

# **ESTABLISHMENT OF A GLOBAL RESIDENCE AND CITIZENSHIP PROGRAMME**

**A REPORT PREPARED BY A TASK FORCE APPOINTED BY  
THE GOVERNMENT OF SAINT LUCIA**

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## **EXECUTIVE SUMMARY**

The Report initially undertakes a broad analysis of Saint Lucia's economic structure, development challenges and current situation, placing the economy in the context of global economic trends and their effects on the countries of the Caribbean Community; this providing the context of the mandate given to the Task Force. Given its analysis that the economic activities that provided the basic foundations of the economy, and which had brought some degree of economic development to the country, had been proving no longer sustainable, and therefore inadequate to the task of persistent economic growth, the Task Force concluded that it was appropriate to pursue new types of economic activities that can assist in giving a renewed impulse to economic growth.

It is in this context that the Task Force surveyed current trends indicating new possibilities for growth, among which has been a thrust, in the Caribbean and the wider world, towards the pursuit of the grant of citizenship and residence, on the basis of financial investments of one form or another in the country.

The Report undertakes a survey of a variety of policies and experiences currently existing, in regard to what has now come to be known as the Global Residence and Citizenship Industry. The purpose of this is to investigate its validity as a new approach to economic growth. In the process, the Report seeks to identify the extent to which this industry can meet the challenge of transition to new economic pursuits in islands such as Saint Lucia; the extent to which it has indicated concrete prospects for providing substantial and sustainable revenue, and in the process, creating both employment and appreciable revenue for Government.

In this connection, the Report paid attention to efforts that have been made within the Caribbean, and more specifically among countries of the Organisation of Eastern Caribbean States, but also among relatively small countries in the wider global environment. The study shows that there have been a reasonable number of successes in the realms of both substantial additional revenue and employment. Such employment

would, depending on the areas of economic activity chosen by Government and private sector, be a substantial adjunct to the tourism industry.

The Report then proceeds to elaborate the extent to which the existing models can be made appropriate to Saint Lucia. It concludes that there is a case for recommending this approach as a suitable additional strategy for the country's economic development. Consequently, substantial attention is paid to demonstrating the relevance of this model of economic development specifically to Saint Lucia, elaborating, as indicated earlier on the variety of relatively small countries within the wider Caribbean, but also in relation to what are described as small island developing states (SIDS) like Singapore, Cyprus and Malta. In addition, the Report seeks to demonstrate the extent to which this mode of economic development is also seen as legitimate in developed Commonwealth countries like Australia, New Zealand, Canada and the United Kingdom itself. It also becomes clear that the stratagem is pursued as a legitimate activity within an arena like the European Union, with countries like Ireland, Portugal and Hungary utilising it to advance their economic growth in that geo-economic arena.

This survey leads to a particular conclusion appropriate to an understanding of this relatively new mode of advancing economic growth. It specifically indicates that increasingly, in the world at large, "Citizenship is no longer seen as strictly national; dual or even global citizenship is increasingly recognised. This is particularly true for a global class of highly skilled professionals from both developed and developing countries like Saint Lucia. Such persons are becoming more and more mobile and so are their demands for ways to obtain second residency and/or citizenship. There is a growing awareness among policymakers of the economic need to attract this mobile class of highly skilled individuals".

On this basis, the Report proceeds to examine the options, in regard to an Economic Residence and Citizenship Programme that may be appropriate and available to Saint Lucia. It seeks to define the major elements involved, the variety of investment options,

and the general admission requirements. The objective is to seek to somewhat differentiate a Saint Lucian programme from those of other country-participants in the field. And particular emphasis is placed on the necessity for appropriate due diligence and background verification policies, with the specific intention of protecting the integrity of the country and its passport. In this regard, particular attention is paid to the issue of appropriate security arrangements.

Further, the Report seeks to elaborate an Economic Residence and Citizenship Programme of particular relevance for Saint Lucia. It defines four possible specific investment options for the country, if Government decides to pursue such a programme, including “minimum investment thresholds”; and it reiterates that these are designed to induce contributions to the following national development objectives:

- ❖ Promoting economic growth and economic diversification;
- ❖ Creation of jobs and encouraging entrepreneurship;
- ❖ Development of infrastructure;
- ❖ Encouraging the development of investment projects as part of the country’s priority sector objectives;
- ❖ Providing for sustainable management of projects; and
- ❖ Taking into consideration ongoing global residence and citizenship programmes.

Finally, the Report recommends the implementation of a Saint Lucia Economic Residence and Citizenship Programme with the following key elements:

- ❖ A direct citizenship programme with four (4) investment options, namely investment in an existing or new business; investment in real estate; contribution to a National Development Fund; and investment in government bonds.
- ❖ Establishment of a separate residence programme with the option of eventually leading to citizenship.
- ❖ Establishment of a designated Citizenship by Investment Unit (CIU) as a statutory body.

- ❖ Very transparent approaches in respect of reporting requirements and public information dissemination.
- ❖ Engagement of specialised due diligence and marketing experts.

## 1. THE MANDATE

The Mandate of the Task Force, as indicated in the Prime Minister's letter of invitation, dated 21<sup>st</sup> August 2015, to the Chairman and Members of the Task Force, was "to consider the question of broadening the framework under which citizenship might be offered as a part of a programme of investing in Saint Lucia", and in that regard, to "determine whether Saint Lucia should establish an economic programme and if so, the best model to adopt".

This decision and request, followed the announcement by Her Excellency the Governor General in her 2014/15 Throne Speech to Parliament, in which Her Excellency indicated the Government's intention to proceed in that direction, as part of the process of pursuing new and appropriate means of advancing the economic development of Saint Lucia.

It will also be noted that, in that context, the Committee previously established by the Government of Saint Lucia to examine trends and policies pertinent to the country's external relations had, in its 2012 Report, discussed the prospects, and made recommendations, for such a programme as a new element in pursuit of the country's development.

From the perspective addressed to it, the Task Force held a series of meetings to explore all relevant aspects of what is a relatively new approach to attraction of investment. These meetings included interviews with a number of individuals and institutions whom we knew to have had appropriate experience of, and competence in, this sphere. In that connection, in the course of fulfilling the Mandate, the Task Force has held discussions specifically with a number of Saint Lucian private and public sector institutions, and more widely, with experienced experts and practitioners in the field. We are grateful to them for offering their time and knowledge.

In the course of its investigations and discussions, the Task Force has also noted the extent to which policies of extending residence and citizenship through investment have become widespread virtually throughout the world, including the Caribbean, and we have taken time to assess the varieties of types of programmes that have been implemented.



The Task Force has therefore become aware of the extent to which Residence and Citizenship by Investment Programmes have virtually become an “established practice”, thus providing Saint Lucia with an opportunity to review and select best practices most appropriate to the circumstances of the country. We have therefore proceeded on that basis.

In this respect, the Task Force has been well aware that this is a subject of some degree of contention, and has been concerned to carefully scrutinise the variety of conclusions that exist about it, to seek to avoid those based on an automatic hostility, and to come to terms with an approach that can be beneficial to Saint Lucia and its people.

Dr. Vaughan A. Lewis (Chairman)



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**15<sup>th</sup> January 2015**

## 2. THE CONTEXT OF THE MANDATE

Saint Lucia's economy from the late 1960s to the mid-1990s was characterised by one-way preferential access to international markets, affordable development financing and generous inflows of aid, technical assistance and inward investments that invariably were based on access to the said preferential markets. Indeed, it is estimated that official development assistance may have accounted for about 25% of the Gross Domestic Product (GDP) of Saint Lucia and the other countries in the Organisation of Eastern Caribbean States (OECS) sub-region during the relatively buoyant decade of the 1980s. Unfortunately, the world is a different place now and globalisation has ushered in precarious debt to GDP profiles, unsustainable fiscal positions, full reciprocity in trade, dried up aid flows and market based interest rates for development financing. Even the smallest micro states have now to fend for themselves on the bases of creativity, innovation, competitiveness and productivity.

The structure of the country's economy has not sufficiently adapted to the new, harsher realities facing most small island developing economies in the Caribbean and beyond. In essence, Saint Lucia's heavy reliance on budgetary aid, low interest financing and one-way preferential trade naturally fostered a private sector oriented towards mercantile trade (importing for domestic wholesaling/retailing) and a public sector investment programme overly dependent on generous aid flows. Once the effects of globalisation set in, the trajectory of economic growth and development necessarily flattened, resulting in mounting levels of debt and the concomitant tightening of the country's fiscal position.

That Saint Lucia has not yet made a full adjustment to the new realities of globalisation is perhaps due to the combined effects of a severely constrained natural resource base, insufficient national savings and investment levels, limited availability of expertise and the absence of a reliable replacement for the dependency model that characterised Saint Lucia's economy during that period. An increasingly challenging fiscal situation as well

as other resource constraints including the constrictions of size, population and access to state-of-the-art technology may have further complicated the situation.

Indeed, although tourism has replaced agriculture, since the early 1990s, as the country's leading economic sector, it has not been able to have as transformative and widespread an effect, as the banana industry did, due to the very nature of tourism with its greater import leakages and relatively tenuous linkages with domestic production. By way of example, the Dominican Republic is both the leading Caribbean tourism destination and largest regional recipient of foreign direct investment, as is Jamaica in the English speaking Commonwealth Caribbean, yet both of them are struggling to redress the acute income disparities and rising poverty levels that continue to hinder their developmental thrusts.

The world has obviously changed and Saint Lucia is now faced with the harsh reality of having to manage its development in the context of almost dried up aid flows, an increasing trend towards full reciprocity in international trade agreements and market based interest rates for development financing. All this, with a considerable slowdown in economic growth since the Global Economic Recession in 2008, widening fiscal deficits, low national savings and investment levels and unsustainable debt to GDP and debt service to current revenue ratios.

Like other countries in the Region, Saint Lucia has now to earn its way to prosperity and that requires vision, innovative and purposeful policy formulation, and a skillfully executed national development agenda. Saint Lucia's two most important attributes are its natural beauty and the warmth and friendliness of its people. Those two attributes create a natural allure that underpins the offerings and promise of this island State. The successful examples of enterprise, whether in the tourism sector (Jade Mountain, Sugar Beach, Le Sport, Cap Maison, Ladera, Bay Gardens) or in smart manufacturing (Brice & Company, Saint Lu Metal Works, Windward and Leeward Brewery) or agro-processing (Baron Foods, St. Lucia Distillers, Viking Traders) all, in some manner, embrace those attributes. However, they are not large enough, whether in size or numbers, to make that

transformative dent that is so much needed to spur the country's growth and development.

The focus must therefore turn to strategic investments and business development opportunities that promote the economic, infrastructural, technological, social and environmental pillars that are critical to the country's growth as a nation. The challenge is to find a mechanism for attracting cogent investments and initiatives that serve to enhance "Brand Saint Lucia", while promoting the best attributes of the county and supporting its sustainable development objectives, through overall wealth creation, social equity and environmental sustainability.

One such pillar is, of course, infrastructure development. The premises for a major programme to significantly upgrade Saint Lucia's level of infrastructure rest on: (1) more efficient spatial planning; (2) maximising the country's natural beauty and still relatively pristine environment, while facilitating the populace's easy access to modern roads, telecommunications, public utilities and basic social and economic services; (3) minimising the rural/urban divide; (4) lowering the general cost of doing business; and (5) facilitating a more orderly land zoning and utilisation process. Additionally, in a small, resource poor developing country such as Saint Lucia, strategic infrastructure development is also predicated on the fact that it generally strengthens the country's future competitiveness as well as its resilience to natural disasters.

What is obvious however, is that the traditional drivers of inward investment flows are no longer sufficient. Given the clear relationship between sustainable, cogent investment and economic growth and development, the entire world is seeking new investment inflows and Saint Lucia must do things differently if it is to make any dent in its quest to be among the leading small island developing countries in the world. This mandates adopting a more proactive approach that focuses on investment targeting, marketing and promotion as opposed to the more passive investment facilitation only approach.

While the debt financed mode of funding both foreign and domestic private sector investment flows has become less dependable, there are encouraging signs of new sources of investment funding including transparent and well managed Global Residence and Citizenship by Investment Programmes (CIP); Sovereign Wealth Funds (SWF); National Development Funds (NDF); and Investment Equity Funds (IEF). Whichever one or combination thereof is embraced by Saint Lucia, prudence demands a cautious approach that targets only investors and investments that meet the following criteria:

- ❖ Are predicated on clearly viable commercial, operational and financial proposals particularly where government incentives and/or public sector financial participation are required;
- ❖ Result in sustainable, efficient and effective job creation;
- ❖ Are able to enhance economic, technological, environmental and social transformation to improve human well-being and the quality of life of Saint Lucians;
- ❖ Do not require inequitable public sector involvement and disproportionate risk bearing;
- ❖ Have fairly low Debt/Equity ratios;
- ❖ Are based on key partnerships that enhance the specific investment project's potential for success as well as its marketability;
- ❖ Do not result in net transfer of resources from the country nor compromise social equity/stability or cause irreversible damage to the natural environment;
- ❖ Are realistic, implementable and sustainable;
- ❖ Are transparent and able to withstand full legal, financial, economic and ethical scrutiny;
- ❖ Assist in furthering the country's economic and social development goals.

### 3. THE GLOBAL RESIDENCE AND CITIZENSHIP INDUSTRY

#### I. Industry Overview

##### a. Development and Current Situation

Historically, global residence and citizenship programmes emerged in the 1980s and have seen a rapid development in the following decades. Today, more than 20 programmes exist, half of which can be identified as the ones that shape the industry and its development.

The table<sup>1</sup> below illustrates the countries that have played and are playing a significant role in the field of investment immigration.

**Table 1: Global Residence and Citizenship Programmes**

Country	Launch	Programme referred to as
Saint Kitts & Nevis	1984	Citizenship by Investment
Canada*	1986	Immigrant Investor Program
Canada (Quebec)		Investor Program
United States	1990	Immigrant Investor Program EB-5
Dominica	1993	Economic Citizenship Programme
United Kingdom	1994	Tier-1 (Investor) Route
New Zealand	1999	Business Migration - Investor / Investor Plus Category
Hong Kong	2003	Capital Investment Entrant Scheme
Bulgaria	2009	Investor Programme for Residence and Citizenship
Singapore	2009	Global Investor Programme
Cyprus	2011	Scheme for Naturalization of Investors
Antigua & Barbuda	2012	Citizenship by Investment Programme
Australia	2012	Business Innovation and Investment Programme - Investor stream / Significant Investor Stream
Hungary	2012	Investor Residency Bond Programme
Ireland	2012	Immigrant Investor Programme
Portugal	2012	Golden Visa Programme
Grenada	2013	Citizenship by Investment Programme
Greece	2013	Golden Visa Programme
Latvia	2013	Immigrant Investor Visa
Spain	2013	Golden Visa Programme
Malta	2014	Individual Investor Programme

\* This programme has been suspended since the beginning of 2014

<sup>1</sup> Global Citizenship : Planning for Sustainable Growth, *A Pilot Report on Enhancing Understanding of Global Citizenship by Investment Programs*, Arton Capital and the World Economic Forum 2014.

For a comparative analysis of existing programmes see Christian H. Kälin, *Global Residence and Citizenship Handbook* 4<sup>th</sup> Ed. 2014, Henley& Partners

As illustrated in Table 1, the number of countries offering global residence and citizenship programmes has increased substantially in the past 5 years. This can largely be explained by three trends:

- ❖ Citizenship is no longer seen as strictly national; dual or even global citizenship is increasingly recognised. This is particularly true for a global class of highly skilled professionals from both developed and developing countries like Saint Lucia. Such persons are becoming more and more mobile and so are their demands for ways to obtain second residency and/or citizenship;
- ❖ Global citizenship programmes fit a general policy tendency towards being more selective. There is a growing awareness among policymakers of the economic need to attract this mobile class of highly skilled individuals;
- ❖ These developments were additionally boosted by the global financial crisis in 2008, which left many countries looking for ways to stimulate economic development in areas where there have been foreign investment deficits.

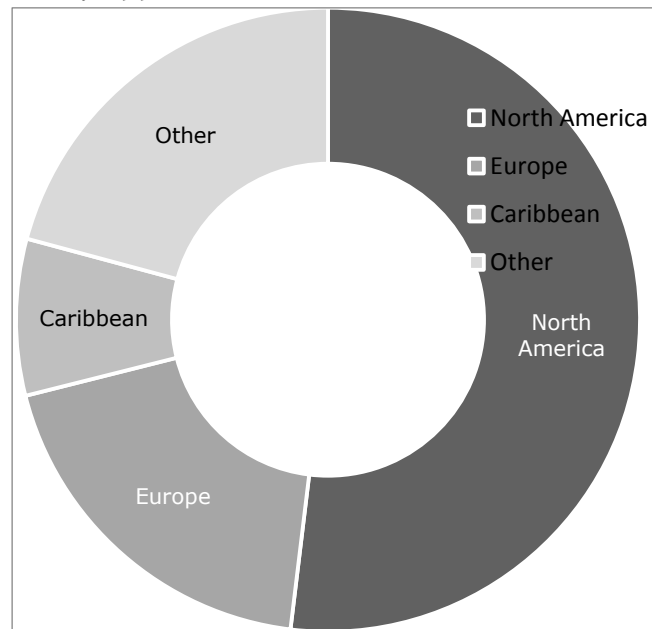
Official information about the number of applicants is not readily available, as there are only a small number of countries that release data on a regular basis. Canada, UK and the U.S. are very good examples in this regard, and it is noteworthy that Grenada has now adopted this practice where governments regularly disclose information about the intake of applications and the annual number of approved applicants and dependents.

Nevertheless, based on official statistics (where available) as well as internet resources, it can be concluded that the Canadian programme had the largest number of applications, followed by the United States. In 2013, these two programmes seem to have generated about 50% of the total number of applications. The European programmes together represent about a fifth. Another 10% is attributed to the four Caribbean programmes.

However, since these Caribbean states are particularly guarded about the publication of the number of applications, the reliability of data for this category is limited.

The distribution of immigrant investors is illustrated with Figure 1.

**Figure 1: *Distribution of applicants in 2013***



The diagram serves to illustrate the global tendency towards regions and types of programmes. Clearly, the Caribbean region with its four (4) currently active programmes assumes quite a significant portion of the total number of applications. With Canada suspending their Federal Immigrant Investor Programme for purposes of review, and applying changes to their Provincial Immigrant Investor Programme, it can be expected that there will be, in the interim, an increased demand for global residence and citizenship programmes. This, however, is not the only factor inducing competition.

With half of the currently available programmes introduced after 2010, competition in the field has naturally intensified. Changes in the market are swiftly picked up and responded to.

There is, however, one particularity about this industry, which must always be remembered; competition is among specific programmes and not across the entire range of available programmes. For example, the four Caribbean countries compete amongst themselves but not with Europe, Canada or the United States, as these generally offer



different programmes to those available in the Caribbean. This characteristic of the market is essential when it comes to structuring a new offering.

Once the type of the new programme is selected, then its main features should be compared to the ones with similar offerings. The ingredients of the new programme should also be compared to those offered within the same region.

## b. Types of Programmes

There are two main types of programmes:

- ❖ **Immigrant Investor Programmes** that require applicants to maintain the status of permanent residents in the accepting country for a certain period before being able to qualify for citizenship. Such programmes also require that pre-defined criteria be met for the set mandatory period.
- ❖ **Direct Citizenship Programmes** that grant citizenship on the grounds of investment. All the current Caribbean programmes fall into this category.

Currently, 15 of the 20 countries presented in Table 1 follow the first pattern – from residence to citizenship. Out of the 20 countries included in Table 1, 10 have attracted most of the investment interest. These programmes and their type are presented in the figure below.

**Table 2: Most attractive global residence and citizenship programmes**

CITIZENSHIP BY INVESTMENT PROGRAMMES		RESIDENCE TO CITIZENSHIP PROGRAMMES	
CARIBBEAN	EUROPE	EUROPE	NORTH AMERICA
Antigua and Barbuda	Austria	Bulgaria	Canada
Dominica	Malta	Hungary	USA
Grenada		UK	
Saint Kitts and Nevis			

In principle, immigrant investor programmes (i.e. residency that leads to citizenship) tend to be more appealing to governments, as they are generally believed to respond more adequately to one of the main concerns that are inherent in the industry – the safeguarding

of the national integrity. Nevertheless, different mechanisms exist to apply stringent policies and procedures, as well as mandatory requirements that can be used to address this important issue.

As illustrated in Table 2, the 10 most attractive programmes are evenly distributed between immigrant investor programmes and direct citizenship programmes. Saint Kitts and Nevis originated the first economic citizenship programme and other Caribbean nations that followed suit have applied the same model. Today, the region is recognised for this particular type of programme in the global residence and citizenship industry. One of the latest countries to join this group is European: Cyprus, whose *Scheme for Naturalization of Investors* was adopted in 2011 but has been modified several times since, most notably in 2013.

What distinguishes global residence and citizenship programmes from other available mechanisms, is that these are marketed as special investment products by government agencies and licensed international marketing agents, where the programmes are structured in a way that includes the involvement of these marketing agents.

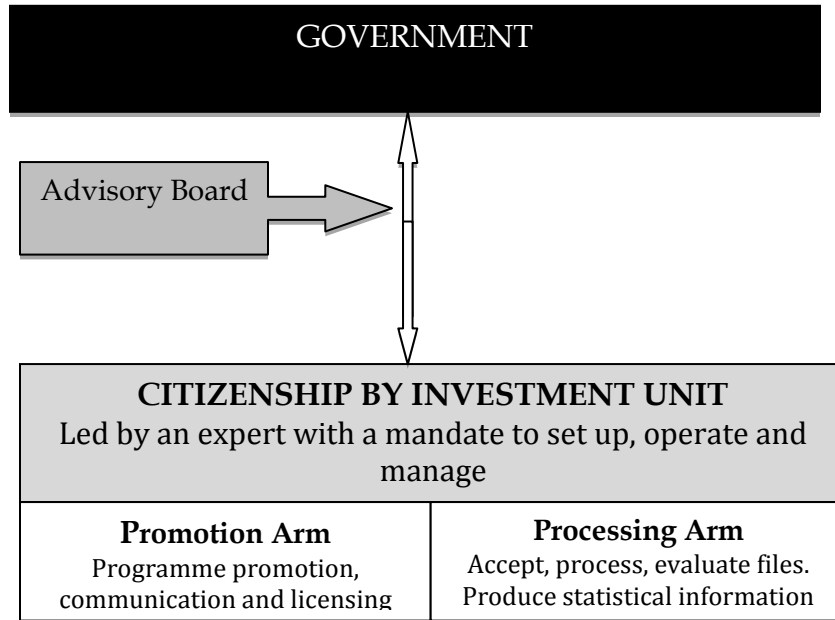
### c. Industry Stakeholders

The management and sustainable operation of global residence and citizenship programmes involves different stakeholders. They vary depending on the main features of the programme. Ideally, the following stakeholders should interact:

- ❖ **Government** - design and structure the programme, implement legislative changes, inform, monitor, advocate and report on the programme. The government should also assess the impact of programme implementation and decide whether or not the initially established set of objectives are met and whether the sustainability of the programme is secured;
- ❖ **Citizenship by Investment Unit (CIU)** - responsible for the programme management and processing, as well as for its marketing, through a dedicated division. Ideally, this unit should manage the processing of files and the promotion of the programme, where these two important tasks should be assigned to different divisions, both managed by the head of the CIU. However, there are examples of

the marketing function being outsourced to agencies that specialise in this activity. Figure 2 below further illustrates the distribution of tasks:

**Figure 2: Citizenship by Investment Unit**



- ❖ **Licensed Financial Intermediaries** – limited to a certain number, they perform the transactions related to the investments and the financing (where financing options are available);
- ❖ **Licensed Processing Agents** – professionals who liaise directly with applicants and/ or their representatives under the programme; these are usually local individuals and companies, who facilitate applicants throughout their participation in the programme;
- ❖ **Approved International Marketing Agents** – experienced in the field of global residence and citizenship, with the expertise and the potential to maximise the benefits from the programme;
- ❖ **Approved Project Owners** – who apply with their investment projects; whether or not there are approved project owners depends on the programme features.

#### d. The Investors

Popular immigrant oriented destinations attract a higher number of immigrant investors planning to relocate families and improve their lives. When these immigrant investors set their mind on a particular destination, they do this for quality of life reasons and will not be easily affected by an increasing number of options. However, for immigrant investors looking for greater ease of travel, an exit strategy or tax planning options, competition becomes a greater factor.

Overall, the migration of High Net Worth Individuals (HNWI) has changed dramatically over the last decades. The global residence and citizenship movement today has intensified and diversified with more than 225 million international migrants, and that number continues to rise.

Increasingly, High- and Ultra-High Net Worth Individuals (UHNWI) are seeking to obtain second residences and/or citizenship to secure their legacy, as well as to provide for their children, grandchildren and parents. These individuals are increasingly global – they have multiple homes, international businesses, existing investments, and their children study abroad.

When it comes to profiling the applicants of global residence and citizenship programmes, these can be divided into the following categories:

- ❖ **High Net Worth Individuals** – typically are described as having investible assets worth at least US\$1 million. However, industry specialists confirm that the actual threshold is closer to US\$5 million;
- ❖ **Ultra High Net Worth individuals** – minimum net worth of US\$30 million;
- ❖ **Demi-billionaires** – between US\$500 million and US\$1 billion;
- ❖ **Billionaires** – net worth over US\$1 billion.

The first two groups form the majority of applicants for the global residence and citizenship programmes. Their motives include:

- ❖ A jurisdiction where their wealth is protected, and where it can grow;
- ❖ Social, economic, and political stability;
- ❖ Security and predictability;
- ❖ Sustainable educational system;
- ❖ Clean environment;
- ❖ Open and tolerant society;
- ❖ Freedom, rule of law, and peace.

External research and analyses of wealth intelligence and verification show that some 25% of all global citizens are choosing the Caribbean region as their preferred destination. While this can also be attributed to the relatively low investment entry levels, as compared to other available programmes, this reveals the region's potential, and one from which Saint Lucia can benefit.

Industry professionals suggest that, with the increased shift of wealth, (a tendency that analysts expect to continue in the next 30 years), if Saint Lucia decides to structure a global residence and citizenship programme, it can expect individuals with net worth in excess of US\$170 million, an average of 2.3 children and slightly over the average age of 62 years.

Besides the personal factors, high and ultra-high net worth individuals also consider programme features. These have been analysed and distilled by industry professionals, who have introduced an industry index that comprises the 5 most important decision-making factors when it comes to programme features.

These are:

- ❖ **Cost:** measuring the costs pertinent to the application and the net investment that the applicant is required to make;
- ❖ **Speed:** time to residence and/or citizenship;

- ❖ **Global Mobility:** the total number of countries accessible visa-free on that passport as well as access to the most desirable places to visit;
- ❖ **Simplicity:** clarity and seamlessness of the application process;
- ❖ **Quality of Life:** based on external quality of life indices.

The index assigns a score to the ten most attractive programmes based on research and evaluation of the sentiments and preferences of the applicants. However, individual applicants will put a different weight to each of the five general criteria when they apply them against their personal motives and circumstances.

Governments, on the other hand, tend to use a different approach. This addresses the national development goals and objectives that they have set when structuring the programme.

#### e. **Programme Elements**

HNWI bring significant benefit to each economy. They create jobs and start new businesses. They bring their international expertise and experience, they develop or utilise existing infrastructure, they become high-end consumers, and they pay taxes and make social contributions. HNWI also contribute to GDP growth. They have the know-how and strategic connections from which host societies and economies can benefit. They can contribute to the sustainable development of multicultural dialogue and exchange. Governments are seeking to attract such HNWI for all of the above reasons. One such means is to introduce a global residence and citizenship programme, with appropriate screening, legislative and regulatory mechanisms.

At the same time, it is important to bear in mind that global residence and citizenship programmes generate different opportunities and challenges. There is no single best practice that could apply to each and every programme.

The following key elements must be taken into account in considering a new programme:

- ❖ **Type:** whether direct citizenship programme or residence-to-citizenship model;
- ❖ **Investment:** what type(s) of instrument(s) are made available and what are the minimum investment thresholds and the maturity;
- ❖ **General Admissions Requirements:** number of applicants, periods of intake of applications, admission quotas, and the like;
- ❖ **Qualification Criteria:** requirements that the principal applicant and the qualifying family members must meet;
- ❖ **Due Diligence and Background Verification Policies ;**
- ❖ **Government Application Fees;**
- ❖ **Processing Times.**

These elements are briefly discussed below.

#### **i. Type of Programme**

The selection of the type of programme should be reviewed at the government level where the pros and cons of the two main types should be discussed in both regional and national contexts. While the more common type seems to be the one that leads to citizenship through residence, the Caribbean region features only the direct citizenship programmes. Any new market player would have to consider this current reality.

#### **ii. Investment**

Some countries, such as Hungary and Malta, direct all investments to a single option. Others provide for types of investments, for example in real estate, but then leave the choice for an actual site or project open to the immigrant investor, or offer a wider selection of investment options. Other programme categories, most notably the UK and New Zealand, leave the choice for investment types completely up to the market, with very few restrictions on the type of developments that can be supported. Having several

options requires immigrant investors to study investment options more closely and make a personal investment choice.

Below, the most common investment options are as follows:

- ❖ **Government bonds:** one of the most popular instruments is interest-free government bonds or bank deposits. This model was introduced by Canada in the mid-1980s and subsequently used by other successful programmes, mainly in Europe: Bulgaria, Cyprus, Hungary, Malta, Portugal, and the UK. From the Government point of view, this option is appealing because of the low financing cost. The disadvantages are that these options do not directly lead to job creation.
- ❖ **Shares in approved projects (risk capital):** investment projects may vary depending on the strategic objectives set by the governments in their economic programmes. Currently, this model is applied by: Antigua & Barbuda, Bulgaria, Cyprus, Saint Kitts & Nevis, Singapore and the U.S. From the Government point of view, this option is appealing because it has more direct benefits to the economy – investments in working capital, creation of jobs, and so on.
- ❖ **Investment in pre-approved real estate projects:** existing models include fractional or direct purchase of real estate. Currently, this model is applied by: Antigua & Barbuda, Greece, Grenada, Dominica, Malta, Portugal, Saint Kitts & Nevis and Spain. From a Government point of view, this option is appealing because it has more direct benefits to the economy – investments in working capital, creation of jobs, development of tourism and trade.
- ❖ **Contribution to an approved government fund:** Non-refundable contributions are mostly popular in the Caribbean region, where all four active programmes give this option: Antigua & Barbuda, Grenada, Dominica, Saint Kitts & Nevis. In Europe, only one country currently has this option – Malta. For Governments, it is easy to monitor and manage the impact of contributions and also to establish a Fund, directed at priority areas or projects.
- ❖ It is worth noting, that one of the more significant emerging trends in UHNWI is an increase in philanthropy. According to the 2014 Wealth X and Arton Capital Philanthropy Report, “ Many UHNWI feel it is their responsibility to contribute to programmes that preserve history and culture, investing in long term projects



that will ultimately lift living standards in areas such as education and health.” Herein is the opportunity for ensuring that the benefits of an Economic Residence and Citizenship programme reach critical social areas such as youth and community development.

We are advised that the average current levels of investment and the average holding period are as follows:

**Table 3: Investment criteria, current averages**

<b>INSTRUMENT</b>	<b>INVESTMENT LEVEL</b> <i>in US dollars</i>	<b>HOLDING PERIOD</b> <i>in years</i>
Guaranteed capital: bonds/deposits	(high) 1,000,000	5
Risk Investment: in the capital of project	(mid) 500,000	3
Real estate	(high) 500,000 (low) 250,000	(high) 5 (low) 3
Contribution	(average) 250,000	n/a

The investment threshold should be based on several criteria. The regional context should be taken into consideration, starting with neighbouring countries, similar economies and then across the entire spectrum of programmes of the same type. This is particularly true for the Caribbean region. The national context should also be analysed to evaluate the expected economic impact from the nominal investment.

### **iii. General Admission Requirements**

There are programmes that impose special admission requirements when it comes to the nationality of applicants or the annual intake. This might be a result of current international sanctions or specific country blacklisting that is supported by the receiving country. In developed countries, in particular, due to the large number of applicants from certain countries, special quota mechanisms may be introduced to provide for equitable

treatment of other nations. Such decisions are taken based on the foreign policy of the receiving country as well as the expected number of applicants.

In addition, different submission requirements may be observed across programmes. Some accept applications all year around, while others impose admission periods. Sometimes there are limited time offers, as in the case of Antigua and Barbuda. These are done either to facilitate or streamline the submission and processing of applications where there is a high volume or to encourage interest and increase the volume of applications.

The decision to introduce special admission requirements is therefore a function of the structuring of the programme.

#### **iv. Qualification Criteria**

Some receiving countries require that applicants provide documents to prove the source of their net worth in order to qualify to apply for the programme. Other requirements also exist, such as proof of professional experience and/or level of education.

These are all part of the applicant screening and selection process and are done with the objective of singling out the most suitable investor immigrants, and also as a part of background verification and checks. One means to facilitate the process and to expedite it is to engage a third party to perform wealth verification and intelligence on each applicant. This step is as important as due diligence and character verification.

#### **v. Due Diligence and Background Verification Policies**

As a key ingredient in every global residence and citizenship programme, the process of background and verification of the applicants is an essential part and integral element of the due diligence process. When it comes to global residence and citizenship programmes, this is of particular importance for their integrity and is key to public support of the programme. This aspect is reviewed in greater detail elsewhere in the Report. Here, it is worth noting that the due diligence and background verification is also critical for the

overall processing time of each application. As one of the factors with heaviest weight from the investors' perspective, it is therefore important to search for the proper balance between processing times and efficiency and accuracy in this process.

#### **vi. Government Application Fees**

Governments apply different policies: some structure their fees as a lump sum, regardless of the family size, while others introduce more complex methods. They may also differentiate types of fees in respect of their allocation (e.g. processing fees, real estate fees, due diligence fees). From a financial point of view, it is important to account for the administrative costs pertinent to servicing an applicant or an average family. It is worth mentioning that market information shows that investors prefer to pay a lump sum for joining the programme.

#### **vii. Processing Times**

From the investor's perspective, time is of the essence in the decision-making process both in terms of processing times, as stated by the programme, and in terms of obtaining the respective status - residence and/or citizenship. Efficiency and observation of announced processing limits is important for the programme's integrity but it has to be balanced with the mandatory time frame for performing due diligence and background verifications.

## **II. International and Regional Examples**

Different geographic, economic and social circumstances require different approaches to the selection and balance between the main ingredients of the programme. The next subsections review some current practices and challenges.

### **a. International examples**

Internationally, the programmes that lead to citizenship through residence dominate. Although the different jurisdictions provide for direct citizenship based on investment, it is usually related to extraordinary contribution to the economy, culture or society and is

given on merit. However, increased competition in the field of global residence and citizenship recently led to modifications of many programmes to enable fast track mechanisms that lead to accelerated citizenship based on increased investment. This tendency is prevalent in the European Union where residence-to-citizenship programmes are traditionally more popular.

Programmes vary across the spectrum, but one common feature of international programmes is that they tend to be more open when it comes to reporting the number of applicants and allocation of funds attracted through global residence and citizenship programmes. All major countries successfully operating immigrant investor programmes, including Australia, New Zealand, the UK, and the U.S., provide official data freely available to the wider public on their online portals. They regularly release information to the public and convene consultations of key industry stakeholders. One of the finest examples in this regard is Canada, which regularly had sessions with the approved financial intermediaries to discuss current policies or planned changes in the programme.

In the European Union, investment in bonds and real estate are predominant. Some countries introduce more than one investment option but this is still an exception to the rule. At the same time, recent studies show that for a disturbingly large number of applicants, their contribution to the residence and citizenship programme will remain the only investment in the country. One way to mitigate this detrimental effect of current programme structures would be to provide for several options, thus requiring the applicant to study more closely available investment opportunities and make a personal choice instead of mechanically transferring a lump sum to a dedicated account.

One demonstration of such policy assessment is the suspension of the Canadian Immigrant Investor Programme - the predecessor of all residence-to-citizenship programmes. The main reasons for the suspension of the programme are that the government was seeking to overcome some inherent problems in the file processing and to

find ways to make the mechanism more beneficial for the economy and the Canadian society.

On the one hand, the fact that the oldest running programme is subject to reconstruction in an effort to meet more adequately the current needs of the society and to fight systemic problems supports the analytical and research data that shows the increased demand for global residence and citizenship programmes. On the other hand, the temporary closure of one of the most popular programmes, opens room for newcomers that can divert investor flows to their shores.

In an effort to benefit from foreign direct investments, newcomers in the European Union have also offered a different approach to global residence and citizenship programmes. Some of these policies were successful while others were subject to criticism. Hungary, for example, chose to offer applicants special investment residency bonds. It also established a process of licensing special programme agents on a geographic basis. Even though the investment threshold is relatively low (US\$312,000 regardless of the family combination) and the wait to obtain citizenship is long (8 years), this approach proved to be successful. Based on the increased investment interest, Hungary decided to introduce changes to its programme, recently announcing increase of the investment threshold (to US\$ 374,000) and shortening the path to citizenship.

Malta was less fortunate in the launch of their residency programme in 2013, which was instantly labelled as a passport-selling scheme. This led to the redesign and re-launch of the programme, which now features much more coherent investment criteria and streamlined process.

A snapshot of the top 10 competing countries is provided below to illustrate current features and investment options.

The first table describes the top 6 programmes in North America and the EU and the second table describes the 4 in the Caribbean. <sup>2</sup>

**Table 4: Global Residence and Citizenship Programmes – North America and EU**

	QUEBEC (CAN)	USA	UK	HUNGARY	BULGARIA	CYPRUS		
	PR	Green Card	Visa	TR/PR	PR/CIT	PR/CIT		
CURRENCY	CAD (\$)	USD (\$)	GBP (£)	EUR (€)	EUR (€)	EUR(€)		
PERSONAL NET WORTH REQUIREMENT	1.6 M	-	4/10/20 M	-	1 M	-		
INVESTMENT AMT	800K	500K	2/5/10 M	250K	511,292(BGN 1M)	3M	5.5M	5.5 M
ASSETS	BOND	PROJECT	BOND	BOND	BOND	0.5 M Res+ 2.0 M Bd/Sh+ 0.5M Donation	0.5 M Res+ 5M RE/inv /BIZ	0.5M Res+ 5M Deposit
INVESTMENT GUARANTEES	Yes	No	Yes	Yes	Yes	No	No	Yes
FINANCING OPTION/CONTRIBUTION	Yes	No	No	Yes	Yes (PR/CIT)	No	No	No
GOVERNMENT FEES	10 k( incl family)+fed .fees	60 k	4 k	40 k	Included in prof. fees	46 k 5% VAT		
PROFESSIONAL FEES	-	15 k	13k	-	30/40k	50k		
TIME TO RESIDENCE	36 months	12 -18months	4-6 months	3-6 months	6- 12 months			
RESIDENCE PERMITS FOR DEPENDENTS	With applicant	With applicant	With applicant	With applicant	3-6 months	1-2 months		
INTERVIEW	Yes	Yes	No	No	No	No		
REQUIRED PHYSICAL RESIDENCE TO QUALIFY FOR CITIZENSHIP	3/4yrs(75%)	3/5 yrs	9mths(75%)	Exempted	Exempted	No		
TOTAL TIME TO CITIZENSHIP (INCL.VISA)	6 yrs	8yrs	6.5/5.5 yrs	8 yrs	2-6 yrs	3 months		
FAST TRACK TO CIT	No	No	No	No	Yes 2 yrs	-		
VISA FREE TRAVEL	190	185	195	160	160	155		
ARTON INDEX 2014	55	48	56	64	66	70		

<sup>2</sup> Arton Capital: The Arton Matrix, 2013

**b. Regional examples**

The Caribbean region is now represented by 4 direct citizenship programmes. The Saint Kitts & Nevis programme is the oldest running programme, which is estimated to attract some 1,500 applicants per year. This number is a rough estimate of industry stakeholders based on an estimation of 600 principal applicants per year. Official statistics are not available.

The second oldest is the programme of the Commonwealth of Dominica, established in 1993. No information is available about the number of applicants. Antigua & Barbuda and Grenada launched their programmes in 2012 and 2013, respectively. There is no information available about the number of applicants, or the revenue generated, but industry professionals estimate some 125 applications (combined main applicant and qualifying dependents) for each programme.

Table 5 below shows a brief overview of Programmes in the Caribbean.

**Table 5: Global Residence and Citizenship Programmes – Caribbean Region**

	St. Kitts and Nevis		Dominica		Antigua and Barbuda			Grenada
	CIT		CIT		CIT			CIT
CURRENCY	\$US		\$US		\$US			\$US
PERSONAL NET WORTH REQUIREMENT	-	-	-	-	-	-	-	-
INVESTMENT AMT	300K	400K	200K	200K	250K 200K (LTO)	400K	1.5 M	250K
ASSETS	Donation	RE/Shares	Donation	RE	Donation	RE	Business	RE
INVESTMENT GUARANTEES	No	No	No	No	No	No	No	No
FINANCING OPTION/CONTRIBUTION	No	No	No	No	No	No	No	No
GOVERNMENT FEES	13K	138K	4.5K	120K	170K 100K(LTO)	170K		72K
PROFESSIONAL FEES	40K		40K		40K			40K
TIME TO RESIDENCE	-		-		-			-
RESIDENCE PERMITS FOR DEPENDENTS	-		-		-			-
INTERVIEW	No		No		No			No
REQUIRED PHYSICAL RESIDENCE TO QUALIFY FOR CITIZENSHIP	No		No		No 5days/5years for citizens			No
TOTAL TIME TO CITIZENSHIP (INCL.VISA)	4-6 months		9-12 months		3-4 months			3-4 months
FAST TRACK TO CIT	-		-		-			-
VISA FREE TRAVEL	125		70		131			74
ARTON INDEX 2014	65		51		59			61



## **4. THE CASE FOR GLOBAL RESIDENCE AND CITIZENSHIP PROGRAMMES**

### **I. A Summary of Impacts and Challenges**

The economic impact of global residence and citizenship programmes on receiving countries may include:

- ❖ Helping maintain sustainable development by introducing and implementing policies that generate economic diversification;
- ❖ Boosting economic growth and entrepreneurship;
- ❖ Increasing foreign direct investment (FDI);
- ❖ Increasing investor confidence;
- ❖ Significantly expanding the real estate and financial services sectors;
- ❖ Fighting unemployment by creating new jobs in the public and private sector;
- ❖ Benefiting from social and cultural diversity and know-how;
- ❖ Strengthening administrative and legislative policies and procedures;
- ❖ Funding for social programmes.

At the same time, countries that decide to operate such programmes, also face challenges. These include:

- ❖ Channeling the accrued revenues into areas that have the greatest economic and social benefits;
- ❖ Managing the processing of applications efficiently and effectively and implementing stringent background verification and security checks;
- ❖ Managing employee and service provider/agent selection;
- ❖ Defining investment options;

- ❖ Providing transparency with regard to the number of applicants, approved visas/passports granted, amount of investments attracted, and areas of allocation of the attracted foreign investments;
- ❖ Engaging the public in a dialogue to communicate the benefits of implementing a successful global citizen programme;
- ❖ Nourishing stronger ties with investors and sharing the values of the country with them.

The processes of developing and monitoring of the programmes are essential for their management in accordance with the best industry practices and standards. Any new programme should be designed in a manner that will favour:

- i. Easy recognition through utilising best practices in the industry; and
- ii. Differentiation from other programmes through the adoption of new tools that will strengthen the institutional setup and facilitate public acceptance of the programme.

In a recently published report<sup>3</sup> the extent to which programmes are designed to maximise economic benefits, preserve public acceptability and maintain legitimacy is assessed in a framework consisting of five indicators:

- i. Investment requirements** – the required investment amount, the mandatory holding period and the classes of investment instruments available;
- ii. Commitment requirements** – the required residential and cultural ties to the country in order to be eligible to apply for citizenship;
- iii. Transparency** – the political communication of the programme, its processes and the outcomes of its implementation;
- iv. Economic impact** – the economic contribution of the investments in the context of the national economy;

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<sup>3</sup> Arton Capital, World Economic Forum (2014), *Global Citizenship: Planning for Sustainable Growth*, A Pilot Report on Enhancing the Understanding of Global Residence and Citizenship Programs, pp. 13-14.

v. **Social capacity** – the social significance of the programme within the national context.

## II. Prospects and Opportunities for Saint Lucia

There is an uptrend in global migration, which naturally benefits global residence and citizenship programmes. From a policy perspective, recent economic triggers for the increased offering of such programmes include the 2008 crisis and its aftermath, as well as the need to fight unemployment and to create incentives to diversify economies. At the same time, there are also underlying factors, which are motivating governments and individuals to examine global residence and citizenship programmes. This includes the increasing difficulty of traditional methods to attract foreign capital, the reported increase of wealth in countries with political and social instability and China's emergence as a new hub for billionaires.

Given this context, Saint Lucia has now decided to discuss and consider the possibility of introducing a global residence and citizenship programme. There is a momentum created by the increasing number of countries that attract foreign direct investments, and global talent, through global residence and citizenship programmes. In the past 6 years alone, the number of such programmes has doubled. See Table 1 on page 13.

A global residence and citizenship programme, offering investment in certain sectors as one of the available investment options, will help the country's efforts to overcome the slowdown in investment in the economy after the 2008 global financial crisis. Furthermore, the country can use a global residence and citizenship programme to boost development of priority industries such as tourism, manufacturing and agro-processing. A global residence and citizenship programme can also be used to support infrastructure development and healthcare, through the establishment of a special purpose fund (National Development Fund).

The above are just a few examples of how a global residence and citizenship programme can serve the society and the economy of Saint Lucia. General benefits include:

- ❖ Attracting foreign direct investment(FDI) with the aim of investing in property development projects;
- ❖ Helping to further develop Saint Lucia's real estate and financial services sectors;
- ❖ Helping to reduce the fiscal deficit and to grow even more resilient economic buffers;
- ❖ Increasing economic activity in the construction sector and reactivating idle resources;
- ❖ Creating additional revenues through the supply of legal and professional services;
- ❖ Attracting HNWI who will expand their existing operations into Saint Lucia, thereby strengthening its role as a business hub.

The moment is opportune for Saint Lucia to benefit from the launch of a global residence and citizenship programme, which distinguishes itself from other programmes and is based on current best practices.

Additionally, Saint Lucia is in the advantageous position of being able to analyse existing practices that have proven to be inadequate, and avoid mistakes that may have undermined the integrity of other programmes.

### **III. Saint Lucia's Strengths and Weaknesses**

A very important consideration for the programme is how a country becomes and remains attractive as a place to invest. Some of the key attributes include a stable political climate, a conducive business environment, a relatively low crime rate, a stable currency, good infrastructure, availability of skilled labour, and efficient and effective legal and administrative systems. Saint Lucia is in a position to capitalise on its good standing in most of the above, although there is room for improvement in others.

In the Caribbean region, the vast majority of investments funded through the use of the economic citizenship programmes fall within the tourism sector. Saint Lucia is well known as an attractive tourism destination, with daily flights from all the major source markets. With a well-regarded and established brand, it should not be too difficult to attract potential investors to Saint Lucia to take advantage of a residence and citizenship programme.

One of the main attractions of having a second citizenship and passport is the visa waiver benefits, which such second citizenship offers. In many countries the political and economic situation does not allow widespread visa-free travel for passport holders. Therefore, an alternative travel document offers great merit. Persons who travel frequently to countries requiring visas also need an alternative citizenship and passport due to delays in securing the visa.

Unfortunately, unlike some of its prospective competitors in the Caribbean region, Saint Lucian citizens do not now enjoy visa waivers to the Schengen countries. Additionally, Saint Lucian citizens no longer enjoy visa free access to Canada. These two issues will put Saint Lucia at a serious disadvantage and will need to be addressed.

Saint Lucian citizens are currently subject to income tax on their worldwide income. This is likely to be of major concern to potential investors, especially those who may choose to reside in Saint Lucia beyond 183 days per year.

Finally, whilst being a late entrant provides the benefit of learning from the mistakes and gains of other countries, the fact that Saint Lucia would be entering the industry at a time when there are already several Caribbean offerings, could represent a significant competitive challenge.

## 5. NATIONAL INTEGRITY RISKS AND OTHER CONCERNS

Despite the fact that some of the major industrialised countries offer in one form or fashion the exchanging of residence and/or citizenship privileges for investments, in some sectors, there remain stigma and concerns about exposure to national reputational risks inherent in the programmes themselves and in the manner in which they are operated.

Some believe that in awarding permanent residence and/or citizenship to those making a significant investment into the local economy, Government would be devaluing both.

Many fears and concerns stem from lack of knowledge and understanding as to how these programmes operate as well as from the absence of transparency and accountability of the processes involved.

At the domestic level, citizens are concerned about diluting the value of their citizenship and passport and loss of visa free access to countries.

At the international level countries are concerned that these programmes, if not properly managed and operated, will be used to facilitate money laundering, terrorists financing, sanctions busting, and the admission into their countries of persons who would normally be denied entry if they used the passport of their country of origin.

There is no doubt that investor residence and citizenship programmes need to be monitored and administered in order to prevent abuse. These programmes must be run in a manner, which is transparent and in keeping with the laws and constitution of the country offering the citizenship.

Whilst Governments have implemented laws, procedures and practices to eliminate risks and to address these concerns, recent high profile cases of misuse and abuse have reenergised the debate about the risks associated with these programmes, the manner of their operation and the effectiveness of the systems utilised by Governments to address these concerns.

The lack of transparency in the due diligence process as well as these cases of neglect or deliberate abuse that compromise the due diligence and background verification processing policies create a major problem. This has led to delegitimising the passport and undermining the image of the countries that offer these programmes. In some cases, the attempt to mitigate the negative effect is further deepened by the lack of consistency and absence of a clear indication of grounds for refusal.

In response to concerns about persons using second citizenships to gain entry into countries that they would not otherwise be able to access, some countries have implemented policies that incorporate a list of prohibited countries whose citizens are not qualified for consideration.

There are additional measures and best practices, which countries can adopt to help address these concerns. They are as follows:

### **I. Due Diligence**

Due diligence and background verification is the most critical process in any global residence and citizenship programme. This is particularly so because of the sensitive nature of the process and the risks involved. Such risks relate to the nationality of the principal applicant, the nature and the location of their business, possible adverse political exposure, and the like. Naturally, the due diligence exercise should be conducted in accordance with all international regulations and guidelines, including anti-money laundering and anti-terrorist financing policies.

Global residence and citizenship programmes are used as a means to boost the local economy and to create economic and social benefits. That is why governments must ensure that there are policies in place to identify the source of funds and to detect any alarming business, fraudulent or illegal actions, or actions related to terrorist financing, money laundering, personal and professional backgrounds, and the like.

Failure to implement stringent policies and procedures pertinent to background checks and verifications may not only impede the integrity of the programme but may also put the country's reputation at risk. The country may also face adverse consequences from international scrutiny and risk isolation. Furthermore, rigid due diligence policies would help to inhibit or reduce the risk of corrupt practices, should undesirable individuals apply for second citizenship.

It is also important that the Citizenship by Investment Unit (CIU) and staff be properly equipped to enable the efficient processing of applications. Efficiency and accountability are integral to the process and this is why governments and their administrations often outsource the due diligence and background verification to specialised companies.

Reputable third party service providers with relevant experience have the resources and the equipment to screen for ties to negative references, including: politically exposed persons, fraud, terrorism, money laundering, criminal activity, regulatory actions and litigation. They would produce sufficiently enhanced due diligence reports at reasonable cost.

While the elements of such enhanced reports can be customised, they should encompass the following:

- ❖ Establishing and verifying identity, including validation of personal identity documents;
- ❖ Civil litigation searches;
- ❖ Criminal record checking;
- ❖ Establishing beneficial ownership and company associations;
- ❖ Direct and reverse corporate searches;
- ❖ Searches for all affiliated entities;



- ❖ Tracking employment records;
- ❖ Regulatory searches;
- ❖ Verification of education and qualifications;
- ❖ Global media searches;
- ❖ Global blacklist searches.

One of the latest and very important trends in the industry is the development of wealth breakdown and analysis as a means to mitigate the risks to programme integrity. Such research on high-risk individuals focuses on wealth accumulation, checking social graphs of the high and ultra-high net worth individuals, identification of questionable financial flows, large liquidity from unexpected sources and the like.

The process of conducting the reports is defined by a special methodology. Established timelines are observed and the research is performed under licensed software. There is also regular reporting and policies established to guarantee the secure and efficient implementation of the Know Your Client procedures.

By adopting best industry practices through the service of subcontractors, the government and its programme processing unit will safeguard the integrity of the programme and will at the same time benefit from high-end services in line with the latest industry developments.

## **II. Structuring**

In some instances, programmes are launched prematurely. This leads to frequent changes in application requirements and/or processing policies. Such glitches in the management and operations of the programme weaken its positions and create skepticism about its sustainable development.

### **III. Ties with the Country**

In principle, direct citizenship programmes are increasingly subject to scrutiny by the international community. One way to negate allegations of selling passports is to develop programme mechanisms that lead to creating more ties with the hosting country. Such institutional setup should be designed not to comfort the international community but to safeguard the national passport.

### **IV. Lack of communication of benefits and performance**

One of the greatest challenges for the Region is to develop information-sharing practices. A systematic approach to communicating the benefits and impact of the programme can be used as a powerful tool in sustaining the public acceptability of the programmes and promoting the region as a good place to work, live and visit.

### **V. Inefficient Processing and Programme Management**

Attracting a prominent international expert with significant experience in investment immigration is strategically beneficial. However, a lack of continuous training of staff as well as an inadequately equipped processing unit could subvert the programme's development and efficiency. These are important elements of the programme setup that need to be addressed at the stage of its structuring.

### **VI. Selection of Key Stakeholders**

The policies and procedures for selection of key stakeholders are subject to continuous criticism from international observers and industry specialists. The selection of processing agents, international marketing agents and real estate or other project developers should be subject to rigid regulations and should also involve regular assessment, monitoring of performance, and communication.

### **VII. Sustainable Job Creation**

While job creation must be a critical consideration in the structuring of a Global Residence and Citizenship Investment Programme, there is the view that employment generation

should be addressed, not only in terms of new job creation but equally in terms of sustainability, quality, and precariousness issues. It has been observed that while the globalisation of investment and trade has created jobs in countries badly in need of them, rather than “spread regular employment” the impact has been to undermine full-time permanent work through the proliferation of various forms of “precarious employment”.<sup>4</sup>

The poignancy of this observation is underlined by the increasing recognition that the phenomenon of income inequality that has intensified markedly during the last three decades, and that can be empirically linked with the proliferation of low quality, precarious employment, has to be reversed if the economic and social benefits of globalisation are to be more equitably distributed. This is particularly relevant to small developing countries like Saint Lucia.

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<sup>4</sup> International Journal of Labour Research 2013: Issue1, p.55

## **6. THE ESTABLISHMENT OF AN ECONOMIC CITIZENSHIP PROGRAMME Broad Options for Consideration**

From an implementation point of view, it seems opportune for Saint Lucia to launch a Global Residence and Citizenship programme. Government and people can benefit by learning from and building upon the successes of other countries and, by so doing, secure the economic and other benefits that derive from such programmes.

In the event of a favourable decision to structure a Global Residence and Citizenship Programme for Saint Lucia, the Government should ideally seek to establish a partnership with a reputable company, well versed in the field of investment immigration, to facilitate the process of structuring, launching, marketing and management of the programme for the short to medium term. This has proven to be the common practice in the last decade and has brought about certain benefits.

There is a significant group of persons who are not citizens of Saint Lucia but who have purchased property in the country and have made Saint Lucia their second or holiday home. A few have made Saint Lucia their primary home.

This category of persons is not particularly interested in acquiring Saint Lucian citizenship in the short to medium term. Many are however interested in acquiring Saint Lucian permanent residence. In some instances, they require permanent residence as part of their tax planning strategy. In other instances, they require residence to ease their regular entry and facilitate their stay in Saint Lucia without each time having to seek immigration clearance for an extension.

Whilst there is currently the possibility of applying for permanent residence, to qualify, the applicant needs to have resided in the country for at least five (5) years continuously. After acquiring the five (5) years, it is not unusual for the processing time for applications to take years to complete. In effect, this means that in terms of time, there is no difference

between the residence time required for acquiring permanent residence and that required for citizenship.

A review and amendment of the Citizenship Act to allow for qualification for Citizenship by Investment provides an opportunity to allow for qualification for permanent residence by investment to those desirous of it.

Persons acquiring a home in Saint Lucia (the monetary value to be defined) can be allowed the option to acquire permanent residence immediately upon such acquisition. Existing non-national homeowners should also qualify and all applications should be processed by the new CIU. The qualifying home need not be within an approved development.

Such an economic residence programme would significantly boost Saint Lucia's real estate and construction industries and the benefits resulting therefrom.

## **I. Programme Elements**

In order to design the most suitable residence and citizenship investment programme, the Government should address a number of key issues. These are summarised below and are based on the programme elements outlined in Chapter 3.

### **a. Programme type**

The discussion should start with defining whether to structure a direct citizenship programme, a residence-to-citizenship programme or a programme encompassing both approaches. The decision will be crucial for the institutional setup and for the selection of key programme features. The Government needs to consider the fact that the Region has historically been identified with direct citizenship programmes and market expectations already exist. The European Union, however, openly supports residence to citizenship programmes in preference to direct citizenship programmes. On the other hand, the most popular global residence and citizenship programmes are evenly distributed between the

two types of programmes and there are possible enhancements to direct citizenship programmes to differentiate them from the existing patterns.

For Saint Lucia, we believe that there is a strong case for adopting both approaches, not only to differentiate the Saint Lucia programme but also to enhance its competitiveness. This will also address an existing anomaly with respect to our current residency laws as well as issues relating to the status of visiting non-national home owners.

**b. Investment**

In determining the type(s) of instrument(s) that might be made available to investors, Government should take into consideration the economic prerequisites – the potential that already exists in Saint Lucia and the capacity that can be unfolded through a global residence and citizenship programme. In this sense, Saint Lucia would be able to compete with existing programmes that offer bonds; investment in a business; real estate; or contributions to a special purpose fund.

At the same time, the Government should be mindful of the current market sentiments and expectations. Offering multiple investment options will have a positive effect on the public acceptability of the programme and will also help create ties between the applicants and Saint Lucia because investors will have to analyse the available options.

**c. General admission requirements**

The Government could consider establishing general admission rules to differentiate its programme from existing competitors. The Government can introduce annual intake quotas using the example of the Canadian immigrant investor programme. This could have a twofold effect: it will trigger interest and will also help sustain the public acceptability of the programme by the nation and the international community.

**d. Qualification criteria**

The Government should establish specific qualification criteria for the principal applicant. This will be essential for the applicant screening and selection process and will facilitate the due diligence and background verification stage. In addition, the Government can use this programme element as a further proof of the stringent candidate-selection policy it will pursue.

**e. Due diligence and background verification policies**

As previously stated elsewhere in this Report, the Government should establish proper due diligence and background verification policies and mechanisms for investors and service providers to protect the integrity of the country and the programme.

**f. Government application fees**

The Government will determine the justifiable levels of application fees based on preliminary estimations. Along with that, the Government will have to choose the structure of the application fees. Based on the existing models and the mindset of investors and potential applicants, the Government should consider establishing a single tariff per applicant, instead of using existing models that distinguish the fees in accordance with their allocation. In order to demonstrate its will to safeguard the programme's integrity, the Government may choose to disclose the composition of each applicant's fee.

**g. Processing times**

These will be determined, at the stage of the programme's structuring, by the recommended times for due diligence and background verification as well as for the processing of applications.

## **II. Examples of Investment Options**

Saint Lucia can employ different strategies in order to maximise the economic benefits from structuring and implementing a Global Residence and Citizenship Programme.

Some examples of investment combinations are outlined below:

**i. TWO investment options:** *contribution to a state fund and investment in real estate*

This formula is applied in all four (4) Caribbean citizenship by investment programmes. However, Antigua and Barbuda does have a third option of investing in a new business. Contributions are popular in the Caribbean region. In the EU, only Malta has this investment option available.

From a marketing perspective, contributions to a Fund should be very well structured to become appealing to investors, who tend to bypass contributions when other investment choices exist.

There is generally a negative perception of contributions and in case Saint Lucia decides to structure such a Fund, the Government must ensure that the goals and objectives of the Fund will be clearly outlined and communicated with the general public. Its management and performance should also be subject to rigid supervision. The Government should also consider the regular dissemination of general information about the Fund's activity and the allocation of funds in order to curb negative perceptions.

Investment in real estate developments seems more than compatible with the economic objectives of the Government. Tourism is the most important sector in the economy and efforts should be concentrated on enhancing the pace of the much-needed economic turnaround. Investment in real estate is the preferred option for most of the applicants, especially those who originate from Asia and the Middle East.

There are different approaches to encouraging investments in real estate. One of the most straightforward models includes the establishment of a project selection policy. Under this policy, the Government will announce certain criteria that real estate developers will have to meet in order to qualify their projects for the programme. Setting explicit qualification criteria is another means of promoting transparency, and also enables selection of the best projects and the most competent project managers.

**ii. THREE investment options:** *investment in government bonds, contribution to a state fund and investment in real estate*

Investment in government bonds is characteristic of Canada and the European zone, where most of the programmes have this feature. Although there are certain elements of



the Hungarian programme that can be criticised as ambiguous, the programme is receiving lots of positive attention by investors. One of the greatest objections from the investment community and the immigration specialists is that the applicants actually put their money in bonds of licensed agents (private companies) and not directly in the special investment residency bonds. The guarantee mechanisms are not yet well-defined.

Currently, only Malta offers this combination. Applicants have a choice to invest in all three instruments – donate to a state fund, invest in government-approved financial instruments or buy real estate.

**iii. FOUR investment options:** *investment in government bonds, contribution to a state fund, investment in real estate, and investment in a new business project*

Currently, there is no programme, which offers the complete spectrum of investment options. Providing multiple choices to prospective applicants of the high net-worth category might bring about manifold benefits. Investors will have to analyse more carefully the available choices and in the process they could create more ties with Saint Lucia and its economy.

The principle of offering investment in a business is well known and accepted in the field of investment immigration. As with real estate, the Government could reach further, by establishing a set of defined criteria for qualifying projects and carrying out a policy of monitoring project performance.

Investment in real business is valuable for economic diversification. It will undoubtedly help reduce unemployment and will result in augmentation of training of local personnel. Furthermore, Government can identify key sectors in the economy that it wants to boost and concentrate development of business projects specifically in these sectors. It also has the benefit of providing much needed capital for the sustainability and expansion of existing domestic businesses.

## 7. RECOMMENDATIONS

1. The Government of Saint Lucia, mindful of the impact of the ongoing global economic downturn on the local economy and the need to encourage and stimulate foreign direct investment into Saint Lucia, should implement a residence and citizenship by investment programme.
2. The Government should engage the services of a leading international firm of experts, with a proven track record, to design, implement and promote a residence and citizenship programme in order to stimulate foreign direct investment, whereby for a defined contribution or investment in the country, residence or citizenship will be granted by Government without prior residence requirements, and subject to other terms and conditions.
3. The process of selecting the firm of experts should be open, transparent and competitive.
4. The elements for designing a successful programme should include:
  - (a) Planning, preparation, public relations and communication;
  - (b) An appropriate legislative and regulatory framework;
  - (c) Institutional arrangements for implementation and operation; and
  - (d) Proper mechanisms for targeting and sourcing of investors.
5. The programme should include inter alia:
  - (a) A four (4) tier world-class due diligence system, to cover both investors and service providers, in order to ensure that the best candidates come through the system and that Saint Lucia's reputation and integrity are preserved;
  - (b) A Citizenship Investment Unit (CIU) that is manned by well trained personnel, with relevant and appropriate technical and other resources to ensure that decisions on applications are rendered within 90 days;
  - (c) The CIU as a statutory body with the requisite operational autonomy to match the demands of the industry;
  - (d) The establishment of a specialised National Development Fund that targets priority investment and development objectives;

- (e) Legislative provision for independent accounting and auditing of the Fund and associated activities;
  - (f) Provisions for the following approved and regulated constituents:
    - ❖ A Primary Promoter(s)
    - ❖ International Marketing Agents
    - ❖ Processing Agents
    - ❖ Approved Projects
  - (g) Approved Processing Agents that are locally based professionals with the requisite expertise and resources;
  - (h) A list of disqualified or excluded persons and nationalities; and
  - (i) Offices in key, strategic locations to facilitate the programme.
6. Qualifying investment entry criteria and processing fees should be consistent and competitive with other Caribbean countries.
  7. Government should take immediate pro-active action to improve Saint Lucia's position in the ranking on the list of visa-free countries for its citizens.
  8. There must be an examination of how Saint Lucia's current tax regime can facilitate the programme.
  9. Parliament should receive annual reports on the operation of the programme, to include number of applications, number of applications approved, the operations of the proposed National Development Fund and related activities.
  10. There should be an annual quota of citizenship approvals that is realistic and based on an ongoing analysis of the market.
  11. There should not be a minimum residency requirement to maintain citizenship.
  12. On the basis that extensive background checks would have been carried out on all applicants, there should not necessarily be an interview requirement.
  13. The holding period for real estate should be consistent and competitive with other Caribbean countries.

14. Saint Lucia should have a four (4) tier investment option consisting of:

- (a) Government Bonds
- (b) Contribution to a National Development Fund
- (c) Real Estate
- (d) Investment in or establishment of a business.