

Promoting SME Competitiveness in Saint Lucia





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SMEs are the key to inclusive growth

Caribbean SMEs account for 70% of GDP and half of employment

Small and medium-sized enterprises (SMEs) are the lifeblood of all economies. More than 70% of companies in the Caribbean are SMEs, which account for 70% of gross domestic product and half of employment.¹ Saint Lucia, like its neighbours, follows similar patterns.

SMEs play a vital role in society, as they tend to employ a large share of the most vulnerable segments of the workforce, namely less-experienced and less-educated workers belonging to poorer households, women and young people.²

Saint Lucia's top import and export markets

Top 3 Import markets

United States: \$ 313 million (47%)
Trinidad and Tobago: \$ 85 million (13%)
United Kingdom: \$ 27 million (4%)

Saint Lucia

Top 3 Export markets

United States: \$ 51 million (43%)
Trinidad and Tobago: \$ 10 million (12%)
United Kingdom: \$ 9 million (7%)

Source: ITC Trade Map.

Raising the competitiveness of SMEs could help reduce youth unemployment and increase the number of women in the workforce, which stands at 65% compared with 76% for men in Saint Lucia.³ SMEs are well represented in all of the island nation's economic areas of activity. Tourism, agriculture, and wholesale and retail trade are all major sectors in Saint Lucia.

Saint Lucian exports totalled \$120 million in 2016. The main market was the United States, which bought 43% of the country's exports, followed by Trinidad and Tobago and the United Kingdom, which accounted for 8.4% and 7.5%, respectively. That year, Saint Lucia imported goods worth just under \$670 million.

SMEs in the Caribbean, as well as in economies of a comparable level of development, appear to struggle to export. Data for the region indicate that 13.4% of companies export, while the figure stands at 5% for Sri Lanka and 17% for Indonesia.

How can Saint Lucia help the SME sector export more? The International Trade Centre (ITC), in partnership with the Trade Export Promotion Agency (TEPA), conducted the SME Competitiveness benchmarking survey to shed light on the major factors constraining SMEs' competitiveness. This country profile describes the challenges that SMEs face to growth, with a special focus on entering and succeeding in foreign markets.

1. *Micro, Small and Medium Enterprise Development in the Caribbean: Towards A New Frontier*, Caribbean Development Bank (2016).

2. ITC, 2015, SME Competitiveness Outlook; www.intracen.org/SMEOutlook.

3. Private Sector Assessment of Saint Lucia, Caribbean Development Bank, 2014.



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SME Competitiveness Benchmarking

Compete, connect and change for inclusive growth

Competitiveness encompasses multiple factors, some of which are within and others outside, the control of enterprises. To simplify the concept, ITC developed the SME competitiveness framework, which views competitiveness through three pillars:

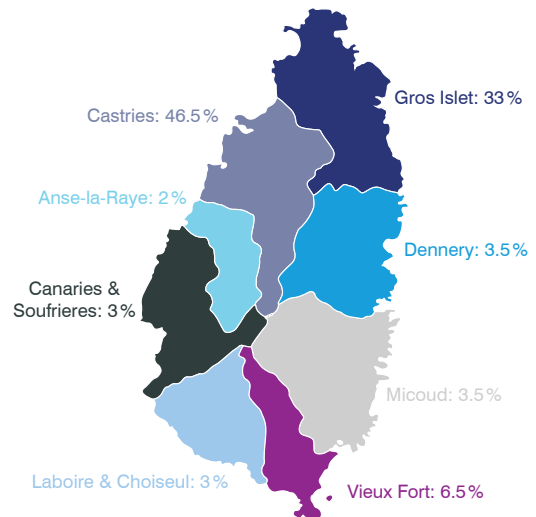
- **Compete** assesses whether current production is efficient and meets market requirements.
- **Connect** assesses how connected enterprises are to their suppliers and buyers.
- **Change** assesses whether enterprises have the capacity to make human and financial investments to adapt to fast changing markets.

Each pillar is subdivided into three themes, giving a total of nine themes of competitiveness. Together, the pillars and themes paint a comprehensive picture of the strengths and weaknesses of a country's competitiveness.

In-depth, face-to-face enterprise surveys

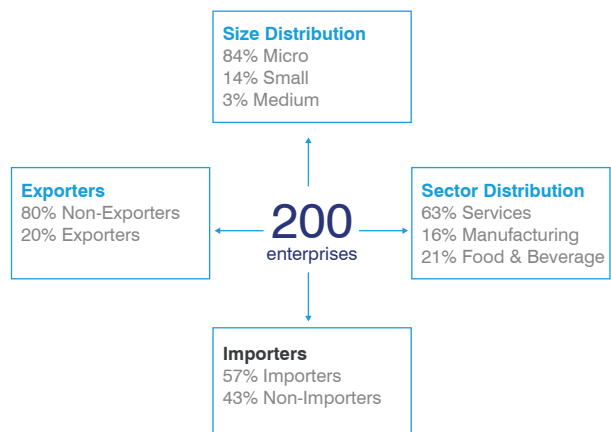
The Trade Export Promotion Agency conducted 200 in-depth, face-to-face enterprise surveys as part of Saint Lucia's National Export Strategy. Companies from all parts of the country were surveyed, most of which were small enterprises. Almost half imported goods and one-fifth were exporters. About 63% of the participating companies were active in the services sector, with 20% in manufacturing and 17% in the food and beverage industry.

Surveyed firms by region



Source: ITC SME Competitiveness Survey.

Key survey statistics



Source: ITC SME Competitiveness Survey.



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The Trade Export Promotion Agency

Helping local business to export

TEPA is a statutory agency established by the Government of Saint Lucia as the lead agency to spearhead the island's national export development efforts. TEPA works to promote and expand Saint Lucian exports in markets around the world. The agency interacts with local businesses to improve their profitability and long-term sustainability, thus making a direct and valuable contribution to the Saint Lucian economy. TEPA also helps businesses to export more products and enter new markets, and assists firms that want to begin exporting.

What services does TEPA provide?

TEPA provides a well-rounded range of activities to support Saint Lucia's export capacity. At the international level, it promotes the country's export participation in trade shows and overseas missions. The agency helps establish new distribution channels and joint-venture partnerships for Saint Lucian enterprises.

In addition, TEPA has expertise in e-commerce, supporting online sales through a national export portal. The institution helps firms improve packaging and labelling as well as corporate branding, and advises companies on best practices regarding procurement contracting. TEPA also works to build the capacity of enterprises by offering technical assistance and export training services.

The agency operates an advanced trade information portal that serves as a repository for market intelligence reports, trade guides, standards, customs and excise documents, and more. TEPA is also responsible for coordinating, monitoring and evaluating the national export development strategy.

One of the latest initiatives undertaken by the agency, in partnership with ITC, is the development of a national brand to increase the visibility and recognition of local products and services. The brand, Taste of Saint Lucia, officially launched in February 2018.



How to seek help from TEPA?

Registered companies that are exporting, ready to export or have the potential to export can receive assistance from TEPA. The agency can provide assistance and advice regardless of a company's maturity or experience. Find out more by visiting <http://tepa.org.lc>.



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TEPA's trade services assist you:

- To establish new distribution channels and joint-venture partnerships
- To go online and develop your e-commerce network
- To improve your visibility and build strong brand recognition
- To build your capacity to exploit export opportunities

TEPA's trade information tools provide you with:



Market intelligence
and trade research



Doing business
guides



Standards and
quality recognition



Market report and
recommended
publications



Featured tools
(ITC's online library,
trade map, etc.)



Trade exports
statistics



Trade Agreements



General Documents
of St. Lucia Customs
and Excise

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Food and beverage industry

Saint Lucia is a tropical paradise. Blessed with fertile land, the island is known for its high-quality banana and tropical fruit production, as well as a dynamic beverage industry. Although its importance has declined, the agriculture sector continues to play a major role in the economy, accounting for a significant number of jobs.

In 2017, the agriculture sector employed 10% of all women and 20% of men.⁴ The banana industry is still the most important to Saint Lucia's farming sector, as the fruit is the top agricultural export. The Government is working to create new marketing and distribution systems for other agricultural products such as cocoa, coconuts, citrus fruits and livestock⁵ to encourage economic diversification.

In partnership with ITC, TEPA conducted in-depth competitiveness surveys at 41 agriculture enterprises to identify their strengths and weaknesses. Although not intended to represent the sector as a whole, the survey results can help inform policymakers about the types of bottlenecks that enterprises in the sector face.

Saint Lucia's food and beverage enterprises are efficient

Ninety percent of firms said they meet client demand and the average capacity utilization was 74%. In terms of the business ecosystem, electricity and water were highly rated, with more than 90% of the surveyed companies reporting good or excellent access to these resources.

Few of the surveyed food and beverage companies export

Only 10% of the food and beverage enterprises that were surveyed exported goods in 2017. This is surprisingly

low, given the importance of the agriculture sector to Saint Lucian exports. About half of these firms imported inputs, however. Some of the factors that may be inhibiting these firms from engaging with international markets are discussed below.

International quality certificates can help secure foreign clients

Acquiring standards and becoming certified can be difficult. Firms must first learn which standards are relevant to their business, select one that adds value to their offerings and implement the changes to comply. This process depends on the quality of standards authorities, certification bodies and testing facilities. However, standards can help modernize production and secure foreign clients.

Around 35% of interviewed firms held an internationally recognized quality certificate. Although they rated access to information on standards and the quality of certification bodies as good, they said the cost of becoming certified was high. This may help explain why so few enterprises export, as quality certification is especially important to the food and beverage sector.

Websites help increase visibility

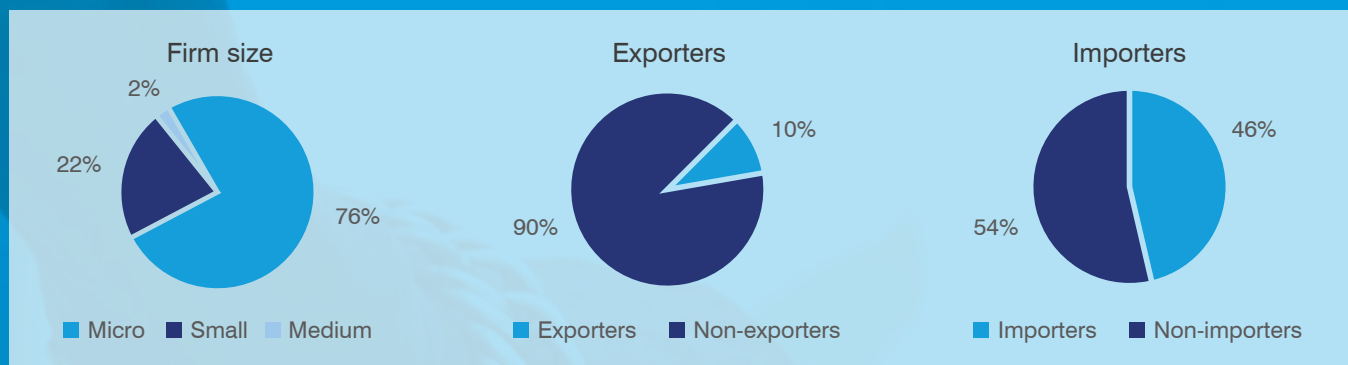
Research shows that businesses with websites are more likely to export⁶. Being visible online helps foreign buyers learn about a company's product offering. Although 64% of the surveyed firms have a broadband Internet connection, only 30% have a business website. Saint Lucian companies should be encouraged to set up basic websites to be a step closer to becoming 'export ready'.

4. International Labour Organization, ILOSTAT database.

5. Caribbean Agriculture Research and Development Institute.

6. Aid for Trade at a Glance, 2017, OECD-WTO 2017

Key statistics for the food and beverage sector



Source: ITC SME Competitiveness Survey

The SME Competitiveness Grid for the food and beverage sector

	All firms		Micro firms		Small & medium firms	
	Firm capabilities	Business ecosystem	Firm capabilities	Business ecosystem	Firm capabilities	Business ecosystem
Quantity and Cost Requirements	60	97	61	96	58	99
Time Requirements	92	50	91	49	94	53
Quality Requirements	45	50	45	45	44	67
Connecting to Customers	46	54	42	54	61	54
Connecting to Businesses	17	37	18	32	12	51
Financing Requirements	76	53	73	56	84	42
Skills Requirements	57	58	56	58	59	58
Intellectual Property & Innovations	52	56	52	48	50	75

Source: ITC SME Competitiveness Survey

Highlighted statistics for the food and beverage sector

90% of firms have good access to water and electricity

35% of firms hold an internationally recognized certificates

30% of firms have a website

Source: ITC SME Competitiveness Survey



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Manufacturing industry

Economic growth and development in Saint Lucia owe much to the success of the manufacturing sector.⁷ The country's industrial sector is the largest and most diversified in the Windward Islands (Dominica, Grenada, Martinique and Saint Vincent and the Grenadines), and its products are predominantly destined for export.⁸

The sector includes light manufacturing, assembly plants producing paper and cardboard boxes, apparel, electronic components, and plastic goods. Manufacturing accounted for 20% of the economy in 2011⁹, and has grown in recent years.

Saint Lucia also performs better than its Caribbean neighbors in terms of the regulatory environment. In 2018, the World Bank rated Saint Lucia 91st out of 190 countries for ease of doing business, outranking most of the nations in its region.¹⁰

In partnership with ITC, the Trade Export Promotion Agency carried out 33 in-depth competitiveness surveys at manufacturing companies to identify their strengths and weaknesses. Although not intended to represent the sector as a whole, the survey results can help inform policymakers about the types of bottlenecks that enterprises in the sector face.

Capacity utilization has room to grow

The average reported capacity utilization of manufacturing firms was 68%. This is on par with the levels in other countries.¹¹ In an open question, firms reported facing resource constraints along their

production chain. Eighty-five percent of manufacturing firms surveyed import, and they reported having trouble procuring foreign inputs because of late container ship arrivals or delays at customs. These problems raise the cost of inputs, which 50% of micro firms and 67% of small firms consider to be high or very high.

Saint Lucian manufacturing companies deliver

Although 70% of manufacturing firms are able to deliver their products to buyers on time, they complain about the quality of the local transport infrastructure. They rated Saint Lucia's local infrastructure 50/100 and highlighted congestion as a significant constraint to meeting delivery times.

Smaller firms would benefit from better access to credit

Access to finance is one of the most cited obstacles to growth in developing countries. Although 87% of the interviewed firms said they were aware of the process to get a loan from domestic financial institutions, the survey finds access to credit to be low, especially for smaller enterprises. Micro firms, which make up the lion's share of Saint Lucia's productive system, are also less likely to have a bank account, and 39% of the surveyed companies reported only limited access to financial institutions.

7. The World Bank, Renewable Energy Sector Development Project, 2017.

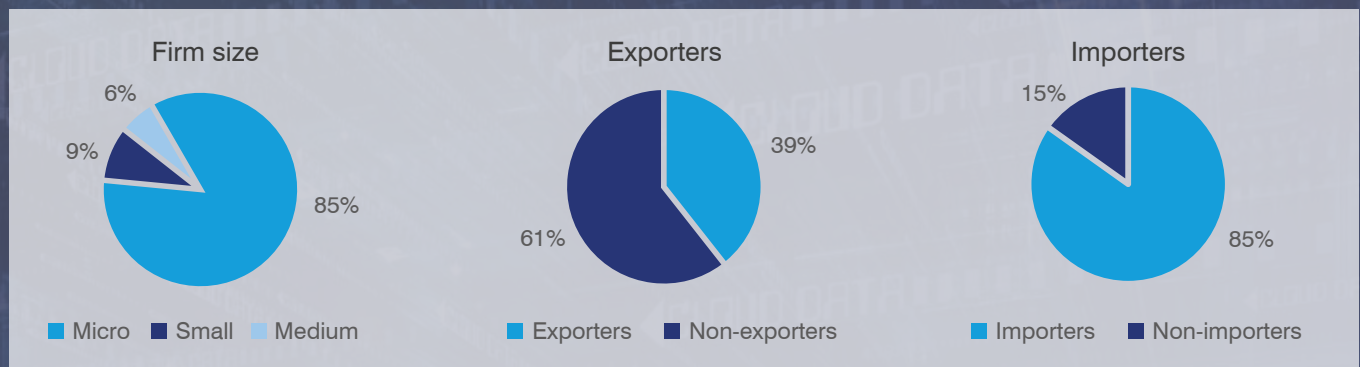
8. Inter/American Development Bank, Challenges and Opportunities for the Energy Sector in Easter Caribbean, Saint Lucia Energy Dossier, 2015.

9. Commonwealth Network Saint Lucia.

10. <http://www.doingbusiness.org/data/exploreeconomies/st-lucia>

11. The World Bank, Enterprise Surveys.

Key statistics for the manufacturing sector



Source: ITC SME Competitiveness Survey

The SME Competitiveness Grid for the manufacturing sector

	All firms		Micro firms		Small & medium firms	
	Firm capabilities	Business ecosystem	Firm capabilities	Business ecosystem	Firm capabilities	Business ecosystem
Quantity and Cost Requirements	61	91	61	90	60	98
Time Requirements	90	53	90	52	93	55
Quality Requirements	10	43	11	42	*0	*0
Connecting to Customers	65	56	61	59	88	46
Connecting to Businesses	19	21	21	20	4	22
Financing Requirements	68	58	63	54	95	76
Skills Requirements	57	42	51	41	84	48
Intellectual Property & Innovations	53	42	54	44	50	*0

*No information available

Source: ITC SME Competitiveness Survey

Highlighted statistics for the manufacturing sector

70% of firms meet their time requirement

Cost of inputs rated high by more than half of the firms certificates

39% of firms have limited access to financial institutions

Source: ITC SME Competitiveness Survey



Tourism

Tourism is trade and tourism is export. Saint Lucia's economy, like those of many of its Caribbean neighbors, is service oriented and dominated by tourism. It is a source of jobs, income and foreign-exchange earnings, accounting for 65% of gross domestic product and 61% of employment.

Tourism is a complex sector, composed of very diverse industries and activities undertaken by visitors. The sector generates 61% of export earnings in Saint Lucia, a higher percentage than in many of its neighbors.¹² Tourism is also an inclusive sector, employing women, youth and low-skilled workers.¹³

In partnership with ITC, the Trade Export Promotion Agency conducted in-depth competitiveness surveys on 24 tourism enterprises to identify their strengths and weaknesses. Although not intended to represent the sector as a whole, the survey results can help inform policymakers about the types of bottlenecks that enterprises in the sector face.

Linkages with institutions and consumers are strong

The tourism sector is subject to the rigours of the international marketplace. For the sector to thrive, robust linkages between tourism enterprises and local institutions are necessary. The surveyed firms rated the quality of local trade promotion organizations

and chambers of commerce as 'good'. Linkages with customers was also strong, with almost 80% of businesses leveraging social media to connect to potential clients. Only 54% of firms used traditional marketing practices (e.g. newspaper, radio or TV ads), emphasizing the shift towards Internet-based advertising.

Access to skilled labour is not a constraint

The tourism sector is broad. Consequently, so are the skills needed to deliver the best experience to travellers. The surveyed enterprises reported being satisfied with the staff they employed and are not struggling to find skilled labour. This contrasts sharply with other sectors in Saint Lucia (e.g. manufacturing). Furthermore, national employment regulation was rated as 'good'.

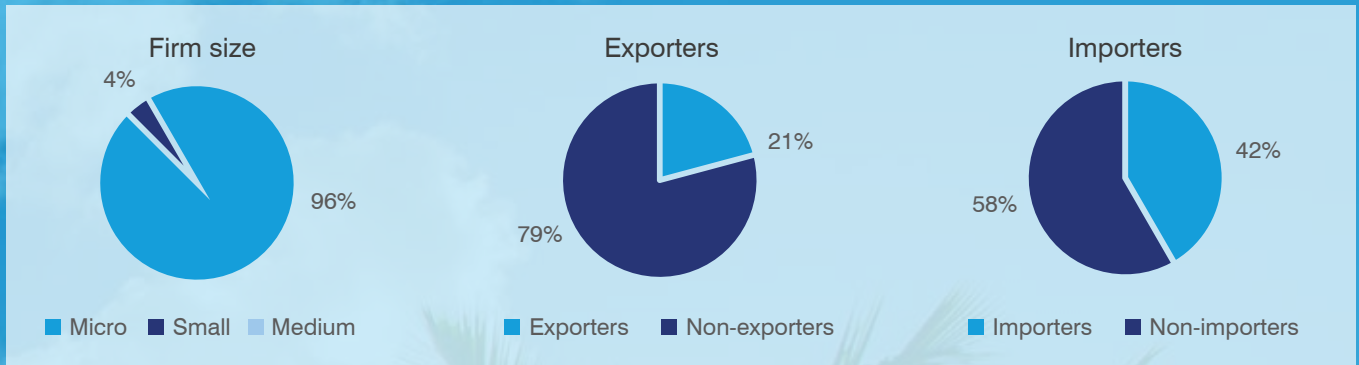
Tourism companies rely on single suppliers

Some of the most diverse and complex supply chains of any industry can be found in the tourism sector. In Saint Lucia, 78% of the surveyed firms reported being very dependent on their largest supplier. This lessens the bargaining power of these companies when negotiating contracts, potentially raising costs and reducing their earnings.

12. World Bank Supports Tourism Development in the Eastern Caribbean, 2017.

13. The World Bank, Renewable Energy Sector Development Project, 2017.

Key statistics for the tourism sector



Source: ITC SME Competitiveness Survey

The SME Competitiveness Grid for the tourism sector

	All firms		Micro firms		Small & medium firms		
	Firm capabilities	Business ecosystem	Firm capabilities	Business ecosystem	Firm capabilities	Business ecosystem	
Quantity and Cost Requirements	58	86	57	86	67	0*	
Time Requirements	84	49	84	49	100	0*	
Quality Requirements	39	52	36	49	100	87	
Connecting to Customers	58	64	58	64	50	53	
Connecting to Businesses	19	44	19	43	20	80	
Financing Requirements	78	63	77	63	100	80	
Skills Requirements	66	71	65	71	90	80	
Intellectual Property & Innovations	59	62	59	61	65	85	

*No information available

Source: ITC SME Competitiveness Survey

Highlights for the tourism sector

Good linkages with institutions and consumers

Good access to skilled labour

Highly dependent on suppliers

Source: ITC SME Competitiveness Survey



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Creative industries

The creative industry is a key contributor to the economy. Saint Lucia has one of the strongest creative sectors in the Caribbean, contributing 8% to the country's economy and accounting for 4.4% of employment. The Private Sector Baseline Study indicates that in 2009, arts and entertainment companies comprised 4.5% of all enterprises in the country.

Creative goods and services are the fifth most-traded products globally. The creative sector includes firms that produce music, photographs, advertisements, voiceover services and much more. Supporting the development of this sector will help bring about diversified, sustainable and inclusive economic growth. Moreover, the creative industry relies less on the price of oil, electricity or logistics than other sectors and, as a consequence, is less affected by economic cycles. The sector also generates employment for many young people.

In partnership with ITC, the Trade Export Promotion Agency conducted in-depth competitiveness surveys on 31 creative enterprises to identify their strengths and weaknesses. Although not intended to be representative of the sector as a whole, the survey results can help inform policymakers about the types of bottlenecks that enterprises in the sector face.

Good connectivity is a prerequisite to growth

Modern creative industries are connected to the global market through the Internet. Ninety percent of the firms interviewed said they had a broadband connection, and 72% use computers in their daily operations. However, only 20% rated the quality of their Internet connection

as good or excellent, and almost 60% considered their connection to be expensive. Only 26% of companies in this sector had a business website, limiting their international reach. Even so, 77% of firms used social network advertising to connect with consumers and preferred this to traditional methods of advertising.

Patents protect innovations

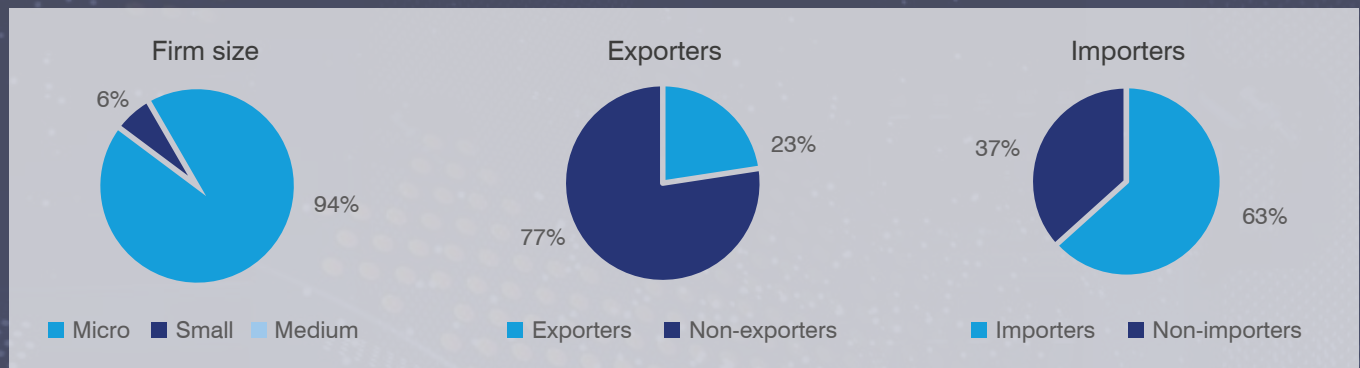
Innovation in the creative industries sector is high. Almost 80% of surveyed firms said they had improved their main product or processes in the last three years. These enterprises also commit significant resources to R&D.

Patents protect the innovations of businesses. This is especially important to the creative sector, whose competitive advantage often rests in digital products or methods. Despite the high level of innovation, only 21% of enterprises surveyed in this sector hold a patent. However, knowledge of and access to information about intellectual property was rated as good, suggesting firms are choosing not to pursue patent applications. In international markets, patents are critical to prevent competitors from copying hard-won knowledge.

Access to skilled labour holds the sector back

The survey shows that businesses in the creative industries sector struggle to find skilled labour. They also rated employment regulations as an impediment to finding workers. Employees in the creative sector often have specialized skillsets, and ensuring companies are able to hire the right people would boost competitiveness.

Key statistics for the creative industries sector



Source: ITC SME Competitiveness Survey

The SME Competitiveness Grid for the creative industries sector

	All firms		Micro firms		Small & medium firms	
	Firm capabilities	Business ecosystem	Firm capabilities	Business ecosystem	Firm capabilities	Business ecosystem
Quantity and Cost Requirements	61	88	61	87	61	95
Time Requirements	80	56	79	55	90	67
Quality Requirements	27	49	28	50	0*	0*
Connecting to Customers	57	49	55	51	78	7
Connecting to Businesses	35	29	38	30	0*	5
Financing Requirements	71	55	69	53	95	80
Skills Requirements	60	56	58	54	90	80
Intellectual Property & Innovations	56	50	56	49	58	0*

*No information available

Source: ITC SME Competitiveness Survey

Highlighted statistics for the creative industries sector

72% of firms use computers for daily operations

21% of firms hold a patent

Difficulties on finding skilled labour

Source: ITC SME Competitiveness Survey



Key findings

Food and beverage industry

- Firms in this sector have a good capacity utilization, and have excellent access to water and electricity infrastructure.
- Few firms hold internationally-recognized quality certificates, which may inhibit their ability to export to foreign markets.
- Firms have good access to broadband-internet, but few of them have a website. Business websites can help attract foreign buyers, and provide an opportunity for branding.

Manufacturing industry

- Manufacturing firms reported facing resource constraints along their production chain, partly caused by late container ship arrivals or delays at customs.
- Firms in this sector complained about the quality of Saint Lucia's transport infrastructure, citing congestion as a significant constraint to delivering their products on time.
- Although the vast majority of manufacturing firms were aware of the processes involved to get a loan, 39% reported having only limited access to financial institutions. Smaller firms rated their access as especially low.

Tourism

- Tourism firms gave positive ratings to Saint Lucia's trade support institutions, which help market Saint Lucia as an attractive tourism destination.
- Tourism firms reported having strong linkages with customers, with nearly 80% of them active on social media.
- Over 75% of firms reported being very dependent on their largest supplier. This can lessen their bargaining power, potentially raising costs and reducing profits.

Creative industries

- Only 20% of firms in this sector rated their Internet connection highly, with 60% considering the cost as expensive. Good connectivity at affordable prices is a prerequisite to growth.
- Despite the high level of innovation, only 21% of enterprises surveyed in this sector hold a patent. Patents protect the innovations of businesses, and should be encouraged.

The International Trade Centre

Established in 1964, the International Trade Centre (ITC) is the joint agency of the World Trade Organization and the United Nations. ITC is the only United Nations development agency that is fully dedicated to supporting the internationalization of SMEs. Through its market access tools and technical assistance programmes, ITC enables SMEs in developing and transition economies to exploit new market opportunities, thus raising incomes and creating job opportunities, especially for women, young people and poor communities.



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