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TOURISM: A CATALYST FOR SUSTAINABLE DEVELOPMENT

Presentation to: Saint Lucia Hotel and Tourism Association

AUGUST 30, 2019



OUTLINE

01

CARIBBEAN ECONOMY

REVIEW, OUTLOOK AND CHALLENGES

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SAINT LUCIA BLUEPRINT

POLICIES FOR SUSTAINABLE
DEVELOPMENT

03

SUPPORTING TOURISM

CDB'S SUPPORT FOR THE CARIBBEAN
TOURISM SECTOR



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

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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



Big Picture: Ongoing Challenges for the Caribbean

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GDP Growth Slowdown and GDP Contraction



Increased Fiscal Pressures



Weakening External Position



Worsening Credit Ratings



Declining Relative Competitiveness



Rising Protectionism



Increased Financial Regulatory Requirements



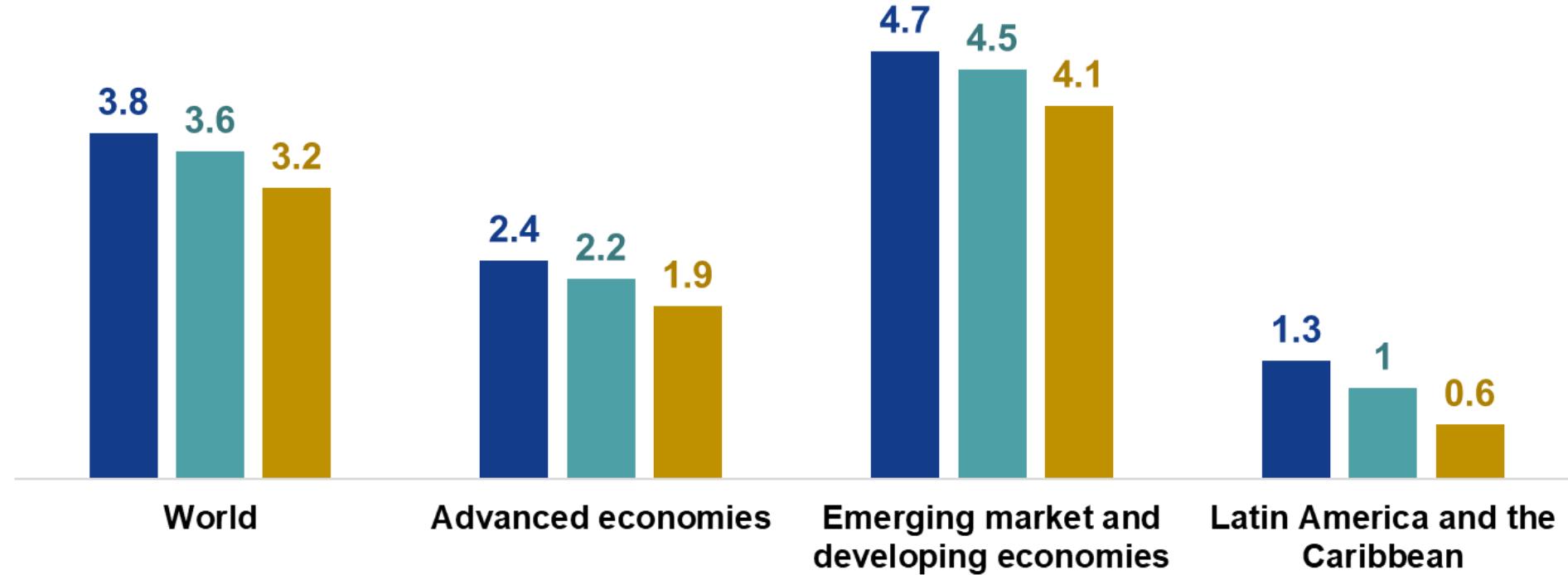
Geo-political Uncertainty



Global economic outlook is positive, but weakening

Real GDP Growth (%), 2017 – 2019

■ 2017 ■ 2018 ■ 2019



Source: IMF WEO Update July 2019



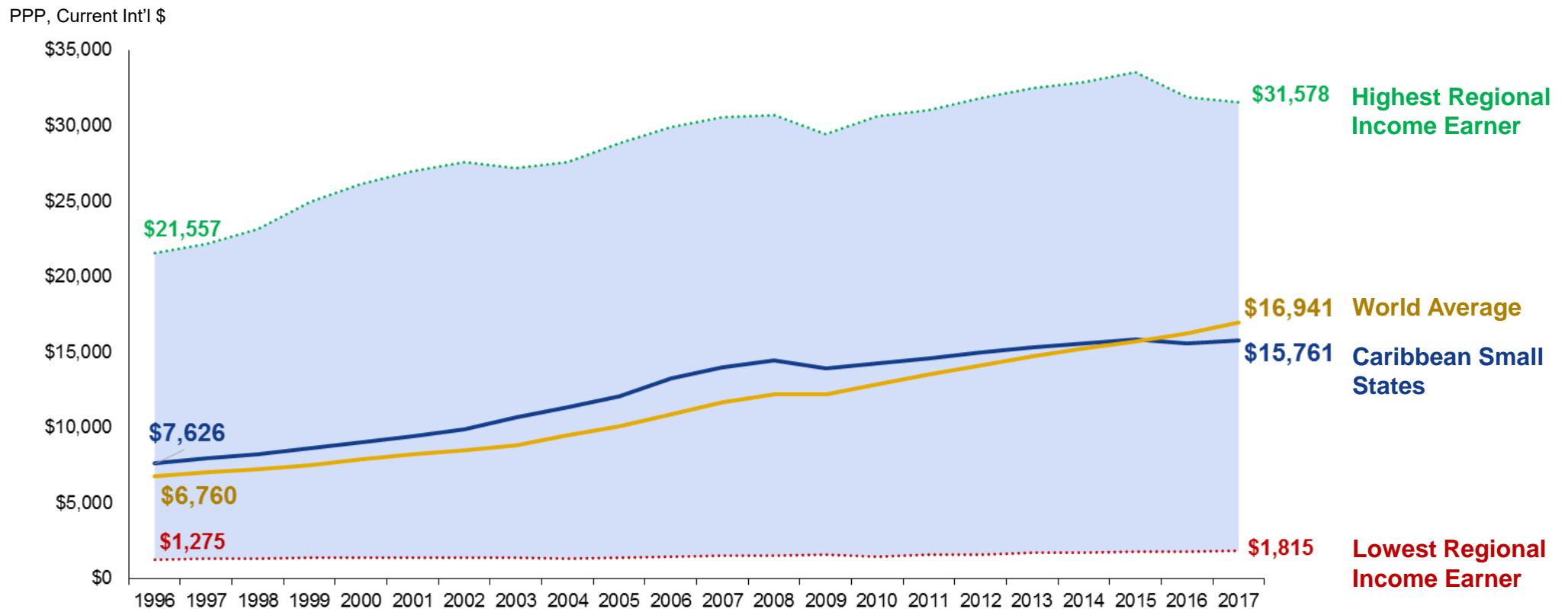
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Although per capita production doubled in the last two decades, this growth is uneven across the Region

GDP Per Capita*, 1996 – 2017



*PPP, current international 4

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



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



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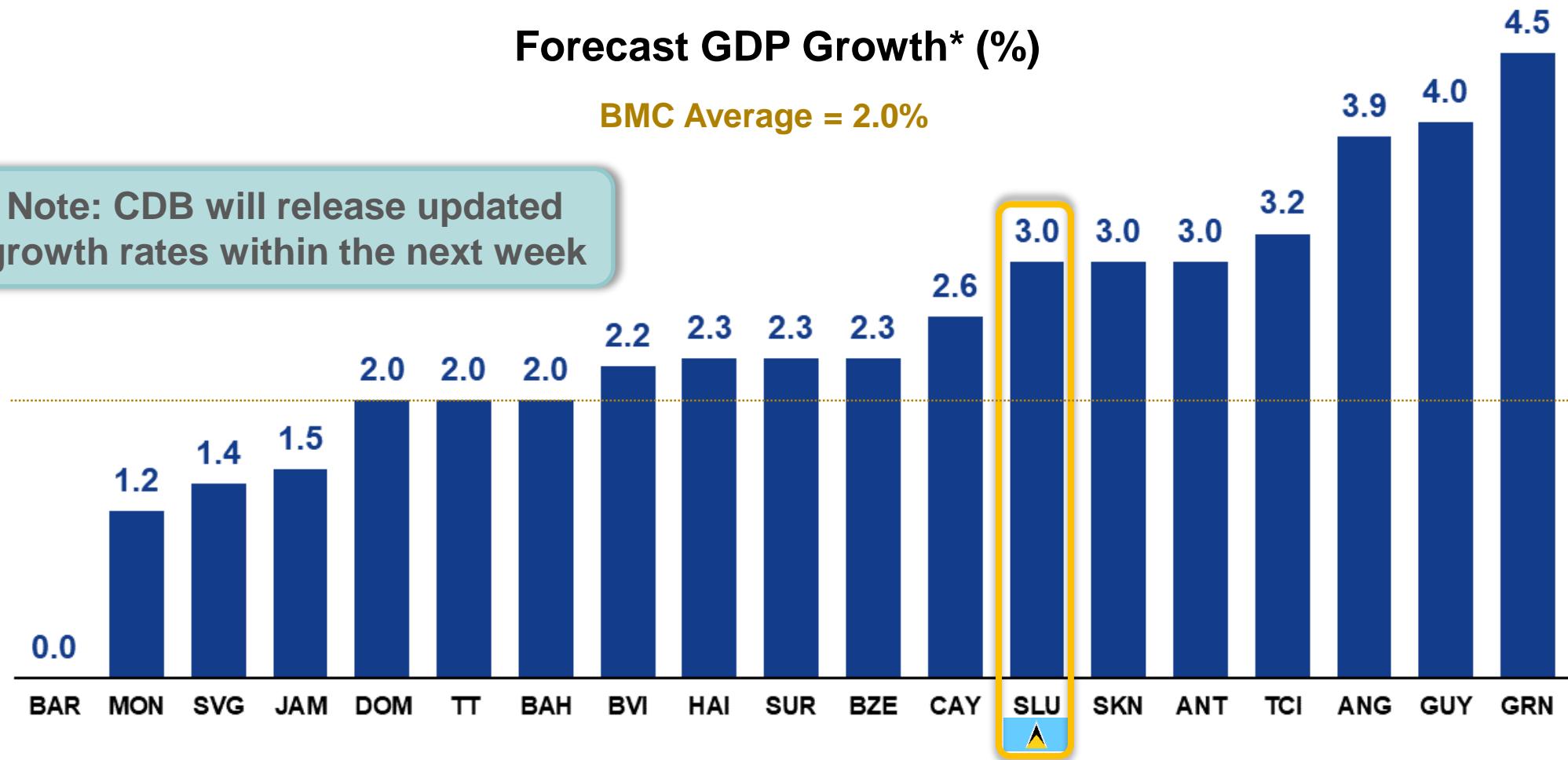
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An early forecast predicts that the BMCs will grow by 2.0% in 2019

Forecast GDP Growth* (%)

BMC Average = 2.0%

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

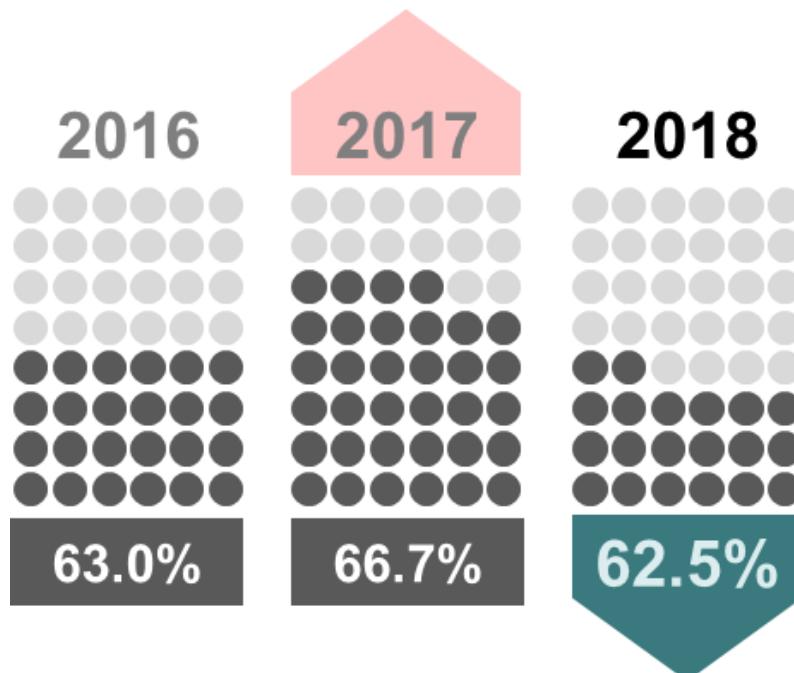


Source: CDB, Central Banks

*July 2019 update pending

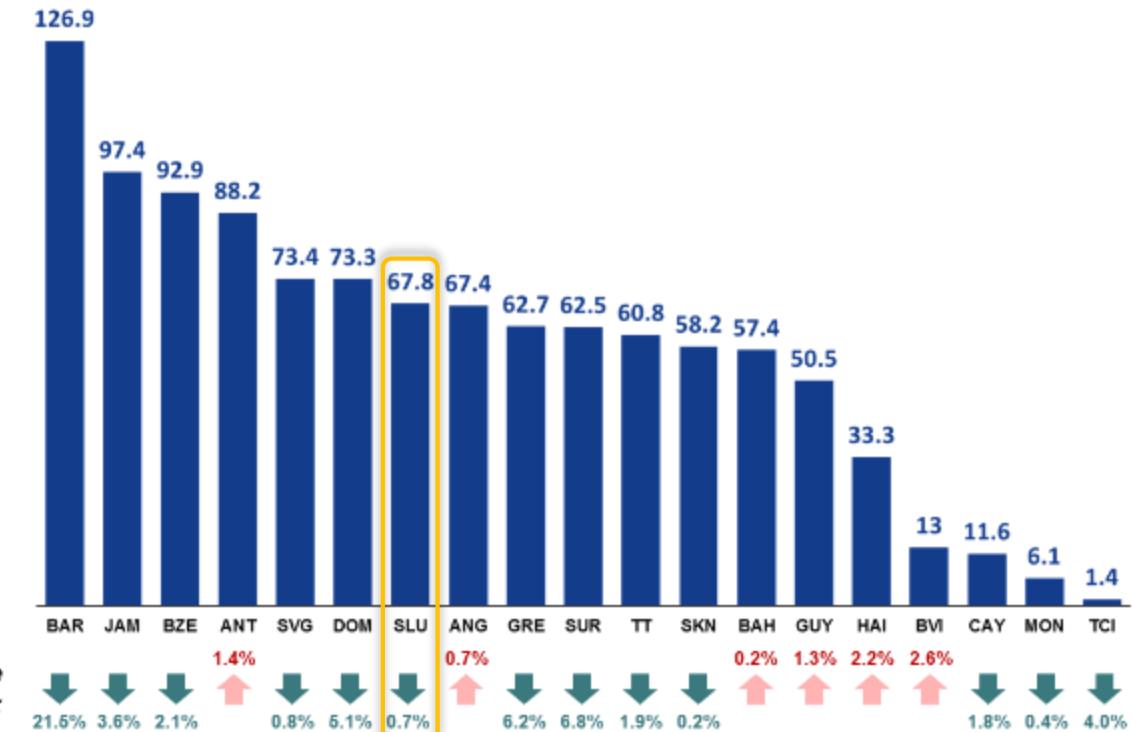
Regional debt levels are falling, but still very high

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



Percentage point change
from end of 2017 to 2018:

Government Debt as a share of GDP
Latest available statistics for 2018



Source: Central Banks

Ease of Doing Business Rankings have deteriorated across the Region

WB Ease of Doing Business Rank

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


 Saint Lucia
 slipped 59 places
 in the last 10 years

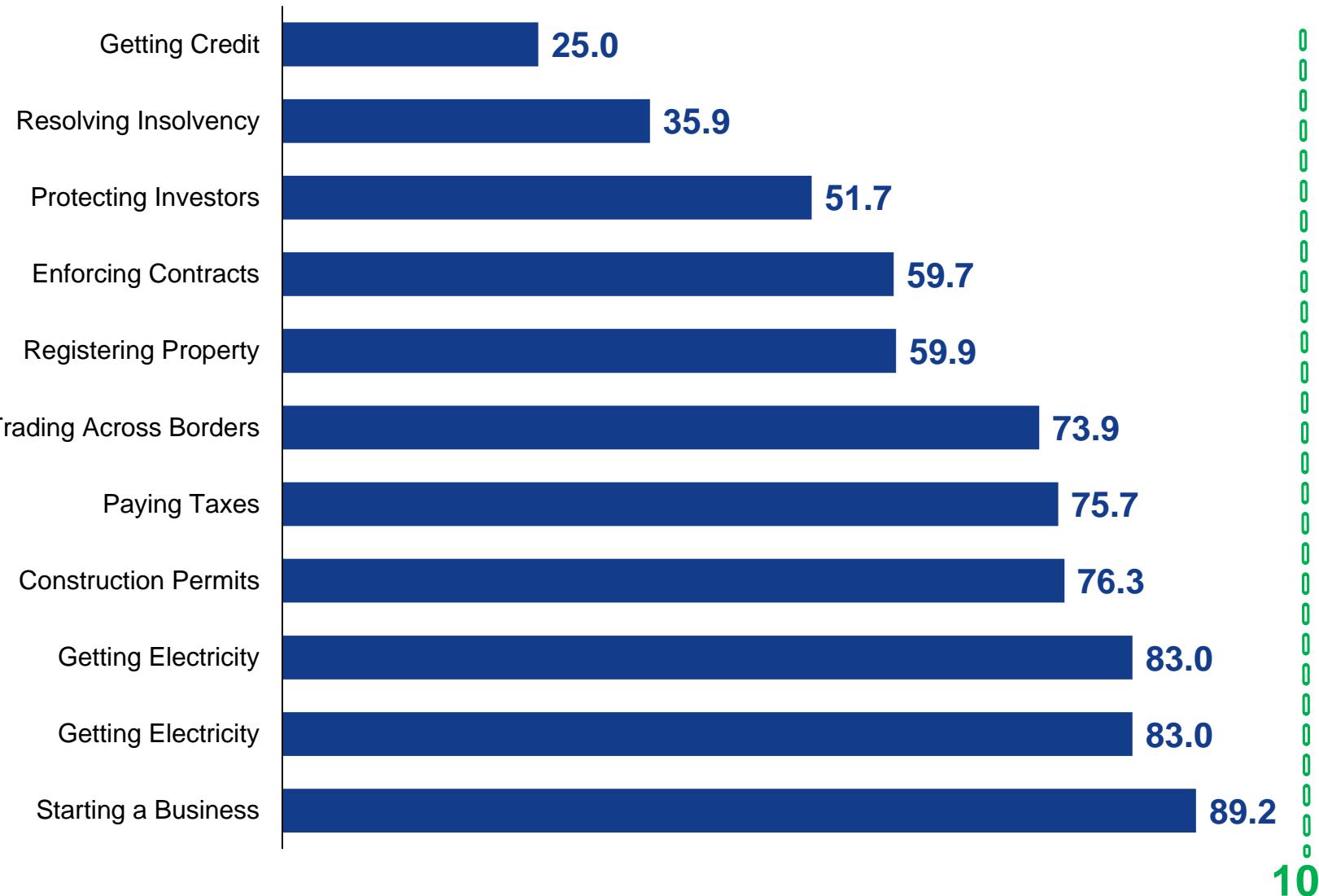
Regional Average

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

Many Caribbean economies depend on Tourism

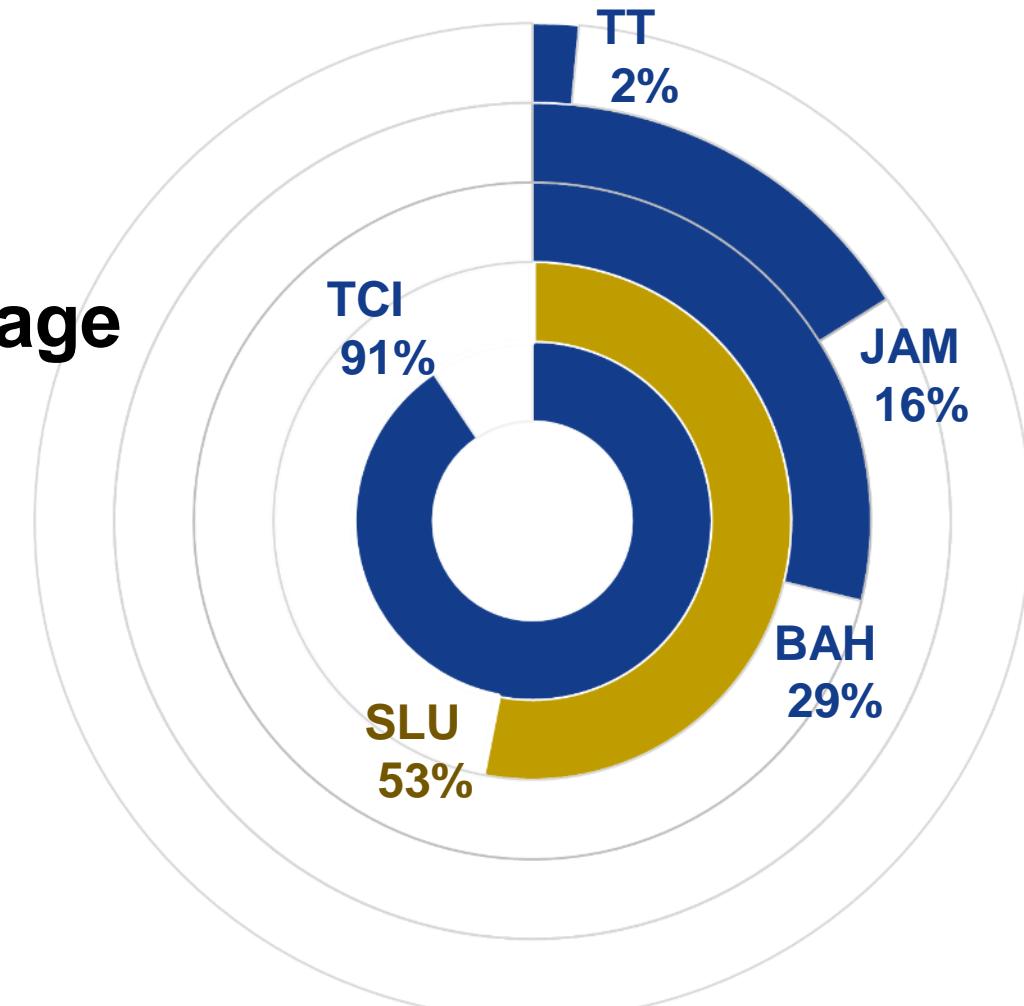


Across CDB's BMCs, tourism and related activities contribute
25% on average to GDP



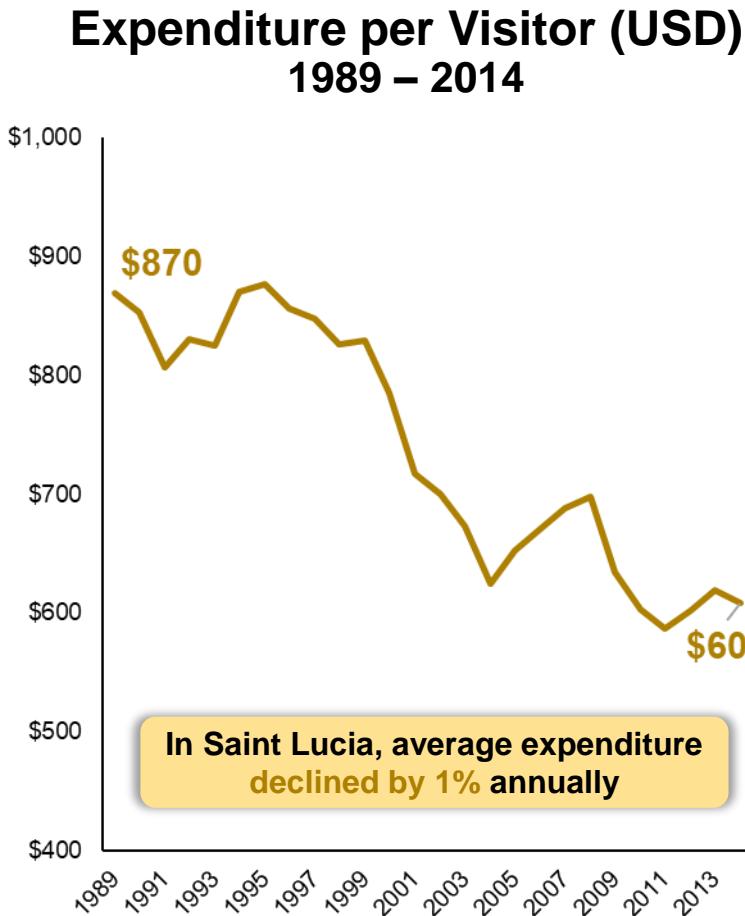
Accounting for **53% of GDP** in 2014, Saint Lucia has
above average tourism dependence

Tourism Sector Contribution to GDP, 2014

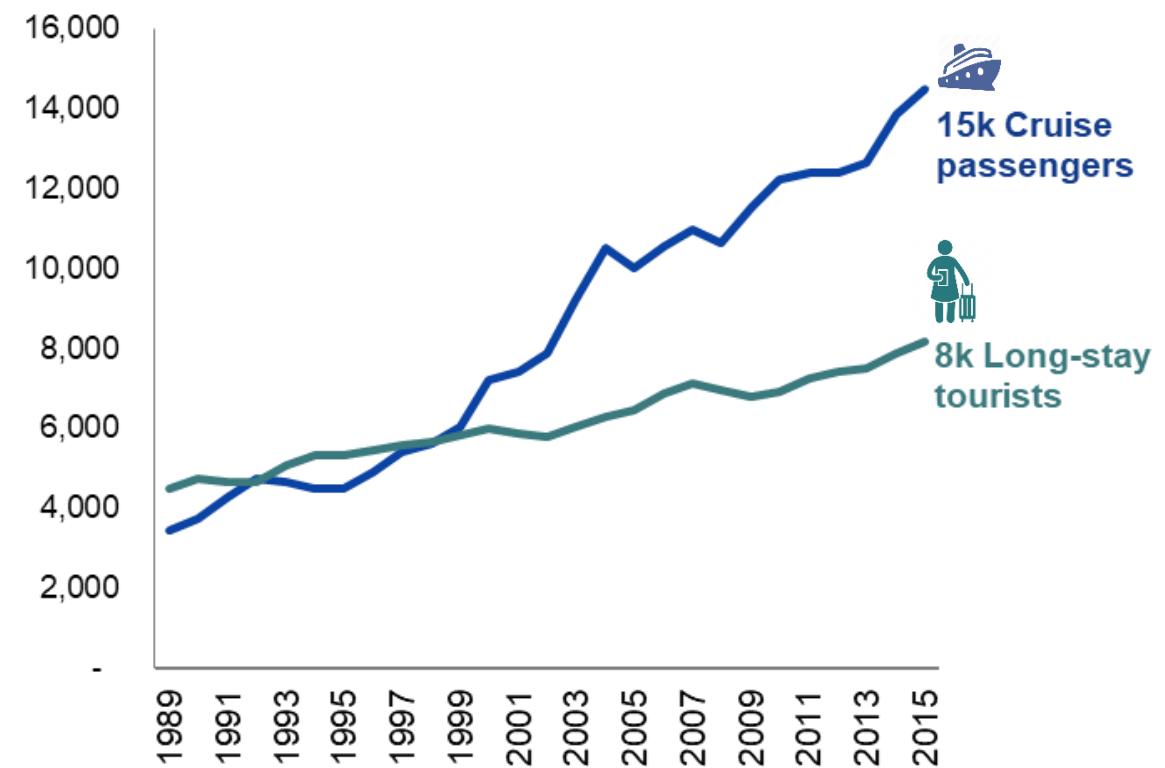


Source: CDB, CTO

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



**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



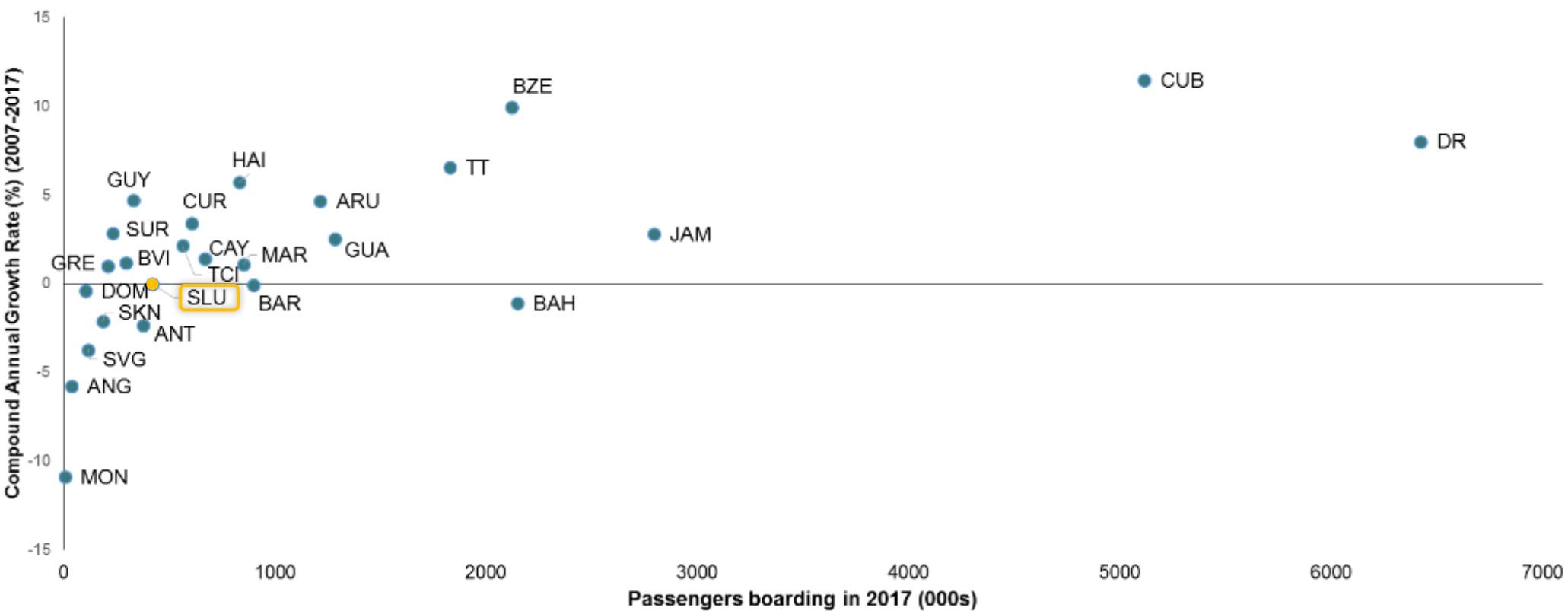
Over the last decade, intra-regional travel has fallen while extra-regional travel increased

Passenger Growth by Region, 2007-17



Passenger growth rates vary widely across the Region

Passenger Growth by Country, 2007-17



High costs have contributed to lower regional connectivity

Causes for Lost Connectivity



**High costs, taxes,
and fees**



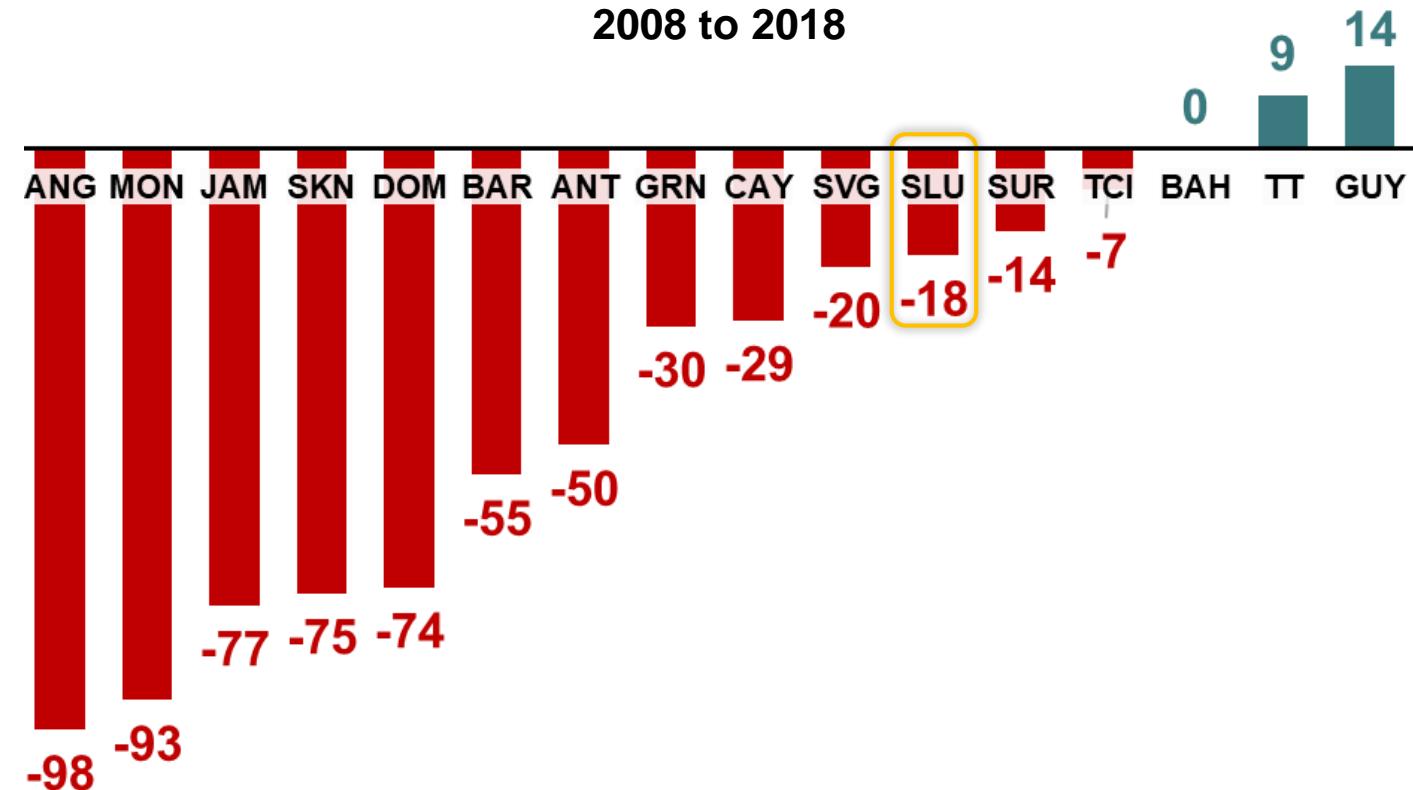
**Lack of regulatory
harmonisation**



**Inefficient
operations**

% Change in Regional Connectivity

2008 to 2018

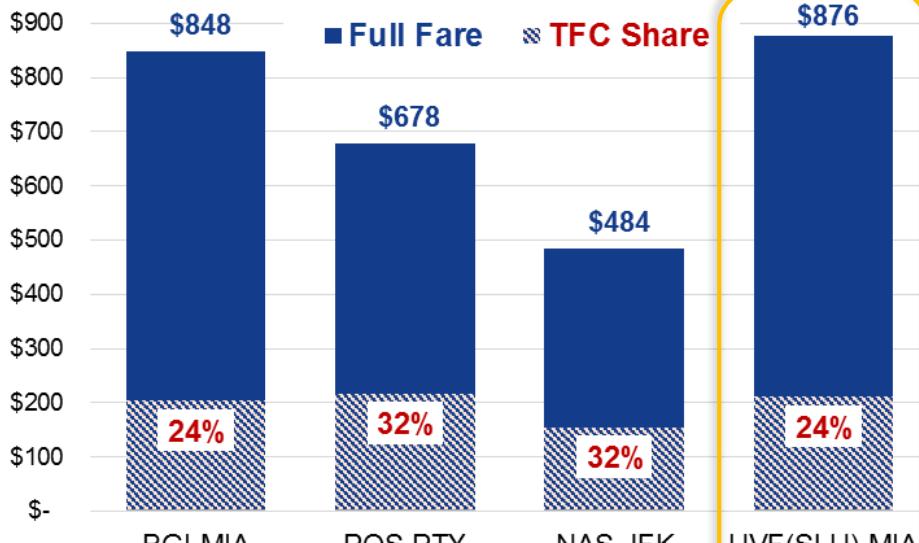


The burden of taxes is highest on intra-regional flights

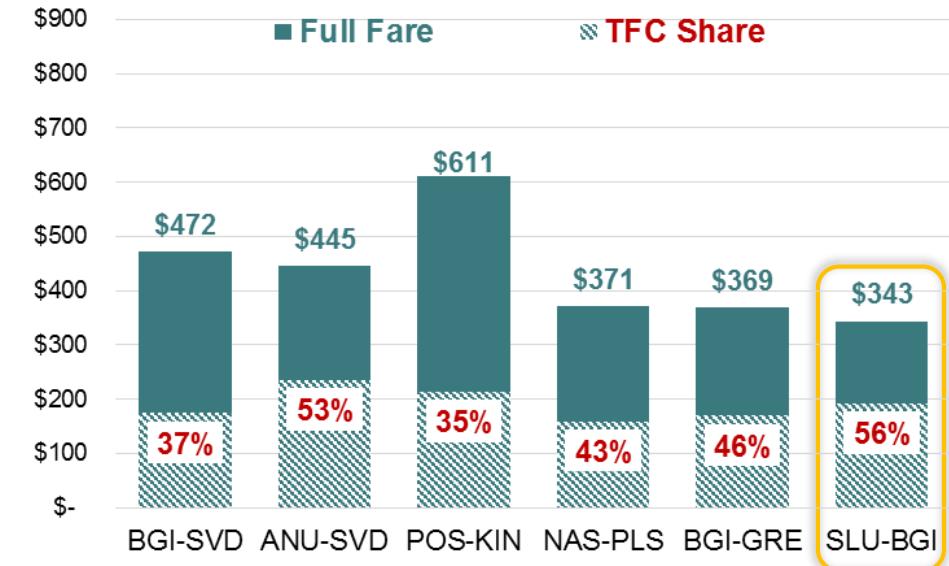
Taxes, Fees, and Charges

(for return travel in June 2018)

Extra-Regional



Intra-Regional

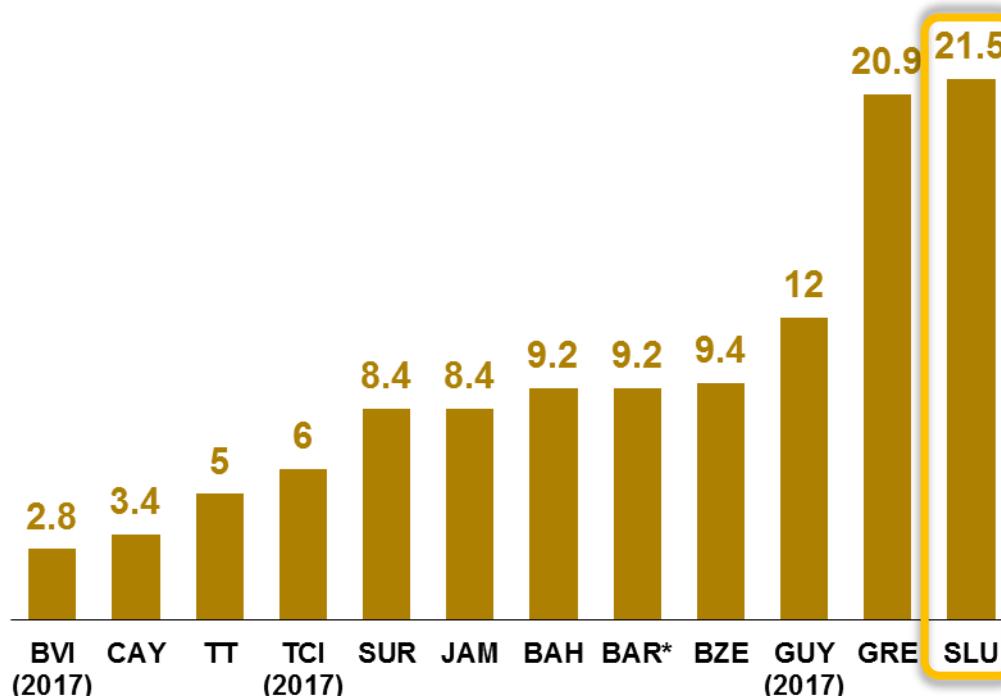


Source: CDB based on LIAT, CAL, BahamasAir, AA, Copa

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

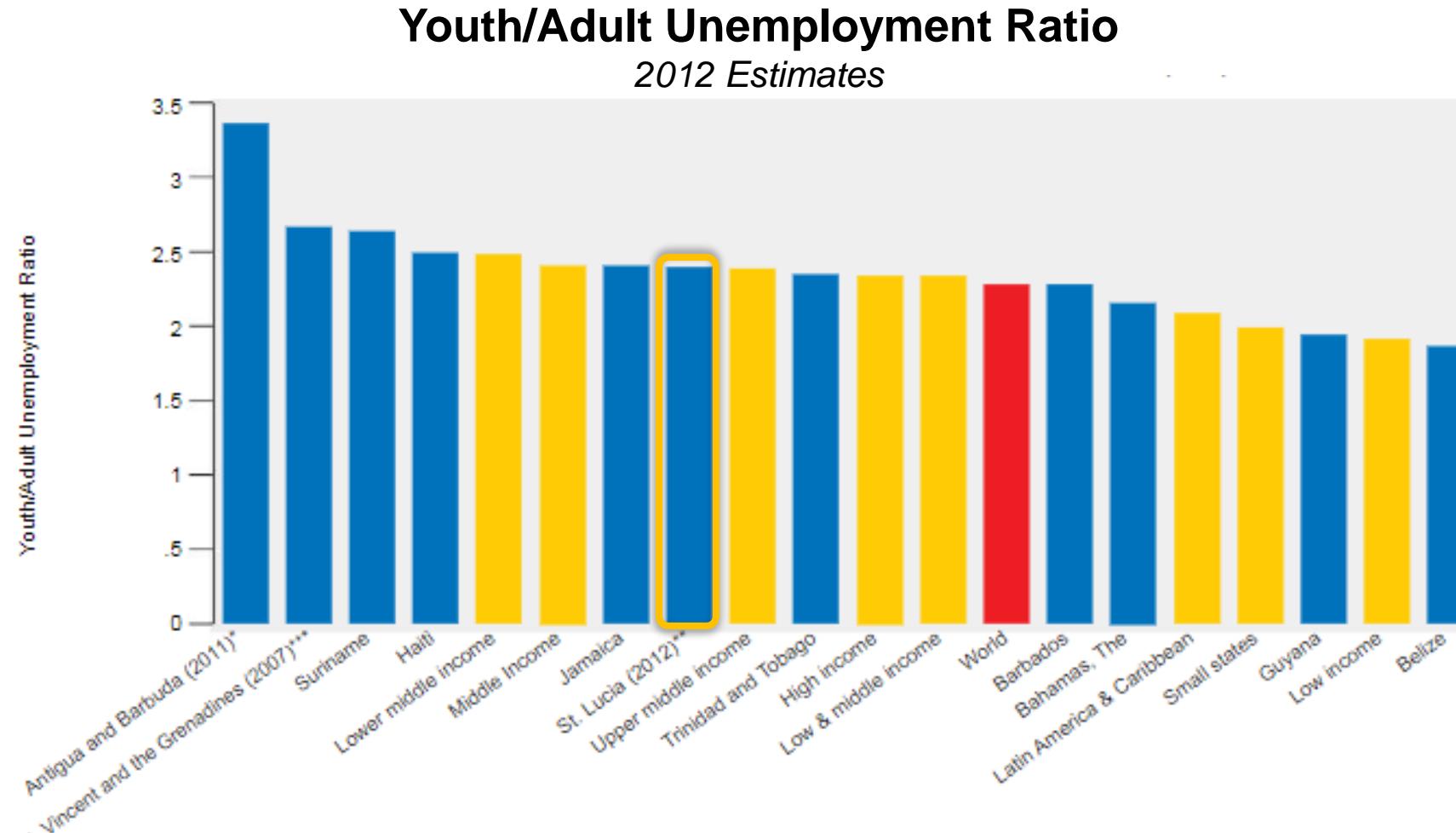
In Saint Lucia
1 in every 3**
 young people are unemployed



Source: IMF, Statistical Offices, local reporting, CDB

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

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



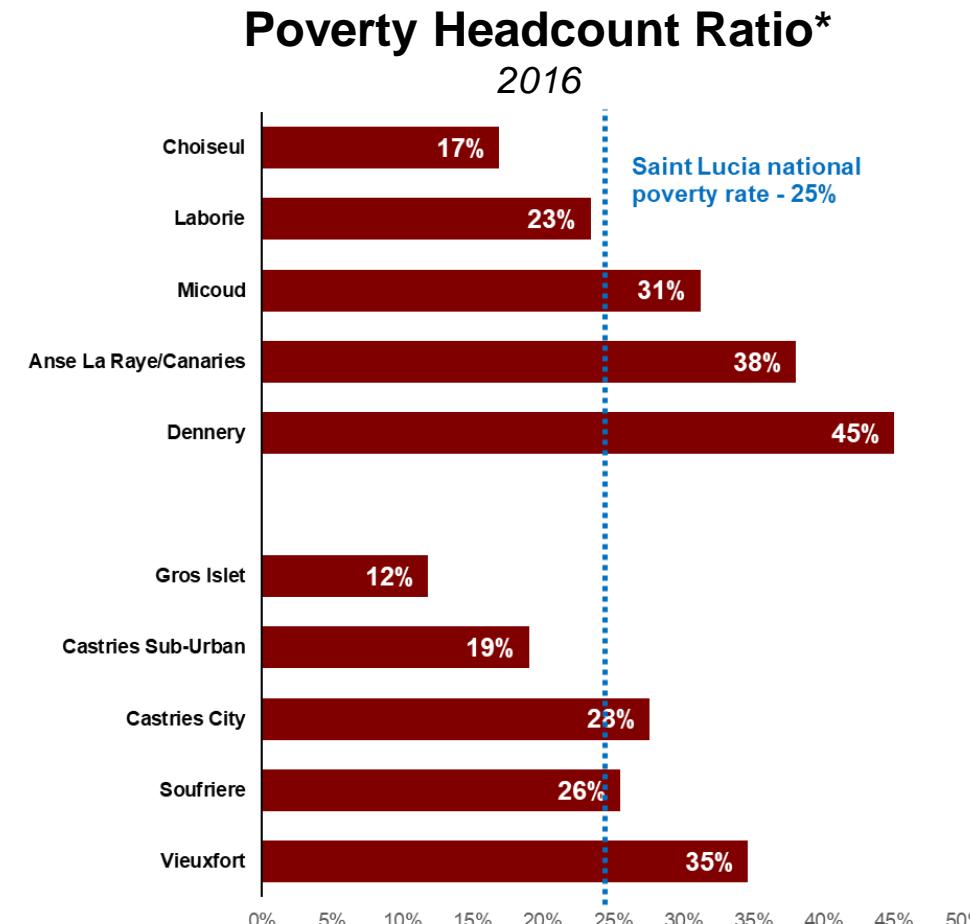
Source: World Development Indicators (except as listed below)

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

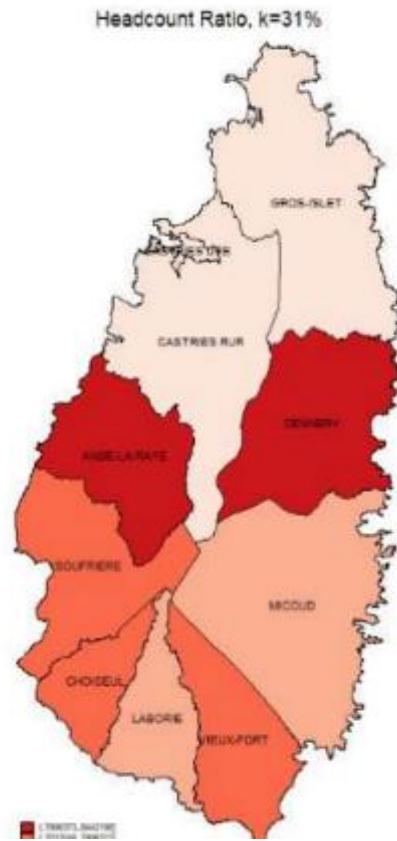
One in four Saint Lucians are monetarily and multi-dimensionally poor

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

21%
are poor



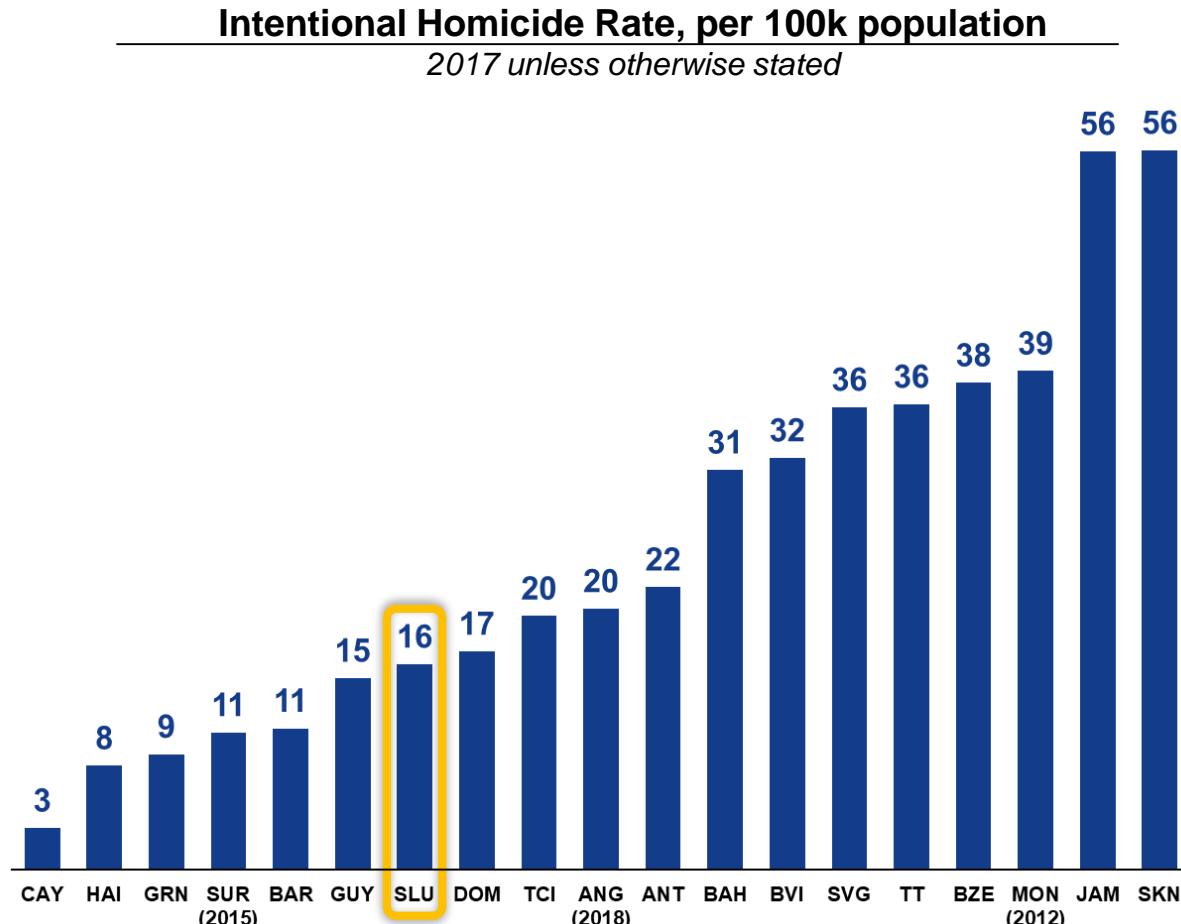
MPI Headcount Ratio



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



Source: Official statistics and national reporting

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



Source: IDB 2017

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

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%)

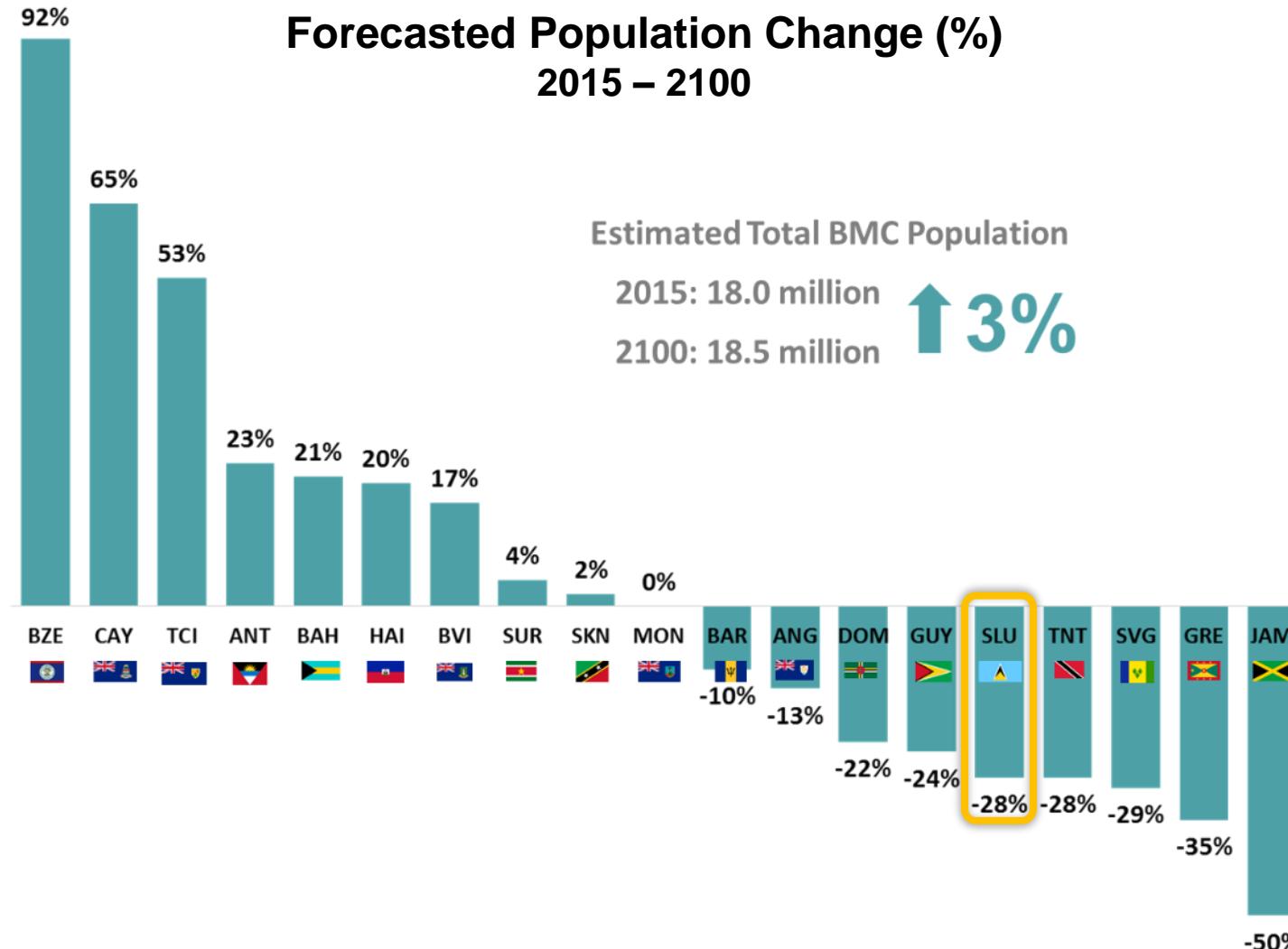
2100 72 million (0.6%)

Oceania

2017 41 million (0.5%)

1950: World Population = 2.5 billion

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





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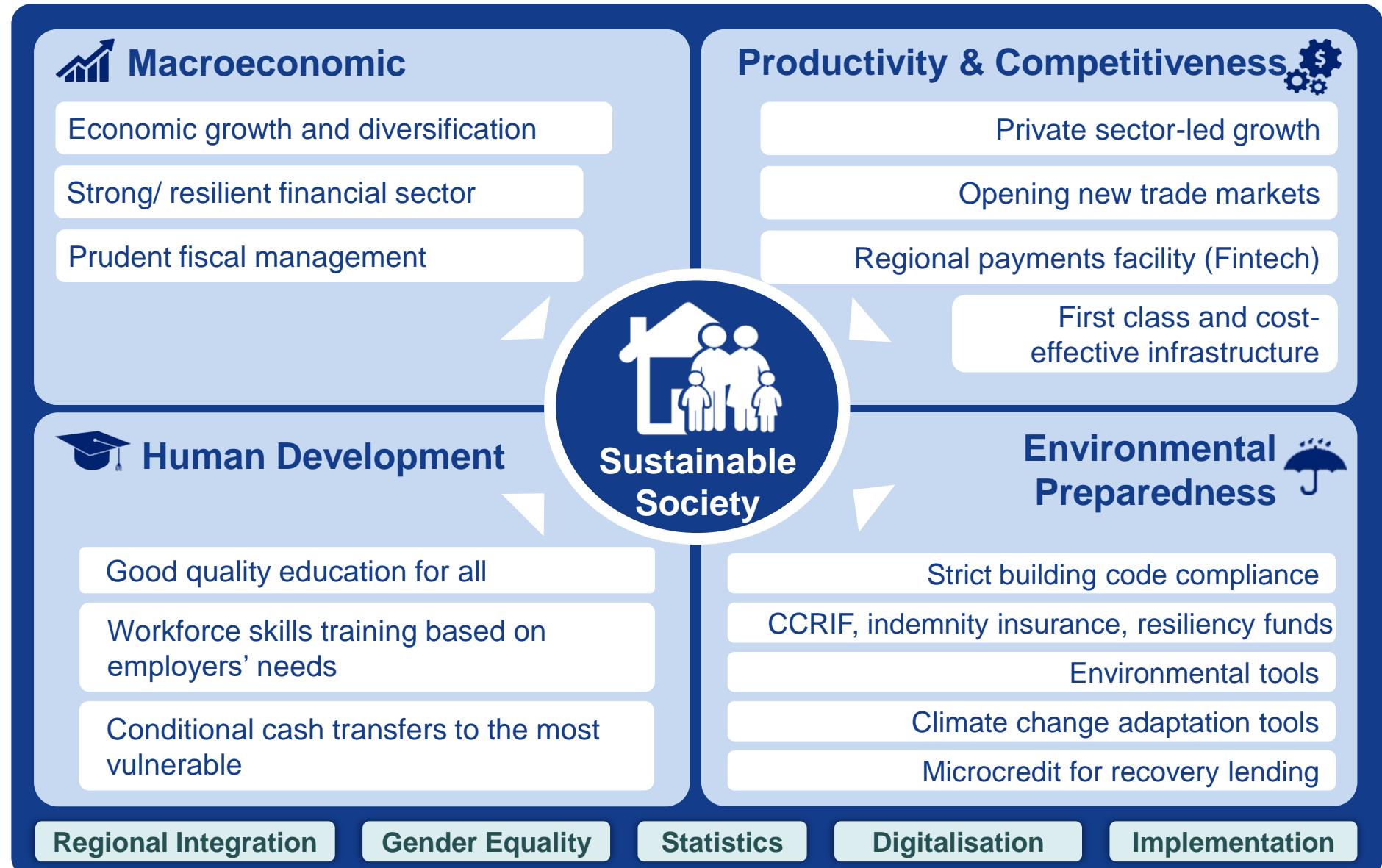
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SUPPORTING TOURISM
CDB'S SUPPORT FOR THE CARIBBEAN
TOURISM SECTOR

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



We need to step back in order to jump better





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

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Increase Tourism's
Economic Impact



Facilitate Affordable
Air Transport



Use Fiscally-
Responsible Budgeting



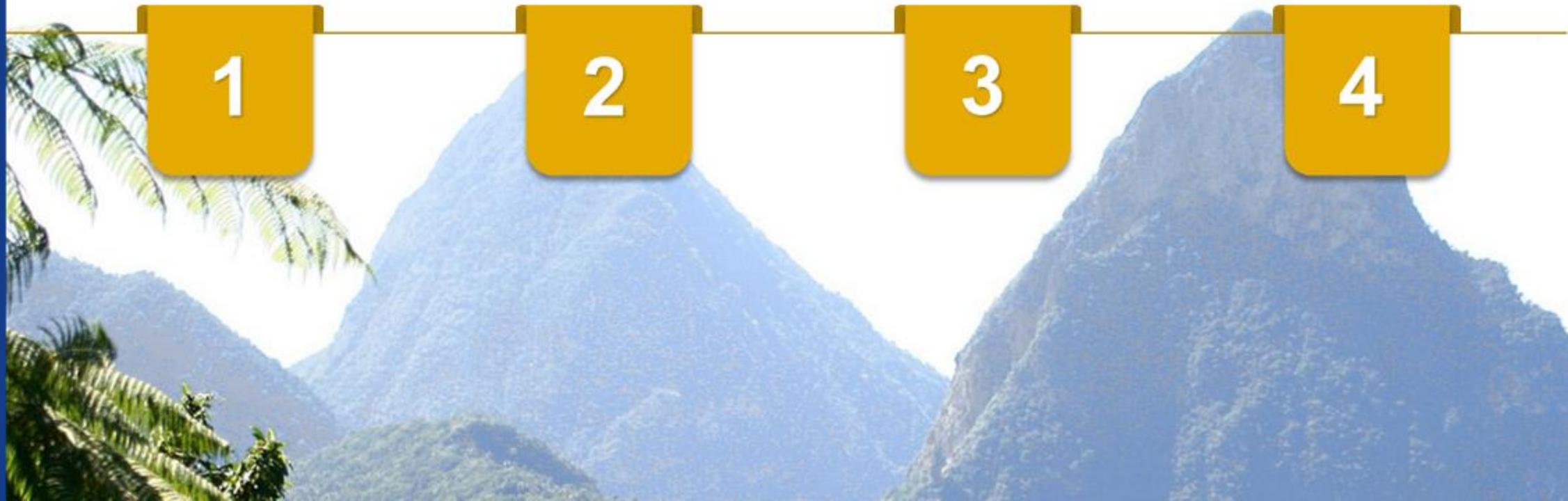
Target social
interventions

1

2

3

4



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





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

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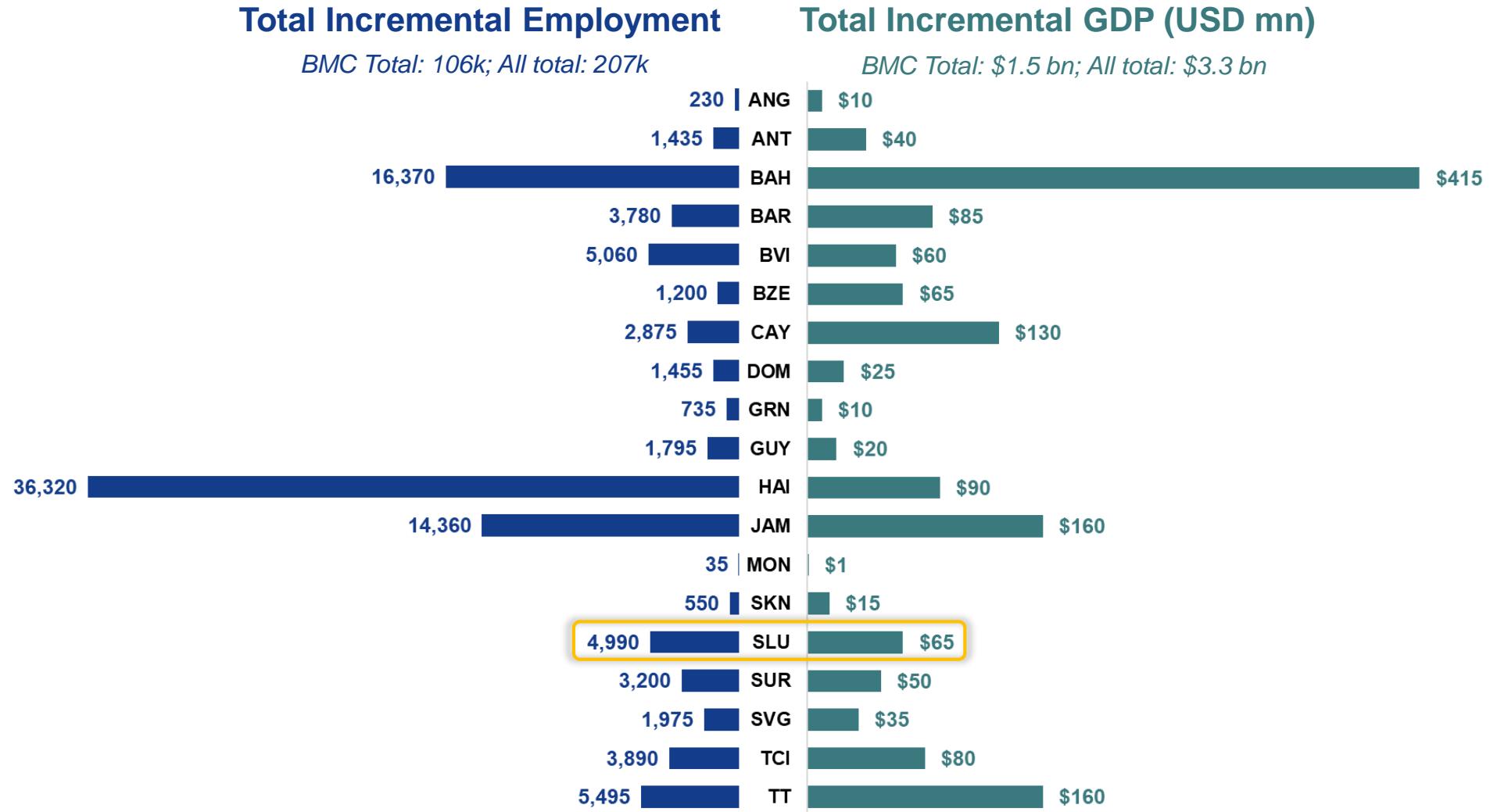


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In Saint Lucia, these changes may generate almost 5,000 additional jobs and USD65 mn in GDP





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

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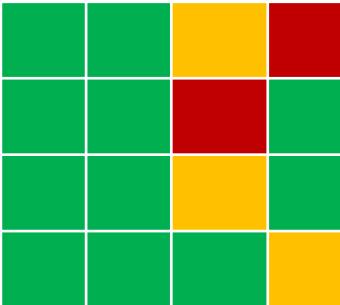


Tourism can contribute to national development goals

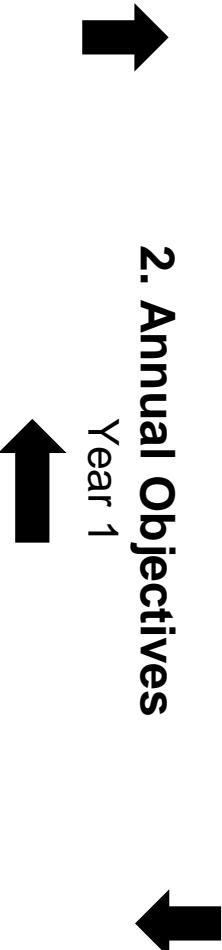
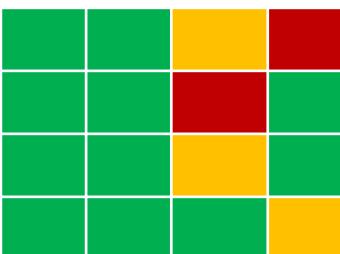
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- Purchase 5% more local agri
- Improve value added by 2%
- Reduce poverty by 2%
- Unemployment target per annum

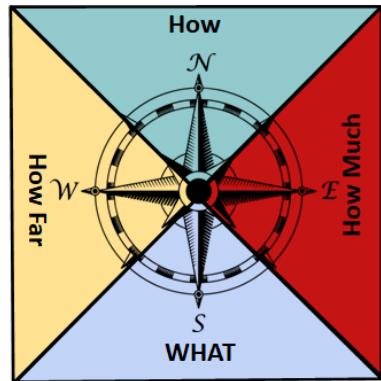


1. High Level Objectives
(3-5 years)

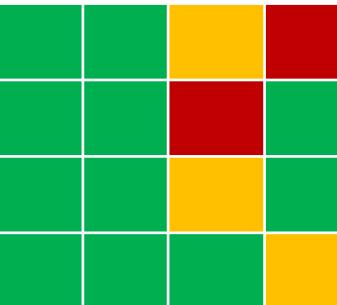
- Reduce Unemployment
- Reduce poverty
- Increase growth
- Increase agricultural output

- Capture more of tourism values
- Community outreach
- Research
- Data

3. Top Priorities (Year 1)

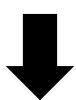


4. Targets to Improve Year 1

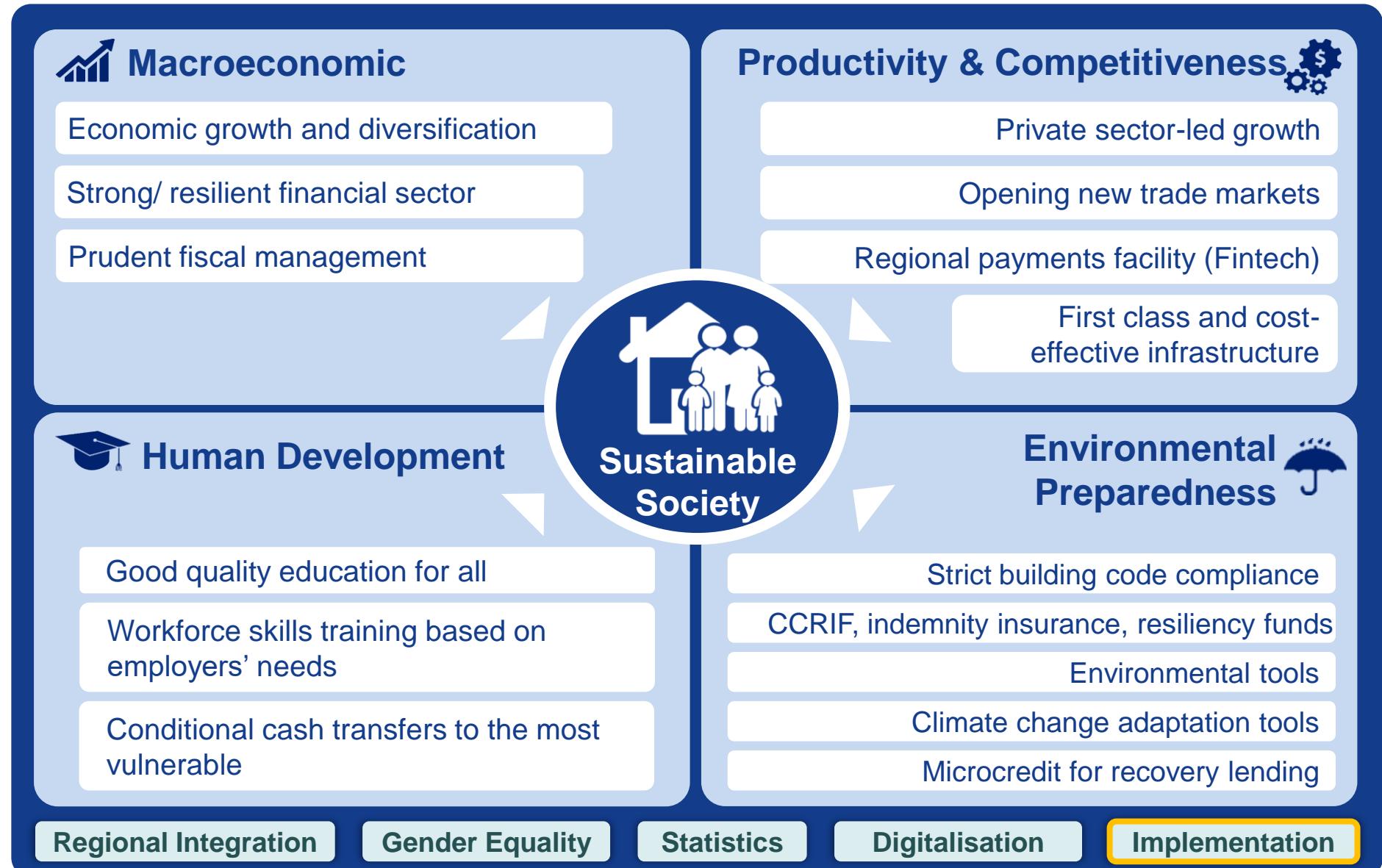


- Increase spend by 3%
- Increase local content by 5%
- Increase arrivals by 2.5%
- Local produce 5% increase

5. Who



Effective implementation is a necessary foundation



What if we had:



Adapted from Gold (2017)

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



\$20M



JAMAICA: Norman Manley International Airport Expansion



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



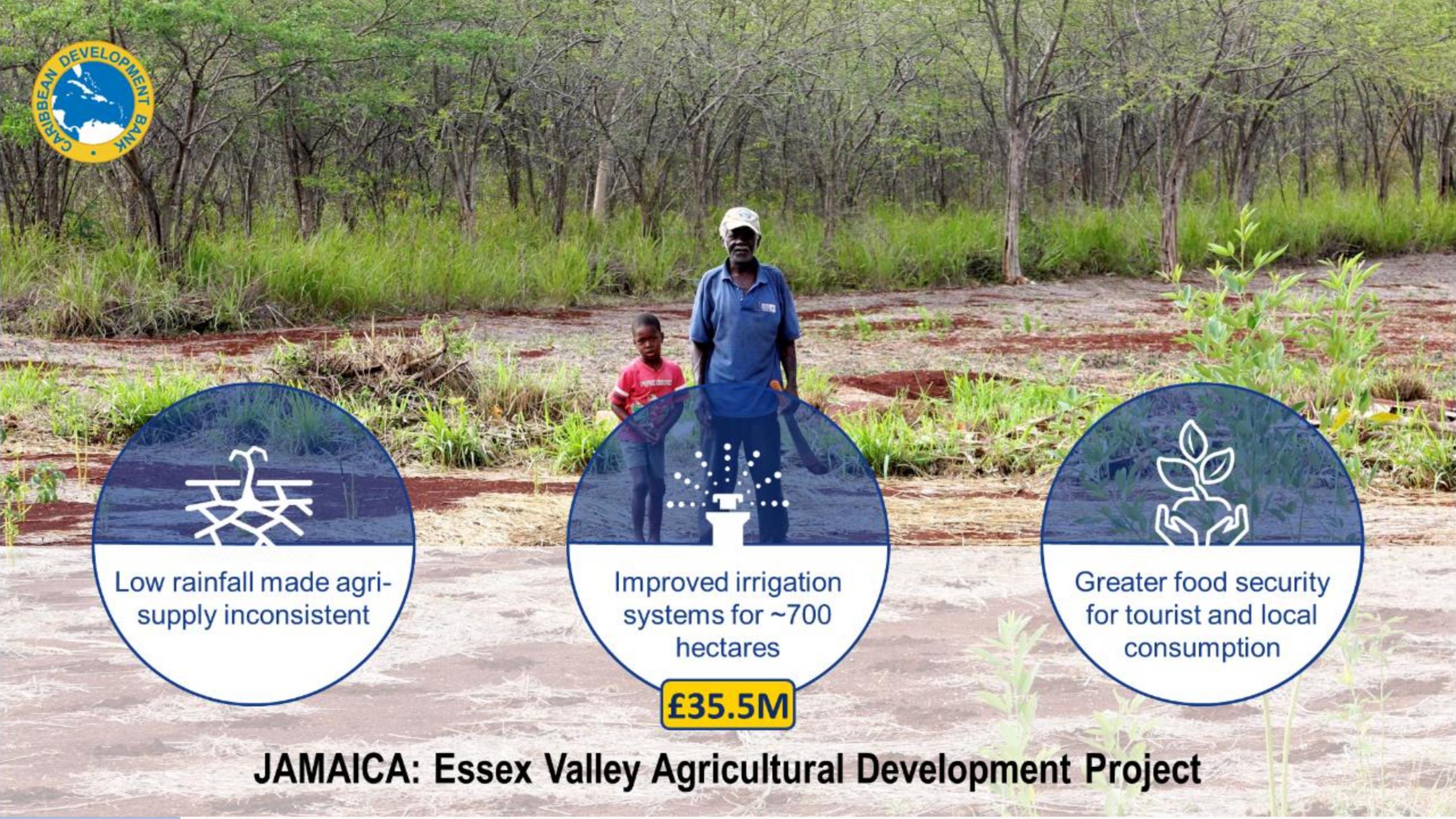
Redevelopment and
re-equipping facilities

~\$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



A man wearing a yellow cap with "ANA" and "DUST" printed on it is shown in a field of corn. He is holding several corn cobs in his hands, examining them. The background shows a lush green landscape with trees and other agricultural fields. Three circular callout boxes are overlaid on the image, each containing text and a blue icon.



Food producers did not meet new food safety standards



Improving stakeholder capacities



Strengthened tourism and agriculture linkages

\$1M

GRENADA: Strengthening Food Safety Management Systems

A scenic view of the Piton Mountains in St. Lucia. The image features two prominent, dark, triangular peaks rising from a lush, green forested valley. In the foreground, the fronds of a palm tree are visible on the left. A solid blue rectangular overlay covers the upper portion of the image, containing the text "Thank You!" in a large, white, sans-serif font.

Thank You!