

Promoting SME Competitiveness in Saint Lucia





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SMEs are the key to inclusive growth

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

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

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

Saint Lucia's top import and export markets

Top 3 Import markets

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

Saint Lucia

Top 3 Export markets

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

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

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

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

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

Source: ITC Trade Map.

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

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

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



SME Competitiveness Benchmarking

Compete, connect and change for inclusive growth

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

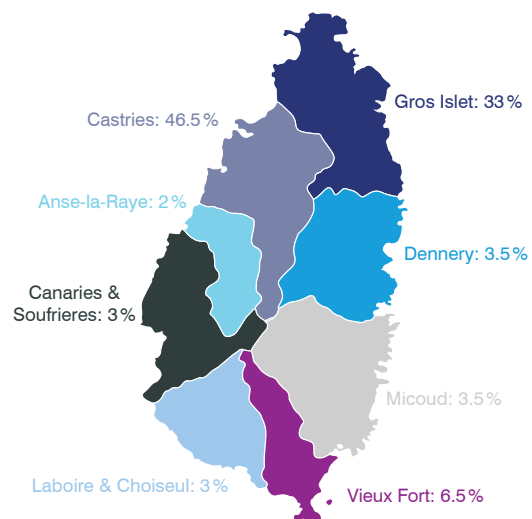
- **Compete** assesses whether current production is efficient and meets market requirements.
- **Connect** assesses how connected enterprises are to their suppliers and buyers.
- **Change** assesses whether enterprises have the capacity to make human and financial investments to adapt to fast changing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

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

In-depth, face-to-face enterprise surveys

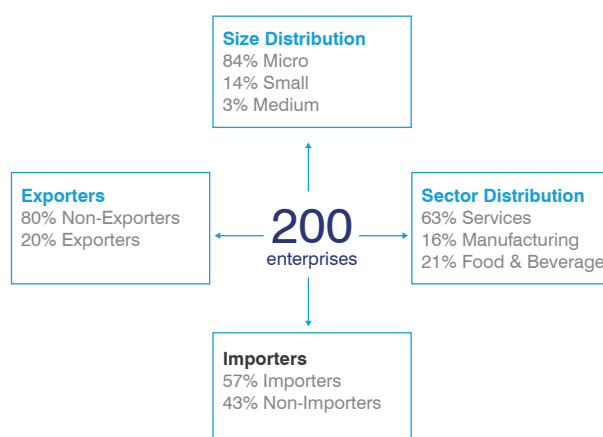
The Trade Export Promotion Agency conducted 200 in-depth, face-to-face enterprise surveys as part of Saint Lucia's National Export Strategy. Companies from all parts of the country were surveyed, most of which were small enterprises. Almost half imported goods and one-fifth were exporters. About 63%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

Surveyed firms by region



Source: ITC SME Competitiveness Survey.

Key survey statistics



Source: ITC SME Competitiveness Survey.



The Trade Export Promotion Agency

Helping local business to export

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

What services does TEPA provide?

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

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

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

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



How to seek help from TEPA?

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



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TEPA's trade services assist you:

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

TEPA's trade information tools provide you with:



Market intelligence
and trade research



Doing business
guides



Standards and
quality recognition



Market report and
recommended
publications



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



Trade exports
statistics



Trade Agreements



General Documents
of St. Lucia Customs
and Excise

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Food and beverage industry

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

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

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

Saint Lucia's food and beverage enterprises are efficient

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

Few of the surveyed food and beverage companies export

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

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

International quality certificates can help secure foreign clients

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

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

Websites help increase visibility

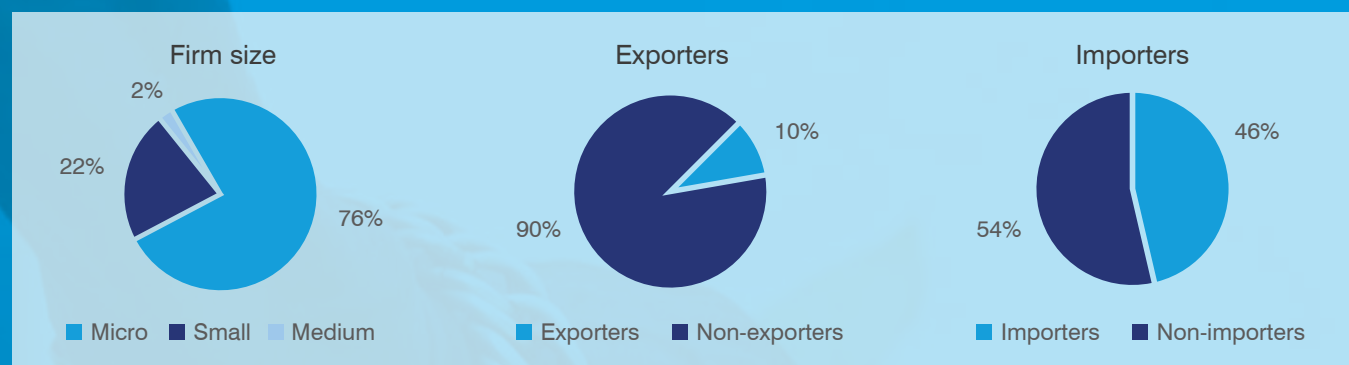
Research shows that businesses with websites are more likely to export⁶. Being visible online helps foreign buyers learn about a company's product offering. Although 64% of the surveyed firms have a broadband Internet connection, only 30% have a business website. Saint Lucian companies should be encouraged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

4. International Labour Organization, ILOSTAT database.

5. Caribbean Agriculture Research and Development Institute.

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

Key statistics for the food and beverage sector



Source: ITC SME Competitiveness Survey

The SME Competitiveness Grid for the food and beverage sector

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

Source: ITC SME Competitiveness Survey

Highlighted statistics for the food and beverage sector

90% of firms have good access to water and electricity

35% of firms hold an internationally recognized certificates

30% of firms have a website

Source: ITC SME Competitiveness Survey



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Manufacturing industry

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

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

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

In partnership with ITC, the Trade Export Promotion Agency carried out 33 in-depth competitiveness surveys at manufacturing companies to identify their strengths

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

Saint Lucian manufacturing companies deliver

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

Smaller firms would benefit from better access to credit

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