

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	REGIONAL/IDB
▪ TC Name:	Improving the Business and Innovation Climate and Capacity to Attract Investment in OECS Member Countries
▪ TC Number:	RG-T3520
▪ Team Leader/Members:	TORRICO DURAN, BLANCA PAOLA (IFD/CTI) Team Leader; STEVENSON, CLAUDIA (IFD/CTI) Alternate Team Leader; DRAKES, LISA (IFD/CTI); LINDSAY, COURTNEY OLIVER (IFD/CTI); PILGRIM, VALARIE (IFD/CTI); JIMENEZ DE ARECHAGA, MARIA DEL PILAR (LEG/SGO); KELLY CASTILLO, EMILY LETICIA (IFD/CTI); COX, SHAMEKA TAMEISHA (IFD/CTI); POMENTA BASTIDAS, PATRICIA ELENA (ORP/GCM); HENNESSEY, MICHAEL P. (IFD/CTI); FRANKLYN, RUSSELL LEVON (IFD/CTI); ALLEYNE, JUNE JULIANNA CECILIA (IFD/CTI); PAUTRAT BONILLA, MARIA DEL PILAR (IFD/CTI); SANCHIZ VICENTE, ALEX (IFD/CTI); BROOMES, GREG ANTHONY (IFD/CTI); ATWELL, KEISHA TAMARA (IFD/CTI); VELASQUEZ NANO, BRIANA ALEXANDRA (IFD/CTI); SIERRA LIRANZO, MAYRETT (IFD/CTI); GENESIS MORALES (IFD/CTI)
▪ Taxonomy:	Client Support
▪ Number and name of operation supported by the TC:	N/A
▪ Date of TC Abstract:	18 Jun 2019
▪ Beneficiary:	Antigua and Barbuda; Dominica; Grenada; St Lucia; St Kitts and Nevis; St Vincent and the Grenadines
▪ Executing Agency:	INTER-AMERICAN DEVELOPMENT BANK
▪ IDB funding requested:	US\$995,000.00
▪ Local counterpart funding:	US\$174,925.00 (In Kind)
▪ Disbursement period:	24 months
▪ Types of consultants:	Individuals; 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):	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation ; Institutional capacity and rule of law

II. Objective and Justification

- 2.1 The objective of this TC is to support national and regional efforts aimed at: (i) improving the business and innovation climate (BIC) in the Organisation of Eastern Caribbean States (OECS) Member Countries; and (ii) increasing levels of domestic and foreign investment.
- 2.2 According to World Bank Doing Business (DB) Reports for the period 2015-2019, the six OECS Member Countries supported by CCPF, have not moved significantly towards best practices (i.e., no significant improvement in DB Scores/Distance to Frontier (DTF)) and have declined in performance when compared to other countries (i.e., a decline in Rankings). An analysis of the DB indicators with more rapid rates of decline in DTF and rankings over the period 2015-2019 suggests that the worst

performing indicators are: Protecting Minority Investors, Getting Electricity, Dealing with Construction Permits, Trading Across Borders, Resolving Insolvency, Registering Property, and Getting Credit. There is an urgent need for a BIC reform agenda that addresses all of the WB DB Indicators, informed by the prioritization of constraints by the private sector and the worst performing WB DB Indicators. In response, several business environment reform initiatives are under implementation, coordinated at the regional level, by the Eastern Caribbean Central Bank (ECCB).

- 2.3 Through this TC, Compete Caribbean is focusing its support on reforms related to the Starting a Business Indicator in Antigua and Barbuda, Grenada, Saint Lucia, and St. Vincent and the Grenadines. This is in response to specific requests from the countries, existing funding gaps, and an opportunity to build on outputs delivered under prior projects, financed by the World Bank and European Union. 2.4 Effective implementation of the current reform agenda will contribute to reversing the performance of the business climate in OECS Member Countries. Improved WB DB Rankings should be imminent but may only represent a short period of improvement, which will be followed by a period of decline. Countries need to build capacity for: managing dialogue to determine the priority BIC constraints faced by the private sector, promoting reforms, and coordinating the implementation of a national reform agenda.
- 2.4 Improvements in the BIC must also be accompanied by improved capacity to promote and attract investment, particularly given the pressures caused by (i) the blacklisting of Caribbean countries by the European Union for alleged policies that may support tax avoidance by corporations and individuals; (ii) calls, globally, to close loopholes in citizen by investment initiatives, implemented by the OECS and developing and developed countries, which may allow criminal activity; and (iii) the need for increased investment to support new economic diversification efforts (e.g., blue economy) or increasing climate resilience. CCPF is already supporting the strengthening of investment promotion capacity in Dominica under a prior TC (RG-T3325). This TC will build capacity to promote and attract investments in St. Vincent and the Grenadines by strengthening INVESTSVG, the investment promotion agency for St. Vincent and the Grenadines.
- 2.5 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, institutional capacity and rule of law; 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 CCPF, (GN-2851), the Pillar 2 objective, to promote an environment that enables innovation and growth.

III. Description of Activities and Outputs

- 3.1 This TC supports the re-engineering and automation of business processes related to "Starting a Business"; and the strengthening of institutions responsible for coordinating and promoting BIC reforms, and attracting investments. The total cost of the TC is US\$1,169,925 of which US\$995,000 will be financed by CCPF and US\$174,925, will be financed by non-cash/in-kind contributions from the governments of Antigua and Barbuda, Grenada, Saint Lucia and St. Vincent and the Grenadines.
- 3.2 **Component I: Automation of Business Registries.** This component will (i) engage a firm to support governments with the automation of their business registries, including the training of trainers and training of IT support personnel; (ii) support the training of end users by the Master Trainers; (iii) engage a legislative drafting consultant to draft, as required, revised legislation/regulations; and (iv) engage a communications consultant to develop and implement a communications strategy.

- 3.3 **Component II: Coordinating and Promoting BIC Reforms.** This component will engage consultants to strengthen OECS Member Countries' capacity to coordinate and promote BIC reforms that inclusive and gender informed. The capacity building will be targeted to government units mandated to coordinate the reform process, agencies that execute reforms and private sector associations.
- 3.4 **Component III: Institutional Strengthening of INVESTSVG.** This component will engage a firm to strengthen the capacity of INVESTSVG to promote and attract investments into St. Vincent and the Grenadines and to support businesses with becoming export ready. The firm will assist INVESTSVG with developing and implementing a Strategic Roadmap for fulfilling its mandate
- 3.5 **Component IV: Coordination, Monitoring and Reporting.** This component will engage a Project Manager/Lead Master Trainer to assist with coordinating the execution of Component, monitoring, reporting, and with the delivery of training to end users of the upgraded business registries.

IV. Budget

Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Automation of Business Registries	US\$680,223.00	US\$0.00	US\$680,223.00
Coordinating and Promoting BIC Reforms	US\$66,350.00	US\$0.00	US\$66,350.00
Institutional Strengthening of INVESTSVG	US\$123,427.00	US\$0.00	US\$123,427.00
Coordination, Monitoring and Reporting	US\$125,000.00	US\$174,925.00	US\$299,925.00
Total	US\$995,000.00	US\$174,925.00	US\$1,169,925.00

V. Executing Agency and Execution Structure

- 5.1 The TC is designed, and will be executed, in close collaboration with the national agencies with roles in the business registration process, promoting and coordinating BIC reforms, and attracting investment; and at the regional level. The execution of this TC will be carried out by the Bank through the Competitiveness and Innovation Division (IFD/CTI), in coordination with the Compete Caribbean Partnership Facility (CCPF) Coordination Unit FCU and the Eastern Caribbean Central Bank (ECCB). 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.
- 5.2 The Compete Caribbean's Facility Coordination Unit, approved under GN-2851, was jointly designed with donors to be a Bank Executed Program, has great experience on successful implementation of cluster projects in the Caribbean. 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 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.

- 6.2 The demand for additional computer hardware to support the establishment of the automated online one-stop-shops, will be determined only after business processes are mapped and reengineered. Some time may be required to place the cost of hardware upgrade in the national budget. The project makes a provision for acquisition of additional hardware to reduce delays associated with obtaining the governments' approval through amendments to already approved public sector budgets.
- 6.3 Revisions to regulations, unlike revisions to legislation, do not require Cabinet or parliamentary approval and there is limited risk that such revisions will negatively impact implementation performance. 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.
- 6.4 The risk of poor implementation of the Strategic Roadmap, Reform Agenda and Work Plans of BIC reform coordinating units, will be reduced by efforts to increase accountability for their implementation post-project. Those responsible for providing oversight to INVESTSVG and the reform coordinating units will be sensitized on the importance of accountability, and how to use these results-focused documents, to improve accountability and sustain implementation.

VII. Environmental and Social Classification

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