

TC Document

I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	Improving the Business and Innovation Climate and Capacity to Attract Investment in OECS Member Countries
▪ TC Number:	RG-T3520
▪ Team Leader/Members:	Hennessey, Michael P. (IFD/CTI) Team Leader; Stevenson, Claudia (IFD/CTI) Alternate Team Leader; Drakes, Lisa (IFD/CTI); Franklyn, Russell Levon (IFD/CTI); Jimenez De Arechaga, Maria Del Pilar (LEG/SGO); Kelly Castillo, Emily Leticia (IFD/CTI); Lindsay, Courtney Oliver (IFD/CTI); Pereira, Stefano (IFD/CTI); Pilgrim, Valarie (IFD/CTI); Pomenta Bastidas, Patricia Elena (ORP/GCM)
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	.
▪ Date of TC Abstract authorization:	18 Jun 2019.
▪ Beneficiary:	Antigua & Barbuda, Dominica, Grenada, St. Lucia, St. Kitts & Nevis, St. Vincent & the Grenadines ¹
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	Compete Caribbean Partnership Facility(CCP)
▪ IDB Funding Requested:	US\$995,000.00
▪ Local counterpart funding, if any:	US\$174,925.00 (In-Kind)
▪ Disbursement period (which includes Execution period):	30 months
▪ Required start date:	November 2019
▪ Types of consultants:	Individuals and Firms
▪ Prepared by Unit:	IFD/CTI-Competitiveness, Technology and Innovation Division
▪ Unit of Disbursement Responsibility:	IFD-Institutions for Development Sector
▪ TC included in Country Strategy (y/n):	N/A
▪ TC included in CPD (y/n):	N/A
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation

II. Objectives and Justification of the TC

- II.1 The objective of this TC is to improve the Business and Investment Climate (BIC) in Member Countries of the Organization of Eastern Caribbean States (OECS).
- II.2 According to the World Bank Doing Business (DB) Report for 2019, the highest country-level ranking achieved by an OECS Member Country was 93 for Saint Lucia.² For the period 2015-2019, the six OECS Member Countries supported by Compete Caribbean Partnership Facility (CCP), have not moved significantly towards best practices (i.e., no significant improvement in country-level DB Scores/Distance to

¹ In accordance with GN-2851, paragraph 2.9, Antigua & Barbuda, Dominica, Grenada, St. Lucia, St. Kitts & Nevis, and St. Vincent & the Grenadines are eligible for financing from the Compete Caribbean Partnership Facility.

² The 2019 rankings for the OECS Member Countries were as follows: Antigua and Barbuda 112, Dominica 103, Grenada 147, Saint Lucia 93, and St. Vincent and the Grenadines 130.

Frontier (DTF)) and have declined in performance when compared to other countries (i.e., a decline in Rankings).³

- II.3 A needs assessment survey conducted by CCP revealed that (i) a number of reforms are either recently completed, ongoing, or already planned, largely with donor support;⁴ (ii) most countries do not have a very structured approach to coordinating BIC reforms and there is no one agency that coordinates, and has the capacity to communicate the status of, the reform process; (iii) there is growing interest in establishing units within government to improve the coordination of the reforms; (iv) reforms to improve some of the poor performing indicators could not be supported by CCP due to low levels of ownership within the agency(ies) to be treated, and/or CCP's inability to cover the cost of equipment and physical infrastructure; and (v) there was high demand for support to reforms related to the *Starting a Business*.
- II.4 Within this same country group, the rankings in the *Starting a Business* category range from 69 for Dominica to 131 for Antigua and Barbuda. Dominica, which introduced online business registration, is the highest performer but its ranking has declined over the period 2015-2019 as its rate of innovation has lagged best practice countries. Saint Lucia was the only country showing some improvement, moving from 72 in 2015 to 70 in 2019. Over the period 2010-2017, two regional projects began the automation of business registries in participating CARICOM countries.⁵ The projects installed the back-office/internal module of an Online Company Registration System (OCRS). The automation process has, however, stalled in most of the participating CARICOM countries, except Dominica. Where installed, the back office/internal module was not put to full use; and most of the participating countries had not requested the installation and operationalization of the external customer-facing e-filing module or the establishing of interfaces to allow sharing of data with the other agencies that are important to the business registration process (e.g., inland revenue, social security, international business companies registry). The major issues that have stalled the automation process are: (i) the need for changes to the legislative/regulatory framework to support automation; (ii) limited financial resources to digitize hard copy data (iii) limited access to post-installation support services to assist countries with resolving problems encountered in the testing and roll out of the internal module; (iv) limited Information and Technology (IT) skills among staff of the business registries; and (v) hardware limitations in the case of one (non-OECS) country.

³ Over the period 2015 to 2019, the average country-level ranking for the six OECS Member Countries deteriorated from 106 to 121. Saint Lucia was the only country with an improved country-level ranking moving from 100 in 2015 to 93 in 2019. The worst performances were for St. Vincent and the Grenadines, Antigua and Barbuda, and Grenada with movements of -27, -23 and -21 points respectively. For the same period, the average country-level DTF showed very marginal deterioration, with the average country-level score moving from 59 in 2015 to 58 in 2019. At the indicator level, the lowest rankings were for: Registering Property, Getting Credit, Protecting Minority Investors, and Resolving Insolvency. Indicators with better rankings were, however, declining in performance with more rapid rates of decline for: Protecting Minority Investors, Getting Electricity, Dealing with Construction Permits, Trading Across Borders, Resolving Insolvency, Registering Property, and Getting Credit. *Enforcing Contracts* was the only indicator with positive improvement, for the six OECS Member Countries moving from an average of 122 in 2015 to 59 in 2019.

⁴ There are already initiatives (some of which are supported by Compete Caribbean under prior TCs) to address some of the worse performing Doing Business indicators: *Getting Credit*, *Protecting Minority Investors*, *Dealing with Construction Permits*, *Paying Taxes*, *Trading Across Borders*, *Resolving Insolvency*, and *Registering Property*. For example, CCP is currently supporting reforms related to: Dealing with Construction Permits (RG-T3267); Trading Across Borders (RG-T3268 and RG-T3257); and Protecting Minority Investors (RG-T3269). There are also existing national and/or regional World Bank supported initiatives addressing *Getting Credit*, *Registering Property*, and *Resolving Insolvency*. Discussions are also ongoing to reengineer business processes and upgrade the information technology infrastructure for *Paying Taxes*.

⁵ The twelve participating CARICOM Member Countries: Antigua and Barbuda, Barbados, Belize, Dominica, Guyana, Grenada, Jamaica, St Lucia, St Kitts and Nevis, St Vincent and the Grenadines, Suriname, Trinidad and Tobago.

- II.5 In addition to the support by other donors/ agencies towards improving *Starting a Business*, CCP is providing some targeted support through two projects: ATN/CO-16799-RG (Grenada) and ATN/CO-16794-RG (St. Vincent and the Grenadines). The scope of these projects is limited to (i) determining the scope of work required to complete the automation process; (ii) supporting the digitizing of hard-copy data; and (iii) providing training and technical support to promote increased use of the internal OCRS module.
- II.6 This TC continues CCP's support and will further the automation of business registries in Grenada, St. Vincent and the Grenadines, Saint Lucia and Antigua and Barbuda. These countries were selected after a detailed assessment confirmed that there was adequate readiness for change in terms of existing IT infrastructure, capacity of the registry and the government's IT services, and level of leadership and ownership, particularly by the registrar, senior IT services personnel, and the relevant line ministry. In each case, minimal investment was required to improve the existing IT infrastructure and the government has committed to cover this investment.
- II.7 Improved national competitiveness requires a country-driven sustained effort to BIC reforms as opposed to a "shot in the arm" and donor-driven approach. Countries need to build capacity to coordinate Public-Private dialogue, and the development and implementation of reforms that are inclusive or representing the needs of all, including women-owned businesses. In addition to its support for BIC reforms related to *Starting a Business*, CCP will strengthen capacity for promoting and coordinating BIC reforms. In doing so, it will also increase the sustainability of this and other CCP-financed TCs. The strengthening efforts will be targeted at entities that manage Public-Private dialogue and coordinate the development and implementation of BIC reform agendas/action plans.⁶This TC builds on one component of ATN/CO-16799-RG, which commenced the strengthening of the unit for coordinating and promoting BIC reforms in Grenada;⁷ ATN/CO-16753-RG, which supports the development and roll out of a reform/competitiveness agenda for Saint Lucia and the strengthening of related agencies; and ATN/CO-17346-RG, aimed at improving the capacity of the Invest Dominica Authority to attract sustainable investments.
- II.8 **Strategic Alignment.** This TC is consistent with the Update to the Institutional Strategy 2010 -2020 (AB-3008) as it is strategically aligned with the development challenge of productivity and innovation and, specifically, addresses the special needs of small and vulnerable countries in fostering development through the private sector. It is also aligned with the objectives of CCP, (GN-2851), the Pillar 2 objective, to promote an environment that enables innovation and growth.
- II.9 This TC has been designed and will be executed in close collaboration with the OECS Commission and the Eastern Caribbean Central Bank (ECCB), an important

⁶ The arrangements for coordinating and promoting BIC reforms in the 6 OECS Member Countries are as follows:

- (i) Antigua and Barbuda - Doing Business Unit within the Ministry of Finance, Economic Planning, Sustainable Development and Information Technology.
- (ii) Dominica - Reform Management Unit, Establishment, Personnel and Training Department
- (iii) Grenada - International Business Unit, Ministry of Health, Social Security & International Business
- (iv) St Kitts and Nevis - Ministry of International Trade, Industry, Commerce and Consumer Affairs
- (v) Saint Lucia - Ministry of Commerce, International Trade, Investment, Enterprise Development and Consumer Affairs
- (vi) St. Vincent and the Grenadines - Doing Business Unit, Ministry of Finance, Economic Planning, Sustainable Development and Information Technology

⁷ Component 3 of RG-T3268 focuses on the Institutional Strengthening of the International Business Unit, Ministry of Health, Social Security & International Business

coordinator of economic development initiatives that benefit its member territories. It directly contributes to OECS Development Strategy 2019-2028 and Goal # 4 of the ECCB's 2017 – 2021 Strategic Plan, which commits ECCB to actively promoting the economic development of its member territories, including improving the business and investment climate of the territories served by the Bank. This TC also directly builds on current joint World Bank and ECCB initiatives: (i) the creation of a partial credit guarantee scheme for the ECCU Member Countries to provide third-party credit risk mitigation to lenders in order to increase access to credit for SMEs; (ii) operationalization of a regional credit bureau; and (iii) establishment of a harmonized secured transactions framework to support increased access to finance.

III. Description of activities/components and budget

- III.1 Component 1. Automation of Business Registries (US\$586,361).** This component will support the governments of Antigua and Barbuda, Grenada, St. Lucia, and St. Vincent and the Grenadines with the automation of their business registries. A consulting firm will be engaged to undertake the following activities in support of this objective: (i) reengineer the business registration processes in line with current best practices; (ii) identify capacity building needs and changes required to the legislative/regulatory framework to support the adoption of the reengineered processes; (iii) formulate a capacity building action plan for each registry, which sustains the reform process beyond this TC; (iv) fix glitches / issues identified in the existing internal OCRS module; (v) design an automated business registration one-stop-shop solution complete with e-filing, e-payment and e-signature; (vi) design and deliver training targeted to operations, information technology support staff, and a team of Master Trainers,⁸ who will be responsible for training end users; (vii) actively transfer knowledge to a locally sourced Project Manager and make specific recommendations for the maintenance and sustainability of the automated business registry; and (viii) support the launch of online service delivery in each country, including the provision of at least 1 year post-launch support. In the case of St. Lucia, the Government is financing the reengineering, automation and launch of online services for its business registry, but this component will also engage service providers to support the digitization of legacy data there.
- III.2** This component will also support the training of end users, drafting of revised legislation/regulations, as required, as well as the development and implementation of a change communications plan. The change communications plan will (i) sensitize key internal and external stakeholders on the objectives of the TC, the design and operations of each automated online one-stop-shop, and how to access the services of the upgraded registries; (ii) manage communications with staff of the registries and allow them to express and receive feedback on concerns; (iii) create and/or update the registries' websites/webpages; (iv) manage the launch of each automated online business registration one-stop-shop, including facilitating user feedback; and (v) celebrate project wins and successes. End user training and communications will be customized to reach groups with lower demonstrated levels of IT literacy.⁹ Registries

⁸ The Team of Master Trainers will include a Project Manager, to be sourced from within the OECS, and senior staff from within each of the business registries and other agencies with roles in the business registration process.

⁹ These may include male and female micro entrepreneurs, rural micro entrepreneurs, and older/more mature entrepreneurs.

will also establish inhouse training kiosks to support those who may be initially challenged in accessing services online¹⁰.

- III.3 **Component 2. Coordinating and Promoting BIC Reforms (US\$288,639).** This component will seek to assess and strengthen OECS Member Countries' capacity to promote and coordinate BIC reforms. The assessment and capacity building will be targeted to government units mandated to promote and coordinate the reform process, agencies that execute reforms (e.g., business registries, construction permitting agencies, customs, etc.); and private sector associations. The consultants will (i) assess and make recommendations for improving the institutional capacity for promoting and coordinating BIC reforms at both the national and regional level; (ii) implement capacity building actions; and (iii) support the development and roll out of BIC reform agendas/action plans. The capacity building actions to be implemented should include the provision training (using a learning by doing approach), operating tools, and operating guidelines. The aim of the capacity building includes increasing understanding of what constitutes the BIC (going beyond the WB DB indicators); and improving skills to analyze the BIC, manage evidence-based and gender informed Public-Private dialogue, and develop, coordinate implementation, monitor and report on a BIC reform agenda/action plan.
- III.4 **Component 3. Knowledge Management & Dissemination (US\$120,000).** CCP will have overall responsibility for executing the project. This component will engage the services of a Project Manager/Lead Master Trainer to assist with coordinating the execution of Component 1 and lead user training. The support from the Project Manager will compensate for any capacity limitations with respect to information technology, business process re-engineering, and project management expertise within, the Local Project Teams.¹¹ She/he will also develop a monitoring and evaluation (M&E) plan, collect data and populate the plan, and prepare Quarterly Project Progress Reports and a Close-off Report (for Component 1 only). The ECCB, OECS Commission and each of the benefitting agencies will appoint a member of staff to a Project Oversight Team (POT). The POT will lead by the Team Leader for this TC and include the Project Manager/Lead Master Trainer and staff of CCP. POT will meet quarterly to progress towards these planned results (detailed in the Results Matrix) and agree on actions required to improve implementation performance.
- III.5 This component will also cover the expenses associated with (i) hosting Webinars, and the production and dissemination of e-publications to influence the replication of the successes of this and other related CCP-supported TCs; and (ii) meetings that involve the ECCB, OECS Commission and senior technocrats on how the results of the TC may contribute to increasing functional cooperation among OECS Member Countries.
- III.6 The total cost of the TC is US\$1,169,925 of which US\$995,000 will be financed by CCP and US\$174,925, will be financed by non-cash/in-kind contributions from the governments of OECS Member Countries.

¹⁰ In accordance with Section 2.2 of GN-2765, the majority of services to be procured under this component will be intellectual in nature with hardware/software acquisitions under the assignment estimated to be less 10% respective contractual values.

¹¹ The Local Project Teams will comprise staff of the agencies involved in the business registration process, local IT support personnel, and a representative of the Office of the Attorney General.

Indicative Budget

Activity/Component	Description	IDB/CCP Funding	Counterpart Funding	Total Funding
Component 1: Automation of Business Registries (US\$586,361).	Consulting fees and expenses: establishing an automated online one-stop -shop, additional hardware, legislative drafting, digitization of data, and change management and communications	586,361	0.00	586,361
Component 2: Coordinating and Promoting BIC Reforms (US\$288,639).	Consulting fees and expenses: capacity assessment and capacity building	81,350	0.00	81,350
	Consulting fees and expenses: supporting the development and kick starting the implementation of BIC reform agendas	207,289	0.00	207,289
Component 3: Knowledge Management & Dissemination (US\$120,000).	Consulting fees and expenses for Project Manager and Lead Master Trainer	115,000	0.00	115,000
	Expenses associated with producing and dissemination information on results, lessons learned and opportunities for replicating and increased functional cooperation	5,000	0.00	5,000
	Counterpart staff and resources (meeting venues, refreshments served at training and other events, office space, etc.)	0.00	174,925	174,925
Total		995,000	174,925	1,169,925

IV. Executing agency and execution structure

- IV.1 CCP, approved under GN-2851, was jointly designed with donors to be a Bank Executed Program, through CCP's Facility Coordination Unit (FCU) established in the Country Office Barbados. The Bank has demonstrated its ability to coordinate and motivate action across diverse stakeholders at both the national and regional levels. In accordance with Section 2.d., Annex 10 of GN-2629 it is appropriate for the Bank to execute regional TCs where a regional entity with the legal and institutional capacity to execute cannot be readily identified. Therefore, the execution of this TC will be carried out by the Bank through the Competitiveness and Innovation Division (IFD/CTI), in coordination with FCU and the ECCB.
- IV.2 The execution and disbursement period will be 30 months and the Unit of Disbursement Responsibility (UDR) will be IFD. The activities to be executed are included in the Procurement Plan and will be contracted in accordance with Bank policies as follows: (a) AM-650 for Individual consultants; (b) GN-2765-1 and Guidelines OP-1155-4 for consulting firms for services of an intellectual nature and; (c) (GN-2303-20) or logistics and other related services.
- IV.3 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's grant resources that will finance the implementation of individual projects in the Organization of Eastern Caribbean States.

V. Major issues

- V.1 Lessons learned by FCU from the implementation of projects similar to Component 1 have informed the design of the TC and the structuring of associated Terms of Reference: (i) presence of an effective project champion and importance of strong local leadership, particularly where the business process to be re-engineered and automated spans several independent agencies with varying capacities; (ii) change management and communications activities must be integrated into the TC; (iii) the project scope must not be too ambitious; (iv) recruit expertise to supplement local staff and improve capacity to coordinate, as relevant; (v) accompany the roll-out of new solutions and actively assist with resolving teething problems; (vi) solutions developed for regulatory agencies need to be flexible, capable of evolving and be based on well-defined business processes.
- V.2 Limited technical skills among the registrars and other senior staff within the agencies with roles in the business registration process, and a limited number of IT support personnel can limit the capacity of local counterparts to participate in the execution of the project and maintain the registry post-project. To mitigate this risk, (i) the project will engage a Project Manager/Lead Master Trainer, from the OECS Member Countries, to provide technical backstopping to the local counterparts during the period of the project and to serve as a local support post-project; (ii) the firm engaged under Component 1 will transfer knowledge to the Project Manager and make specific recommendations for ensuring the sustainability of the automated registry; and (iii) the Project Manager will support local counterparts to implement these recommendations prior to project completion. The respective governments have already been sensitized to and expressed commitment to supplementing the existing complement of IT personnel.
- V.3 A preliminary assessment was conducted, as part of the TC design, and only a limited amount of additional computer hardware will be required to support the establishment of the online one-stop-shops. The respective governments have committed to covering the cost of any additional hardware. The firm engaged under Component 1, will make a final determination on this matter and the project makes a small provision for acquisition of additional hardware, which the governments may not be able to cover in a timely manner.
- V.4 Delays in the enactment of new/revised legislation may retard the adoption of re-engineered business processes and the overall implementation process. To mitigate this risk, each Local Project Team will include a representative of the Office of the Attorney General, who will be tasked with expediting the review and tabling of new/revised legislation. In the event of a major delay, the project will move ahead with the adoption of reengineered business processes, which are not dependent on the new/revised legislation. Local capacity will be built to further reengineer the process, when the legislation is enacted.

VI. Exceptions to Bank policy

- VI.1 No exception to Bank policy is required for this TC.

VII. Environmental and Social Strategy

VII.1 Given the nature of the program, there are no associated environmental or social risks. Based on the Environment and Safeguards Compliance Policy (OP-703) this operation is classified as "C". See [Safeguards Policy Filter Report \(SPF\)](#) and the [Safeguard Screening Form \(SSF\)](#).

Required Annexes:

[Request from the Client_33560.pdf](#)

[Results Matrix_50748.pdf](#)

[Terms of Reference_49078.pdf](#)

[Procurement Plan_67268.pdf](#)