

Tic Tac...

Shaping a Services Policy, Strategy and Action Plan for Saint Lucia



Enhancing Competitiveness in the Global Marketplace

In this Issue:

Consultant's Findings

The Gender Imbalance

Outsourcing Services

Preliminary Findings of Consultancy for Services Policy, Strategy and Action

The CDB Funded Consultancy to develop a gender-responsive and results-based Services Policy, Strategy and Action Plan for St. Lucia began in mid-February. Between February and April of this year, the Consultants met with key stakeholders in the public and private sector to get their input and perspectives on how best the island's services can be developed.

The consultants findings point to policy incoherence and lack of coordination across ministries and agencies regarding service sector development, export development and investment attraction.

As with previous consultancies, it has emerged that the vast majority of service providers in Saint Lucia are not really focused on exporting and many are too small or inexperienced to become exporters at this stage. So, initial indications are that service sector development will have to focus on growing firms and preparing them for export. As it relates to infrastructure projects, it is widely perceived - among architects and engineers - that government utilizes local expertise insufficiently in awarding contracts. This was partly as a result of scale; some local companies are not large enough to meet the

requirements. Most companies in the sector are small or micro, preventing them from bidding on many donor agency consultancy contracts. Only a few have regional or international networks to enable them to develop collective bids. The overriding sentiment is that local expertise is insufficiently recognized.

Consequently, many service providers concentrate on meeting local demand, but even in these circumstances they often face foreign competition, with consumers often preferring foreign suppliers.

Entrepreneurship and Access to Finance - the gender imbalance

One of the requirements of the proposed Services Policy, Strategy and Action plan is that it must be gender responsive and promote gender equity in the delivery, as well as the consumption of services. The Policy must also highlight gender inequality, where it exists, and come up with recommendations to address any such imbalance.

From their focus group meetings and interviews, the Consultants found that enterprises led by women are often "necessity based", oriented to meeting family needs, and in some instances, to fending off poverty. The Consultants found that men, more often become involved in "opportunity based" ventures with longer

time horizons. Such ventures tend to facilitate innovation and create more jobs. These differences are associated with a perception that women are inherently risk averse. However, Caribbean gender scholars have noted that women may not be risk averse but begin from a position of financial disadvantage and lack of capital



while being expected to be the principal caregivers in their families. Women more often source funds from family and friends rather than seek funds from lending institutions, because they have difficulty in accessing credit. The general consensus from the focus groups and interviews is that the requirement of collateral to access loans, negatively affects the financial prospects of women more than men, as women own less capital that can be used as collateral. Additionally, there is the perception that staff of financial institutions are more likely to provide financing to men. For this reason, some arrange for men to apply for loans on their behalf, or face financial institutions with a man, and put the loan in his name.

Business and Professional Services are among the key service sectors identified as having tremendous potential for growth, especially as it relates to service exports. The business and professional services being targeted for assistance through the impending Services Policy, Strategy and Action Plan include Accounting, Architecture, Engineering, and Management Consulting.

As part of the CARTFund Project, NEX Consulting was contracted to develop an Export Development Platform for key service sectors in St. Lucia. This article contains their findings as it relates to St. Lucia's prospects for outsourcing Finance and Accounting (FA) services.

Global markets for business and professional services are large and growing rapidly with an increasing proportion of outsourcing going abroad (offshoring). Within the offshoring market, the trend is towards a mix of offshoring basic functions to a low-cost destination whilst near-shoring higher value functions has created opportunities for Caribbean countries.

However, St. Lucia does not have the critical mass of even medium-sized firms necessary to compete in the international market for business and professional services. More importantly, St. Lucia does not have a substantial cost advantage in the provision of these services. Regional markets, especially the OECS, provide the best opportunities for St. Lucia's business and professional service providers. At the broader CARICOM level, they must compete with larger and more developed service economies like Barbados, Jamaica and Trinidad. Be that as it may, the possibility of attracting specialist outsourcing firms looking for a near-shore presence in finance and accounting services should be explored. The global outsourcing market for finance and accounting is valued at

close to \$50 billion. The range of services being outsourced include bookkeeping, accounts receivable, accounts payable as well as more complex activities such as budget forecasts and risks management. India remains the global leader and the US the largest market. It is estimated that 80 – 90 percent of finance and accounting activity outsourced by US companies is sent offshore, specifically India and Eastern Europe. The cost savings from outsourcing finance and accounting functions are estimated to be between 20 and 30 percent. When the functions are moved offshore, the cost savings can range from 32% to as high as 50%, especially when outsourcing to India.

The local accounting industry is well

firms with just one or two partners. All of these firms are limited in terms of the range of services they can offer for export and lack the resources to handle large projects. Most firms have concentrated on serving the domestic market and the financial sector, in particular.

Given current cost levels, the quality of service offered, the attractiveness of the location and the proximity to the US market, St. Lucia might be able to attract nearshore outsourcing of Finance and Accounting functions. However, one or two-person operations do not have the resources to market service exports effectively. They do not have the scale to cope with even mid-sized outsourced work,

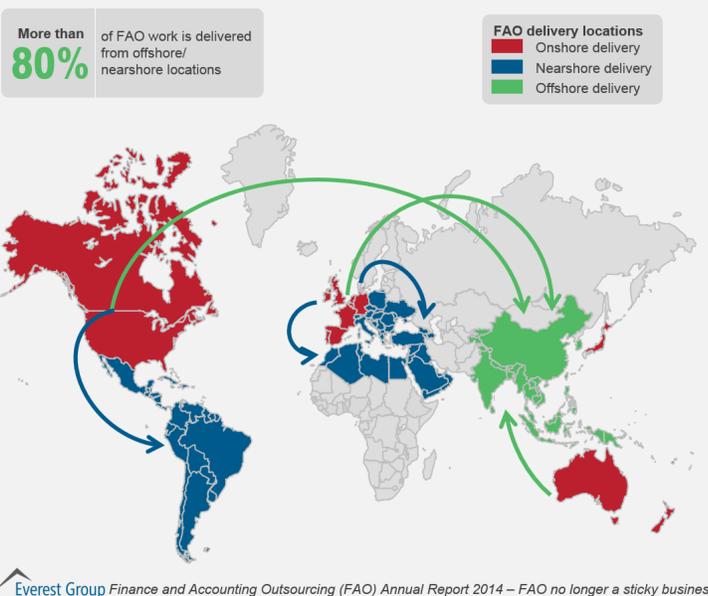
and they cannot project the type of corporate image required to convince clients to outsource key functions, even though they may have the capacity to. These constraints could be addressed through inward investment from existing FA outsourcing providers seeking a near-shore location to serve the US; and development of strategic partnerships using con-

tracts in the diaspora to generate export possibilities.

It is hoped that the impending Services Policy will contain recommendations and strategies to stimulate growth in the Finance and Accounting practice aimed at increasing competitiveness, revenue and service exports in the sector.

The “prevailing winds” of FAO delivery

Offshoring continues to be the predominant delivery model for FAO, but service providers are investing in onshore locations to balance the delivery model



developed and is able to offer quality services across a wide range of specialties. The Institute of Chartered Accountants of St. Lucia is well established and has been effective in regulating the domestic industry. There are a few large firms but only 3 sizeable accounting firms on the island with more than one partner. The rest of the accounting landscape is dominated by