

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	REGIONAL/CCB - Caribbean Group
▪ TC Name:	Support for Business Climate Reforms in Grenada
▪ TC Number:	RG-T3268
▪ Team Leader/Members:	HENNESSEY, MICHAEL P. (IFD/CTI) Team Leader; STEVENSON, CLAUDIA (IFD/CTI) Alternate Team Leader; GRANT, KAYLA SHAREE (IFD/CTI); PILGRIM, VALARIE (IFD/CTI); GONZALEZ ALZUALDE, YOHANA BEATRIZ (IFD/CTI); PEREIRA, STEFANO (IFD/CTI)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	17 Apr 2018
▪ Beneficiary:	Small and Medium Sized Enterprises
▪ Executing Agency:	CARIBBEAN DEVELOPMENT BANK
▪ IDB funding requested:	\$ 184,300.00
▪ Local counterpart funding:	\$ 54,210.00
▪ Disbursement period:	24 months
▪ Types of consultants:	Individuals; Firms
▪ Prepared by Unit:	Competitiveness & Innovation
▪ Unit of Disbursement Responsibility:	Institutions for Development
▪ TC included in Country Strategy (y/n):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation

II. Objective and Justification

- 2.1 Strengthen the capacity of three public sector institutions that have important roles in implementing a reform agenda to strengthen the enabling business environment in Grenada. The target beneficiaries are the (i) Ministry of Health, Social Security & International Business; (ii) Corporate Affairs and Intellectual Property Office (CAIPO); and (iii) the Grenada Customs and Excise Division.
- 2.2 The economic growth of Grenada over the past 5 years has been uneven with a tendency towards volatility. While GDP growth in 2014 and 2015 was over 6%, in 2016 it declined to 3.6%, and in 2017 it weakened further to 2.5%. Strong construction activity and steady external demand for Grenada's tourism services has helped economic growth. The main sector and source of foreign exchange is the tourism sector. Recent years have also seen a surge in revenue generated from the countries citizenship investment programs. Some of the main private sector challenges for economic growth Grenada faces are: (i) low productivity and competitiveness; (ii) a high level of economic, social and environmental vulnerability and (iii) the need to boost growth and competitiveness of the private sector, especially micro, small and medium-sized enterprises (MSMEs). These challenges are enlarged by the poor business climate conditions of the country. Over the last 5 years, Grenada's ranking on the World Bank's Ease of Doing Business Index has steadily declined moving from 107 in 2014 to 142 in 2018. The country has fallen in all the Doing Business Thematic Areas except for Resolving Insolvency. In 2018, Grenada showed a relatively stronger performance in the areas of Getting Electricity (73); Enforcing Contracts (76) and Starting a Business (82) as compared to its performance in the areas of Resolving Insolvency (168); Getting Credit

(142), Registering Property (141), Paying Taxes (141), Protecting Minority Investors (132), and Trading Across Borders (131). The Government has, in its Growth and Poverty Reduction Strategy (GPRS) 2014 – 2018, committed to strengthening the environment for doing business. As such, there is a significant volume of work (recent, ongoing or planned) that is aimed (directly or indirectly) at improving Grenada's business environment. Despite this extensive program, additional resources are required to strengthen three institutions that have important roles in the reform process: (i) Corporate Affairs and Intellectual Property Office (CAIPO); (ii) Customs and Excise Division; and (iii) Ministry of Health, Social Security & International Business. This technical assistance will build on the work carried out by previous donors such as CARICOM to fill in gaps not addressed in the GPRS by these agencies in achieving their development goals. CAIPO: Despite design capability, most of the processes at CAIPO are still conducted manually and are paper-based. A limited amount of data (approximately 5,000 records) was entered in the new Online Registry to allow testing, leaving the bulk of data in hard copy. The Customs and Excise Division: the Division has decided to improve technical and performance management competencies, which will allow staff to more effectively treat with the more advanced customs procedures and use a more evidence-based and structured approach to lead collaborative public and private sector efforts to continuously improve the trade facilitation in Grenada. Ministry of Health, Social Security & International Business: It is intended that the Ministry will lead and coordinate dialogue between the public and private sectors, and reforms aimed at improving the business environment. To this effect, capacity building for the effective management of public-private dialogue and business climate reforms.

III. Description of Activities and Outputs

- 3.1 Component I: Utilizing the full capacity of the electronic registry. This component will engage an e-government systems consulting firm to (i) digitise all hard-copy records and complete the population of the CAIPO database; (ii) test the system, debug any software performance issues, and assist CAIPO with going online; (iii) transfer knowledge on system maintenance to public sector technicians; (iv) assess training needs of users, including women, youth, rural residents and any groups that are under-represented in terms of business registrations; (v) assess training needs for CAIPO staff; and (vi) develop and deliver training to users and CAIPO staff. This component will also finance a communications specialist who will develop and implement a sensitization campaign. Component II: This component will engage a customs and trade facilitation expert to design and deliver training to staff of the Grenada Customs and Excise Division. The technical training will cover various customs procedures considered current best practice with respect to trading across borders and improve the staff's skills in areas important to improving client satisfaction. The "non-technical" training will provide staff with the skills required to (a) systematically monitor the country's performance with respect to trading across borders; (b) use an evidence-based approach to dialogue with public and private sector stakeholders; (c) continuously identify and implement solutions aimed at reducing the time and cost associated with trading across borders; and (d) develop and coordinate the implementation of a SMART Trade Facilitation Action Plan. The expert will support the Division in operationalizing a trade facilitation committee, using an evidence-based approach to dialogue and action planning. The action supported will be limited to (i) institutional strengthening of key trade facilitation agencies; (ii) policy, legislative or regulatory reforms; (iii) and/or studies to identify and find solutions critical trade across borders constraints. Component III: This component will engage the services of a specialist in private sector development, capacity building, and process reengineering who will work closely with, and transfer skills to, the Unit. The specialist will design and

operationalize a system for monitoring, reporting on, and driving accountability for business climate reforms. Gender sensitive monitoring data will be generated from information systems within local agencies and/or international data, such as the Doing Business Indicators. He/she will also (i) design and deliver training to increase staff's understanding of locally generated data, the Doing Business Indicators and other international benchmarking data; and their use in identifying opportunities for improving the business climate; (ii) guide the development of a SMART Action Plan for improving the business climate and provide guidance on coordinating its implementation; (iii) design and guide the execution of evidence-based public-private dialogues; and (iv) design and guide the execution of a simple communications plan to keep stakeholders informed on actions taken to improve the business environment. Component IV: Monitoring and Evaluation: The specialist engaged under Component III will work closely with Compete Caribbean's FCU in coordinating implementation, monitoring and evaluating the project, including the collection of relevant baseline and actual performance data.

- 3.2 **Component I: Component 1: Enabling CAIPO to utilize the full capacity of its electronic registry.** Fees and Expenses - E-Government Solutions ; Fees and Expenses - Communications Specialist ; Sensitisation and Training
- 3.3 **Component II: Component 2: Customs & Excise Division .** Fees and Expenses, Customs and Trade Facilitation Consultant; Provisions for Implementation of Trade Facilitation Action Plan
- 3.4 **Component III: Component 3: International Business Unit.** Fees and Expenses - Specialist in Private Sector Development, Capacity Building, and Process Reengineering; Provision to support Implementation of SMART Action Plan
- 3.5 **Component IV: Component 4: Coordination and Monitoring and Evaluation.** Data collection and evaluation of intervention

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Component 1: Enabling CAIPO to utilize the full capacity of its electronic registry	\$ 70,800.00	\$ 3,400.00	\$ 74,200.00
Component 2: Customs & Excise Division	\$ 53,500.00	\$ 27,500.00	\$ 81,000.00
Component 3: International Business Unit	\$ 60,000.00	\$ 0.00	\$ 60,000.00
Component 4: Coordination and Monitoring and Evaluation	\$ 0.00	\$ 23,310.00	\$ 23,310.00

V. Executing Agency and Execution Structure

- 5.1 The Compete Caribbean Partnership Facility (CCPF), approved under GN-2851, was jointly designed with donors to be a Bank Executed Program, through the CCPF's Facility Coordination Unit (FCU) established in COF Barbados. The execution of this TC will be carried out by the Bank through the Competitiveness and Innovation Division (IFD/CTI) in coordination with FCU. Project output indicators will be monitored following the Monitoring and Evaluation (M&E) framework of the CCPF. The procurement of individual consulting services will be carried out by the IDB in accordance with Human Resources (HRD) Complementary Workforce Policy (AM-

650). The procurement of consulting firms will be carried out by the IDB in accordance with the Policy for the Section and Contracting of Consulting Firms for Bank-executed Operational Work (GN-2765-1). The procurement of consulting services different from consultants will be carried out by IDB in accordance with Corporate Procurement Policy (GN-2303-20).

In accordance with a Financial Agency Agreement signed between the IDB and the Caribbean Development Bank (CDB), the CDB will act as the Financial Agent for the purposes of administering the Facility grant resources that will finance the implementation of individual projects in the Organization of Eastern Caribbean States (OECS).

- 5.2 The Bank has demonstrated its ability to coordinate and motivate action across diverse stakeholders at both the national and regional levels.

VI. Project Risks and Issues

- 6.1 Inadequate ownership for business climate reforms and limited human resource capacity in public sector agencies; and limited capacity within the public sector to maintain IT systems are major risks to achieving planned results. The Permanent Secretary (PS) and Minister in the Ministry of Health, Social Security & International Business have expressed strong support for the planned interventions. The scope of the project is also limited to those local agencies where the leadership was confident that the existing staff complement could support implementation.

VII. Environmental and Social Classification

- 7.1 The ESG classification for this operation is "C".