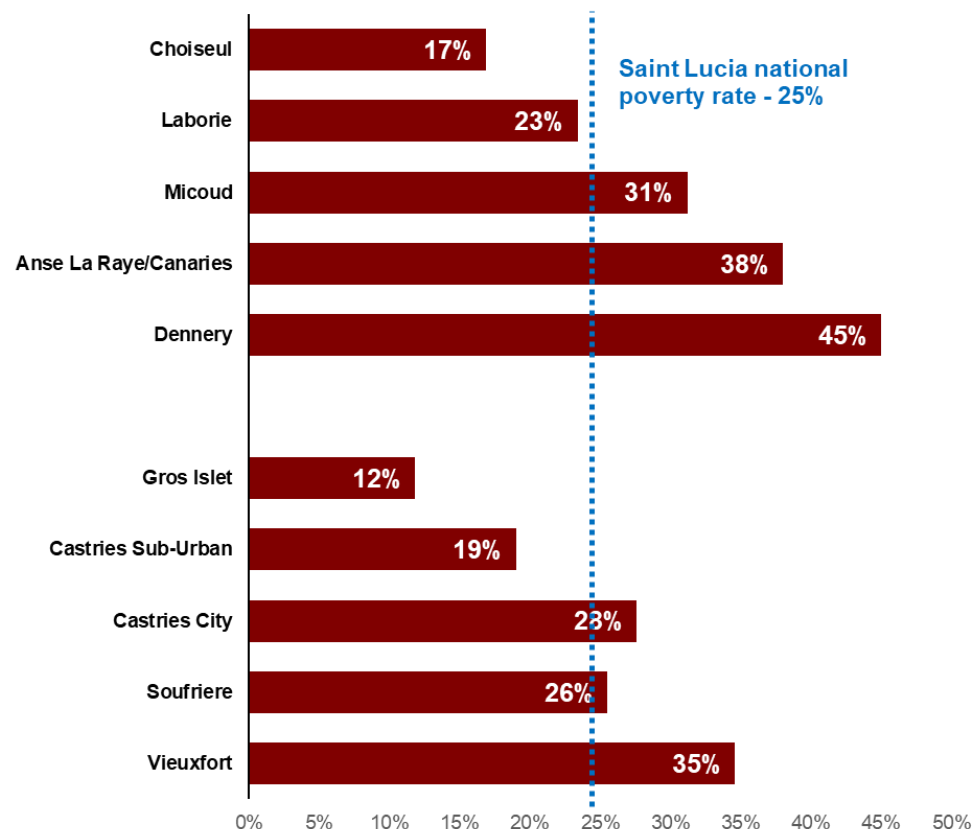
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Of households
where the head
works in the
**Accommodation
and Food Service**
sector,

21%
are poor

Poverty Headcount Ratio*

2016



MPI Headcount Ratio



Source: KANARI Consultants

*Calculated using the Monetary Poverty Measurement. At USD1.9/day, 0.7% of population is poor. Using multidimensional approach, 24.2% of population is poor.



Rising crime levels and heightened citizen insecurity threaten the social fabric of Caribbean society

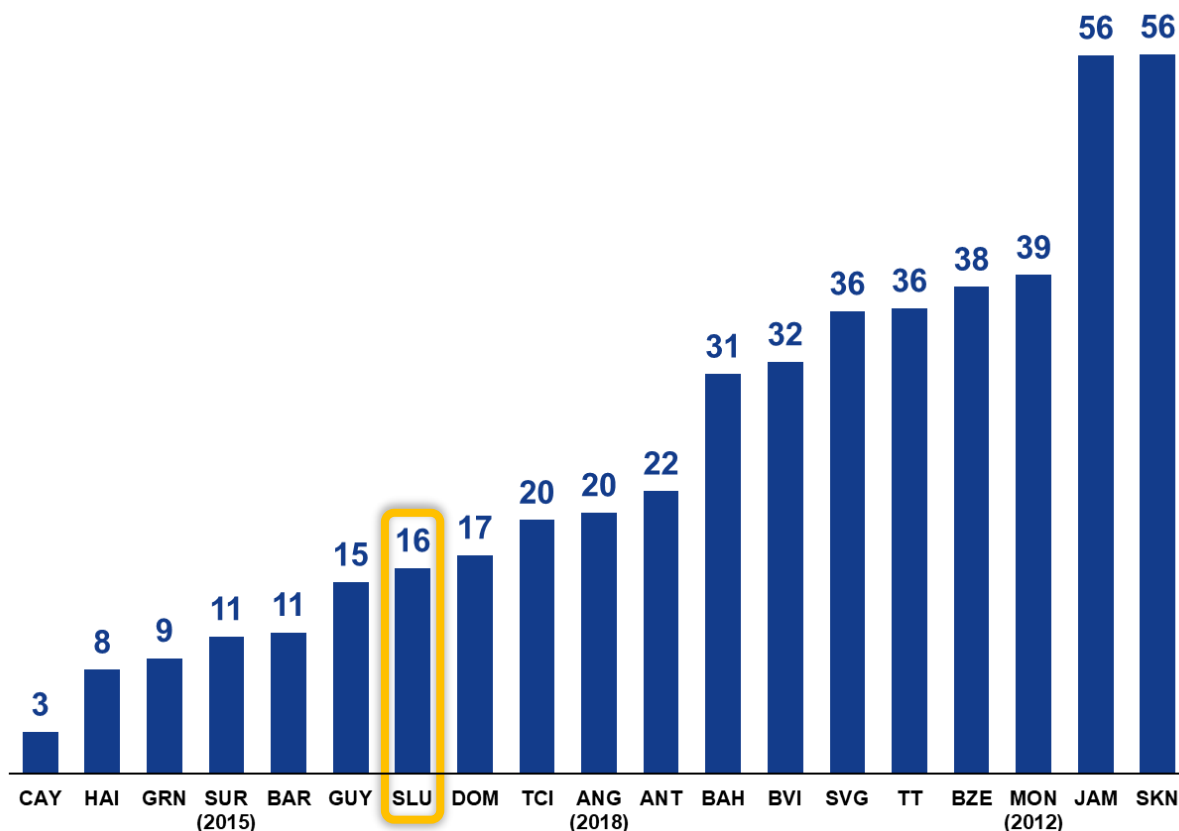
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Intentional Homicide Rate, per 100k population

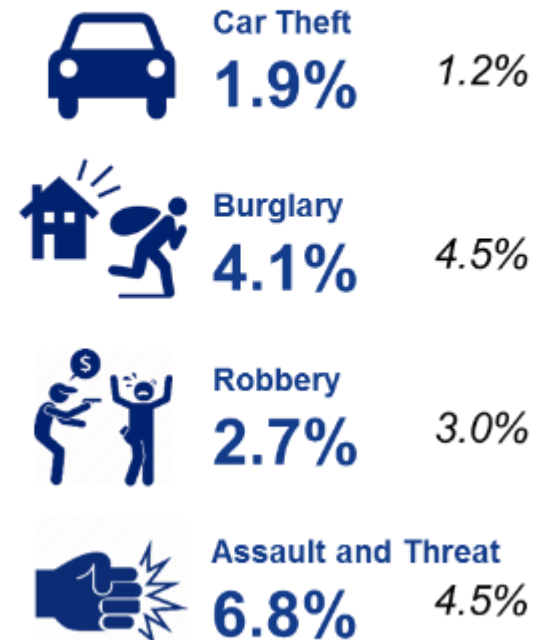
2017 unless otherwise stated



Source: Official statistics and national reporting

Percentage of the Caribbean Public Victimized by Crime within a One-Year Period

Caribbean World Average



Source: IDB 2017

Note: Caribbean cities included in the study are New Providence, The Bahamas; Greater Bridgetown Area, Barbados; Kingston Metro Area, Jamaica; Paramaibo, Suriname; and Port of Spain Metro, Trinidad and Tobago.



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Global population evolution is helping to change world trade patterns

NORTHERN AMERICA

1950 >175 million (7%)
2017 361 million (5%)
2100 499 million (4%)

EUROPE

1950 >500 million (20%)
2017 742 million (10%)
2100 653 million (6%)

LAC

2017 646 million (9%)
2100 712 million (6%)

AFRICA

2017 1.3 billion (17%)
2100 4.5 billion (40%)

ASIA

2017 4.5 billion (60%)
2100 4.8 billion (43%)

Oceania

2017 41 million (0.5%)
2100 72 million (0.6%)

1950: World Population = 2.5 billion

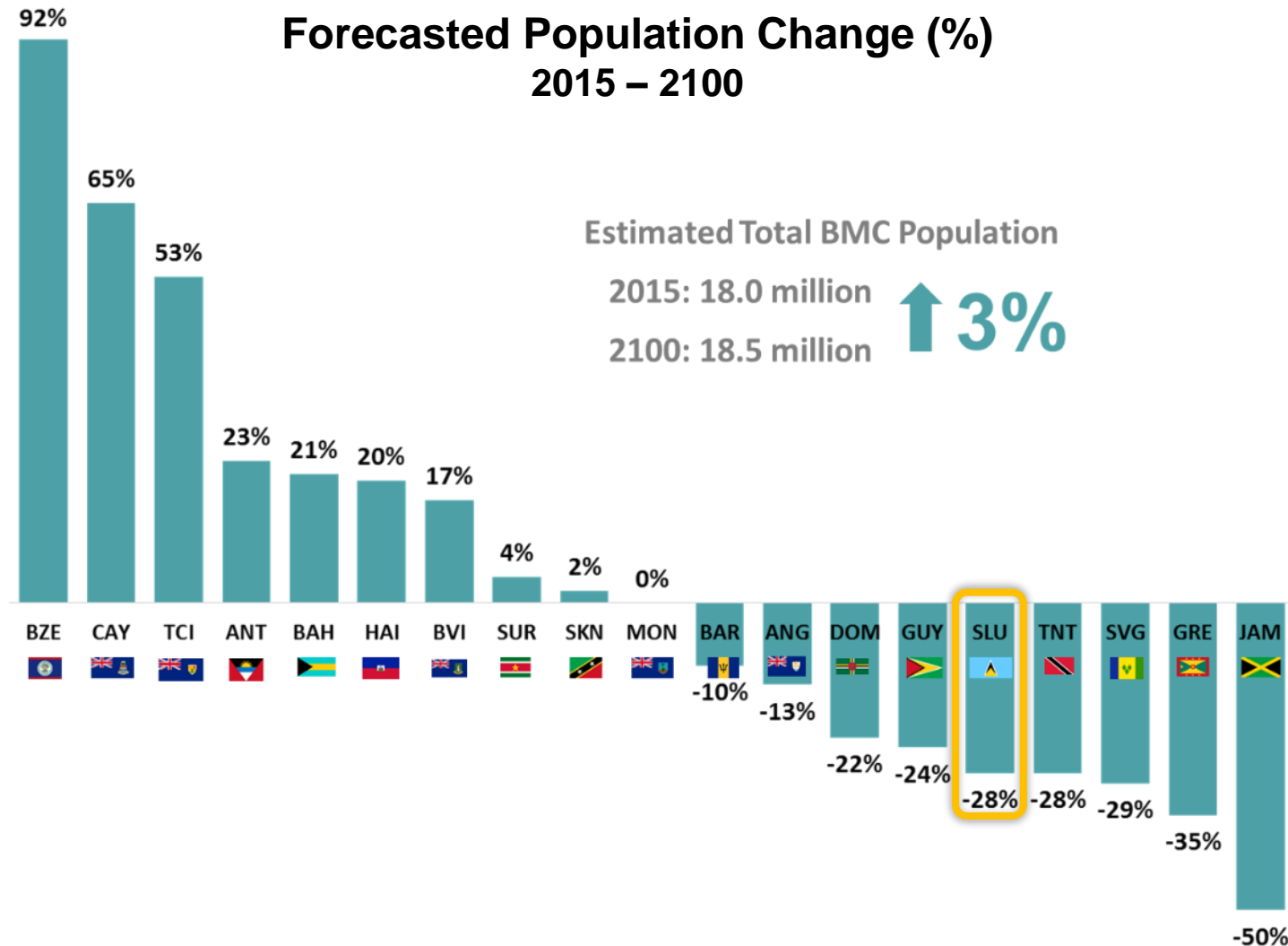


The populations of some Caribbean countries are predicted to decline during this century

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Source: UN Department. of Economic and Social Affairs



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We need to **step back** in order to **jump better**



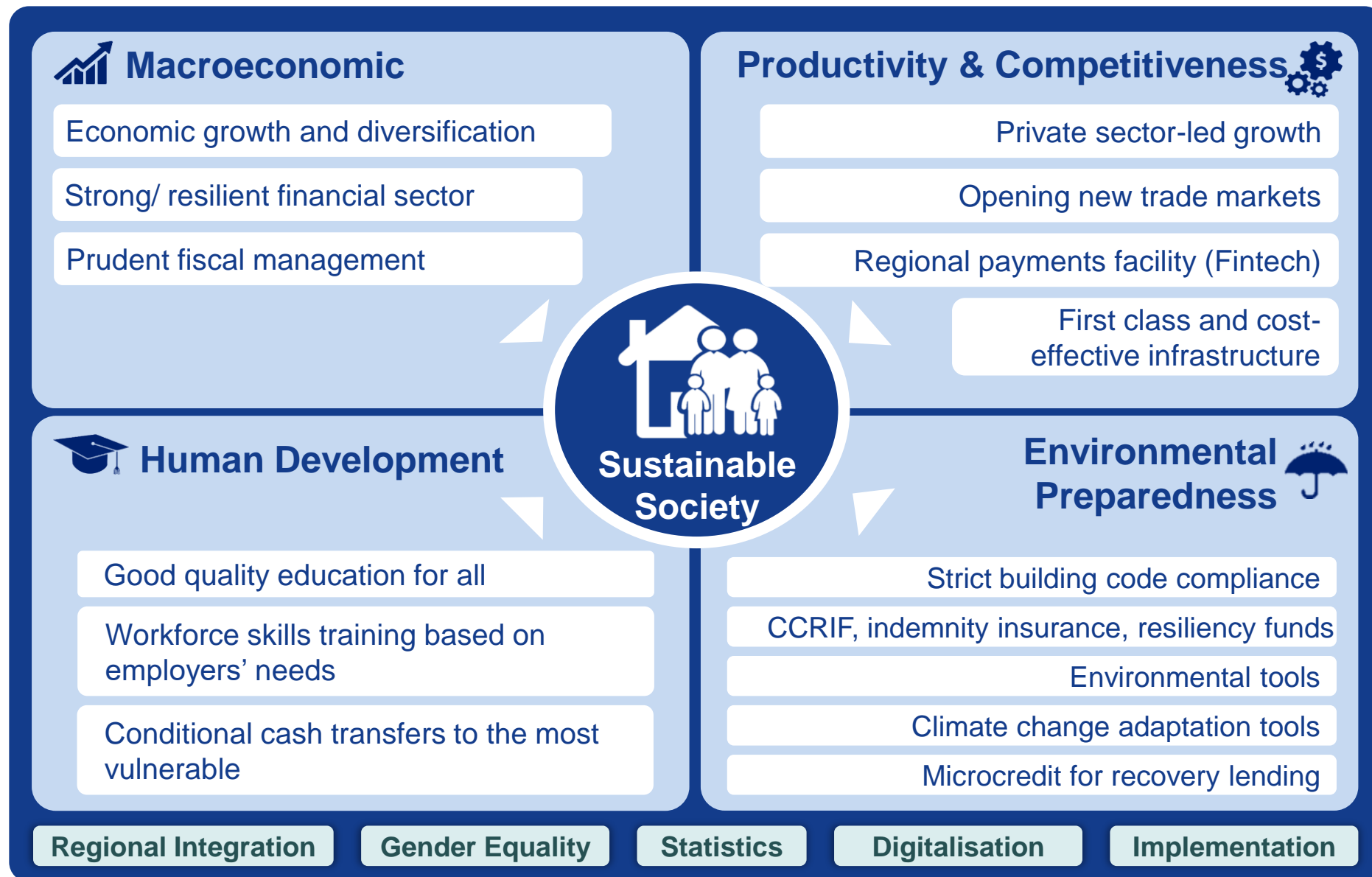


We need to **step back** in order to **jump better**

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Next Step: A “Marshall Plan” for Saint Lucia

Q: How do we operationalize this?

**A: The Blueprint
for the Caribbean 2018**

Similar to the Marshall Plan for Europe in 1948

THE BLUEPRINT

Governance Reform

Prosperity and Inclusiveness for All

No Trade Barriers

Improved Regulatory Efficiency

Resilience Building

Pooled Multilateral Resources

Relentless Implementation



Key Policies to Stimulate Sustainable Development of Communities and Commerce in Saint Lucia



**Increase Tourism's
Economic Impact**

1



**Facilitate Affordable
Air Transport**

2



**Use Fiscally-
Responsible Budgeting**

3



**Target social
interventions**

4

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Strategies to enhance tourism's economic impact – High value strategy or low cost strategy?



Leverage tourism as a tool for economic development

e.g., create a tourism tax to fund infrastructure



Organise the tourism industry

e.g., coordinate data collection on spending patterns for different segments of tourists



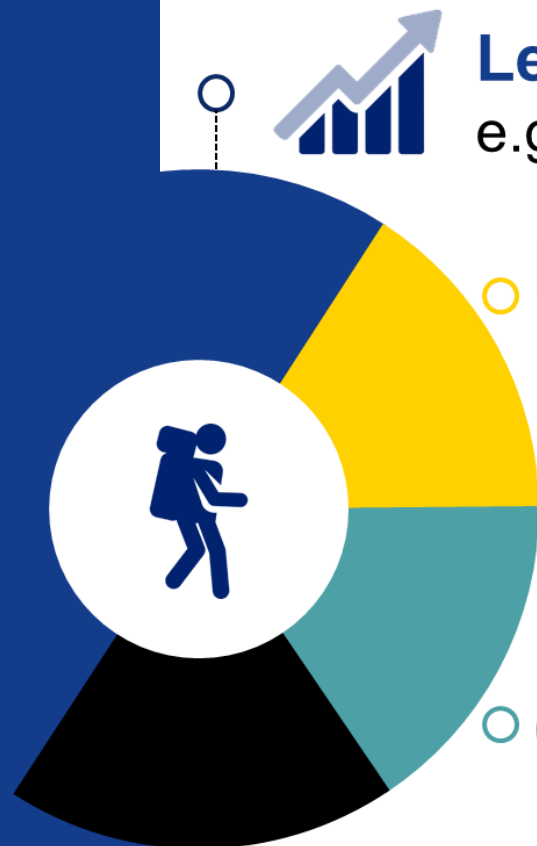
Develop economic linkages and inclusion

e.g., provide capital finance for small tourism businesses



Explore opportunities for regional collaboration

e.g., improve transport links – ferry service/ lower air travel charges





Policy changes can reinvigorate the aviation sector

Suggested Strategies:

Reduce Costs

Harmonise Regulations

Enhance Efficiency



INCREASED AIR TRAVEL DEMAND

E.g., a 25% reduction in taxes may increase traffic in BMCs by 13% by 2036



CONNECTIVITY & TIME SAVINGS

E.g., the Bridgetown to Kingston travel time could reduce from 5 - 8 to 3 hours



ECONOMIC IMPACTS

E.g., Policy changes could provide additional 140K jobs in the sector by 2036

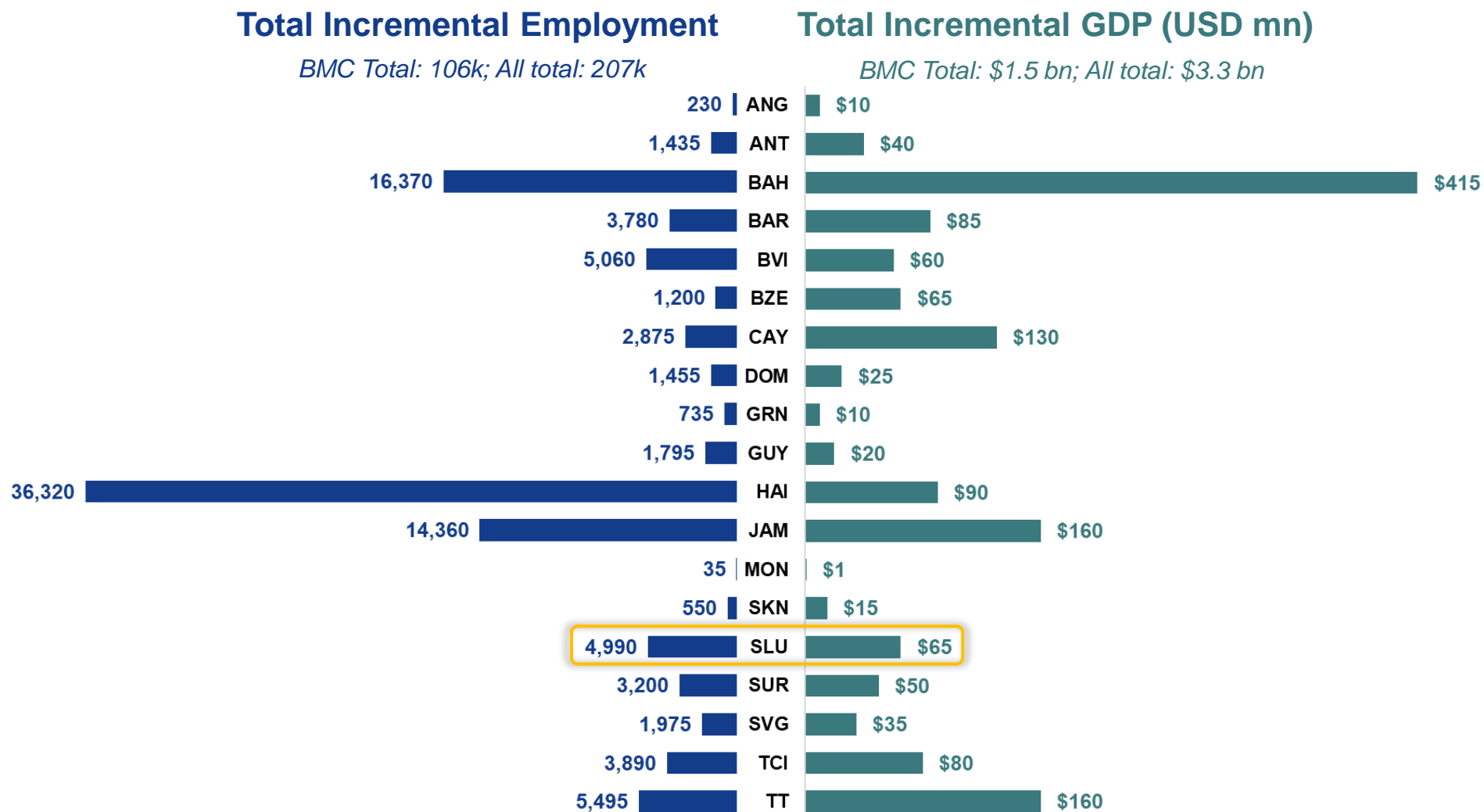


In Saint Lucia, these changes may generate almost 5,000 additional jobs and USD65 mn in GDP

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Building resiliency through effective budgeting



PRIORITIZED SAVINGS

Save government revenue first,
then apply to spend

Building a resilience/ savings/
rainy day fund

Contributing to CCRIF in order to
receive immediate liquidity at
natural event



PRUDENT SPENDING

Borrowing for productive,
resilient investments with
minimum 12% ERR

Max. debt/GDP ratio of 50%
with 10% buffer for disaster
emergency funding

Access post-disaster
concessional resources based
on new resilience index

More balanced public finances →
Improved sovereign credit ratings →
Governments borrow cheaply on the market

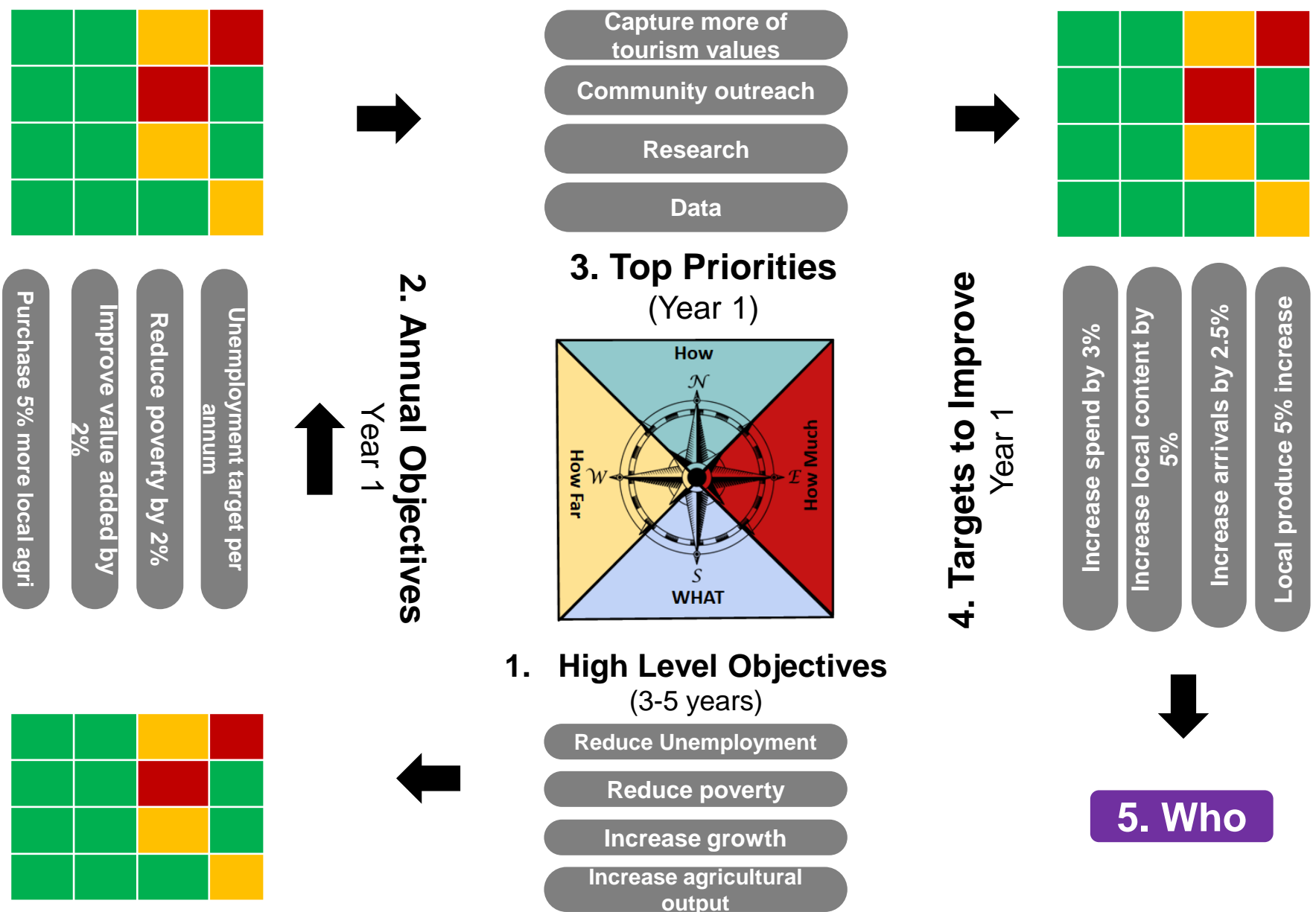


Tourism can contribute to national development goals

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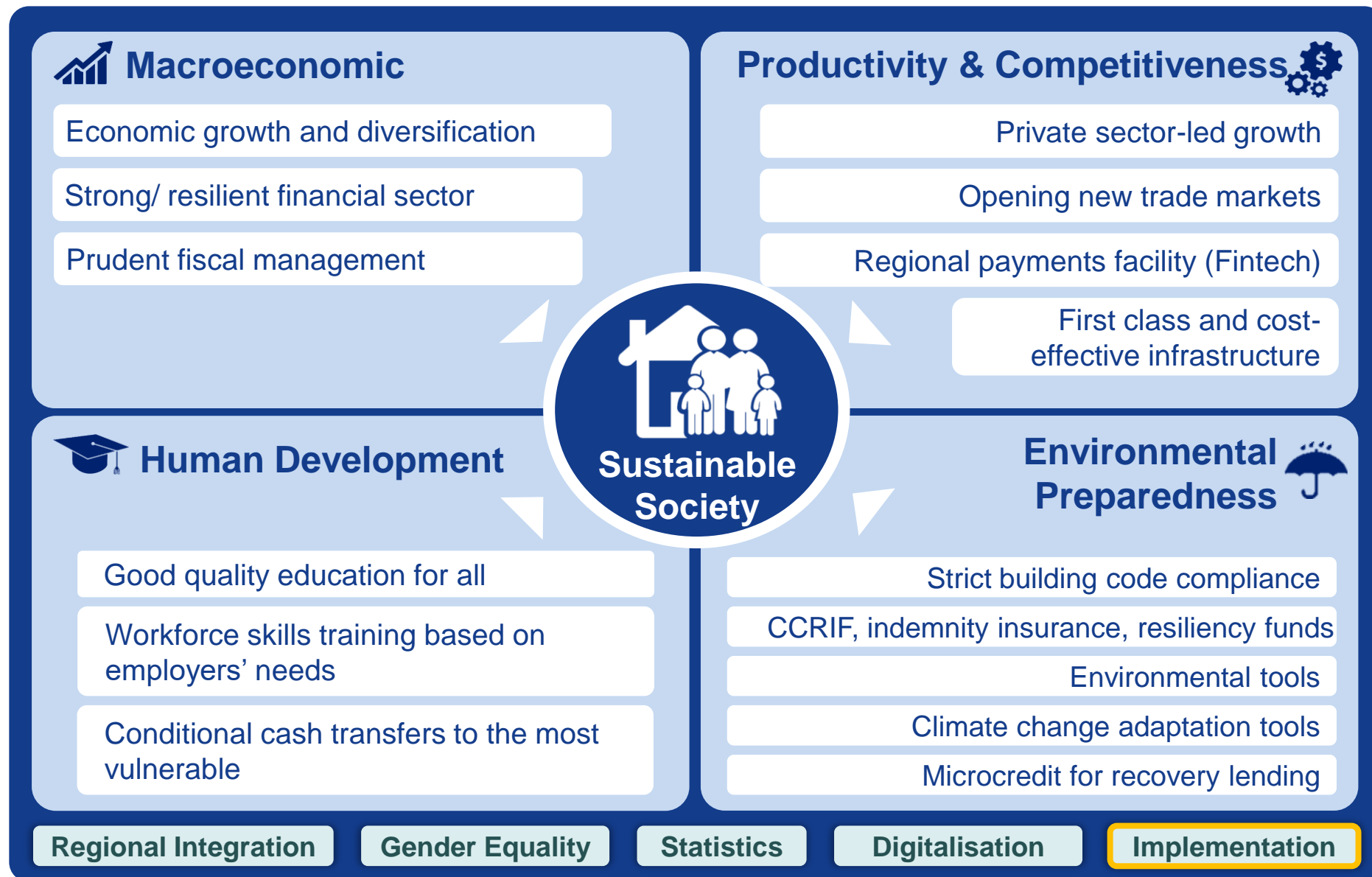
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Effective **implementation** is a necessary foundation





What if we had:





A Delivery Unit can help to drive implementation

Mandate and Responsibilities



**Ensure delivery of
government's
priorities**



**Assess performance
and progress; make
recommendations**



Catalyse change



**Actively support
Heads of
Government**



**Partner to achieve
objectives and
improved outcomes**



We need a relentless focus on implementation to deliver SLHTA's corporate and development strategy

8 Steps to Delivery



We can leverage the **Delivery Unit** model to **design, build and implement our strategy** to operate more **effectively and efficiently**



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Much of CDB's support for the tourism industry is indirect

1

Collaborative: We work through national and regional development partners

2

Large Scale: Our financing *tends* to exceed US\$20 million (some exception)

3

Capacity-building: Our projects often involve service skills training

4

Indirect: We often support ancillary sectors to better provide for the tourism industry – improving economic linkages

**Developing
communities and
commerce!**



NORMAN MANLEY INTERNATIONAL AIRPORT



Inadequate Facilities;
Poor Service



New departure and
upgraded arrival
terminals

\$20M



Improved service
efficiency; revenues;
ERR – 12.7%

JAMAICA: Norman Manley International Airport Expansion



Need to strengthen FX
earnings and
employment

HOTEL



Line of capital at DBJ
for tourism business
development

\$25M



Strengthened tourism
and export sectors

JAMAICA: Tourism Business Financing w/ DBJ



Inconsistent and
uncompetitive tourism
service quality



Purchase and leasing
new aircraft; training

\$65M



Upgrades facilitated
service improvements

REGIONAL: LIAT Fleet Modernisation Project



Dated, unsafe, and environmentally unsustainable



Redevelopment and re-equipping facilities

~\$30M



Enhanced sustainability; ERR – 13%

BARBADOS: Harrison's Cave Redevelopment



Low rainfall made agri-
supply inconsistent



Improved irrigation
systems for ~700
hectares

£35.5M



Greater food security
for tourist and local
consumption

JAMAICA: Essex Valley Agricultural Development Project



Food producers did not meet new food safety standards



Improving stakeholder capacities



Strengthened tourism and agriculture linkages

\$1M

GRENADA: Strengthening Food Safety Management Systems



Thank You!