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St. Vincent and the Grenadines

NATIONAL ECONOMIC AND SOCIAL DEVELOPMENT PLAN

2013-2025

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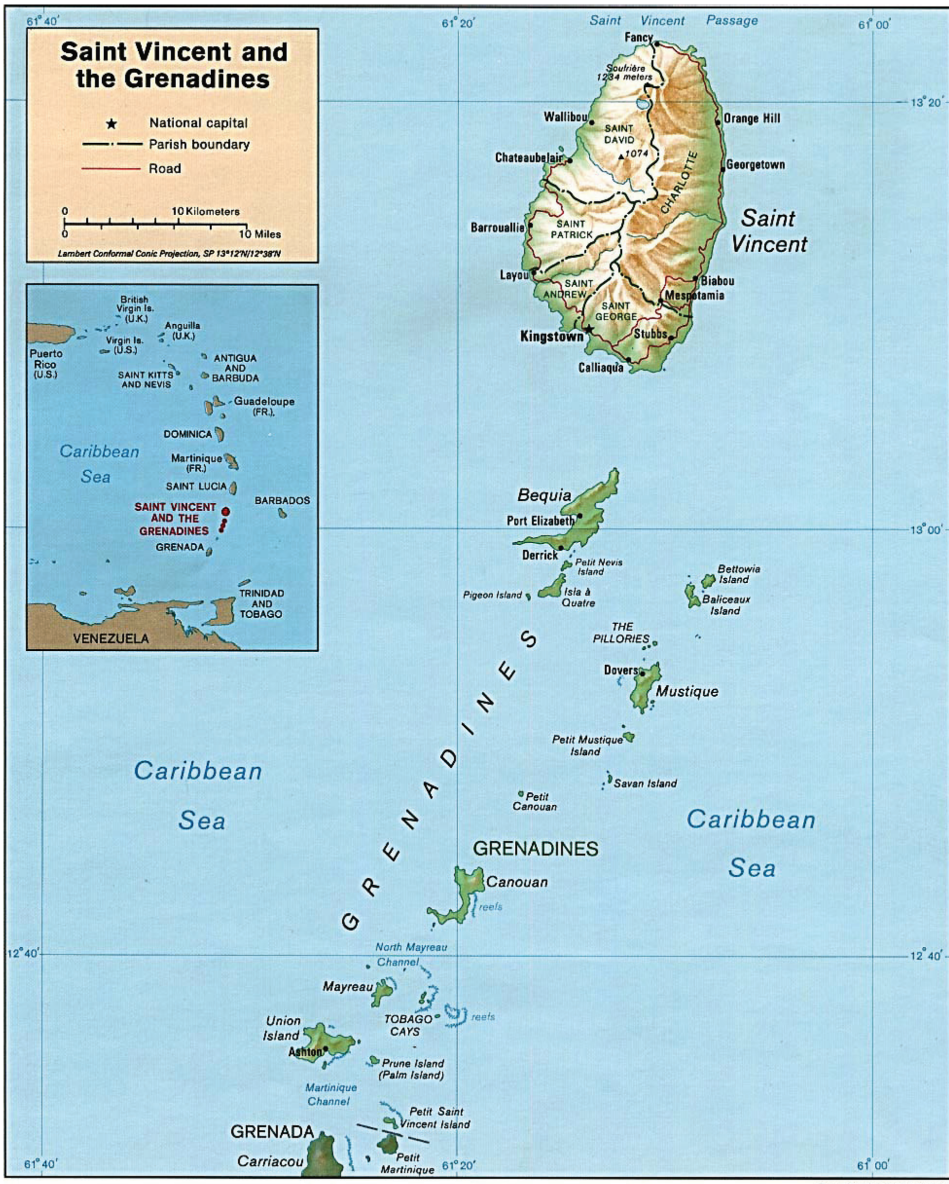

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Foreword

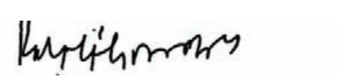
THE ST. VINCENT AND THE GRENADINES DEVELOPMENT PLAN 2013 - 2025 has been elaborated around a specific set of strategic goals, objectives and targets so as to facilitate and guide the optimal improvement of the quality of life for all Vincentians.

The Development Plan is premised on the workings of an economy in which the private sector, the cooperative sector and State have efficacious, complementary roles as part of a "mixed economy". The practical policy signposts are determined by the sensible criteria of efficiency, fairness, sustainability, and appropriateness in a small, vulnerable, multi-island economy. Accordingly, this Development Plan is conceived in a flexible, though focussed, way, but not possessed of the rigidities historically associated with such exercises in centrally-planned economies.

Underlying this Development Plan is a vision, philosophy, a strategic economic outlook, a good governance framework, and a quest to ennoble, further, in material and non-material respects, the Vincentian component of our Caribbean civilisation. The Plan is grounded, too, in the realities, not the imaginings, of the socio-economic condition of St. Vincent and the Grenadines. Central to it is the requisite of building a modern, competitive, many-sided, post-colonial economy which is at once national, regional and global.

This Development Plan takes account of earlier comprehensive and sectoral, planning efforts in St. Vincent and the Grenadines. Thus, it does not begin with a blank page. Indeed, the Plan reflects thinking which has been evident in the twelve national budgets which the successive administrations, under my leadership, have delivered over the past twelve years, thus far, since March 2001. Equally, too, fresh ideas and methodologies have emerged out of the process of shaping this Development Plan and have found their way into the "final" product. Even so, a Development Plan of this kind possesses a living, dynamic framework in which ongoing alterations are inevitable, broadly, and in its more detailed matrices.

Numerous persons have left their mark on this Plan. Central to its preparation have been the Director of Planning, Ms. Laura Anthony-Browne, and her excellent staff. They were aided by Professor Claremont Kirton of the University of the West Indies (Jamaica) and Dr. Wendell Samuel, a Vincentian economist at the International Monetary Fund. On behalf of the Government and people of St. Vincent and the Grenadines I thank all who have been engaged in the making of the St. Vincent and the Grenadines Development Plan 2013 - 2025. Let us now get to work, assiduously, at implementing it.



Dr. The Hon. Ralph E. Gonsalves
Prime Minister of St. Vincent and the Grenadines
January 11, 2013

Acknowledgements

This Plan could not have been finalised without the invaluable input and contributions of the persons and organisations listed below.

Financing for the preparation and production of this Plan was provided by the European Union (EU), through its continued cooperation programme with the government of St. Vincent and the Grenadines. For this and for its ongoing support, the government of St. Vincent and the Grenadines expresses profound gratitude to the EU.

The authors would also like to thank, the Honourable Prime Minister, Dr. Ralph Gonsalves, for his overall guidance and active engagement in this exercise. We thank too, Mr. Claremont Kirton and Dr. Wendell Samuel, consultants to the Plan Team, for their invaluable input; all Ministries and Departments of government, and quasi-government institutions and enterprises, for providing helpful guidance and pertinent information; Embassies and Missions for organising consultations with overseas Vincentians; the National Economic and Social Development Council for its partnership in the process; the Vincentian Student Associations in Barbados, Jamaica and Trinidad and Tobago; Vincentian organisations in the British Virgin Islands, High Wycombe, Montreal, Philadelphia and Winnipeg; all persons who participated in the consultations in St. Vincent and the Grenadines and abroad; all persons who submitted comments.

We thank too, the Caribbean Development Bank for their comments on the early drafts of the Plan. Special thanks to Mr. Berisford George, former Senior Economist in the Central Planning Division, for leading the early stages of the exercise. We thank Dr. Ralph Henry and his team at Kairi for assisting with the final editing. To anyone else who contributed in any way, we thank you sincerely for your input.

Finally, thanks to the staff of the Central Planning Division for staying the course and persevering to the end.

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Abbreviations and Acronyms

ACP	African, Caribbean and Pacific
ACS	Association of Caribbean States
BOP	Balance of Payments
CARICOM	Caribbean Community
CBD	Caribbean Development Bank
CBO	Community-Based Organization
CFATF	Caribbean Financial Action Task Force
CNCD	Chronic Non-Communicable Disease
CPA	Country Poverty Assessment
CPD	Central Planning Division
CPI	Consumer Price Index
CSFB	Cruise Ship and Ferry Berth
CSME	Caribbean Single Market and Economy
CSO	Civil Society Organization
CWSA	Central Water and Sewage Authority
CXC	Caribbean Examination Council
EC	Eastern Caribbean
ECCB	Eastern Caribbean Central Bank
ECCU	Eastern Caribbean Currency Union
ECSE	Eastern Caribbean Securities Exchange
ECSM	Eastern Caribbean Securities Market
ECTEL	Eastern Caribbean Telecommunications Authority
EPA	Economic Partnership Agreement
EU	European Union
FATF	Financial Action Task Force
FBO	Faith Based Organisation
FC	Family Court
FDI	Foreign Direct Investment
FIU	Financial Intelligence Unit
FTAA	Free Trade Areas of the Americas
GDP	Gross Domestic Product
HIV/AIDS	Human Immunodeficiency Virus/ Acquired Immune Deficiency Syndrome
HRD	Human Resource Development
ICT	Information and Communication Technology
IMF	International Monetary Fund
IPA	Investment Promotion Agency
ISPS	International Ship and Port Facility Security
ITES	Information Technology Enabled Services
LAC	Latin America and the Caribbean
LRC	Learning Resource Centre
MDG	Millennium Development Goal
M&E	Monitoring and Evaluation
MEAs	Multilateral Environmental Agreements
MPC	Multi-Purpose Centre
MSE	Micro and Small Enterprises
NCD	Non-Communicable Disease
NESDC	National Economic and Social Development Council
NESDP	National Economic and Social Development Plan
NGO	Non-Governmental Organisation
NIS	National Insurance Services
NSA	Non-State Actors
NTA	National Training Agency
OAS	Organization of American States
OECD	Organisation for Economic Cooperation and Development
OECS	Organisation of Eastern Caribbean States
PLWHA	People Living With HIV/AIDS
PSIP	Public Sector Investment Programme
R&D	Research and Development
RGSM	Regional Governments Securities Market
SIDS	Small Island Developing States
SIGTAS	Standard Integrated Government Tax Administration System
SVG	St. Vincent and the Grenadines
SWOT	Strengths Weakness Opportunities Threats
TVET	Technical, Vocational and Educational Training
TWG	Technical Working Group
UK	United Kingdom
UN	United Nations
UNECLAC	United Nations Economic Commission for Latin America and the Caribbean
USA	United States of America
VAT	Value Added Tax
VINLEC	St. Vincent Electricity Services
WTO	World Trade Organisation
YES	Youth Empowerment Service

Executive Summary

The National Economic and Social Development Plan for St. Vincent and the Grenadines covers the period 2013-2025, and outlines the country's long-term strategies for national development. The Plan offers a vision for improving the quality of life for all Vincentians and is anchored on the achievement of the following over-arching goals:

- High and sustained levels of economic growth
- Reduced unemployment and poverty levels
- Improved physical infrastructure and environmental sustainability
- High levels of human and social development
- A peaceful, safe and secure nation
- A technologically advanced work-force
- A deep sense of national pride and cultural renaissance
- Regional integration
- Enhanced global solidarity

This Plan seeks to improve on the previous Plans which spanned the period 1947 to 1995. The pre-independence Plans (1947-1973) lacked coherence and were entirely dependent on external financing for their execution. The two post-independence Plans (1986-1988 and 1991-1995) utilised annual budget exercises to project spending capability and provided greater cohesion and linkages between the national development objectives and strategies. A common thread through all the Plans was the heavy reliance on the State to realise the objectives laid out.

The 2013-2025 Plan seeks to improve on the shortcomings of the previous ones and to outline a strategy to achieve sustainable economic growth, job creation, and poverty reduction leading to the improvement in the quality of life for Vincentians.

Institutional Arrangements

Overall responsibility for the preparation, development, and production of this Plan lay with Central Planning Division (CPD) in the Ministry of Finance and Economic Planning, assisted by two regional economists. To further aid the process, eight technical working groups (TWGs) were established as listed below:

1. Culture, Identity and National Pride
2. Economic Sector
3. Social Capital
4. Governance
5. National Security
6. Energy, Disaster Management and the Environment
7. Physical Infrastructure
8. Education, Telecommunications, Science and Technology

Executive Summary

Methodology

The methodology for formulating the Plan was hinged on the premise of inclusion and wide-ranging public participation. Accordingly, consultations were held throughout St. Vincent and the Grenadines and with Vincentians in major regional and international cities, thereby providing extensive opportunities for Vincentians at every level to make an input. This provided citizens with a voice in the development process, an approach which it was felt would lead to greater "buy-in" and a sense of ownership.

In addition to the community consultations, this Plan drew from a wide range of planning instruments. These included national, sub-regional, regional and international plans/strategies, including the Organization of Eastern Caribbean States' (OECS) Charter and Development Strategy, the Caribbean Single Market and Economy (CSME) framework, Millennium Development Goals, the Mauritius Strategy for Sustainable Development of Small Island Developing States (SIDS) and various Budget Addresses of the Minister of Finance of St. Vincent and the Grenadines.

Country Background

St. Vincent and the Grenadines is an archipelagic State in the Eastern Caribbean. The country is comprised of a main island, St. Vincent, and a chain of 32 islands and cays, the Grenadines, of which only seven are inhabited – Bequia, Mustique, Canouan, Mayreau, Union Island, Palm Island and Petit St. Vincent. The total area of the country is 150 square miles (389 square kilometres).

The country is a Small Island Developing State (SIDS) with all the inherent challenges, such as a narrow economic base and high vulnerability to external shocks and natural disasters. The mainstay of the economy is agriculture, but increasingly, tourism and other services, and construction have become important contributors to the economy.

Demographic Factors

Based on the 2001 Population and Housing Census Report, the population of St. Vincent and the Grenadines stood at 106,253. This represented a 0.2 percent decline from the previous census of 1991, which reported a total of 106,499 persons. Preliminary data from the 2012 'redo' Population and Housing Census, estimate the population at 108,570.

A Situational Analysis of St. Vincent and the Grenadines

Strengths

Intrinsic to this strategic Plan, is the determination to make St. Vincent and the Grenadines a globally competitive State propelled by the ingenuity and commitment of a productive citizenry. Its existing developmental strengths may be placed into six broad categories as follows:

1. Macro-economic Stability
2. Political Stability
3. Social Stability
4. Justice and Legal System
5. National and Citizen Security
6. Regional and International Solidarity

Challenges

Notwithstanding the aforementioned strengths, St. Vincent and the Grenadines faces several formidable challenges, both internally and externally. Given the capacity of these challenges to easily erode the gains made and to undermine the achievement of the goals set forth in the Plan, it is imperative that they be effectively addressed. These challenges can be grouped into four broad categories:

- Economic Challenges
- Physical Constraints
- Environmental Concerns
- Social Infrastructure Challenges

Executive Summary

Strategic Goals, Objectives and Targets

The Plan envisages the continued development and strengthening of national institutions and the improvement of technical and administrative capacity to deal with the threats, in order to capitalise on the opportunities presented. The vision set for St. Vincent and the Grenadines, and the proposed development strategies for the country will, if carefully pursued lead to balanced, comprehensive and sustainable development.

Five strategic goals and their objectives are advanced to realise the vision that has been articulated. These are:

GOAL 1: Re-engineering Economic Growth

Strategic Objectives:

- To maintain strong macroeconomic fundamentals
- To revitalise the agricultural and fisheries sector
- To stimulate growth in the tourism sector
- To develop the financial sector
- To enhance the role of the private sector and manufacturing in economic and social development in conjunction with the State and co-operative sectors
- To attain a strong and sustainable external trade position
- To develop the information and telecommunication services sector
- To enhance productivity and competitiveness
- To maximise benefits through integration into the OECS Economic Union, CSME and global economy
- To boost economic activity in the construction sector
- To optimise the economic contribution made by ocean resources.

GOAL 2: Enabling Increased Human and Social Development

Strategic Objectives:

- To reduce poverty
- To create jobs and reduce the levels of unemployment
- To develop an adaptable, functional and literate population
- To promote self-care interventions and healthy lifestyle practices
- To facilitate social, cultural and economic development at the community level
- To empower youth to meaningfully participate in and contribute to national development
- To improve the housing and living conditions of all sections of the population
- To facilitate the protection and inclusion of vulnerable and marginalised groups.

GOAL 3: Promoting Good Governance and Increasing the Effectiveness of Public Administration

Strategic Objectives:

- To enhance participatory democracy, accountability, transparency, effectiveness and efficiency in the provision of public goods and services
- To develop and maintain a peaceful, safe and secure environment
- To lift the quality of the judicial and legal system and to enhance public confidence in it
- To enhance the role of civil society in the maintenance of democracy
- To widen and deepen diplomatic relations.

GOAL 4: Improving Physical Infrastructure, Preserving the Environment and Building Resilience to Climate Change

Strategic Objectives:

- To optimise the use of limited land space
- To upgrade the road network in St. Vincent and the Grenadines
- To improve air access to St. Vincent and the Grenadines, including the construction of an international airport
- To modernise and expand seaport facilities
- To enhance the capability of St. Vincent and the Grenadines to prepare effectively for, respond to and mitigate disasters
- To ensure an adequate, safe, reliable and sustainable supply of water
- To conserve the natural resources of the country through effective utilisation and management
- To ensure a clean, safe and healthy environment
- To reduce the dependence on imported fuel
- To reduce the adverse impacts of climate change.

Goal 5: Building National Pride, Identity and Culture

Strategic Objectives:

- To instil within the citizenry, a sense of national pride and appreciation of the history of St. Vincent and the Grenadines
- To engender a greater sense of community and social responsibility
- To preserve, maintain and promote the cultural heritage of St. Vincent and the Grenadines
- To maximise the contribution of cultural industries to economic growth.

With the successful implementation of these strategic goals and objectives, it is projected that there would be reduced poverty, increased employment, strong growth and an improved standard of living for all Vincentians. These objectives will not be attained without substantial investment by the public sector, which it is anticipated, will trigger even further investments by the private sector. While a financing plan to cover the entire period is not proposed, a medium term financing strategy, based on projected recurrent and capital expenditure, of EC$2.3 billion is advanced.

Implementation, Monitoring and Evaluation

A multi-tiered planning horizon will be used in implementing the Plan. This is configured in the long-term or 13-year plan while the medium-term horizon provides for the implementation of specific objectives, strategies and action plans over 3-year intervals. The latter would inform the annual budgetary exercise.

The Central Planning Division has responsibility for monitoring and evaluation of the Plan. This will be done in conjunction with other public sector agencies, as well as the private sector and civil society.

The participatory mode is enjoined on all, as the country embarks on re-engineering its economy to face momentous changes in the global economy. The North American and European countries, to which St. Vincent and the Grenadines has been linked traditionally, have themselves been challenged by the global financial and economic crises.

The country has weathered other economic storms before: the Great Depression, the collapse of the Federation of the British West Indies with the consequences which that had for St. Vincent and the Grenadines and the other OECS countries; and more recently, the elimination of preferences for its banana industry that was the mainstay of its economy, particularly of rural incomes. Additionally, St. Vincent and the Grenadines has had to grapple with the impact of native genocide, slavery, and natural disasters.

The Plan provides the framework for Government, the private sector and civil society to embark together on the long journey of economic transformation in the face of this new challenge to the people of St. Vincent and the Grenadines.

Part One
THE CONTEXT

CHAPTER 1: Introduction and Conceptual Framework

St. Vincent and the Grenadines, like other countries in the Caribbean, is at a crucial period of development. Having weathered the early challenges of a post-colonial economy, this country has had to address several financial, economic, political and other factors, including natural forces, which have adversely affected its quest to improve the welfare of its citizens. Indeed, these challenges, man-made or natural, exacerbated by volatility in oil prices, and hikes in commodity prices especially for staple foods, are unprecedented in their scope. The turning point in the international economy presents the country with a momentous challenge which calls for bold, decisive, yet well-ordered planning.

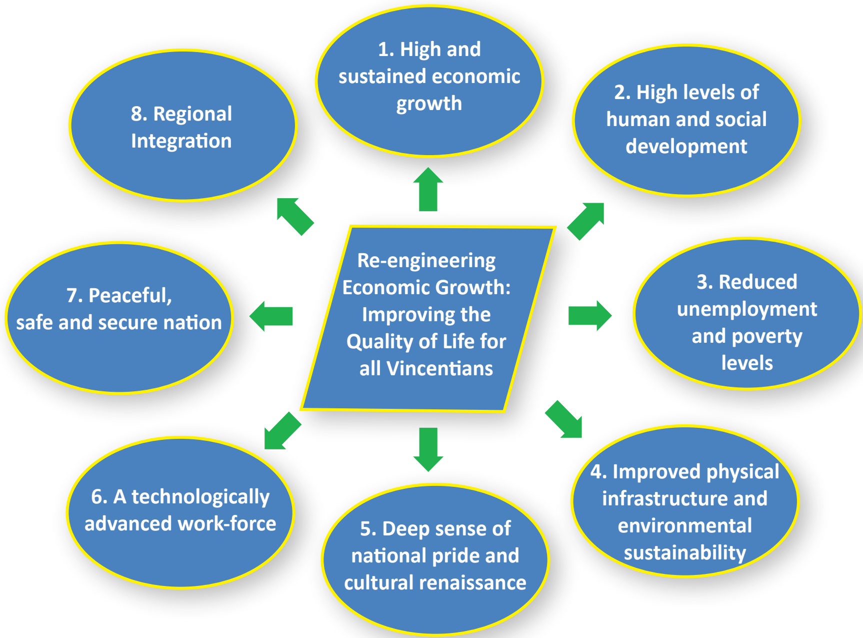
Photo 1.1: Capital City, Kingstown

It is against this backdrop that St. Vincent and the Grenadines has produced this long-term development plan, aimed at *improving the quality of life for all Vincentians*. The Plan offers the opportunity for profound transformation. It provides a platform which, if fully explored, will lead to a more secure future and will create a St. Vincent and the Grenadines of which all Vincentians will be justly proud.

The Plan covers the period 2013-2025. It outlines the country's long- and medium-term strategies for national development, and offers a vision for an improved quality of life for all Vincentians. It comprises the following elements as seen in Figure 1.1:

CHAPTER 1: Introduction and Conceptual Framework

Figure 1.1: Elements of the Vision



These goals are fundamental for achieving national development in general and improved quality of life in particular. In addition, the Plan incorporates all dimensions of the development paradigm (economic, social, environmental, political, cultural and institutional) into an integrated policy agenda.

1.1 Contextual Framework

A number of unprecedented and fundamental changes have occurred, impacting on the economic, political and social environment. The first relates to changes in the banana regime. These have been fuelled by a long-standing World Trade Organization (WTO) challenge. This resulted in a decline in banana production from 80,000 tonnes in the 1990s to 18,000 tonnes in the 2000s. Second were the global, fuel and food crises of 2007-2009. Particularly, oil prices rose from US$60 per barrel to US$149.5. A third factor is the challenge faced by St. Vincent and the Grenadines in keeping pace with technological changes which impact significantly on the country's competitiveness. The fourth relates to the negative impacts of climate change and the country's increased vulnerability to natural disasters. These have caused St. Vincent and the Grenadines to put measures in place to respond more effectively to these challenges.

This Plan takes into consideration the shortcomings of previous development plans and undertakes an analysis of development plans for the period 1947 -1995.

1.2 An Overview of Past National Development Plans

Development planning in St. Vincent and the Grenadines (SVG) can be traced back to 1947. National Development Plans during that era were initiated by the Colonial Office in 1945 and were designed to cover expenditure for a ten-year period (Dosser, 1959). This was the British Government's prerequisite for its dependent territories to secure loans and grants. Seven Development Plans were prepared during the pre- and post-independence eras, five of these before, and two after Independence.

CHAPTER 1: Introduction and Conceptual Framework

Plan 1: 1947 - 1958
Plan 2: 1955 - 1960
Plan 3: 1963 - 1966
Plan 4: 1966 - 1970
Plan 5: 1969 - 1973
Plan 6: 1986 - 1988
Plan 7: 1991 - 1995

The pre-independence Plans (1947-1973) outlined the colonial administration's long-term objectives. The post-independence Development Plans served as road maps which plotted Government's objectives and strategies for attaining and fostering economic growth and development.

1.2.1 DETAILS OF THE DEVELOPMENT PLANS

Plan 1: 1947-1958

The first Development Plan was part of a series of Plans commissioned after the Moyne Commission Report was published in 1945. The Plan was divided into three parts, and its "Master Plan" included all existing schemes and other desirable projects for St. Vincent and the Grenadines. The second part, the "Practical Plan" set out the schemes that the planners hoped to execute within the Plan period with the resources made available through the Colonial Development and Welfare Act (CD&W). Interestingly, the third part of this Plan was the "Hypothetical Plan", which clearly was an attempt to identify what was possible, if all desired financial and other resources were made available.

Plan 2: 1955-1960

The second National Development Plan was launched in 1955 with a five-year target that envisaged the spending of about 954,000 Pounds Sterling on development and productivity enhancing projects. Financing of 62 percent of the Plan was met by the Colonial Development and Welfare Act (CD&W). The remaining 38 percent of planned expenditure was to be supplemented by loan funds. This implied that no portion of the Plan was met from local resources. The overall strategy promoted a development paradigm which was consistent with the British foreign policy.

Plans 3, 4 and 5: 1963-1973

With varying costs, the guiding principles, objectives and strategies of the third, fourth and fifth Development Plans closely followed those of the first two. These Plans were solely financed by external sources and failed to take into account the human, natural and financial capacity of the economy.

Plan 6: 1986-1988

The sixth National Development Plan, launched in 1986 with the theme "Growth, Diversification and Redistribution", had a three-year implementation target and focused on stimulating growth in the agriculture, manufacturing and tourism sectors. To achieve its objective, priority was given to institutional strengthening and provision was made for improving the efficiency of the Public Service through increased financial and non-financial incentives.

Emphasis was also placed on reducing the country's reliance on banana production and channelling resources to boost activities in other sectors, including tourism and education. Unlike the pre-independence Plans, the post-Independence Plans utilised annual budget exercises to project spending capability. The sixth Plan provided greater cohesion and linkages between the national development objectives and strategies. Implementation of the Plan was estimated to cost EC$176 million, financed by a combination of grants, loans and revenue.

Plan 7: 1991-1995

Increasing output and improving productivity was the main goal of the 1991-1995 Development Plan. This Plan, with the theme, "Balanced Growth and Sustainable Development", placed significant emphasis, like the previous Plan, on agriculture, tourism and manufacturing. In an effort to attain the Plan's ultimate goal, the policies formulated for agriculture were designed to stimulate and promote diversification "around" bananas. The strategy for the manufacturing sector focused on policies for promoting private sector investment through fiscal incentives. Regarding tourism, emphasis was placed on the provision of infrastructure for tourism promotion, catering particularly to the up-market segment. Human resource development was also seen as fundamental to sustained growth. As a consequence, provision was made for the establishment of an Administrative Reform Unit and Project Coordinating Unit to monitor and manage the public sector investment programmes. Implementation of the 1991-1995 Development Plan was estimated to cost EC$271.4 million. Of this, 36 percent was to be financed by local revenue, 32.5 percent by domestic loans and 31.5 percent from external sources.

1.2.2 SHORTCOMINGS OF PAST DEVELOPMENT PLANS

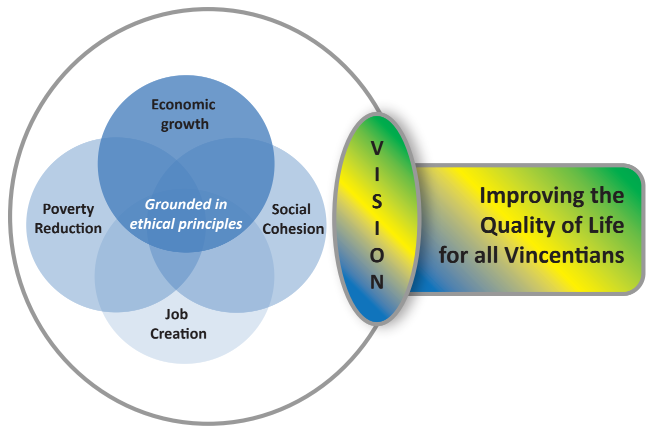
The pre-independence Development Plans had a number of inconsistencies. First, the objectives did not match the national sectoral priorities. This gave rise to financial anomalies since the cost of development was underestimated, given that a number of critical sectoral interventions were omitted in the planning process. In addition, the entire responsibility for national development resided in the public sector. The planners failed to recognise and incorporate policies that encouraged private sector involvement.

Annual budgeting exercises, formulating the National Development Plan from sectoral plans and incorporating policies to facilitate private sector involvement were seen as solutions for addressing the main weaknesses of the pre-Independence Development Plans. These solutions were considered by those preparing the post-Independence Development Plans but in themselves presented challenges of a different nature. Specifically, in the long-run, unemployment increased, tax revenues did not increase significantly and firms repatriated their earnings as well as their original investments. These challenges were attributed to the formulation of the policies embedded in the fiscal incentives and the Hotel Aid Act, among other factors.

1.3 THE 2013 – 2025 DEVELOPMENT PLAN

The aforementioned challenges require long-term planning focussed on economic growth, job creation, poverty reduction and social cohesion. The Plan advances a vision which *aims to improve the quality of life for all Vincentians*. It is within this context that this Plan is developed, presenting strategies that are designed to accomplish this ultimate goal, as depicted in Figure 1.2.

FIGURE 1.2: THE VISION



1.3.1 INSTITUTIONAL ARRANGEMENTS

Overall responsibility for the preparation, development and production of this Plan lay with Central Planning Division (CPD) in the Ministry of Finance and Economic Planning. The National Economic and Social Development Council (NESDC) collaborated with the CPD in the production of the Plan. To further guide the process, two independent consultants were recruited.

1.3.2 PREPARATION PROCESS

Eight (8) Technical Working Groups (TWGs) were established to work on the following sectors:

1. Culture, Identity and National Pride
2. Economic Sector
3. Social Capital
4. Governance
5. National Security
6. Energy, Disaster Management and the Environment
7. Physical Infrastructure
8. Education, Telecommunications, Science and Technology

Public and private sector officials and civil society made up the Technical Working Groups. The mandate of the TWGs was to develop a strategic plan for their respective areas. Each working group appointed a chairperson and a vice-chairperson. The TWGs had the flexibility to co-opt additional members and formed sub-committees as deemed necessary.

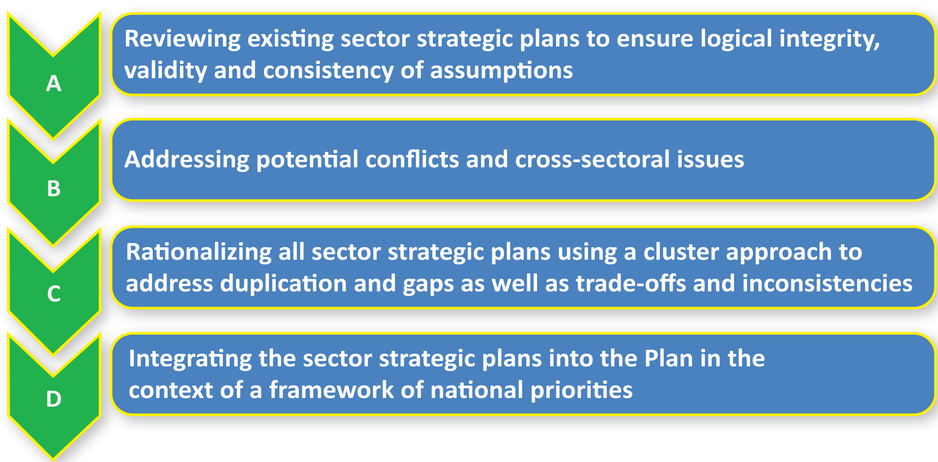
1.3.3 METHODOLOGY

The methodology for formulating the Plan was hinged on the premise of inclusion and wide-ranging public participation. Accordingly, consultations were held in every constituency in St. Vincent and the Grenadines, thereby providing extensive opportunities for Vincentians at every level to make an input and to have a voice in the development process. It was felt that this approach would lead to greater "buy-in" and a sense of ownership.

The consultative approach was not restricted to Vincentians living at home. Twelve (12) consultations were held with the Vincentian community in major Caribbean and international cities (see Appendix IV).

The consultations proved instructive, providing a number of suggestions, some of which have been incorporated in this plan. These consultations were quite beneficial to Vincentians in the Diaspora as they provided an opportunity to assist in charting the course of development in St. Vincent and the Grenadines. One of the main lessons learnt was that Vincentians living abroad were not only interested in how the country developed, but saw themselves as part of the process.

The 2013-2025 Plan was formulated using the process illustrated below:



In addition to the community consultations and the process, this Plan also drew from a wide range of planning instruments. These included national, sub-regional, regional and international plans/strategies, including the Organization of Eastern Caribbean States' (OECS') Charter, and its Growth and Development Strategy, Eastern Caribbean Currency Union's (ECCU's) Growth and Stabilisation Strategy, the Caribbean Single Market and Economy (CSME) framework, Millennium Development Goals and the Mauritius Strategy for Sustainable Development of Small Island Developing States (SIDS).

Photo 1.2: Consultations with Vincentians in New York

CHAPTER 1: Introduction and Conceptual Framework

1.4 The Planning Document

This Plan is organised around 5 Strategic Goals:

(1) Re-engineering Economic Growth
(2) Enabling Increased Human and Social Development
(3) Promoting Good Governance, Citizen Security and Increasing the effectiveness of Public Administration
(4) Improving Physical Infrastructure and Preserving the Environment
(5) Building National Pride, Identity and Culture.

Re-engineering economic growth encompasses maintaining strong macroeconomic fundamentals, job creation and increasing productivity in tourism, agriculture, manufacturing, information technology and related services. The focus of Goal 2 is on developing the social sector through education and training, improved healthcare and lower levels of poverty. Goal 3 emphasises the necessity of good governance as an essential prerequisite of economic growth. Goal 4 addresses the need for optimal planning and environmental sustainability. Critical elements for nation building are articulated in Goal 5.

The remainder of the Plan is structured as follows:

Chapter 2 reviews recent international and regional economic developments, and positions the country in a global context. Major issues such as increasing energy and food prices, and the financial crisis which affect most of the developed economies are highlighted.

Chapter 3 provides an economic and social review of St. Vincent and the Grenadines between 1999 and 2010. This review indicates that St. Vincent and the Grenadines experienced significant economic and social progress during the period, consistent with the reported findings of the International Monetary Fund[1], the Caribbean Development Bank[2] and Eastern Caribbean Central Bank[3].

Chapter 4 presents a situational analysis of the country. It departs from the normal SWOT analysis and focuses instead on the strengths and challenges facing St. Vincent and the Grenadines. This analysis highlights the fact that issues of fundamental structural and social transformation must be addressed in order to achieve meaningful national development.

Chapter 5 introduces the five (5) strategic goals which were crafted in response to the challenges, while identifying the strengths which would facilitate realisation of the articulated vision.

Chapter 6 outlines sectoral objectives and strategies.

Chapter 7 briefly describes the process for implementing, monitoring and evaluating the Plan. It presents a multi-tiered approach to monitoring and evaluation of the Plan.

The document concludes with appendices and tables, including a Planning Matrix and other information. The Planning Matrix summarises the goals, national objectives, strategies and outcomes.

1 St. Vincent and the Grenadines: 2006 Article IV Consultation – Staff Report; Staff Statement; and Public Information Notice: IMF, Washington, DC.

2 Annual Economic Review 2007: CDB, Barbados

3 Annual Economic and Financial Review 2007: ECCB, St. Kitts

CHAPTER 2

CHAPTER 2: Domestic, Regional and International Context

St. Vincent and the Grenadines is an archipelagic State in the Eastern Caribbean. The country is comprised of a main island, St. Vincent, and a chain of 32 islands and cays, the Grenadines, of which only seven are inhabited – Bequia, Mustique, Canouan, Mayreau, Union Island, Palm Island and Petit St. Vincent. The total area of the country is 150 sq. miles (389 km²) of which the main island is 133 sq. miles (344 km²). The country lies approximately 61° west and 13° north; it lies approximately 1,508 miles (2,427 km) south of Miami, Florida, 415 miles (667 km) north of Venezuela and 109 miles (175 km) east of Barbados. Figure 2.1 presents its location in the Caribbean.

Figure 2.1: Geographic Location of St. Vincent and the Grenadines

Source: Paria Publishing Archive

The country has a territorial sea of 12 nautical miles and an Exclusive Economic Zone (EEZ) and continental shelf of 200 nautical miles. The marine space is over 70 times the land area. The terrain of the main island and several of the Grenadines is mountainous. Forests cover between 25 percent and 30 percent of the country.

The highest point on the main island is La Soufriere, at approximately 4,048 ft (1,234 m). La Soufriere, a volcano, last erupted in 1979, damaging the agricultural sector and disrupting life, especially in the northern third of St. Vincent.

The country is a Small Island Developing State (SIDS) with all the inherent challenges, such as a narrow economic base and high vulnerability to external shocks and natural disasters. According to the 2011 United Nations Human Development Report ranking, St. Vincent and the Grenadines

CHAPTER 2: Domestic, Regional and International Context

is recorded as having High Human Development. In the past, St. Vincent and the Grenadines relied almost exclusively on agriculture, but within recent times, tourism and related services, construction and other sectors have become increasingly important as contributors to the national economy. Although commerce is becoming more decentralised, the main area of economic activity is Kingstown, the capital.

St. Vincent and the Grenadines attained political independence from Great Britain on 27th October, 1979 and inherited a Westminster Parliamentary system of government. Queen Elizabeth II is head of state and is represented on the island by a Governor General, an office with mostly ceremonial functions. Executive control of the government rests with the Prime Minister and the Cabinet. The Parliament is a unicameral body with a 15-member elected House of Assembly and six appointed senators. The Governor General appoints senators, four on the advice of the Prime Minister and two on the advice of the Leader of the Opposition. The parliamentary term of office is 5 years, although the Prime Minister may call elections at any time. The Judiciary is rooted in the British Common Law. There are 11 courts in three magisterial districts, the High Court and the Eastern Caribbean Supreme Court. St. Vincent and the Grenadines is a member of the Caribbean Court of Justice (CCJ) in its original jurisdiction but has not signed on to the appellate jurisdiction. The final appellate authority resides in the Privy Council, housed in the United Kingdom.

The country is a Commonwealth member and a founding member of the Organisation of Eastern Caribbean States (OECS), whose members have a common currency and some common institutions (such as in civil aviation and the judiciary). On 18th June, 2010, St. Vincent and the Grenadines, along with the other OECS member countries, signed the OECS Economic Union Treaty, thereby becoming a single economic and financial space. The country is also a member of the Caribbean Community (CARICOM) and the CARICOM Single Market. Members of CARICOM have functional cooperation in areas of trade negotiations, health, education, security and in the coordination of foreign policy. Following political independence in 1979, St. Vincent and the Grenadines became a member of various international organisations, including the International Bank for Reconstruction and Development (IBRD), the International Monetary Fund (IMF) and the United Nations (UN). The country also has membership in several other regional and international organisations including the Association of Caribbean States (ACS) and the Organisation of American States (OAS), the Community of States of Latin America and the Caribbean (CELAC), and the Alianza Bolivariana para los Pueblos de Nuestra América (ALBA).

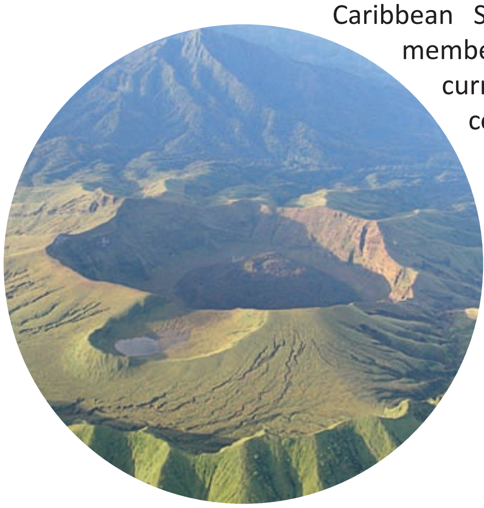


Photo 2.1: La Soufriere

Weather and Climate

St. Vincent and the Grenadines has a tropical marine climate characterised by a marked dry season, from mid-December to mid-May, and a rainy season from mid-May to mid-December. In the drier months, higher than normal atmospheric pressure results in dryness and drought conditions in coastal areas and the Grenadines. The wet season is characterised by tropical waves, depressions and hurricanes. Hurricanes are perennial hazards related to the atmospherics of the region in the wet season. Temperatures average 27 degrees Celsius all year round due to the moderating influences of the ever-present trade winds. The diurnal range is about 3 to 5 degrees Celsius and widest in the dry seasons on account of cool nights.

Rainfall is highest in the north central portion of St. Vincent (150 inches) and decreases on the coast (about 60 inches). The leeward side of the island is in a "rain shadow" and shows marked variation in rainfall compared with the windward side. In the well-watered interior the water supply forms the basis of the country's potable supply of water and for hydroelectricity power generation on the Colonarie,

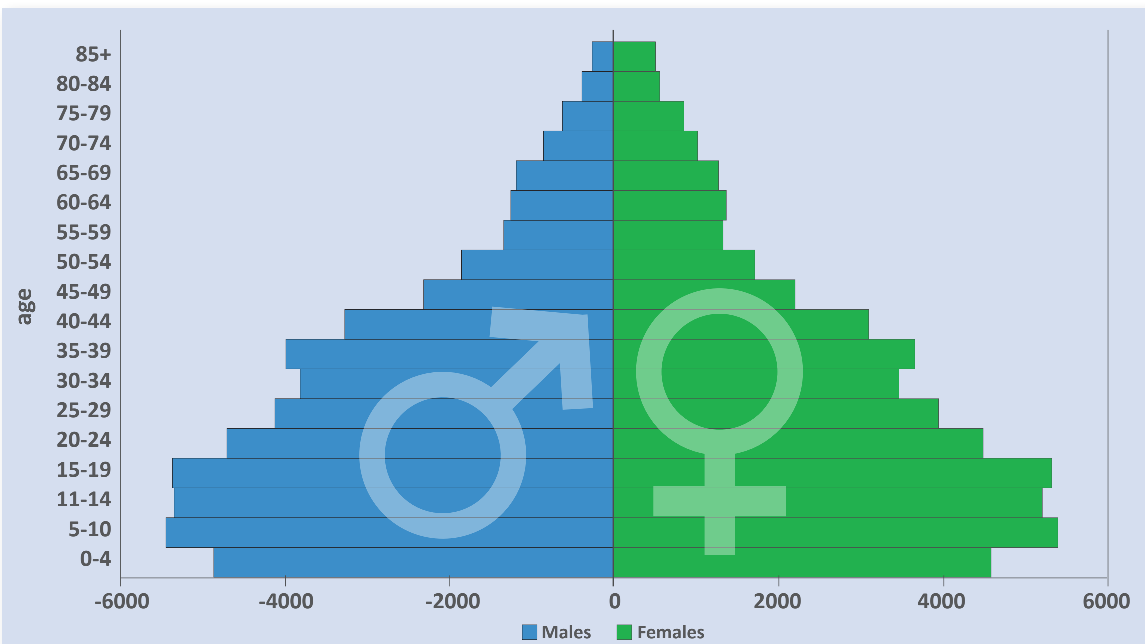
CHAPTER 2: Domestic, Regional and International Context

Cumberland and Richmond Rivers. In sum, the rainfall distribution is quite reliable on the mainland.

Demographic Factors

Based on the 2001 Population and Housing Census Report, the population of St. Vincent and the Grenadines stood at 106,253. This represented a 0.2 percent decline from the previous census of 1991 of 106,499 persons. In 2001, the largest single group of the population (30.7%) was children under 15 years of age. Additionally, the sex ratio was 1:1.02, i.e. for every 100 females, there were 102 males. Subsequent mid-year estimates indicate that the total population declined by an average annual rate of 0.9 percent to 100,892 persons in 2009. These declines are attributable to an average annual reduction in the birth rate of 1.9 percent, accompanied by adverse net migration. Within every age group, with the exception of those 65 years and over, there were more males than females. The results for the 2012 Population and Housing Census are being tabulated but preliminary data estimate the population at around 108,570. The pyramid for 2001 is presented in Figure 2.2.

Figure 2.2: Population Pyramid (2001)



Source: Population and Housing Census 2001

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International and Regional Developments

Within the period 2000 to 2010, the world's output grew by an average annual rate of 3.9 percent. Table 2.1 below indicates that industrialised economies grew at an average annual rate of 1.7 percent, developing countries grew on average by 6.5 percent and CARICOM countries grew at an average annual rate of 2.1 percent.

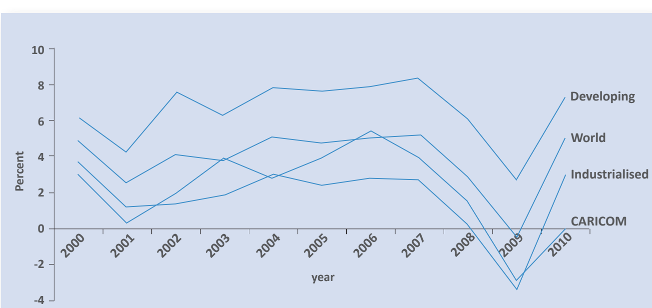
Table 2.1: World Growth Rates 2000-2010

Year	World	Industrialised	Developing	CARICOM
2000	4.8	3.7	6.1	3.0
2001	2.5	1.2	4.2	0.3
2002	4.1	1.4	7.5	1.9
2003	3.8	1.8	6.3	3.9
2004	5.1	3.0	7.8	2.8
2005	4.7	2.4	7.6	3.9
2006	5.1	2.8	7.9	5.3
2007	5.2	2.7	8.3	3.9
2008	2.8	0.2	6.0	1.5
2009	-0.5	-3.4	2.7	-2.9
2010	5.0	3.0	7.3	0.0
Average	3.9	1.7	6.5	2.1

Source- International Monetary Fund/UNECLAC

Table 2.1 also indicates that the best performing year during the period was 2007, during which the world economy grew by 5.2 percent, led by an 8.3 percent growth in developing countries. Figure 2.3 presents the comparative performance.

Figure 2.3: World GDP Growth (2000-2010)



Source: International Monetary Fund

Notwithstanding, this year also saw the beginning of three crises: an energy crisis, a food crisis and a financial crisis. With respect to the energy crisis, the price per barrel of oil on the world market rose continuously from approximately US$55 in January 2007, and peaked at US$147, in July 2008. This was amid contracting supplies and price gouging by oil exporting countries.

Food prices were also on the rise and between January 2007 and July 2008, the prices of basic commodities such as rice and wheat rose by 144 percent and 67 percent, respectively. While increasing demand prolonged the upward trend in food prices, lessened supplies initiated this crisis. In some countries, this was exacerbated by adverse weather conditions that affected agricultural supplies. Compounding this problem were increasing demand pressures from hitherto self-sufficient countries. Through international trade, the upsurge in inflation spread from country to country.

Rising oil and food prices proved favourable for net exporters of these commodities, who benefitted from current account surpluses and mounting foreign exchange reserves. These reserves were often held in US securities, as a deliberate ploy to prevent the appreciation of their respective currencies, and to further stimulate growth of exports. Initially, the US securities companies were quite content to obtain these readily available funds through the sale of treasury bonds, which fuelled a credit boom. However, this bubble eventually burst as bond yields were reduced.

Loose regulations facilitated trouble-free sub-prime lending and innovative financing in the US banking industry, providing further fuel for the credit boom. As a result of access to easy credit, businesses and households often acquired substantial debt which became overwhelming in many cases. To compound this, a concurrent fall in property values stimulated a devaluation of assets posted as loan securities. As a result, the credit crunch was intensified as financial institutions began to face liquidity constraints. This crunch was further exacerbated by a depreciation of stock market assets. Consequently, several firms filed bankruptcy claims while foreclosure cases reached unprecedented levels.

Eventually, the credit crunch spread from the US to other countries and affected international financial markets. Consequently, central banks across Europe, Japan, the United States and other markets, injected heavily into their respective markets to increase

CHAPTER 2: Domestic, Regional and International Context

liquidity, in an attempt to restore calm. The global economy experienced among other things, contracting output, unprecedented layoffs, resultant severe unemployment and weakened and collapsing financial systems compounded by tremendous uncertainty.

The crisis continued in 2008 and 2009. Against this backdrop, a G-20 summit[4] was convened in April 2009 to propose measures to restore growth and prevent escalation of the crisis. Accordingly, several measures, as indicated in Box 2.1, were proposed.

4 A meeting of the world's 20 richest nations.

Box 2.1: Proposals for World Economic Recovery

- Expand global fiscal financing by more than US$2 trillion in an effort to stimulate growth and job creation.
- Disseminate loans to businesses as well as individuals who depend on credit in an effort to 'clean out troubled assets' that are causing liquidity problems in banks and other agencies in the financial system.
- Triple the IMF's lending capacity and promote lending by multilateral development banks. This is in an effort to bolster the declining markets in developing countries.
- Enhance trade financing in an effort to grow exports and create new jobs.
- Reform the financial regulatory system in an effort to reduce the abusive risk taking that may damage the financial system.
- Increase transparency and capital protections for financial institutions.
- Supervise all systematically important institutions, markets, products as well as hedge funds. In the process the nations would:
- Blacklist financial systems and tax havens that fail to cooperate with the above-mentioned supervision.
- Re-establish the Financial Stability Forum with a stronger mandate.
- Reform and expand the IMF and World Bank in quest of making them more efficient, effective and representative.
- Administer financial assistance to countries that have suffered immensely in the crisis as well as vulnerable populations.
- Double support for food safety to over $1 billion as a poverty reduction measure.

Source: G-20 Summit, 2009

In spite of these measures, the world economy worsened in 2009. That year was the worst performing during the 2000-2010 period. In that year, the world's economy contracted by 0.5 percent, influenced by a 3.4 percent contraction in advanced economies. This contraction adversely impacted the volume of world trade.

According to the World Trade Organization (WTO), the volume of world trade fell by 12.2 percent in 2009. This was partially due to weakened demand from most advanced countries, where the volume of imports fell by 12 percent. The hardest hit region was that which includes the Commonwealth of Independent States, Africa and the Middle East. In the first quarter, their merchandise exports were 45 percent lower than the same period in 2008.

In 2010, world output grew by 5.0 percent, despite low consumer confidence and household incomes in advanced economies. This growth in world output was influenced by a 7.3 percent growth in emerging and developing economies, occasioned by increased investments. These investments stimulated job creation, positively impacting household consumption in the process. In spite of low demand for imports in advanced economies, strong domestic demand in emerging and developing countries occasioned a record 14.5 percent rise in global trade, surpassing the peak levels that existed in 2008.

Notwithstanding the apparent recovery, fears abounded that the global economy was heading for a double-dip recession, as the recoveries were financed by government-funded fiscal stimuli that created, and in some cases worsened, fiscal deficits. Financial volatility intensified as evidenced in the rattling of the banking sector in the euro area.

CHAPTER 2: Domestic, Regional and International Context

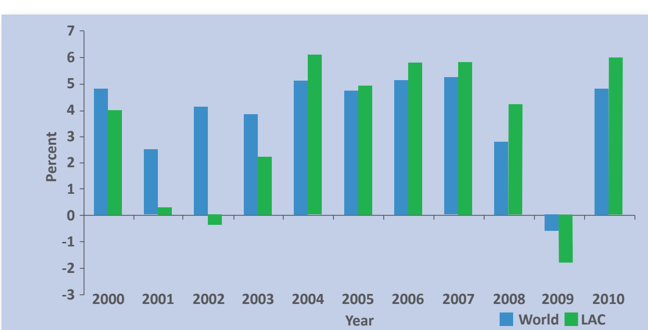
2.1 Latin America and the Caribbean

The economies within the Latin America and the Caribbean region grew at an average annual rate of 3.4 percent, during the 2000-2010 period as seen in Figure 2.4. High international growth rates boosted the region's exports, consequently stimulating economic growth. Figure 2.4 indicates that 2002 and 2009 deviated from this growth trend. This is associated with a decline in demand for services, consequent upon the September 11th 2001 terrorist attacks in the United States of America. The 2009 decline reflected a worldwide worsening of economic conditions discussed above.

Between 2000 and 2003, the economies of Latin America and the Caribbean grew at a slower rate than those of the rest of the world, as several countries experienced low and negative growth, through a general fall in export commodity prices (banana, sugar and coffee) and financial turmoil in Brazil (1998/99), and Argentina (2001). The region's economy rebounded and grew at a faster rate than the world economy from 2004 - 2008 as seen in Figure 2.4. Incidentally, those were the five highest growth years for this region within the 1998 - 2008 period.

In 2004, the growth performance was largely on account of two factors: (1) a shift in the geography of international aid and financial flows and (2) the strong reactivation of the United States' economy, which had positive effects on the region's trade. This continued into 2005. In 2006, the performance was largely attributable to increases in domestic demand.

Figure 2.4: Annual Economic Growth Rates – Latin America & the Caribbean vs the World



Source- International Monetary Fund/UNECLAC.

In 2007, high commodity price levels boosted the region's exports and ultimately GDP, so much so that for the first time in five years, the growth of GDP exceeded that of the volume of exports in 2007. Although the region experienced a great deal of volatility in financial markets, the crisis did not significantly impact the level of economic activity or international trade. In fact, most countries in the region continued to grow rapidly. The region on a whole grew by 5.6 percent in 2007, reflective of the growth in domestic demand especially in private consumption and gross capital formation. Inflation was estimated at 6.0 percent compared to 5.0 percent in 2006. In many instances, price level increases were combined with strong domestic demand. As a result, many countries opted to raise interest rates.

The slackening of growth in the world's economy did have some impact on the region's performance in 2008 and 2009. Estimates indicate that the LAC region posted a 4.1 percent growth rate in 2008, as compared with 5.7 percent the previous year, and then contracted by 1.8 percent in 2009.

In 2010, the economies within Latin America and the Caribbean recovered by 6.0 percent. This growth was influenced by the global recovery as well as the use of counter-cyclical policies among many of the countries within the region.

2.2 CARICOM

Growth in the world economy continued to have a positive impact on the Caribbean[5] region. As a result, the region's economy grew on average by 2.2 percent per annum during the 2000-2010 period. On a whole, economic growth in the region has been fuelled by tourism, construction activity and remittances from abroad. The contribution of traditional activities such as agriculture has declined as a result of a fall in demand compounded by a fall in the region's export prices.

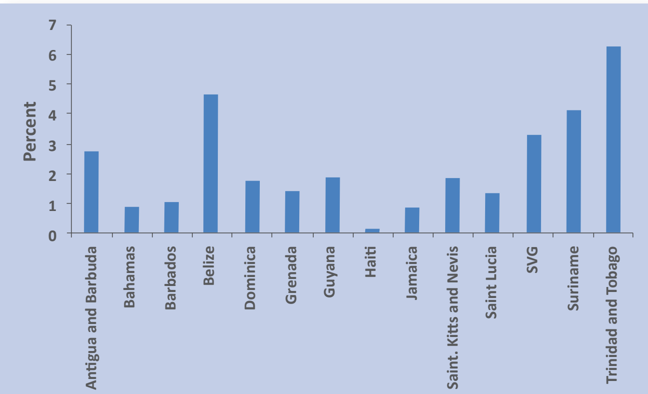
During this period, Trinidad and Tobago was the top performer, averaging growth of 6.3 percent per annum, fuelled by favourable growth in exports. Conversely, the weakest performer was Haiti, averaging growth of 0.1 percent.

5 Refers to countries listed in Appendix IX.

CHAPTER 2: Domestic, Regional and International Context

The highest growth was recorded in 2006, led by phenomenal growth in the economy of Trinidad and Tobago (14.4%), as that country benefited significantly from increasing oil and export commodity prices. Antigua and Barbuda also recorded strong growth (13.3%) as a result of increased financial inflows from advanced economies. Figure 2.5 summarises this information.

Figure 2.5: Average CARICOM Growth Rates (2000-2010)



Source: UNECLAC

The weakest performing year was 2009, with a contraction of 2.5 percent as a result of the heightened global economic contagion. Only three (3) of the fourteen (14) CARICOM countries recorded positive growth, albeit minimal.

During the review period, the CARICOM sub-grouping was also influenced by the global arena. For instance, during 2001 and 2002, Caribbean economies were adversely impacted by the fallout from the September 11 attacks, resulting in slow growth. Between 2002 and 2006, food import prices increased by an average annual rate of 14.6 percent. This prompted advocacy for the use of what is called *"The Jagdeo Initiative"*.[6] Elements of this initiative[7] are highlighted in Box 2.2.

Box 2.2: Proposals for Growth of Regional Agriculture

1. Redefinition of the agricultural sector to include the entire agri-product chain and the linkages with tourism and other economic activities;
2. Rethinking the importance of the regional markets, including the tourism and hospitality industries, and those markets made available through the CARICOM bilateral trade agreements;
3. Strengthening the region's negotiating stance to secure the best conditions possible for production and trade;
4. Appropriate packages of support for both the traditional and new areas of production;
5. Policy reorientation fully grounded in the changed context for agriculture;
6. Institutional realignment, away from traditional structures and organisational forms, toward smart public-public, private-private and public-private sector partnerships and alliances;
7. Technological readiness to change existing structural systems and build flexibility and capacity to achieve product realignment and relevance within changing product preferences and to provide the critical supply side mass to deal with supply chain consolidation;
8. Physical and regulatory infrastructure underpinning the entire agri-food/product production, distribution and trade system to reduce transaction costs and facilitate expanded trade;
9. Human resource development, to facilitate the mastering of information and knowledge-driven practices.

6 In 2004, at the CARICOM Heads of Government Meeting, President Jagdeo of Guyana presented a paper called "A framework for the repositioning of Caribbean Agriculture"

7 Adopted from Private Sector Commission of Guyana Limited (2007), Technical Information Bulletin No. 8 October 2007, The Jagdeo Initiative.

The Caribbean economies were also susceptible to economic shocks, as evidenced by the international economic fallout in 2009. This prompted a response measure by members of the Eastern Caribbean Currency Union (ECCU) in the form of the 8-point Stabilisation Plan. Box 2.3 highlights elements of the Plan.

Box 2.3: Elements of 8-Point Stabilisation Plan

1. Suitably adapted Financial Programmes for each country
2. Fiscal Reform Programmes
3. Debt Management Programmes
4. Public Sector Investment Programmes
5. Social Safety Net Programmes
6. Financial Safety Net Programmes
7. Amalgamation of the Indigenous Commercial Banks
8. Rationalisation, Development and Regulation of the Insurance Sector

CHAPTER 3

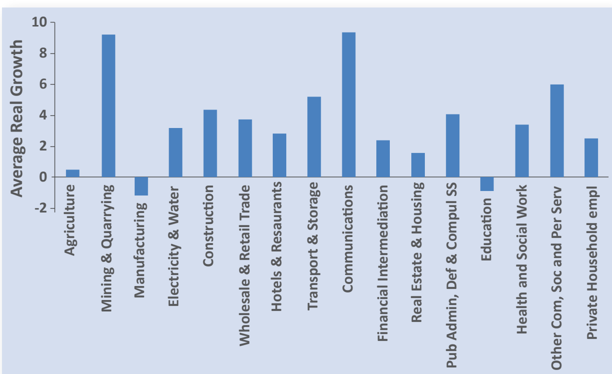
CHAPTER 3: THE DOMESTIC ECONOMY

3.1 ECONOMIC REVIEW (1999-2010)

3.1.1. AGGREGATE GDP GROWTH

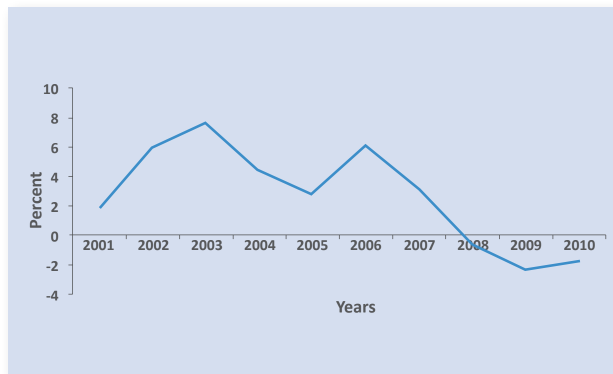
The Real Gross Domestic Product of St. Vincent and the Grenadines was estimated at EC$1.07 billion in 2000. It subsequently expanded at an average annual rate of 2.7 percent. During this period, the major performers were Communications, Mining and Quarrying, Transport, and Other Services. Manufacturing and Education experienced average negative growth while Agriculture realised average growth rates of 0.5 percent. The decline in Education was associated with the closure of the Medical College. Figure 3.1 presents this information.

FIGURE 3.1: AVERAGE REAL GROWTH BY ECONOMIC ACTIVITY (2001-2010)



Source: Statistical Office, Ministry of Finance and Economic Planning

FIGURE 3.2: REAL GDP GROWTH RATE (2001-2010)



Source: Statistical Office, Ministry of Finance and Economic Planning

In 2001, the economy of St. Vincent and the Grenadines registered real growth of 1.8 percent. Thereafter, the economy continued to realise positive real growth up to 2008, with 2005 being the lowest (2.8%) and 2003 being the highest (7.6%) as can be seen in Figure 3.2. The performance in 2003 was influenced by a positive spill-off from the liberalisation of the telecommunications sector as well as activities in the hotel and restaurant and construction sectors. There was another peak in 2006 (6.0%), fuelled by activities in the Financial Intermediation, Communication, Hotels and Restaurants, Government Services, Wholesale and Retail Trade, Transportation and Construction sectors.

In 2008, St. Vincent and the Grenadines was affected by the global economic fallout. As a result, there was negative growth of 0.6 percent. Several sectors were adversely affected, resulting in declines. These include construction (10.3%), Hotels and Restaurants (5.5%) and Agriculture (4.1%). Despite the adverse economic climate, some sectors still managed to post growth. These are Public Administration, Defence and Compulsory Social Security (8.0 %), Private Household Employment (9.4%), Wholesale and Retail Trade (3.9%), Communications (1.8%), Mining and Quarrying (5.1%), Real Estate and Housing (2.1%) and Health and Social Work (5.4%).

The economic turmoil continued into 2009 as the economy experienced negative growth of 2.3 percent. The major contributors to the contraction were Hotels and Restaurants which declined by

CHAPTER 3: The Domestic Economy

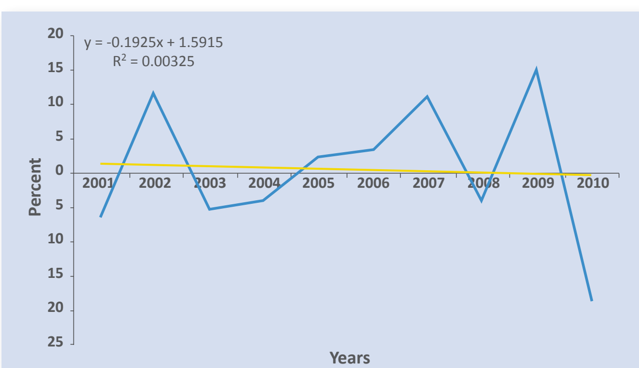
22.1 percent and Construction which declined by 8.3 percent. Manufacturing as well as Mining and Quarrying also experienced significant declines of 8.6 and 8.3 percent, respectively. Notwithstanding the prevailing economic conditions, some sectors posted positive growth. These included Financial Intermediation (1.4%), Health and Social Work (4.6%) and Agriculture (15.2%).

3.1.2. Sectoral Performance

Agriculture and Fisheries

Although there was an average annual growth of 0.5 percent in the agricultural sector from 2001 to 2010, the performance of this sector fluctuated during that period. Its average contribution to GDP gradually declined from 2000 to 2006 and showed slight increases in 2007 and 2009. Bananas' contribution to GDP declined from 2.6 percent in 2000 to 0.3 percent in 2010. 'Other crops' continued to be the largest contributor to the agricultural sector, moving from 42.0 percent in 2000 to 72.3 percent in 2010. Figure 3.3 seeks to establish the trend over time.

Figure 3.3: Performance of Agriculture (2001-2010)



Source: Statistical Office, Ministry of Finance and Economic Planning

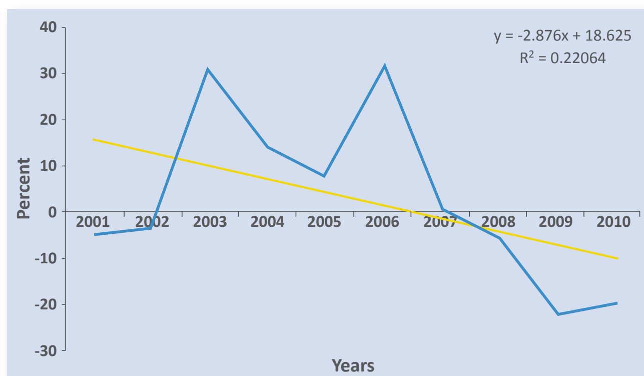
The weakest performance in the agricultural sector was registered in 2001 (6.6% decline). This decline was mainly on account of the fall in banana output and exports and a decline in the livestock subsector. The strongest performance was realised in 2009 (15.2% growth), as livestock and other crops sub-sectors grew by 56.3 and 3.7 percent, respectively.

Tourism

Tourism as represented by the Hotels and Restaurants sector grew on average by -2.9 percent during the period 2001–2010. Performance was uneven with the sector experiencing high growth of 31.1 percent in 2003, increasing marginally to 31.3 percent in 2006. Marked negative growth of 22.1 percent and 20.0 percent was recorded in 2009 and 2010 respectively.

The sector registered contractions of 4.6 percent in 2001 and 3.2 percent in 2002, attributed to the fallout from the September 11, 2001 terrorist attacks in the USA. Stay over visitors declined by 3 percent in 2002, but increased by 20 percent in 2005. There was marginal growth in 2006 and 2007 of 1.3 and 1.7 percent, respectively. In 2008, there was a contraction of 2.7 percent. This sub-sector further declined by 10 percent in 2009. The downward trend is seen in Figure 3.4.

Figure 3.4: Performance of the Tourism Sector (2001-2010)



Source: Statistical Office, Ministry of Finance and Economic Planning

In 2000, total visitor arrivals stood at 256,040. This figure increased by an average annual rate of 0.5 percent from 2001 to 2010, with fluctuating performances between those years. The first period of decline occurred from 2001 to 2003, in wake of the September 11, 2001 terrorist attacks in the United States in 2001. In 2004, visitor arrivals showed recovery and then declined by 2.1 percent in 2005. The years 2006 and 2007 posted good performance as the world economy improved. Nonetheless, 2007 posted a 7.5 percent decline over 2006, as residents in source markets began to feel the effects of rising food and energy costs. Figure 3.5 graphs the arrivals data.

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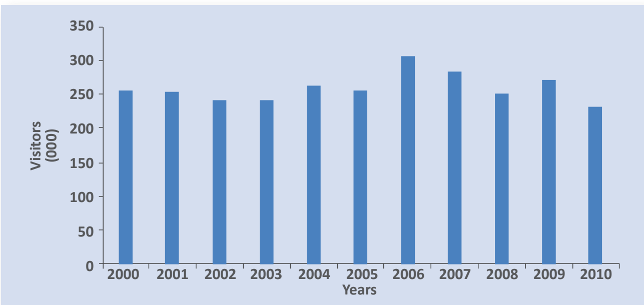
FIGURE 3.5: VISITOR ARRIVALS



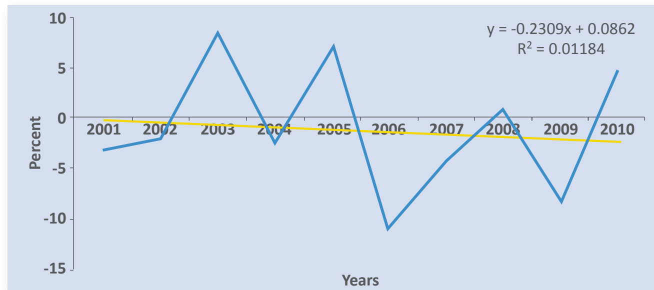
Source: Statistical Office, Ministry of Finance and Economic Planning

In 2008, visitor arrivals further declined by 11.9 percent, exacerbated by a global financial meltdown. Despite declines in stay-over, same-day and yacht visitors in 2009, an approximate 48 percent increase in cruise ship visitors was enough to affect an estimated 12 percent increase in total visitor arrivals over 2008. As in many countries across the globe, the tourism sector in St. Vincent and the Grenadines continued to feel the ripples of the global downturn during 2009. During the year, recession abounded in most major source markets. All visitor categories posted declines, with the exception of cruise ship visitors. However, visitor arrivals increased by 8.4 percent, attributable to a 28.1 percent increase in cruise ship visitor arrivals, as visitors opted for the cheaper alternative of short cruises than vacations in hotels. In 2010, visitor arrivals decreased by 14.7 percent as the stay-over, excursionist, and cruise ship subsectors declined by 3.9, 1.9 and 25.8 percent, respectively.

MANUFACTURING

Activities in the manufacturing sector declined on average by 1.2 percent annually, over the period 2001 –2010, as the country grappled with high production costs and increased competition from regional and international producers. There was general decline in the sector during the period, with the exception of 2003, 2005 and 2010. The performance is seen in Figure 3.6.

FIGURE 3.6: PERFORMANCE OF THE MANUFACTURING SECTOR (2001-2010)

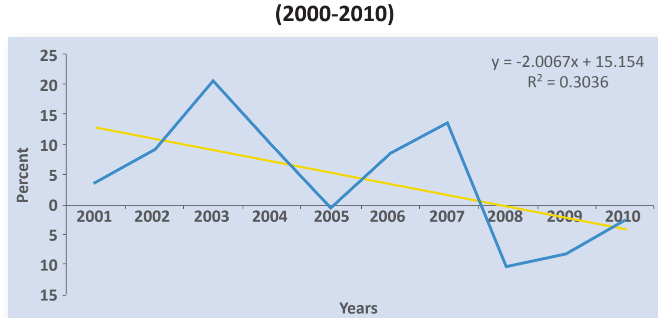


Source: Statistical Office, Ministry of Finance and Economic Planning

CONSTRUCTION

The Construction sector recorded an average growth of 4.4 percent over the period 2001–2010. The weakest performance in this sector (10.4% decline) occurred in 2008, reflecting a decrease in private investments following the global credit crunch. The sector's strongest performance (20.6%) occurred in 2003. Between the period 2001–2004, the sector showed strong performances with average annual growth of 10.8 percent. It then declined by 0.5 percent in 2005. Overall cyclical movement is seen in Figure 3.7.

FIGURE 3.7: PERFORMANCE OF THE CONSTRUCTION SECTOR (2000-2010)



Source: Statistical Office, Ministry of Finance and Economic Planning

Construction activities showed a positive 13.0 percent growth during 2007, an improvement over the 8.6 percent growth recorded in 2006. This improvement was due to the effects of major public and private sector

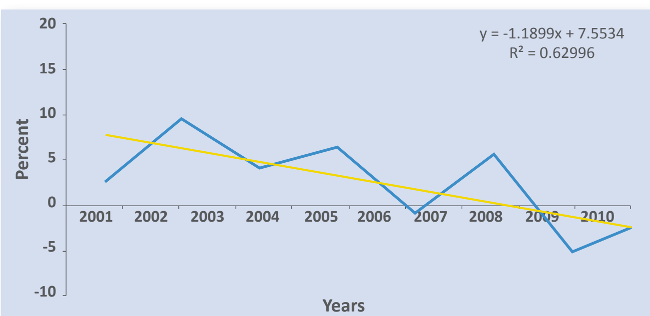
CHAPTER 3: The Domestic Economy

projects. Among these, there were the Windward Highway Rehabilitation project, the upgrading of the Arnos Vale Playing Field, Canouan Airport Extension and private tourism-related projects.

Financial Intermediation Sector

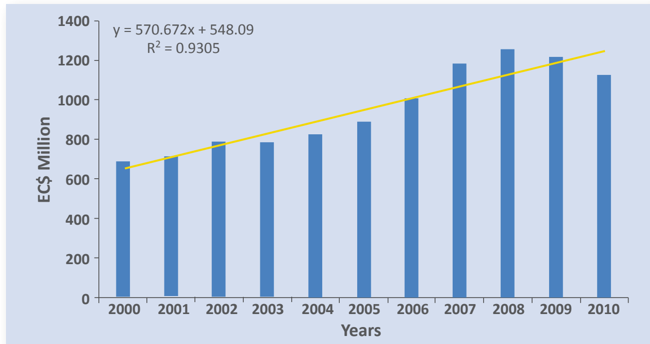
The Financial Intermediation sector grew by an average annual rate of 2.4 percent during the 2001-2010 period. Its contribution to GDP averaged 7.5 percent. In 2001 and 2003, liquidity in the commercial banks showed modest improvements, mainly on account of the decline in domestic credit. For instance, domestic credit decreased by 4.9 percent in 2003, compared with 14.0 percent decrease in 2002. In 2004, the loans to deposit ratio moved from 69.0 percent to 71.2 percent. Thereafter, the ratio increased on an annual basis, except during 2009 and 2010 as commercial banks sought to increase liquidity by reducing the amount of credit. Throughout the period, the commercial banking sector held enough reserves to meet normal demand for withdrawals, signalling ample liquidity. The performance of the various components of the sector is seen in Figures 3.8 to 3.12.

Figure 3.8: Performance of the Banks and Insurance Sector (2001-2010)



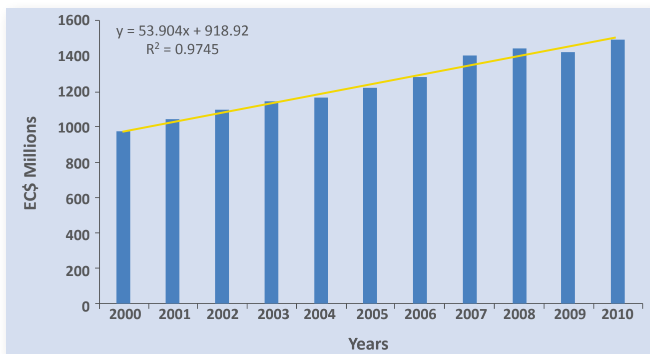
Source: Statistical Office, Ministry of Finance and Economic Planning

Figure 3.9: Commercial Banks – Total Deposits by Depositors (2000-2010)



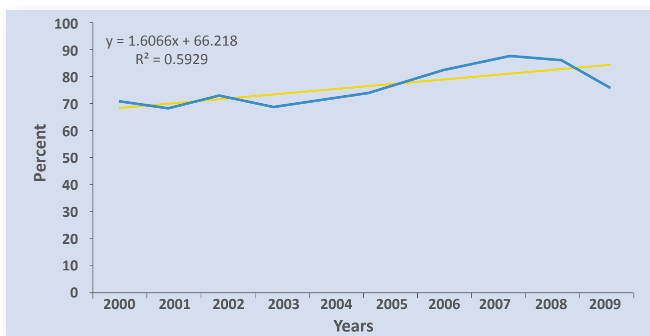
Source: Eastern Caribbean Central Bank

Figure 3.10: Commercial Banks' Total Loans and Advances (2000-2010)



Source: Eastern Caribbean Central Bank

Figure 3.11: Loans to Deposit Ratio in the Banking Sector (2000-2009)



Source: Eastern Caribbean Central Bank

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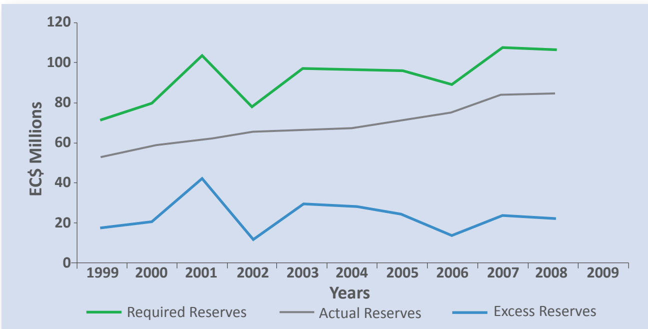
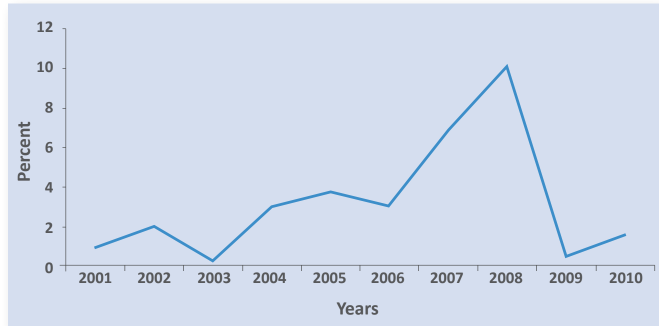
Figure 3.12: Commercial Banking Reserves (1999-2008)



Source: Eastern Caribbean Central Bank

Figure 3.13: Average Inflation (2001-2010)



Source: Statistical Office, Ministry of Finance and Economic Planning

3.1.3. Inflation

On average during the period 2002–2006, the point-to-point inflation increased annually by 2.2 percent. During this time, the highest point-to-point inflation rate was recorded in 2005 (average of 3.8%). Groups influencing this increase were “Food**”** (5.9%)”, “Fuel and Light” (17.1%), “Alcoholic Beverages & Tobacco” (4.3%) and “Housing” (0.9%). The main food items that contributed to this upward movement in the index were chicken legs, full cream milk, cheese, tomatoes and carrots. The largest decrease in prices was registered in the group “Transport and Communication”, specifically the sub-group “Communication” recorded a 2.2 percent decrease. This decrease resulted from a lowering in the cost of telephone service.

The years 2007 and 2008 proved unorthodox, as record food and energy prices were experienced globally. Through the trade mechanism, these resulted in imported inflation. In 2007, the inflation rate stood at 6.9 percent occasioned mainly by a 9.4 increase in food prices and an 8.4 percent increase in fuel and light. While ‘fuel and light’ increased by 2.7 percent in 2008, ‘food’, the heaviest weighted category on the consumer price index (CPI), increased by 14.3 percent. Figure 3.13 reflects the average inflation rate for the period 2001-2010.

As a result, an average point-to-point inflation rate of 10.1 percent was recorded in 2008. In 2009, the inflation rate was 0.5 percent amidst a global reduction in both food and fuel prices. In 2010, inflation remained virtually unchanged before rising to 3.2 percent in 2011, and falling again in 2012 to 2.6 percent.

3.1.4. Fiscal Operations

During the period 2000–2010, the Government of St. Vincent and the Grenadines maintained a relatively prudent fiscal policy stance. This is reflected by continuous growth in revenue (in all of the years except 2009), accompanied by contained expenditure. For the 2011 fiscal year, the Central Government’s fiscal position weakened when compared to 2010. Current revenue of EC$462.48 million was 5.6 percent less than that of 2010. Current expenditure of $495.19 million was 5.0 percent lower. The current deficit of EC$32.7 million was 4.0 percent more than that of 2010.

Revenue

Total revenue grew by an average of 7.1 percent annually during the period 2000–2010. The largest increase was in the year 2006 (16.3%), while the most adverse change occurred in 2009 (-2.8%) as seen in Figure 3.14. In addition, Recurrent Revenue averaged 23.7 percent of GDP while Capital Revenue averaged 1.4 percent of GDP.

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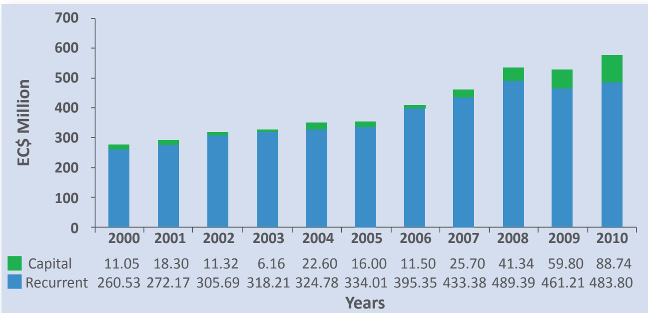
FIGURE 3.14: TOTAL REVENUE (2000-2010)



Source: Ministry of Finance and Economic Planning

Recurrent Revenue grew on average by 6.1 percent annually during 2000 and 2010. In 1999, Recurrent Revenue stood at EC$256.0 million (28.7% of GDP) and grew steadily by an average of 4.6 percent up to 2005, followed by a steep increase in 2006 (18.9%). Normal growth resumed in 2007, followed by growth of 21.2 percent in 2008 mainly as a result of growth in receipts from taxes on international trade and on domestic transactions, as they both benefited by the Value Added Tax (VAT). Despite the global financial downturn, the preceding high import commodity prices proved beneficial to VAT receipts. In 2009 however, recurrent revenue declined by 5.8 percent. This reflected a fall in private consumption and capital formation, which, among other things, resulted from adverse speculation amidst the global financial crisis.

During the 2000-2010 period, the largest contributor to Recurrent Revenue was Taxes on International Trade (41.0%) followed by Taxes on Income and Profits (25.5%). These averaged 9.6 and 6.0 percent of GDP, respectively, as seen in Figure 3.15. Taxes on Income and Profits declined in 2001 and 2003 by 1.2 and 12.4 percent, respectively. These declines were all due to a reduction in revenue from corporation taxes.

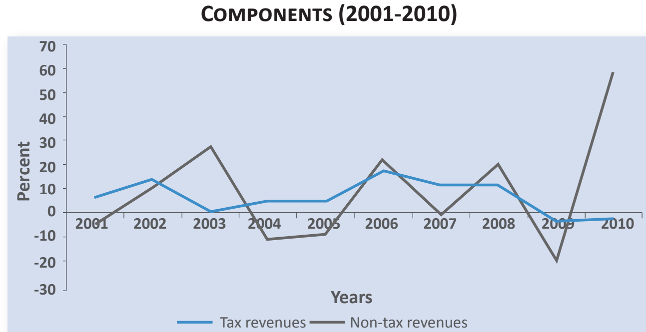
Movements in taxes on international and domestic transactions were less uneven, declining only once during the period prior to 2009. Taxes on international trade declined by 7.2 percent in 2000 to EC$102.4 million. This decline was mainly due to reduced receipts from import duties and consumption taxes as a result of a fall in imports during that year. Taxes on Domestic Trade declined in 2002 by 4.2 percent as a result of falls in revenue generated from Consumption Duty (4.7%), Stamp Duty (17.3%), Hotel Tax (17.1%) and Interest Levy (5.0%).

Recurrent revenue for the year 2010 increased by 3.7 percent to EC$483.80 million when compared with 2009. This was due to a significant improvement in receipts from non-tax revenue including fees, fines and permits; interest, rents and dividends and other revenue. Other revenue increased significantly. This was due to the receipt of funding for budget support from the European Union, sale of Shares at the National Commercial Bank and proceeds from the sale of Special Drawing Rights (SDRs). Figures 3.15 and 3.16 reflect the revenue trends.

FIGURE 3.15: RECURRENT REVENUE AS A PERCENTAGE TO GDP (2000-2010)

Source: Ministry of Finance and Economic Planning

FIGURE 3.16: PERCENTAGE CHANGE IN RECURRENT REVENUE COMPONENTS (2001-2010)



Source: Ministry of Finance and Economic Planning

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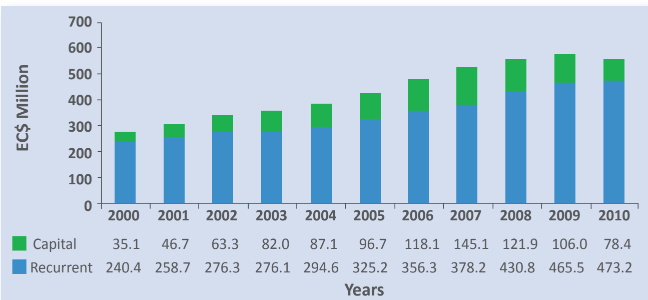
Expenditure

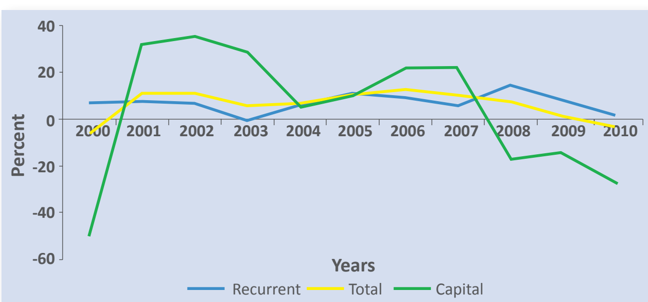
Total Expenditure increased by an average annual rate of 6.1 percent from 2000 to 2010. The largest increase occurred in 2006 (12.4%). In 2000, total expenditure declined by 6.3 percent. All of the other years during this period showed expenditure increases ranging from 5.4 to 12.4 percent. In this period also, Recurrent Expenditure averaged 21.8 percent of GDP while Capital Expenditure averaged 5.8 percent of GDP. Figures 3.17 to 3.19 show the expenditure patterns while Figure 3.20 summarises fiscal operations.

Figure 3.17: Total Expenditure (2000-2010)



Source: Ministry of Finance and Economic Planning.

Figure 3.18: Percentage Change in Expenditure (2000-2010)

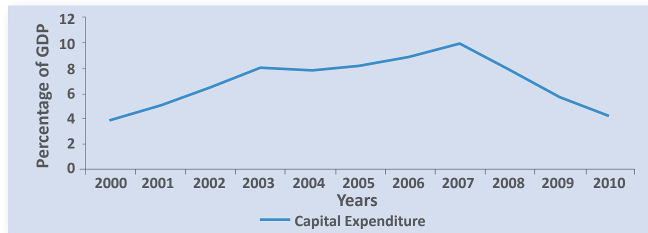


Source: Ministry of Finance and Economic Planning

In 2000, Recurrent Expenditure stood at EC$240.4 million. This grew by an average annual rate of 7.1 percent up to 2008. During the period, the largest contributor was personal emoluments. In 2009, Recurrent Expenditure was EC$465.5 million (29.6% of GDP).

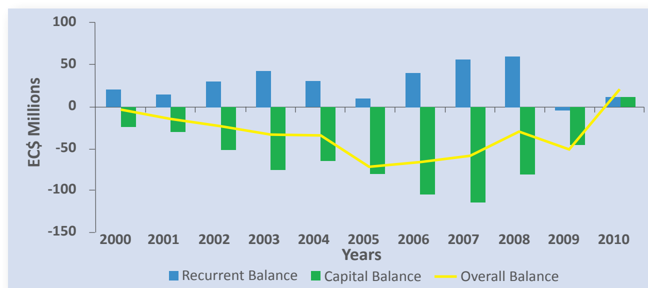
In 2000, Capital Expenditure stood at EC$35.1 million, or 7.7 percent of GDP. There was also average annual growth in this category of 5.1 percent during the 2000 to 2010 period. There were reductions in the absolute expenditure by 48.9 percent in 2000, 16.0 percent in 2008, and 13.0 percent in 2009. With the exception of these years, Capital Expenditure grew annually by an average of 23.2 percent. Capital Expenditure fell by 39.7 percent in 2010. The Capital Expenditure for 2011 was EC$72.52 million.

Figure 3.19: Capital Expenditure as a Percentage of GDP (2000-2010)



Source: Ministry of Finance and Economic Planning

Figure 3.20: Fiscal Operations (2000-2010)



Source: Ministry of Finance and Economic Planning

During the period, there was an average surplus on the Recurrent Account of EC$29.4 million. However, there was an average deficit on the Capital Account of EC$65.9 million. Consequently, there was an average overall deficit of the Fiscal Account of EC$37.3 million.

With regard to the movement of the overall balance, there was an improvement in 2000, followed by a gradual decrease up to 2004. This was then followed by a drastic increase in 2005 mainly attributed to increases in personal emoluments and other expenditures on the Recurrent Account. The balance further improved in 2006 then declined in 2007, attributable to a 10.5 percent increase in personal emoluments accompanied by a 22.9 percent increase in Capital Expenditure. In 2008, there was a 47.3 percent improvement in the

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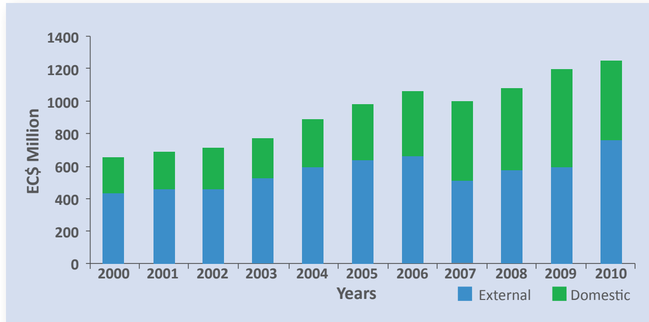
overall balance, as a result of a 16.0 percent reduction in Capital Expenditure with an accompanying 33.4 percent improvement in Capital Revenues on the one hand, and a 12.9 percent increase in Recurrent Revenues on the other. In 2009, there was a 62.4 percent deterioration in the overall balance, as the balance on the Recurrent Account, the larger component on the fiscal account, declined by 107.3 percent. It moved from a surplus of EC$58.6 million in 2008, to a deficit of EC$4.3 million, in 2009. The Capital Account improved by 42.7 percent.

3.1.5. Public Debt

In 2000, the total outstanding public debt stood at EC$649.6 million, of which EC$432.2 million comprised external loans, and EC$217.4 million was domestic loans. The debt stock then increased gradually up to 2004. At the end of that year, it increased by 13.2 percent, mainly as a result of bonds issued in 2004. In 2005 and 2006, the outstanding debt stock increased by 9.2 and 8.5 percent, respectively.

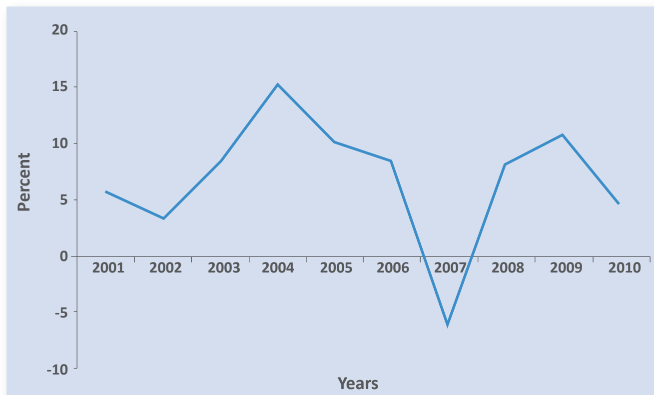
At the end of 2007, total public sector debt stood at EC$991.4 million, comprised of external debt of EC$511.83 million and domestic debt of EC$479.5 million. This represented a reduction of 6.0 percent over the stock of EC$1,054.7 million recorded at the end of December 2006, largely on account of the debt forgiveness associated with the Ottley Hall Shipyard Project. At the end of 2008, total public sector debt stood at EC$1,072.6 million, comprised of external debt of EC$566.0 million and domestic debt of EC$506.6 million. This represented an increase of 9.0 percent over the stock of EC$991.4 million recorded at the end of December 2007. In 2009, the debt stock increased by 7.3 percent from EC$1,072.6 million to EC$1,156.1 million. This represented external debt of EC$588.9 million and domestic debt of EC$597.4 million. At the end of 2010, total outstanding public debt stood at EC$1,203.8 million, of which, EC$753.7 million was external debt and EC$488.2 million was domestic debt. This can be seen in Figures 3.21 and 3.22.

Figure 3.21: Total Public Debt (2000-2010)



Source: Ministry of Finance and Economic Planning

Figure 3.22: Percentage Change in Public Debt (2000-2010)

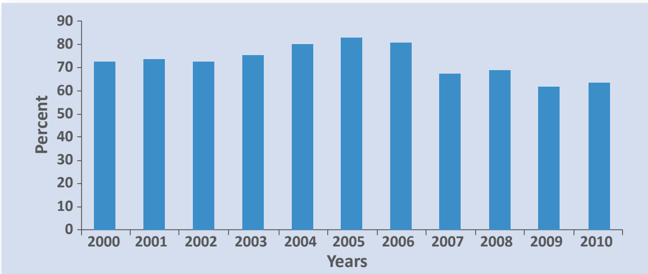


Source: Ministry of Finance and Economic Planning

Debt to GDP Ratio

In 2000, the debt stock represented 60.7 percent of GDP. Following this, there was a decline in 2001 and 2002, before increasing again in 2003, 2004 and 2005. After a strong economic performance in 2006, debt as a percentage of GDP declined to 63.9 percent. It further declined to 53.7 percent at the end of 2007, consistent with the aforementioned debt forgiveness. The Debt to GDP ratio then increased to 57.1 percent by the end of 2008, and further to 63.5 percent of GDP, in 2009. At the end of 2010, Debt to GDP ratio increased slightly to 65.5 percent. Figure 3.23 presents debt ratios for the period.

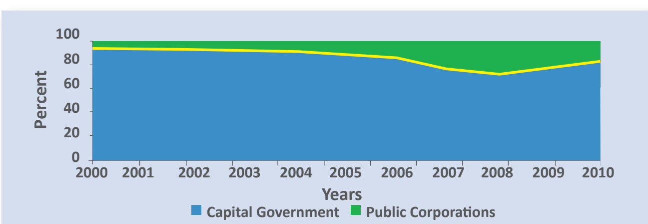
FIGURE 3.23: DEBT AS A PERCENTAGE OF GDP (2000-2010)



Source: Ministry of Finance and Economic Planning

Central Government continues to account for the greater proportion of the total public debt, averaging 86.0 percent during the period. In 2000, Central Government accounted for 93.5 percent of the outstanding debt, mainly as a result of the capitalisation of the Ottley Hall loan the previous year. This ratio remained virtually constant up to 2002, then gradually decreased up to the end of 2004. The rate of decline further increased slightly up to the end of 2006, following which there was a significant decrease. Figure 3.24 presents the picture.

FIGURE 3.24: PERCENTAGE CONTRIBUTION TO PUBLIC DEBT (2000-2010)



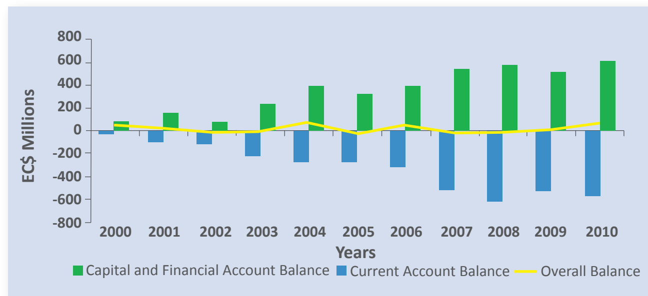
Source: Ministry of Finance and Economic Planning

At the end of 2008, Central Government accounted for 75.2 percent of the total debt stock. At the end of 2010, Central Government accounted for 84.1 percent of the total debt stock.

3.1.6 BALANCE OF PAYMENTS

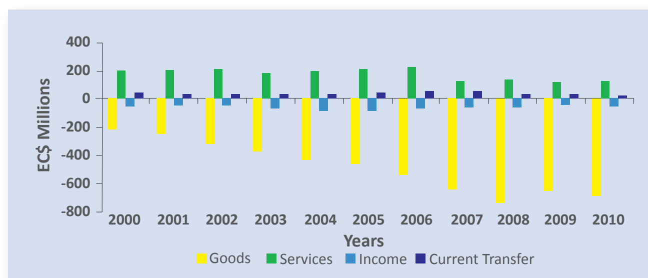
The overall Balance of Payments fluctuated during the period 2000 – 2010, from a deficit of 3.5 percent of GDP in 2000 to a surplus of 3.7 percent of GDP in 2010. This movement was largely influenced by the widening of the Current Account deficit and the expansion of the capital and financial account surplus. During the period, most years recorded surpluses on the overall balance. The year 2004 registered the largest surplus on the overall balance of EC$68.6 million (4.9% of GDP). Figure 3.25 presents the performance on the Balance of Payments while Figure 3.26 focuses on the Current Account.

FIGURE 3.25: ST. VINCENT AND THE GRENADINES BALANCE OF PAYMENTS (2001-2010)



Source: St. Vincent and the Grenadines Statistical Office.

FIGURE 3.26: CURRENT ACCOUNT COMPONENTS (2000-2010)



Source: St. Vincent and the Grenadines Statistical Office.

The Current Account deficit grew over the period. The deficit rose from 2.1 percent of GDP in 2000 to 30.6 percent of GDP in 2010. This outturn was largely attributable to the worsening of the merchandise account deficit, which rose from 20.0 percent of GDP in 2000 to 37.6 percent of GDP in 2010. Additionally, decline in net inflows from the services account contributed to this performance. Figure 3.27 shows the annual changes in the components of the current account.

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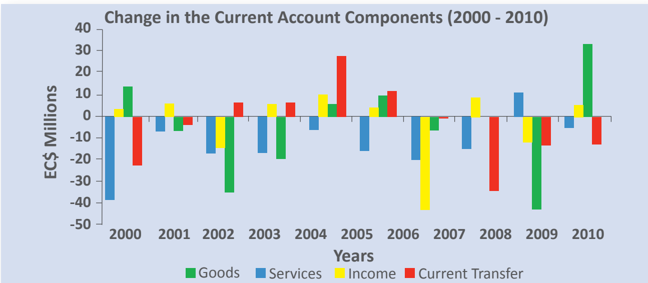
Figure 3.27: Annual Change in the Current Account Components (2000 -2010)



Source: St. Vincent and the Grenadines Statistical Office

In 2010, the merchandise or *goods account* deficit amounted to 37.6 percent of GDP compared with a deficit of 36.0 percent in 2009. This performance mainly reflects increases in the level of imports of goods at f.o.b prices.

Net inflows from the services account fell during the period to 6.9 percent of GDP. This movement was mainly influenced by developments in the travel and government services sub-accounts. Net earnings from travel declined from 18.2 percent of GDP to 10.6 percent of GDP. This decline was accounted for by lower volume of total visitor arrivals. The global economic downturn contributed to declines in stay-over visitors, the largest spending group of visitors, as well as excursionists and yacht visitors. The government services net flows increased due to higher payments made by Central Government.

In 2010, the surplus on the Capital and Financial Account of EC$604.8 million (33.5% of GDP) compared favourably with the surplus of EC$519.96 million (29.1% of GDP) in 2009. The improvement in the capital account net inflows resulted from increases in capital grants from foreign governments and other donor agencies. Meanwhile, net inflows on the financial account expanded from EC$ 373.52 million (20.8% of GDP) in 2009 to EC$456.7 million in 2010 (24.7% of GDP). This expansion is attributed to higher inflows from foreign direct investment projects, mainly related to tourism development, increased equity inflows and land sales to non-residents.

In 2011, the Overall Balance on the Balance of Payment fell to a deficit of 3.3 percent of GDP compared with a surplus of 3.7 percent of GDP in 2010. The Current Account deficit narrowed to 28.8 percent of GDP as a result of the improvement in the merchandise trade balance associated mainly with the decline in the levels of imports of goods, and the increase of the surplus on the services account. The surplus on the Capital and Financial Account deteriorated in 2011, representing 25.7 percent of GDP due to declines in net inflows on the Capital Account.

3.2 Social Review

3.2.1 Education

Prior to 2001, the major challenges in the Education Sector were under-coverage of early childhood education, low Common Entrance pass rates, and inadequately trained teachers in the primary system. In the secondary and post-secondary systems, restricted access featured as the main obstacles to development.

During the last decade, 2001 to 2011, revolutionary changes were implemented in the education sector under the fundamental policy of 'No Child Left Behind'.

Photo 3.1: Early Childhood Education

Reflecting this policy, expenditure in education has consistently been a significant proportion of the national budget. During the period 2000–2010, education represented on average, 16.8 percent of the total budget allocation, as shown in Table 3.1.

Table 3.1: Central Government's Budgetary Allocation to Education – 2000-2010 ($ millions)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Recurrent Budget allocated to Education	53.9	56.8	55.8	57.1	60.5	63.9	65.4	73.3	84.0	98.2	104.3
Capital Budget allocated to Education	19.5	23.2	24.9	20.4	21.5	30.5	23.9	28.8	42.5	24.3	25.3
Total Budget allocated to Education	73.3	80.1	80.6	77.6	81.9	94.4	89.3	102.1	126.5	122.5	129.6
Total Budget allocation	424.1	437.7	419.5	459.8	483.5	587.1	581.0	630.1	757.4	750.9	913.5
Percentage of Total Budget allocation	17.3	18.3	19.2	16.9	16.9	16.1	15.4	16.2	16.7	16.9	14.2

Source: Ministry of Finance and Economic Planning

This relatively high expenditure on education has provided the opportunity for sustained development in the sector, including increased avenues for training and enhanced quality of delivery. Most importantly, consistently high expenditure in the sector led to the achievement of universal access to primary and secondary education in 2001 and 2005 respectively. Universal early childhood education has been identified as a major thrust for social and economic development in St. Vincent and the Grenadines and is, therefore, given due regard in the Plan.

Photo 3.2: Early Childhood Centre, Troumaca Government School

Notwithstanding the attainment of universal access to primary and secondary education, there remain some challenges which, if not systematically addressed, may compromise the achievements of the established targets. Accordingly, this Plan recognises the need to ensure that universal access is accompanied by universal completion of quality education.

New challenges have also emerged at the secondary education level. In addition to the short-term surge in enrolment and the corresponding need for staff and physical space, strategic remedial interventions have become necessary to meet the requirements of students without the requisite academic foundation. Thus, the Plan foresees the implementation of support measures to avoid problems with poor performance and quality of delivery.

Academic Performance

As a measure of the investment made in human capital, academic performance in general has shown marked improvements. Whilst there remains concern in specific areas, particularly performance at the primary level, St. Vincent and the Grenadines has had notable accomplishments in performance at the secondary and tertiary levels.

The main assessment tool for academic performance at the primary level is the local Common Entrance Exam

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completed by students at the end of their tenure in Grade Six. This exam also serves as the entrance exam to secondary level education. Data for the years 2000-2010 have shown a less than acceptable performance, with an average pass rate of 42.3 percent. There was some improvement, but more needs to be done: the pass rate improved from 31% in 2000 to 56% in 2013. To address this situation, this Plan envisages the continued and accelerated implementation of a targeted, deliberate, and wide-spread teacher training programme and other interventions.

As a first sign of encouragement, in 2007, the pass rate for the Common Entrance Examination rose to 60.1 percent and an above-50 average was maintained through to 2010. In 2009, 51.3 percent of students sitting these exams were successful. Girls consistently outperformed boys at these exams with an average pass rate of 47.7 percent for the period 2000-2010, (showing an improved average of 64.2% during 2007-2010). In comparison, boys showed an average pass rate of 36.7 percent for the entire period and 45.9 for 2007-2010. This can be seen in Figure 3.28.

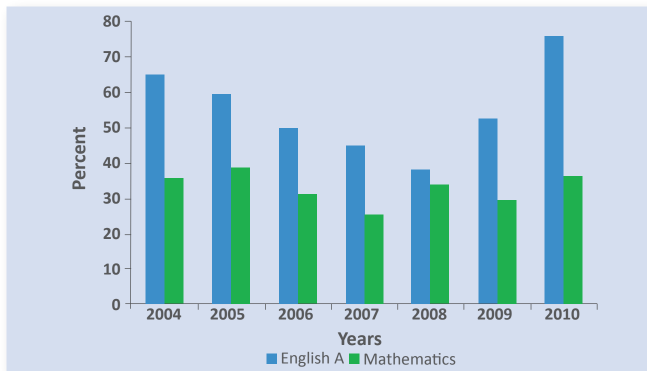
FIGURE 3.28: PERFORMANCE IN COMMON ENTRANCE EXAMINATIONS (2000-2010)

Source: Ministry of Education, St. Vincent and the Grenadines

At the secondary level, an assessment of academic performance could be gained from the regional Caribbean Examinations Council's (CXC) Caribbean Secondary Education Certificate (CSEC) examination. During the period under review, entries at this level increased markedly from 7,210 in 2000 to 10,315 in 2010. Pass rates during this period were relatively stable ranging between 71 percent in 2000 and 72.6 percent in 2010.

Assessment of performance in the two core subject areas, English and Mathematics, provides further analysis on the effectiveness of the investment at this level. For the years 2004-2010, success rate for English Language stood at 54.9 percent. Mathematics remains an area of deep concern, with an average pass rate of 37.9 percent recorded for the same period: Figure 3.29 presents the comparative performance. The need to address this situation cannot be overstated.

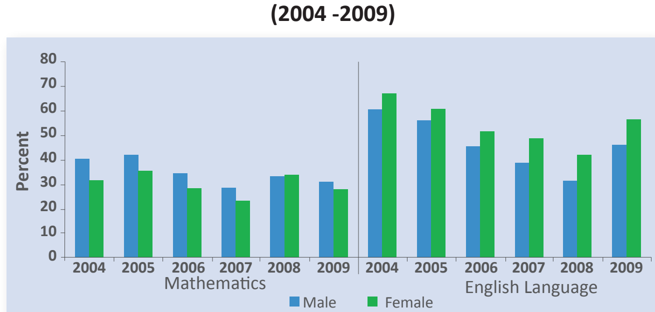
FIGURE 3.29: PASS RATES FOR CXC MATHEMATICS AND ENGLISH (2004-2010)



Source: Ministry of Education, St. Vincent and the Grenadines

It is also instructive to note the gender difference in performance for these two subject areas. For the years 2004-2010, male entries were outnumbered by female entries by a ratio of 1:1.6 for both Mathematics and English. While girls significantly outperformed boys in English by an average of 8.2 percentage points, boys performed better at Mathematics by an average of 4.7 percentage points. This can be seen in Figure 3.30.

FIGURE 3.30: PASS RATES IN CXC MATHEMATICS AND ENGLISH BY SEX (2004 -2009)



Source: Ministry of Education, St. Vincent and The Grenadines

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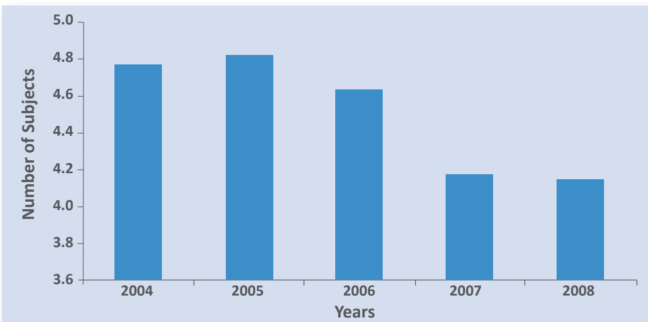
During the review period, the average number of passes obtained by each student declined slightly from 4.7 subjects in 2004 to 4.1 subjects in 2008, as can be seen in Figure 3.31.

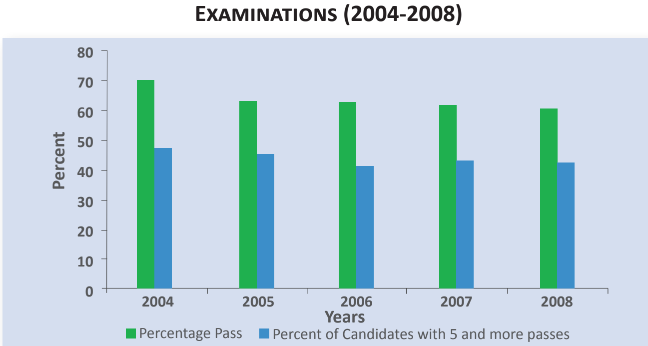
Figure 3.31: Average Number of CXC/O Level Subject Passes Per Student (2004-2008)



Source: Ministry of Education, St. Vincent and the Grenadines

However, these figures are above those of 2000, where on average, students gained 3.8 subjects. Further, the number of students obtaining five or more subject passes (often required for entry into the labour market and matriculation to higher level education) significantly increased. In 2000, 32.9 percent of students obtained a total of five or more subject passes. In 2008 this figure was 42.3. The more recent performance is shown in Figure 3.32.

Figure 3.32: Percentage Passes at CXC or CSEC O Level Examinations (2004-2008)



Source: Ministry of Education, St. Vincent and the Grenadines

Analysis of results at the Advanced Level reveals that entries have tripled in recent years, owing in part to an increase in access to post-secondary education. In 2000, the number of subject entries was 364 while in 2010 this figure increased to 2,201 [inclusive of entries at the Caribbean Advanced Proficiency Examination (CAPE)]. The average pass rate during the period 2000 - 2010 (GCE A Levels) was 60.0 percent. As with performance at the CXC level, the number of students gaining the essential two Advanced Level passes (excluding General Paper) has increased in recent years.

Data indicate significant increases in the number of Vincentian students enrolled in degree programmes at universities and colleges in the Caribbean and elsewhere. At two campuses of the University of the West Indies, students from St. Vincent and the Grenadines constitute the second largest contingent, surpassed only by the respective host country. This Plan builds on these successes and aims to have on average, one university graduate per household.

3.2.2 Health

Recent basic health indicators for St. Vincent and the Grenadines have been positive. Most notably, access to medical facilities is at a satisfactory level, with 95 percent of births being attended to by skilled personnel and 24 nurses registered per 1000 population (as at 2005). Particularly in infant and maternal health, expansion in primary health care coverage has brought this country on target to achieve Millennium Development Goal (MDG) Number Four, "Reducing Child Mortality" by 2015. There is full immunisation coverage for the under-5 age group and maternal deaths (per 1000) are negligible. Fertility rate is at a stable 1.8 children per woman with an average life expectancy at birth of 74.3 years, comparable to that of developed countries. The performance on key health indicators is summarised in Table 3.2.

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Table 3.2: Health Indicators

Indicators	Scores	Most Recent Year
Life Expectancy	72	2009
Infant Mortality Rate per 1000	16.8	2010
Maternal Mortality Rate per 1000	1.1	2010
Fertility rate (child/woman)	1.8	2008
Peri-natal Mortality rate per 1000	32.5	2010
Registered Nurses per 1,000 population	25.8	2010
Physicians per 10,000 population	6.6	2010
Immunisation Coverage in Infants < 1 Year: DPT OPV BCG MMR	100% 100% 91.0% 99.7%	2010
Hospital beds per 1000 population	2.8	2010
Births attended by Skilled Personnel	98.3%	2010
Total Expenditure on Health	$55.4 m	2010
% Health Expenditure of GDP (factor cost in current prices)	3.7	2009
Calories consumed per day	2,660	2004
Population with access to drinking water(mainland)	96.0%	2008

Source: Ministry of Health and the Environment

Despite these positive indicators, St. Vincent and the Grenadines has recorded a rapid increase in lifestyle-related diseases over the past several years. These, primarily Chronic Non-Communicable Diseases are now the leading causes of mortality (accounting for more than 80 percent of deaths in 2004 in both males and females). Together with HIV/AIDS, Non-Communicable Diseases feature as the primary health threat to the people of St. Vincent and the Grenadines and the main focus of the sector. Although the social and economic impact has not been fully assessed, the financial burden alone is tremendous, with most human and technical resources being used in the treatment of these diseases.

These challenges are not confined to St. Vincent and the Grenadines but represent a wider regional problem. As such, there is collaboration with countries of the OECS and wider CARICOM region in attempting to reverse these trends. Primarily, in the case of HIV/AIDS management, the region has been able to attract international assistance (financial, human and technical resources) from which St. Vincent and the Grenadines has benefited.

3.2.3 Social Protection

Another indicator of social development in St. Vincent and the Grenadines is the measure of protection and provision of social services received by residents. The provision of basic services is satisfactory; 95 percent coverage in terms of electricity and potable water on mainland St. Vincent, and access to adequate shelter. However, more can be done regarding the protection available to the population. For that reason, appropriate assessments must be carried out on a regular basis to inform the requisite programmes.

Through several line ministries, an array of social assistance programmes is implemented to address vulnerability in the population. These include the Social Investment Fund, [9] Basic Needs Trust Fund, Social Welfare Programme and the National Insurance Scheme Non-contributory programme among others. This Development Plan proposes measures to foster greater coordination and cohesion of these programmes.

3.2.4 Poverty

St. Vincent and the Grenadines has traditionally been an agriculture-based economy. Over the review period, several developments on the international front, including WTO trading agreements and reduction in trade preferences, have adversely affected small primary producers seeking diversification and transformation of the economy (*Kairi 2009*). In 2003, the Government of St. Vincent and the Grenadines, in tandem with civil society developed an interim Poverty Reduction Strategy Paper (PRSP). Also, during the 2000-2010 period, St. Vincent and the Grenadines expended significant sums of money on programmes aimed at poverty reduction. According to Kairi Consultants in their Country Poverty Assessment 2007/2008 Report, there is clear evidence that St. Vincent and the

9 A programme funded by the EU, now discontinued.

Grenadines has pursued pro-poor policies. The policies have produced programmes and activities that have benefited the poor significantly. As a result of these and other initiatives there has been a reduction in abject poverty and improvements in living conditions.

According to Kairi's assessment, the Poverty Headcount Index stood at 30.2 percent, down from 37.5 percent in 1996, while the Gini coefficient fell from 0.56 in 1996 to 0.41 in 2008, suggesting an improvement in income equality. The indigence level moved from 25.7 percent in 1996 to 2.9 percent in 2008. These achievements, particularly the latter must not be slighted. Although considerable progress has been made with respect to the reduction of abject poverty, the vulnerability levels remain a great cause for concern. According to the assessment, the vulnerability level, an index not produced in 1996, stood at 48.2 percent in 2008. The rural and banana farming population was identified as being at high risk and needing particular poverty reduction strategies. Other identified characteristics of the poor included large families and predominantly female single parent households.

St. Vincent and the Grenadines achieved MDG1 and WFO goal on under-nourishment, and with this ranks among the top 18 countries worldwide.

3.2.5 The Elderly

St. Vincent and the Grenadines is conscious of the need for services, care and support for the elderly as more of the population ages. Accordingly, a Year of the Elderly was launched in 1999, through which several initiatives were implemented. Two day-care facilities for the elderly, dubbed "Golden Years Activity Centres" were opened in 2004 and 2005. In addition, the Ministry of Social Development instituted a Home Help for the Elderly Programme in 2002. A critical aspect of this programme included an extensive training component for the care-givers. In 2010, expenditure on this programme amounted to $985,000. The programme employs 88 (eighty-eight) Help Providers and 2 (two) Supervisors who work with over four hundred (400) elderly country-wide.

3.2.6 Gender and Development

One aphorism states that, "*If women are left out of development, half the world is left out*." Whilst significant strides have been made in terms of women's participation in development in St. Vincent and the Grenadines, they remain among the most vulnerable and economically powerless. Indeed, 53 percent of the unemployed are young females. Interestingly, most senior public servants in St. Vincent and the Grenadines are females.

St. Vincent and the Grenadines has also signed a myriad of international treaties and conventions for the protection and empowerment of women. In support of these policy decisions, an important administrative change occurred in 2001, with the establishment of a Gender Affairs Division as opposed to a Women's Desk. This division also includes at least one male, recognising the need for gender harmonisation in dealing with gender issues.

In addition, the establishment of the Family Court (FC) in 1995 provided augmented support to females. Previously, women went to the Magistrates and High Courts or Social Services with their complaints of non-payment of family maintenance. With the institution of the Family Court, women now have improved avenue for recourse. Particularly in the areas of domestic violence, the FC has empowered women so that their voices can be heard and there is a place where their problems can be handled with confidentiality. The FC is set up "in camera" with only the key parties.

3.2.7 Youth and Development

Youth participation and contribution are integral to the future development of St. Vincent and the Grenadines. Over the period of review, youth have notably contributed to development, although the areas of contribution could be improved. Young people contribute to, and participate in, the political process of the State. Over the last two elections, their participation was assessed to be relatively high.

According to the 2001 Population and Housing Census, youth (individuals 15-29 years) made up 27.8

CHAPTER 3: The Domestic Economy

percent of the total population. The census indicated that 12.7 percent of the unemployed fell in that group. Census data also revealed that in total, 38.6 percent of youth were unemployed, as can be seen in Table 3.3.

Youth unemployment, life skills and attitudes are a source of concern to society. As such, a National Youth Policy was developed and approved by Cabinet. This policy, among other things, promotes socialisation and the development of life skills among youths. It has also guided youth development programmes, including those administered by the Youth Affairs Division (YAD).

Table 3.3: Unemployed Youths 2001

Category	Number of Individuals
Youth unemployed	11,402
Total Youth	29,523
% Youth unemployed	38.6

Source: Population and Housing Census Report 2001

One of the major programmes managed by the YAD is the Taiwan-sponsored Youth Empowerment Service (YES) programme, which started in 2001. Beneficiaries are trained and then sent on attachments (ranging from 6-12 months) to various public and private organisations, where they receive on-the-job training and a monthly stipend. Among the areas that participants are exposed to are: clerical duties; basic laboratory procedures; physiotherapy; dental care; child development; hospitality; radio and television broadcasting; plant propagation; personal development and many more. Upon completion of job training, participants receive a certificate. Many have since used these certificates to obtain jobs and gain entry into learning institutions. To date, over 3,000 persons were placed on job attachments under this programme. In 2005, over 950 persons benefitted from the programme, of which 650 were new applicants.

The Youth Affairs Division also hosts an annual youth conference. This provides an additional forum for interface between the target beneficiaries (youths) and policy makers. Out of this initiative, several targets were identified for youth development.

These included:

1. To enhance the educational and skills development of youth.
2. To promote and enhance the holistic wellness of youth in St. Vincent and the Grenadines.
3. To prepare youth for meaningful employment.
4. To integrate youth into national development, nation building and national service.
5. To improve the management of youth development initiatives.

CHAPTER 4

CHAPTER 4: Strengths and Challenges

A Situational Analysis of St. Vincent and the Grenadines

4.1 Strengths

Intrinsic to this strategic Plan, is the determination to make St. Vincent and the Grenadines a globally competitive State, propelled by the ingenuity and commitment of a productive citizenry. In light of this overarching objective, there is need to assess the strengths and challenges characterising this small State, an analysis which will no doubt provide the framework for action going forward.

Thus, regarding the existing developmental strengths, there is consensus that, if harnessed, these will allow for the realisation of growth and advancement. They may be placed into six broad categories as follows:

1. Macro-economic Stability
2. Political Stability
3. Social Stability
4. Effective Justice and Legal System
5. National and Citizen Security
6. Regional and International Solidarity.

Given the dynamics of the global socio-economic environment, some may take on greater or lesser importance as the situation dictates.

4.1.1 Macro-economic Stability

A stable macro-economic environment is pivotal to the goal of re-engineering growth as well as securing the fundamentals of social capital. The achievement of macro-economic stability in Saint Vincent and the Grenadines has been underpinned by monetary stability, fiscal prudence in Central Government operations, and a regime of low inflation.

4.1.1.1 Monetary Stability and Stability of the Financial System

As a member of the Eastern Caribbean Currency Union (ECCU), St. Vincent and the Grenadines has shared the benefits with its other member countries of a stable monetary system. This derives in part from the fixed parity to the US Dollar which has been maintained since 1976.

4.1.1.2 Low to Moderate Inflation

St. Vincent and the Grenadines experienced fluctuations in its inflation rate between 2006 and 2011. The rate moved from 3 percent in 2006 to 10.1 percent in 2008, and was reduced significantly in 2011 to 3.2 percent. The fluctuations are attributed mainly to the movement of oil prices on the international market.

4.1.1.3 Fiscal Prudence

St. Vincent and the Grenadines has maintained a manageable level of public debt. As at 2010, the Debt to GDP ratio was 62.9 percent.

4.1.1.4 Good Investment Climate

The enabling framework includes enhancement in the use of ICT; improvement in air access, specifically the Canouan jet port; ease of doing business; fair, balanced and facilitating taxation regime, supported by sound economic and financial policies, law and order and political stability.

4.1.2 Political Stability

As a critical issue underpinning economic development, political stability is an important factor in attracting foreign direct investment and sustaining a reliable, transparent environment for doing business. The following positive factors characterise St. Vincent's political environment:

- St. Vincent and the Grenadines has a democratic political system which is based on free and fair elections.
- A stable political climate.

- An extensive bundle of fundamental rights and freedoms enforced through an independent court system.

4.1.3 Social Stability

The building of social capital and social solidarity promotes an environment in which the benefits of development can be widely shared throughout society in a more equitable manner. In view of this, concentrated efforts have been made to strengthen social cohesion.

Education

- Universal access to primary and secondary education. The latter was achieved in the 2005/2006 academic year.
- High percentage of trained teachers.
- Well-trained and educated workforce.
- Near universal access to early childhood education.
- Widespread access to post secondary and tertiary education.

Health

There have been positive developments in health. These include:

- Full access to primary health care.
- Maternal deaths per 1000 are negligible.
- Less than 2 percent infant mortality rate.
- Average life expectancy at birth is 72 years (2009).
- Full immunisation coverage for the under 5 age group.

Social Security and Community Development

- Financially sound National Insurance Services (NIS).
- Extensive public assistance programmes for indigent and economically disadvantaged persons.
- Rich cultural heritage.

Housing

- A relatively high number of home owners.
- High quality housing stock.
- The Government facilitates the provision of affordable housing.

4.1.4 Justice and Legal System

As a complement to political stability, the legal justice system provides the enabling framework for good governance and a secure business environment. The following factors indicate the breadth of the legal provisions in St. Vincent and the Grenadines:

- Membership in an integrated OECS legal system known for efficiency, transparency, and reliability.
- An independent and sound judicial system.

4.1.5 National and Citizen Security

National security is intricately related to the development and maintenance of an environment for sustainable growth and confidence in social systems. St. Vincent and the Grenadines offers the following security features:

- A relatively safe place to live, work and raise families.
- Maintenance of law and order by the law enforcement and national security authorities.

4.1.6 Regional and International Solidarity

St. Vincent and the Grenadines has extensive bonds of solidarity with other countries, regionally and internationally, and with a range of institutions/organisations, including CARICOM, OECS, the EU, ALBA, the UN, the Caribbean Development Bank, the Commonwealth Secretariat, the World Bank and the IMF. They provide vital solidarity and support in the development thrust of St. Vincent and the Grenadines.

CHAPTER 4: Strengths and Challenges

4.2 Challenges

St. Vincent and the Grenadines faces several formidable challenges, both internally and externally. Given the capacity of these challenges to easily erode the gains made and to undermine the achievement of the goals set forth in the Plan, it is imperative that they be effectively addressed. These challenges have been grouped into four categories:

1. Economic Challenges
2. Physical Constraints
3. Environmental Concerns
4. Social Infrastructure Challenges

Economic Challenges

Within the economic arena, the challenges to be addressed include:

- Enhancement of our country's capacity to address more efficaciously, in our nation's interest, the country's external environment.
- Increasing opportunity as a member of the Commonwealth and several regional and international organisations such as CARICOM, OECS, ACS, OAS, CELAC, ALBA, UN and others.
- Change in rural social economy consequent upon a decline in the value-added in the banana industry.
- Impact of trade liberalisation and WTO policies.
- High vulnerability to external shocks such as global economic crises and volatility in oil prices.
- Strengthening of private sector capacity.
- Exploration of new market opportunities and broadening of the export base.
- Expanding hotel accommodation.
- Increasing the access to credit for agriculture and manufacturing ventures.
- Expansion of capital markets.
- Increased interest and participation in research and development.
- Improvement in data collection, production and dissemination.
- Small size and limited material resources.
- Susceptibility to natural disasters.

Physical Constraints

The physical constraints affecting the proposed development goals within this Plan include:

- Under-developed physical infrastructure.
- Limited air and sea access.
- Inadequate collaboration with Eastern Caribbean Civil Aviation Authority to ensure compliance with regulatory standards.
- Insufficiently liberalised and modernised telecommunications sector.
- Inadequate and insufficiently maintained road network.

Environmental Concerns

Addressing the following environmental concerns will be paramount in achieving the goals set forth in the Plan:

- Implementation of sustainable environment policy.
- Adoption of environmentally sustainable farming practices.
- Vulnerability to natural and man-made disasters.
- Impact of climate change on the economy.
- Need for strengthening of national capacity to respond to and mitigate disasters.
- Need to address issues of sustainable and renewable energy.

CHAPTER 4: Strengths and Challenges

Social Infrastructure Challenges

The social challenges to be addressed are as follows:

Education

- Increasing interest and enrolment in Science, Technology, Engineering and Mathematics (STEM) in addition to English and other languages and Critical Thinking.
- Development of programmes to ensure that principals and teachers have the capacity to manage the schools and deliver curriculum through the integration of ICT.
- Reorganisation and improvement in the structure for Technical Vocational Education Training (TVET).
- Improvement in student performance, especially in critical subject areas and sustaining quality in universal primary and secondary education.
- Encouraging more responsible parenting.
- Facilitating quality teaching and leadership in schools
- Encouraging critical thinking.
- Inculcating values of our Caribbean civilisation within the context of universalism.

Human Resources

- Improving manpower planning.
- Increasing the cadre of persons with trained technical and vocational skills.
- Improving the work ethic and attitudes to work and production.

Youth

- Development of a comprehensive youth integration plan.
- Providing greater investment resources to facilitate youth development.
- Facilitating greater coordination of youth organisations/groups.

Health

- Reduction in the incidence of non-communicable and lifestyle-related diseases.
- Improving access to tertiary health care.
- Decreasing the number of HIV/AIDS cases.
- Providing national health insurance coverage.

National Security

- Providing greater levels of human and financial resources to tackle crime more effectively.
- Providing resources to secure national borders.
- Challenges of Crime and Citizen Security

This assessment of the strengths and challenges characterising the development process in St. Vincent and the Grenadines makes clear the pathway of opportunity that must be seized. Fundamentally, the co-ordination of limited resources and the maximisation of efforts among all agencies involved will be imperative to achieving the goals as set out in this Plan.