

INTER-AMERICAN DEVELOPMENT BANK  
IDB LAB

**DOMINICA**

**ECOMICRO - NATIONAL DEVELOPMENT FOUNDATION OF DOMINICA  
LIMITED - GREEN FINANCE FOR MSMEs AND LOW-INCOME HOUSEHOLDS**

**RG-T3378**

**ECOMICRO PROGRAM FACILITY (RG-O1649)**

**DOCUMENT FOR PROJECT APPROVAL**

**PROJECT DOCUMENT**

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## **PROJECT SUMMARY**

### **EcoMicro - National Development Foundation of Dominica Limited - Green Finance for MSMEs and Low-Income Households RG-T3378**

As climate change and the impact of extreme natural disasters, in particular Hurricane Maria (2017), increasingly disrupt key productive sectors of Dominica's economy, adapting to its impacts and mitigating its effects are crucial for the economic stability of the island. Moreover, diminishing the dependence on fossil fuels and increasing the share of renewable and low-carbon energy sources in the energy portfolio is essential to mitigate climate change, particularly where high energy costs increase the energy burden for low-income households as well as business costs for Micro, Small and Medium Enterprises (MSMEs), with negative implications for productivity and growth.

The objective of this EcoMicro Project is to build climate resilience of MSMEs and low-income households in Dominica, through new green finance that enables the acquisition of Renewable Energy/Energy Efficiency (RE/EE) technologies and implementation of adaptation methodologies. This will be achieved through the development of two distinct green finance products that will support access to: (i) RE/EE technologies (mitigation finance), and (ii) adaptation technologies/measures (adaptation finance). Under mitigation finance, the project will target low-income households and MSMEs in the Distributive Trade, Industry, and Services sectors, to enable them to invest in RE/EE technologies. Deployment of RE/EE technology will reduce operational costs of MSMEs and increase disposable income of low-income households through energy savings. This will support MSMEs and low-income households to integrate climate resilience in their recovery efforts following the impact of Hurricane Maria on the small business and housing sectors. Under adaptation finance, the project will target smallholder farmers and fisherfolk in the agriculture and fisheries sector to enable them to adopt adaptation technologies; it will also target low-income housing clients to enable them to incorporate adaptation measures into housing retrofits. The project, along with targeted green finance products, will also implement a risk modeling framework to evaluate the impacts of climate change on the Executing Agency's (EAs) loans portfolio and elaborate a greening policy to reduce the environmental impact of its Office in Roseau. This project is innovative as it will link mitigation and adaptation finance to business and housing recovery in a post-catastrophic natural disaster context for the first time, building their resilience to climate change.

The Executing Agency for this project is the National Development Foundation of Dominica Limited (NDFD), a company limited by guarantee mandated to serve MSMEs in the Commonwealth of Dominica. It is expected that the project will directly benefit 75 MSMEs and low-income households across Dominica. The project will also benefit the 16 managerial and technical staff belonging to NDFD, through training and capacity-building in areas relating to the key components of the project. The potential to scale this pilot will be assessed under the project and will be guided by the development of a scale strategy post-pilot.

Together with other EcoMicro projects, the IDB Lab expects to expand its knowledge of climate change resilience interventions through partnerships with FIs and other key actors in the ecosystem. This project will demonstrate how microfinance institutions can best support MSMEs and low-income households to mitigate and adapt to the impacts of climate change through market-based green finance solutions. This will enable them to not only transition to more environmentally-sustainable energy production systems, but also to re-build in a manner that is more climate resilient.

This project is well-aligned with the overall IDB Group's goals on addressing climate change and environmental sustainability as well as the IDBG Institutional Strategy (2010-2020) whose policy objective is to accelerate economic and social development in a sustainable way, through increasing productivity and innovation. The project is also aligned to several of the policies adopted by the Government of Dominica as guiding principles for low carbon development. The project aims to accomplish its objective through: (i) design and implementation of green finance products; (ii) analysis of the vulnerability of the finance institution loan portfolio to climate change; (iii) elaboration of an institutional greening policy; and (iv) strategic knowledge management for public policies and private-sector scalability.

## ANNEXES

ANNEX I	Results Matrix
ANNEX II	Draft Milestones Table

### AVAILABLE IN THE TECHNICAL DOCUMENTS SECTION OF IDB LAB PROJECT INFORMATION SYSTEM

ANNEX III	<u>Diagnostic of Executing Agency Needs (DNA)</u> [includes Integrity Due Diligence Analysis]
ANNEX IV	Reporting Requirements and Compliance with Milestones and Fiduciary Arrangements
ANNEX V	(Draft) Procurement Plan



## **ACRONYMS AND ABBREVIATIONS**

<b>CARDI</b>	Caribbean Agricultural Research and Development Institute
<b>CCB</b>	Country Department Caribbean
<b>CBA</b>	Country Office in Barbados
<b>CREAD</b>	Climate Resilience Executing Agency of Dominica
<b>CSD</b>	Climate Change and Sustainability Division
<b>DEXIA</b>	Dominica Export Import Agency
<b>DNA</b>	Diagnostic of Executing Agency Needs
<b>DVRP</b>	Disaster Management and Urban Renewal Project
<b>EA</b>	Executing Agency
<b>ED</b>	Executive Director
<b>EE</b>	Energy Efficiency
<b>FI</b>	Financial Institution
<b>GAC</b>	Global Affairs Canada
<b>GDP</b>	Gross Domestic Product
<b>GHG</b>	Greenhouse Gas
<b>IDB</b>	Inter-American Development Bank
<b>IDB Invest</b>	Inter-American Investment Corporation
<b>IDB Lab</b>	Multilateral Investment Fund
<b>IICA</b>	Inter-American Institute for Cooperation on Agriculture
<b>LAC</b>	Latin America and the Caribbean
<b>MSME</b>	Micro, Small and Medium Enterprise
<b>NDFD</b>	National Development Foundation of Dominica Limited
<b>NDF</b>	Nordic Development Fund
<b>OECS</b>	Organization of Eastern Caribbean States
<b>PC</b>	Project Coordinator
<b>PEU</b>	Project Executing Unit
<b>PPP</b>	Purchasing Power Parity
<b>PSG</b>	Project Specific Grant
<b>PSR</b>	Project Status Report
<b>PV</b>	Photovoltaics
<b>RE</b>	Renewable Energy

## PROJECT INFORMATION

### DOMINICA

#### EcoMicro - National Development Foundation of Dominica Limited - Green Finance for MSMEs and Low-Income Households RG-T3378

<b>Country and Geographic Location:</b>	Dominica <sup>1</sup>		
<b>Executing Agency:</b>	National Development Foundation of Dominica Limited (NDFD)		
<b>Focus Area:</b>	Inclusive Cities		
<b>Coordination with Other Donors/Bank Operations:</b>	This project will be financed through resources from the Government of Canada, via the EcoMicro Program Facility (EcoMicro, RG-O1649), managed under RG-X1131 ATN/CN-15796-RG. The project will be executed in coordination with relevant activities of the IDB Climate Change and Sustainability Division (CSD) in the Caribbean Region.		
<b>Dominica Eligibility</b>	Dominica is eligible for financing under the EcoMicro Program in accordance with Article III, Section 3.1 of the Administrative Arrangement with Global Affairs Canada (GAC) of March 21, 2016.		
<b>Project Beneficiaries:</b>	The project is expected to directly benefit 75 MSMEs and low-income households and to train 16 managerial and technical staff belonging to NDFD.		
	Counterpart (cash and in-kind):	US\$ 120,000	30%
	Co-financing from the Government of Canada, via the EcoMicro Program Facility (EcoMicro, RG-O1649):	US\$ 280,000	70%
	<b>TOTAL PROJECT BUDGET:</b>	US\$ 400,000	100%
<b>Execution and Disbursement Period:</b>	30 months of execution and 36 months of disbursement.		
<b>Special Contractual Conditions:</b>	Special conditions precedent to first disbursement will be: (i) execution of the contract with the EcoMicro pre-qualified consulting partner.		
<b>Environmental and Social Impact Review</b>	This operation was screened and classified as required by the IDB's safeguard policy (OP-703) on 17 December 2018. Given the limited impacts and risks, the proposed category for the project is C.		
<b>Unit responsible for disbursements</b>	COF Barbados: the project will be supervised by the EcoMicro Program Team Leader supported by the EcoMicro Team within CCB/CBA.		

<sup>1</sup> Dominica is eligible for IDB Lab financing in accordance with Article III, Section 3(a) and 3(d) of the MIF II Agreement by which all regional developing member countries of the Bank and the Caribbean Development Bank (CDB) are potentially eligible recipients of financing from IDB Lab to the extent that they are eligible beneficiaries of financing from the Bank and that the financing is conducted in consultation and agreement with or through the CDB. Information on the project has been shared with CDB on October 12, 2018.



## I. INTRODUCTION

- 1.1. **The EcoMicro Program:** The “Green Finance for Micro, Small and Medium Enterprises (MSMEs) and Low-Income Households: The EcoMicro Program” (EcoMicro) is a US\$ 17 million facility established to pilot green finance for MSMEs (including small farmers) and low-income households in Latin America and the Caribbean (LAC). The goal of the Program is to facilitate green finance as a means to increase access to Renewable Energy/Energy Efficiency (RE/EE) products, and to assist in adaptation to climate change. The purpose of the facility is to support Financial Institutions (FIs) in partnership with key actors in the broader ecosystem to provide new finance instruments to capitalize on opportunities in green financing, while adjusting their risk management models to climate change risk and incorporating climate impact assessment into their internal policies and operations.
- 1.2. The Program is currently financed with funds from IDB Lab, co-financed by the Nordic Development Fund (NDF) and Global Affairs Canada (GAC) through Project Specific Grants (PSGs), and local counterpart funds. It is executed by the IDB Lab. It was originally approved on September 20, 2011<sup>2</sup>, and was subsequently amended<sup>3</sup> in 2015 to increase contributions from IDB Lab and NDF and to extend the execution term through December 2020. In 2016, GAC made an additional contribution to increase the outreach of the original program specifically in the Caribbean Region<sup>4</sup>. GAC-funded Caribbean Projects follow the prescribed modular approach of the EcoMicro Program, which is centered on the execution of three mutually reinforcing and interlocking components<sup>5</sup>. The EcoMicro modular approach was originally approved by the IDB Lab Donor’s Committee by Resolution MIF/DE-33/11 on September 20, 2011 (MIF/AT-1143-2) and forms the basis of the Administrative Agreement with GAC for the Caribbean EcoMicro Program, signed on March 21, 2016. In August 2018, the disbursement deadline of the Program was extended until November 30, 2022.
- 1.3. **Selection of Consulting Firm during Design Phase.** In accordance with *Section C: Execution and Administration of the Program* of the Donors Memorandum for the EcoMicro Program (RG-M1205), IDB Lab pre-qualified 18 consulting firms are eligible to participate in the Caribbean EcoMicro Program. The selection of a consulting partner by the Executing Agency (EA) to support the design and execution of project activities will occur following this competitive process, following project approval. The project, once in execution, will be governed by the Procurement Policies GN-2349-9 and GN-2350-9.
- 1.4. This is the **twentieth EcoMicro project**, the first in Dominica, and the fifth to be funded by the Government of Canada via the EcoMicro Program Facility (EcoMicro, RG-O1649) through the Operation ATN/CN-15796-RG, Project: RG-X1131 EcoMicro2/EcoMicro3 – Green Finance for MSMEs and Low-Income Households.

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<sup>2</sup> Resolution MIF/DE-33/11 (MIF/AT-1143-2)

<sup>3</sup> Resolutions DE-89/15 and MIF/DE-38/15 (MIF/AT-2243-3)

<sup>4</sup> Resolutions DE-46/16 and MIF/DE-43/16 (MIF/AT-1143-4 and MIF/AT-1143-5 respectively)

<sup>5</sup> The three intervention areas approved by the MIF Donors Committee and GAC are: (i) design and implementation of the green finance product; (ii) assessment of the institution’s loan portfolio vulnerability to climate change; and, (iii) greening the FI through development of environmental guidelines and policies.

- 1.5. **Delegation of Authority to IDB Lab Management for Project Approvals:** The Donors delegated authority to the IDB Lab Chief Executive Officer for the approval of projects under the EcoMicro Program (MIF-AT-1143-2).

## II. THE PROBLEM

### A. Problem Description

- 2.1. Dominica, the Nature Island of the Caribbean, is located in the Lesser Antilles in the Eastern Caribbean. In 2017, its population stood at 73,925, of which 30% is rural<sup>6</sup>. The Dominican economy has fluctuated significantly over the past 4 years, with annual Gross Domestic Product (GDP) growth ranging from 4.4% in 2014 to -2.5% in 2015; and from 2.6% in 2016 to -4.2% in 2017<sup>7</sup>. A stable macroeconomic environment and economic growth have been limited, not only by international economic developments<sup>8</sup>, but also due to the effects of successive extreme natural disasters, namely Tropical Storm Erika in 2015 and Hurricane Maria in 2017. The damages and losses sustained as a result of Hurricane Maria in 2017, are estimated at about 226% of 2016 GDP<sup>9</sup> (see details below, Art. 2.7)
- 2.2. In 2017, the GDP per capita (current US\$) stood at US\$ 7,610<sup>10</sup>. The economy relies on a narrow range of goods and services for export namely, agricultural products and educational services through the establishment of international medical schools. Bananas, citrus, mangoes, root crops, cocoa, and coconut products are the principal agricultural exports. In 2017, the service sector contributed 71% to total GDP, followed by industry (14%) and agriculture and fisheries (15%)<sup>11</sup>.
- 2.3. Historically, the private sector in Dominica has been relatively large, accounting for 78% of national employment<sup>12</sup>. Of this, MSMEs generate over 60% percent of private sector employment and income and contribute significantly to GDP. It is estimated that there are close to 10,000 of such businesses flourishing throughout the island<sup>13</sup>. Women predominate in the micro business 'informal economy', as street and market vendors, 'hucksters' in the inter-island trade in agricultural produce and other commodities, and vendors at tourism sites.
- 2.4. Apart from the impact of external shocks/natural disasters, Dominica's private sector faces a number of additional challenges. Among these, access to finance represents one of the largest challenges, with 44% of firms identifying this as the biggest obstacle to doing business in the country<sup>14</sup>. The cost of electricity has also been cited as a major hindrance to development as it impacts negatively both consumers and businesses<sup>15</sup>.

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<sup>6</sup> World Bank: [DataBank World Development Indicators](#).

<sup>7</sup> Idem

<sup>8</sup> Compete Caribbean, Private Sector Assessment of Dominica, 2013.

<sup>9</sup> Post Disaster Needs Assessment Hurricane Maria September 28, 2017.

<sup>10</sup> World Bank Open Data

<sup>11</sup> Ibid.

<sup>12</sup> Compete Caribbean, Private Sector Assessment of Dominica, 2013.

<sup>13</sup> Post Disaster Needs Assessment Hurricane Maria September 28, 2017, A Report by the Government of the Commonwealth of Dominica, 2017

<sup>14</sup> Compete Caribbean, 2013

<sup>15</sup> Ibid., 2013

- 2.5. As it relates to access to finance, it has been noted that finance was either difficult to obtain due to collateral pre-requisites or too costly (i.e. interest rates were too high). Regarding bank loans, only 33% of firms reported direct access to such facilities. Access has been limited due to information asymmetries on potential borrowers as well as inadequate consideration of the special circumstances of smaller enterprises. Collateral as a proportion of loan size in Dominica averaged 194% in 2013<sup>16</sup>.
- 2.6. Like many island nations, Dominica's reliance on imported fossil fuels leaves the country vulnerable to global oil price fluctuations, which directly impact the cost of electricity. Approximately 77% of its electricity generation is supplied by petroleum, while 23% is supplied by renewables (hydro, geothermal, wind). The relatively high renewable energy penetration places Dominica at the forefront of renewable energy use in the Organization of Eastern Caribbean States (OECS). Still, electricity rates in Dominica in 2015 were approximately \$0.39 per kilowatt-hour (kWh), higher than the Caribbean regional average of \$0.33/kWh<sup>17</sup>. In addition, while most of the population has access to electricity, power outages are frequent.
- 2.7. Dominica is particularly vulnerable to natural hazards, including those related to climate and its variability. On September 18, 2017, Hurricane Maria hit the island as a Category 5 storm with catastrophic effect. The country was exposed to extraordinary winds, accompanied by intense rainfall, which provoked flashfloods and landslides. According to the Post Disaster Needs Assessment, damages and losses are estimated at about US\$ 1.37 billion, or 226% of 2016 GDP, with significant impacts on the agriculture, tourism, manufacturing, and commerce sectors<sup>18</sup>. This has in turn resulted in a significant hit to banks' credit portfolios. Restoring productive capacity requires the rehabilitate and/or rebuilding of existing facilities.
- 2.8. In addition, electricity service ceased completely due to widespread damages to the transmission and distribution network. Despite having restored 100% of its distribution network, many individual homes and business connections remain down. This is due to the condition of their physical premises, where restoration has not been sufficient to meet clearance for reconnection.
- 2.9. Moving forward, Dominica's goal to become the world's first climate resilient country<sup>19</sup>. In the context of an island exposed to extreme weather events, increased generation from renewable sources can provide a more cost-efficient, cleaner and more resilient alternative power supply. This is not only a crucial aspect of the island's recovery and reconstruction needs, but also a critical measure to enhance the resilience of Dominica's power system in the long-run.
- 2.10. Already in the aftermath of Hurricane Maria, the Government has waived all duties on imports of RE technologies. Despite gains that would result from the deployment of RE/EE and adaptation technologies, however, there remains limited uptake by MSMEs and low-income households owing to several key barriers.

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<sup>16</sup> Ibid., 2013

<sup>17</sup> Energy Transition Initiatives, Energy Snapshot: Dominica, 2015.

<sup>18</sup> Post Disaster Needs Assessment Hurricane Maria September 28, 2017.

<sup>19</sup> Prime Minister's Statement to the UN General Assembly, New York (September 2017)

### **Mitigation: -**

- 2.11. **Limited awareness and knowledge among MSMEs and low-income households** about the benefits of investing in RE/EE technologies. Vast information asymmetries exist among the smaller and more informal businesses as well as low-income households on the energy and cost savings benefits to be derived from “going green”. While certain technologies such as solar water heaters and solar photovoltaics are fairly well known, there is less knowledge and awareness of other technologies. This has resulted in a lack of trust in RE/EE technologies and technology providers. In addition, the high upfront cost of such investments presents a further barrier, especially in the absence of favorable financing options.
- 2.12. **Limited capacity within the microfinance sector in green lending.** While the NDFD recognizes the potential market and developmental opportunities that green finance represents, the organization lacks the technical capacity to undertake the requisite market analysis, identify appropriate technology solutions, and develop the relevant financial terms of green loans. NDFD recognizes that, in addition to the rollout of green finance products, mass sensitization is needed to address inertia and behavioral change and to encourage adoption of RE/EE technologies<sup>20</sup> among MSMEs and low-income households, making this a worthwhile venture in the medium and long term.

### **Adaptation: -**

- 2.13. **Limited knowledge and awareness of climate-smart agriculture technologies and practices.** Farmers lack the appropriate information and knowledge to effectively incorporate on-farm climate-resilient best practices such as efficient practices such as water management, ag-tech solutions, soil conservation and sustainable land management. This is further compounded by the lack of climate change information, such as long-term weather forecasts and climate impacts. The limited on-farm application of climate-smart technologies and methodologies constrains smallholder farmers' ability to respond to climate change in their current and future agricultural production and contributes to low farm productivity and returns.
- 2.14. **Inadequate level of investment in agricultural adaptation.** There remain limited opportunities for low-income households and farmers to access credit to finance adaptation. This is largely due to a lack of understand of the agriculture sector within the FI, which results in a high risk-aversion among lenders. When credit is available, often inappropriate terms and conditions misaligned to the agriculture cycle are offered, as well as inadequate periods of amortization.

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<sup>20</sup> Market Study and Partner Scoping in the Caribbean - The EcoMicro Program, Econoler 2016.

## **B. Project Beneficiaries**

- 2.15. The direct beneficiaries of this project are **75 MSMEs<sup>21</sup> and low-income households<sup>22</sup>** across Dominica, serviced via NDFD. NDFD will target MSMEs in the Distributive Trade, Industry, Services, Agriculture, Fisheries and Housing sectors.
- 2.16. The project will also benefit **16 managerial and technical staff** that belong to NDFD, 12 of whom are women and 4 who are men. All 16 staff will receive technical training and awareness building in areas relating to the key components of the project: design and piloting of green finance, climate vulnerability and risk assessment, and institutional greening.
- 2.17. NDFD will receive specialized technical assistance to design and pilot new green finance products. This will allow them to diversify their product offering, differentiate themselves from other FIs, and attract new clients. Following Hurricane Maria, NDFD is increasingly aware of the risks of climate change and its impact on the productivity of its MSME clients, as well as the positive impact on disposable income that energy savings derived from RE/EE technologies can bring to low-income households.
- 2.18. NDFD will also benefit from institutional capacity building to analyze the vulnerability of the productive and housing segments of the loan portfolio to climate change. Strengthening the climate risk management capacity of the organization will improve future credit decisions and help reduce its loans portfolio at risk. In addition, the project will enable NDFD to expand its commitment to generate energy savings, reduce greenhouse gas (GHG) emissions, and promote environmental sustainability through implementation of energy consumption audits and development of an institutional greening policy with short-to-medium-term priorities and recommended actions.

## **III. THE INNOVATION PROPOSAL**

### **A. Project Description**

- 3.1. The objective of this project is to build climate resilience of MSMEs and low-income households in Dominica, through new green finance that enables the acquisition of RE/EE technologies and implementation of adaptation methodologies. This will be achieved through the development of two distinct green finance products that will support access to: (i) RE/EE technologies (mitigation finance), and (ii) adaptation technologies/measures (adaptation finance).
- 3.2. This project will implement the prescribed modular approach of the EcoMicro Program aimed at building climate resilience of MSMEs and low-income households, through the execution of three mutually reinforcing and interlocking components: (i) design and implementation of the green finance product; (ii) assessment of the institution's loan portfolio vulnerability to climate change; and, (iii) greening the FI through development of environmental guidelines and policies.

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<sup>21</sup> Micro Enterprises are qualified as businesses with sole proprietorship; Small Enterprises are qualified as businesses with 5 employees (including business owner); Medium Enterprises are qualified as businesses with 6-10 employees

<sup>22</sup> Housing loans are between US\$ 7,000 to US\$ 10,000 and target mainly home repairs, retrofits, renovations etc.

- 3.3. **Mitigation finance.** The proposed solution centers on the creation and piloting of mitigation finance to support low-income households and MSMEs to integrate climate resilience in their recovery efforts. This will include housing and productive loans for low-income households and MSMEs, respectively, to access RE/EE technology products and services. MSMEs are primarily in the following sectors: Distributive Trade (including grocery stores, appliances and electronic, clothing and shoes), Industry (including agro-processing, food and beverages production, arts and crafts, light manufacturing) and Services (including barbershops/hair salons, entertainment, laundromats, creative industries, spa/wellness providers) sectors. Lower energy costs will reduce operational costs and improve the competitiveness of MSMEs, while energy savings will increase the disposable income of low-income households. NDFD will pilot mitigation finance for: (i) EE technology with smaller loans ranging from US\$1,800 to US\$ 2,500; and (ii) RE technology with loans between US\$ 7,000 and US\$ 11,000. The loan repayment term is currently between 12 to 84 months.
- 3.4. **Adaptation finance.** Adaptation finance will enable smallholder farmers and fisherfolk to invest in climate-smart technologies and implement adaptation measures customized to support on-farm needs, that will build their resilience to climate change. Adaptation finance will also allow low-income housing clients to invest in retrofitting existing structures to make them more resilient to extreme weather events.
- 3.5. **Gender.** NDFD's overall micro portfolio includes is fairly balanced with a distribution of 53% male and 47% women. NDFD manages two specific credit facilities dedicated directly for women entrepreneurs, including one targeting rural women farmers and agri-business enterprises, funded by IICA, and the second targets women with limited access to finance, funded by the Women's Bureau of the Government of Dominica. The priority sub-sectors targeted under this pilot are – Agriculture, Fisheries, Services, Distributed Trade, Industry and Housing sectors. The gender distribution of the targeted sub-sectors is 64% men and 36% women, with some sub-sectors traditionally skewed to men (e.g. agriculture, fisheries, services) while Distributed Trade, Industry and Housing are dominated by women. The Gender Analysis to be conducted at the inception of this project - using the Toolkit for Mainstreaming Gender in MIF Projects - will establish whether specific measures will be needed to address possible gender inequalities during execution, to ensure equitable benefits to both women and men.
- 3.6. **Climate Risk Assessment.** The project model will also build NDFD's capacity to assess the vulnerability of its current productive and housing portfolio to climate change and to integrate climate risk assessment into future credit decisions. Vulnerability analysis and risk assessment will be based on a review of publicly available climate data sets<sup>23</sup>. The project will develop a technology-based risk assessment tool to be incorporated into NDFD's existing loans review processes. In the medium-term, this will strengthen the organization's capacity to offer adaptation-related finance, enabling smallholder farmer clients and low-income households to invest in climate smart technologies that build their climate resilience.
- 3.7. **Institutional Greening.** NDFD will participate in the institutional greening activities under Component 3 of the project. Cognizant of the substantial energy savings and

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<sup>23</sup> Climate data sets include information available from Jamaica's Ministry of Water, Land, Environment and Climate Change, United Nations Framework Convention on Climate Change (UNFCCC), Global Climate Scope and the World Bank Climate Change Knowledge Portal.

cost benefits to be derived, this project will allow NDFD to consolidate its commitment to institutional greening by conducting an energy consumption assessment (with full energy audits) of its office and by developing a greening policy for the overall institution. This will enable the realization of energy savings and a reduction of the organization's carbon footprint.

- 3.8. **Innovation.** This project is innovative as it will link mitigation and adaptation finance to business recovery in a post-catastrophic natural disaster context for the first time. Bridging the current financing gap and boosting the level of green investment will unlock the deployment of RE/EE and adaptation technologies/methodologies for MSMEs and low-income households, post-Hurricane Maria, many of whom are vulnerable women. This will enable them to not only re-build in a manner that is more climate resilient, but also to realize associated cost savings and productivity improvements derived from these technologies. This experience will also be of interest to the wider Caribbean Region, given the recent increasing frequency and intensity of natural disasters and the objective of making the region the world's first climate-smart zone. The EcoMicro modular approach is also unique as it incorporates the three mutually reinforcing interlocking interventions of the EcoMicro Program: (i) design and implementation of the green finance product; (ii) assessment of the institution's loan portfolio vulnerability to climate change; and, (iii) greening the FI through development of environmental guidelines and policies.
- 3.9. **Knowledge:** The project will serve as an important case study, generating real evidence and best practices on how microfinance institutions can best support micro enterprises and low-income households to mitigate and adapt to the impacts of climate change through market-based green finance solutions in a variety of sectoral contexts. As part of the EcoMicro Program facility, this project will benefit from knowledge derived from other EcoMicro projects communicated via periodic Newsletters, as well as have access to multiple tools and knowledge products generated across all projects resident in the EcoMicro Library.
- 3.10. **Component I: Design & Implementation of Green Finance Products.** The objective of this component is to design and pilot two complementary climate finance products, for mitigation and adaptation, that will allow low-income households and MSMEs to invest in RE/EE technologies and low-income households and smallholder farmers and fisherfolk to implement adaptation measures to build their climate resilience. The EA will mobilize its balance sheet to finance the pilot loans. This component will include: (i) Landscape Analysis and Market Study, including a Gender Analysis – using the Toolkit for Mainstreaming Gender in MIF Projects; (ii) Review of Technologies, Technology Providers and Strategic Alliances. This is intended to provide the EA with specific technology selection guidance/best practice manuals to help FIs evaluate technology providers, and key adaptation stakeholders; (iii) Building capacity of the climate finance ecosystem. This will require identification, engagement with and capacity building of key local agents in the agriculture and



fisheries sector<sup>24</sup>, housing sector<sup>25</sup>, productive sectors<sup>26</sup>, as well as government agencies<sup>27</sup>, so that they are better positioned to serve the needs of MSMEs, including smallholder farmers and fisherfolk, and low-income households in the long-run. This will involve stakeholder outreach, community consultations with direct beneficiaries and ecosystem actors. In addition, this will include fostering networks and strategic partnerships - including in particular with RE/EE and adaptation technology providers and private service providers (e.g. energy auditors). This is a particularly key area of need and a key strategy for ensuring long-term potential for scale and sustainability of climate finance post-pilot (iv) Design and implementation of Green Finance Products; (iv) Elaboration of Operational Guide and Internal Processes for the new green finance products; (v) Training of loans officers and other key staff; (vi) Beneficiary Outreach and Awareness Building among clients on the potential benefits of green finance; (vii) Interim and Final Evaluation of the performance of the green finance product, including implementation of improvements; and, (viii) Scale Strategy and Action Plan, including recommendations for scaling and leveraging of private/donor funds required to scale.

- 3.11. **Component II: Analyzing the Vulnerability of the Finance Institution Loan Portfolio to Climate Change and improving overall risk management.** The component will focus on strengthening the EA's overall risk management, through the development of a comprehensive risk management framework that incorporates climate risk for the first time. The EA's sub-sectors targeted under this project (productive lending and housing) will be analyzed for vulnerability to climate change. The analysis will include a map of climate change risks (determined based on existing publicly available information and activities under the project), and their specific impact on the EA's clients. This will inform the design of a climate risk assessment tool and technological systems/software modules to incorporate analysis of climate risks into future credit decisions. Relevant staff will be trained on use of the climate risk management tool and on monitoring climate change impact on future loans. The project will develop an accompanying climate risk policy with specific recommended actions to reduce the EA's exposure to climate change.
- 3.12. **Component III: Reducing the Environmental Impact of the Finance Institution.** In order to achieve a strong commitment to building resilience to climate change through green finance, this component will emphasize staff training and awareness raising. The project will conduct energy consumption assessments/energy audits at the EA's office. Based on these assessments, the project will design an institutional greening policy and action plan for the EA that will: (i) foster "green" habits among

<sup>24</sup> In the agriculture sector, stakeholders include the Ministry of Agriculture and Fisheries, extension providers and producers' associations (Dominica Organic Movement, Hucksters Association, Cocoa Association, Pineapple Association, Coffee Association, Bee Keepers Cooperative Association), Caribbean Agricultural Research and Development Institute (CARDI), Inter-American Institute for Cooperation on Agriculture (IICA).

<sup>25</sup> In the housing sector, stakeholders include the Builders and Contractors Association, Association of Engineers, Dominica Society of Architects, Bureau of Standards.

<sup>26</sup> In the productive sectors, stakeholders include the Dominica Manufacturer's Association, Dominica Association of Industry and Commerce, Dominica Export Import Agency (DEXIA), Arts and Crafts Association, Vendors Association, Old Market Vendors, Bay Front Vendors Association, Hotel and Tourism Association, Wellness and Health Association, Dominica Youth Business Trust, Dominica Coalition of Service Industries

<sup>27</sup> Government agencies include the Small Business Unit within the Ministry of Commerce, Physical Planning Division within the Ministry of Planning and Economic Development, Women's Bureau under the Ministry of Ecclesiastical Affairs, Family and Gender Affairs, Ministry of Youth Affairs, Ministry of Environment, Climate Resilience, Disaster Management and Urban Renewal, Disaster Vulnerability Reduction Project (DVRP), Climate Resilience Executing Agency of Dominica (CREAD).



employees and management teams; (ii) establish targets to reduce EA's overall carbon footprint; and (iii) recommend investments to realize energy savings. The policy will incorporate a methodology to measure the institutional carbon footprint (GHG accounting methodology and a GHG baseline) and an energy efficiency baseline and improvements over time.

- 3.13. **Component IV: Knowledge Management and Communications.** The objective of this component is to capture, synthesize and disseminate the knowledge generated at the project level, including lessons learned, best practices, and key factors of success. One of the main components of the EcoMicro program is directly related to the systematization, documentation and dissemination of the knowledge generated by each of the individual projects under the facility. FIs will participate in knowledge sharing events with other EcoMicro project partners to share experiences and lessons learned. Knowledge products developed under the project (by the consulting partner in collaboration with the EA) will be disseminated via the EcoMicro Program website and events, including project-specific sub-regional workshops. Developing successful initiatives will be crucial to creating demonstration effects for replication. In addition, this component will generate strategic knowledge for private and financial sector adoption to ensure scalability of this intervention.
- 3.14. **Plan for Scale:** All EcoMicro pilots that have concluded, have gone on to scale. Some institutions have continued to offer loans with their own resources while others have attracted private investment. The potential to scale this pilot will be assessed under the project, subsequently informing the development of a scale strategy post-pilot.

## **B. Project Results, Measurement, Monitoring and Evaluation**

- 3.15. **Project Results.** By the end of this project the following results are expected: (i) 75 MSMEs and low-income households adopting RE/EE technologies and adaptation technologies/methodologies; (ii) US\$ 300,000 in financing mobilized from the EA's balance sheet for RE/EE technologies and adaptation technologies/methodologies accessed by MSMEs and low-income households; (iii) 16 FI employees trained in RE/EE and adaptation green product(s); (iv) 100% of NDFD's productive and housing portfolio analyzed for vulnerability to climate change; (v) 1 climate risk management tool and portfolio vulnerability reduction plan approved by FI management; (vi) 100% of facilities owned and occupied by the FI have completed energy consumption diagnostics/carbon footprint analysis and are implementing recommendations; and (viii) EA has participated in knowledge sharing events to disseminate best practice and lessons learned.
- 3.16. **Measurement.** The EA will measure project results using their existing banking software and management information systems. The EA will ensure that data capture systems satisfy reporting requirements under the project and results matrix. Where necessary, additional monitoring and evaluation systems will be developed to generate data for the project. These results will be rolled-up at the programmatic level to allow for donor reporting, in accordance with donor requirements. Data captured will be broken down according to green finance product type (RE vs. EE vs. adaptation), technology type, sector, loan type and value, region, number of MSME clients or low-income household by gender (e.g. women or men led), beneficiaries or staff trained, and outreach to stakeholders.

- 3.17. **Monitoring and Evaluation.** The baseline will be verified during the start of the project with inputs from key assessments to be conducted by the consulting partner, including the market study in Component 1, vulnerability analysis in Component 2 and the institutional greening diagnostic in Component 3. Baseline information will include key ex-ante data such as: (i) current energy costs of MSMEs accessing the green lending products; (ii) current climate impact, client vulnerabilities, and existing adaptation capacity; and (iii) GHG emissions and energy costs of NDFD's Office. The EA/Consulting Partner will prepare intermediate progress reports and a Final Report that analyzes the results obtained across all components with audio-visual evidence of beneficiaries (both male and female), and technology installations. The Final Report will capture the overall experience and project results, including challenges, lessons learned and best practices. The final report will serve as a key input to the scale plan to be developed by the EA/Consulting Partner. The EA will report information on scale-up one year following completion of the project.
- 3.18. Within the IDB/IDB Lab, the project will be supervised by the IDB Lab EcoMicro Program Team Leader (located in at the Bank's Headquarters) supported by the EcoMicro Team within CCB/CBA. The Country Office in Barbados will retain responsibility for disbursements.
- 3.19. **Reports.** The EA in close collaboration with the consulting partner will be responsible for presenting Project Status Reports (PSRs) within thirty (30) days after the end of each semester, or more frequently as determined by the IDB Lab by providing at least sixty (60) days advance notice to the EA. The PSR will contain information on the progress of project execution, achievement of milestones, and completion of project objectives as stated in the results matrix and other operational tools. The PSR will also describe issues encountered during the execution and outline possible solutions. Within ninety (90) days after the end of the execution term, the EA/consulting partner will submit a Final PSR to the IDB Lab, which will highlight results achieved, project sustainability, evaluation findings, and lessons learned. These reports are necessary to comply with the Program Evaluation Plan that requires annual reports to the Donor's Committee describing the progress, performance and all recorded results.
- 3.20. **Final Evaluation:** A final project evaluation will be carried out on conclusion of the green finance pilot and will include the identification of key factors needed to build a sustainable business case for green finance to building resilience of MSMEs and low-income households to climate change in Dominica. Furthermore, the evaluation will include the following aspects: (i) analysis of the experience, impact, lessons learned, and best practice derived under this project and post-pilot scale; (ii) details relating to the actual scale achieved post-pilot; and (iii) assessment of both enhanced engagements within and development across the broader RE/EE ecosystem. The IDB Lab will commission the evaluation with resources from its contribution under the EcoMicro Program (RG-M1205). The evaluation of EcoMicro Projects may be undertaken individually or in a cluster with other projects.

## **IV. ALIGNMENT WITH IDB GROUP, SCALABILITY, AND RISKS**

### **A. Alignment with IDB Group**

- 4.1. This project is aligned with the IDBG Institutional Strategy (2010-2020) policy objective of accelerating economic and social development in a sustainable way, through increasing productivity and innovation. The project relates directly with the objective to support expansion of new and more sophisticated SMEs - through the facilitation of enhanced use of technology for energy generation - with the goal to stabilize climate change. It is also directly linked with climate change and environmental sustainability, a cross-cutting issue defined in the Update to the Institutional Strategy 2016-2019.
- 4.2. The project is aligned to the IDB Climate Change Action Plan, approved in December 2017, which calls for the development of innovative financial models and promotion of new technologies to address climate change in the private sector.
- 4.3. According to the 2015 Joint Report on Multilateral Development Banks' Climate Finance tracking, 100% of total funding for this project is invested in climate change mitigation/adaptation activities aimed at encouraging MSMEs to adopt climate change mitigation/adaptation technologies or practices. This contributes to the IDBG's climate finance goal of 30% of operational approvals by year's end 2020.
- 4.4. The project is also in line with IDB Invest Business Plan 2017-2019, in particular, the goal to expand access to finance in partnership with FIs to increase investments in MSMEs and green companies, and its broader commitment to help clients build their climate resilience. The EcoMicro Program team within the IDB Lab will work closely with IDB Invest to identify potential partnerships with successful pilot projects for further scale through financing from IDB Invest.
- 4.5. The project is aligned to several of the policies adopted by the Government of Dominica as guiding principles for low carbon development: the Dominica Low Carbon Climate Resilient Development Strategy 2012-2020, which addresses supporting micro and small business to access opportunities in the Green Economy and conserving energy and promoting renewable energy options to address rising energy costs affecting competitiveness. It also complements the Draft National Energy Policy of the Commonwealth of Dominica, and the Draft Sustainable Energy Plan of the Commonwealth of Dominica, both of which have as main objectives to pursue sustainable energy that is cost-efficient and reliable through harnessing Dominica's domestic renewable energy resources. Finally, the project also aligns with the forthcoming Climate Resilient National Plan (CRNP)<sup>28</sup>, wherein one of the main pillars - climate-resilient systems - calls for the resilience of energy systems to adjust to, and absorb the impacts of, climate change.

### **B. Scalability**

- 4.6. Post-pilot, NDFD will scale green finance to clients in the Agriculture, Fisheries, Distributive Trade, Industry, Housing and Services sectors. This is aligned to the EA's goal of attracting new MSME clients to NDFD as well as growing its loan portfolio,

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<sup>28</sup> The Climate Resilient National Plan (CRNP) supports the National Resilience Development Strategy (NRDS).

particularly in the productive sectors of the economy. This is also consistent with NDFD's approach to position itself as the vehicle for development of the MSME sector, including the drive and focus to encourage viable business ventures that expand production and productivity and create more employment.

- 4.7. NDFD's EcoMicro consulting partner will facilitate scale through: (i) completion of requisite analysis to support a scale strategy, including demand projections and financial analysis based on the results of the pilot; (ii) preparation and presentation of the scale strategy to the Board for approval; and (iii) training of all technical staff to ensure readiness for scale.
- 4.8. During the project, the pre-qualified EcoMicro consulting partner provide guidance to the EA in their development of a branding and marketing strategy, including logo design, for the new green finance products. The marketing strategy, to be implemented by the EA, will incorporate events and PR materials to facilitate the national launch of the new green finance products.
- 4.9. Once the pilot has successfully concluded, the EcoMicro Program can support efforts to scale by linking the project partner with other relevant micro-finance funds for potential financing for scale.

#### **C. Project and Institutional Risks**

- 4.10. **Limited appetite among MSMEs for green financing.** The project will address potential limited demand by devoting significant resources to an initial market study, review of technologies and technology suppliers and product design. This will help to determine local demand for green lending as well as to establish strategic alliances and partnerships with local suppliers and other key actors. The project will also conduct direct outreach and training within beneficiary communities to stimulate awareness and demand for the new green finance products. In addition, continuous assessments and a final evaluation of the performance of the RE/EE and adaptation loan products in the market will be prepared, with a view to making necessary adjustments to scale post-pilot.
- 4.11. **Limited number of RE/EE and adaptation technology/service providers.** The market is dominated by a limited number of key suppliers and their respective distribution agents. Given that new green finance will result in an increase in the demand for RE/EE and adaptation technologies by MSMEs and low-income households, the project will establish alliances between NDFD and leading suppliers to ensure that this increasing demand can be met. In addition, the market study will assess the potential for NDFD to encourage new RE/EE and adaptation technology entrants and distributors into the local market, through tailored products to finance green suppliers.

#### **V. INSTRUMENT AND BUDGET PROPOSAL**

- 5.1. The project has a total cost of *US\$ 400,000*, of which *US\$ 280,000 (70%)* will be provided by the Government of Canada, via the EcoMicro Program Facility (EcoMicro, RG-01649), and *US\$ 120,000 (30%)* by the EA counterpart consisting of cash and in-kind contributions. The expected execution period for this Project is 30 months and the expected disbursement period is 36 months. The project budget does

not allocate resources for Contingencies, Audit and Evaluations, as these are already covered in the budget by the broader Program (RG-M1205/RG-X1131).

- 5.2. This project falls under the EcoMicro Program Facility (RG-O1649). The instrument to be used is non-reimbursable, given that most of the knowledge generated by this project is considered a public good.
- 5.3. The retroactive recognition of Counterpart funds is not applicable under this operation.

**Table 1: Project Budget**

<b>Project Categories</b>	<b>Government of Canada via EcoMicro Program Facility (EcoMicro, RG-01649)</b>	<b>Counterpart</b>	<b>Total</b>
Component 1: Design & Implementation of Green Finance Products	145,000	40,000	185,000
Component 2: Analyzing the Vulnerability of the Loan Portfolio to Climate Change	95,000	5,000	100,000
Component 3: Reducing the Environmental Impact of the Finance Institution	10,000	0	10,000
Component 4: Knowledge Management and Communications Strategy	30,000	15,000	45,000
Project Administration	0	60,000	60,000
<b>Grand Total</b>	<b>280,000</b>	<b>120,000</b>	<b>400,000</b>
<b>% of Financing</b>	<b>70%</b>	<b>30%</b>	<b>100%</b>

\* 50% of Counterpart will be in-cash and 50% in-kind

## **VI. EXECUTING AGENCY (EA) AND IMPLEMENTATION STRUCTURE**

### **A. Executing Agency(s) Description**

- 6.1. The EA for this project will be the **National Development Foundation of Dominica Limited (NDFD)**, which was established in August 1981. NDFD is a company limited by guarantee mandated to serve MSMEs in the Commonwealth of Dominica. The organization also has a long history in the provision of training and technical assistance to its clients to assist them in effective management of their businesses and to ensure repayment of their sub-loans. NDFD's mission is to contribute to poverty reduction and human resource development at the national level by mobilizing funds for the provision of credit, business advisory services and training, primarily to the Micro and Small business sectors.
- 6.2. As of December 2018, NDFD serves 2,026 members through its office in Roseau. Their total loans portfolio is valued at US\$ 6 million. Recognizing the importance of supporting their MSME clients to integrate climate resilience in their business recovery efforts, NDFD has in the past provided financing for environmental and climate-related hazard protection initiatives as well as recycling. NDFD's productive segments included in the EcoMicro pilot (agriculture, fisheries, distributive trade, industry, services) serve 866 clients and is valued at US\$4 million, which represents 69% of the total portfolio. The housing segment represents 1.59% of NDFD's total portfolio, with a value of US\$ 94,440 and 35 loans. Loan repayment durations range

between 12 months (1 year) and 84 months (7 years), with an average loan size of US \$3,102.

- 6.3. With 37 years of experience in the microfinance sector and the strong emphasis placed on the continued development of MSMEs as one of the most needed and vulnerable sectors in society, NDFD is a strong local partner for EcoMicro, with the capacity to significantly scale green finance post-pilot. The Executive Director (ED) of NDFD is also the current Chair of the Caribbean Micro-Finance Alliance, which has benefitted from several IDB Lab projects in the past.

## **B. Implementation Structure and Mechanism**

- 6.4. NDFD's ED will have overall responsibility for the oversight of this project. Final approval of key deliverables by the consulting partner will be approved by the ED and Board of Directors in close consultation with the Supervisors and Senior Staff Team (comprising the Finance Manager, Recoveries Supervisor, Business Development Officers, and Business Support Services Officer), chaired by the ED. The Supervisors and Senior Staff Team will act as the Steering Committee for this Project.
- 6.5. As part of the necessary structure to execute project activities and manage project resources effectively and efficiently, the ED has appointed the Business and Entrepreneurial Development Manager as Project Coordinator (PC) with responsibility for the day-to-day management and coordination of activities.
- 6.6. The PC will be supported by the Executive Secretary who will carry out tasks relating to the coordination of administrative and logistical arrangements. The PC (with the assistance of the Executive Secretary) will ensure effective coordination of all logistics as well as overall project administration and record keeping. The PC with support from the consulting partner, will have responsibility for the preparation of all reporting requirements, including bi-annual PSRs that will provide progress on project implementation to the IDB Lab. The PC will be based at NDFD's office in Roseau.
- 6.4. The PC (with the assistance of the Executive Secretary) will be responsible for the overall supervision and management of consulting partner contract, including approval of mission dates, events/workshops, trainings, scheduling of deliverables, coordination with individual team members, preparation of field logistics, facilitation of engagement with local stakeholders, mobilization of counterpart resources and facilities to support contract execution. The PC will review and ensure quality control of all reports and deliverables prior to submission to the ED.
- 6.5. The PC will report directly to the ED and to regular meetings of the Supervisors and Senior Staff Team. The PC will be responsible for the strategic planning and supervision of the project. Periodic reporting to the ED and the Supervisors and Senior Staff Team will be required during execution. Required reports, analysis and/or presentations will be facilitated, where relevant, by the consulting partner.

## VII. COMPLIANCE WITH MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS

- 7.1. **Disbursement by Results, Fiduciary Arrangements.** The EA will adhere to the standard IDB Lab disbursement by results, Bank procurement policy<sup>29</sup> and financial management<sup>30</sup> arrangements as specified in Annex V and VI.
- 7.2. **Results-based disbursement.** The Project will be monitored by the IDB Lab EcoMicro Program Team Leader, based in Washington D.C, with day-to-day support and coordination by the EcoMicro Team located in the Barbados Country Office. Monitoring will be undertaken in accordance with the performance and risk management policies (fulfilment of milestones) established by the IDB Lab in April 2008 and knowledge sharing requirements of The EcoMicro Program. Project disbursements will be contingent upon verification of the achievement of milestones<sup>31</sup>. These milestones will be verified using their means of verification, which will be agreed upon between the EA and the IDB Lab. Achievement of milestones does not exempt the EA from the responsibility of reaching the logical framework indicators and the project objectives.
- 7.3. **Disbursements:** Disbursements will be made in accordance with the Financial Management Guidelines for IDB-financed Projects (OP-273-6) October 14, 2014 or future updates. All disbursements under this project will be made on an **ex-ante basis** via the following methods: (i) Direct Payment to Supplier/Contractor, in particular, for payments to the EcoMicro consulting partner. This disbursement method may also apply for the cost of travel relating to participation in knowledge exchange events; or (ii) Reimbursement of Payments (should the EA upfront expenses for participation in knowledge sharing events. Disbursements will be made on request by the EA, having conducted quality control and acceptance of consulting firm deliverables and to continue normal project implementation and after it is confirmed that no milestones are pending at the time of the request.
- 7.4. **Financial Management and Supervision.** The EA will establish and be responsible for maintaining adequate accounts of its finances, internal controls, and project files according to the financial management policy of the IDB/IDB Lab. The Diagnostic of Executing Agency Needs (DNA) generated a high level of risk in financial management. The IDB Lab will review all disbursements under this project on an ex-ante basis. All supporting documentation for disbursements will be supplied ex-ante with each disbursement request, with the IDB Lab review conducted 100% on an ex-ante basis.
- 7.5. **Ex-Post Reviews and Financial Statements:** The IDB Lab may contract independent auditors to carry out ex-post fiduciary reviews of this project. Ex-post fiduciary reviews may include a review fiduciary records relating to both project and also counterpart funds. Given that 100% of the disbursements will be reviewed on an

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<sup>29</sup> IDB Procurement Policies

<sup>30</sup> Financial Management Operational Guidelines

<sup>31</sup> Milestones are activities or outputs critical to achieving the development objectives and must be determined jointly by the executing agency and the IDB Lab. They may be revised and reprogrammed during the project implementation. The executing agency may also request that the Bank modifies the milestones with a limit of two times and provided that the corresponding deadlines have not expired. Fulfilment of milestones does not relieve the EA of the responsibilities to meet the indicators set forth in the Logical Framework.



**ex-ante basis** (as defined in 7.3 above), the EA is not required to prepare annual or final Financial Statements for this project.

- 7.6. The **first disbursement** (Milestone 0) will be made when the operation is approved. Approval will be granted once the IDB Lab Chief Executive Officer signs the contract and upon fulfilment of the following conditions in addition to those set by the Bank's agreement: (i) appointment of the Project Coordinator; and (ii) presentation of a signed contract with the EcoMicro selected consulting partner. *In the event that milestones are not reached, the IDB Lab and the EA will assess the severity of the situation and take appropriate measures to ensure that this does not have an impact on project implementation and/or achievement of the objectives.*
- 7.7. **Subsequent disbursements** will be made in accordance with Bank financial management guidelines<sup>32</sup>, and in accordance with (i) the payment schedule in the executed contract with the EcoMicro consulting partner; and (ii) the schedule of knowledge sharing events.
- 7.8. **Procurement.** In accordance with paragraphs 5.4 - 5.8 of the Donors Memorandum for The EcoMicro Program (RG-M1205<sup>33</sup>), the EA will execute one main procurement under this project, the selection of their EcoMicro consulting partner. This selection will be from a pool of consulting firms that have been pre-qualified via competitive process and are deemed eligible to participate in the EcoMicro Program. The IDB Lab EcoMicro team will guide the EA to complete the final selection of the pre-qualified, eligible, consulting firm, after the IDB Lab Chief Executive Officer approves the project. The EA will make their final selection based on the firms technical ability to deliver specialized technical assistance to the EA in the context of their project, in: (i) design and piloting of a green finance product for the final beneficiaries of the project; (ii) analysis of the vulnerability to climate change of the loan portfolio of the EA; (iii) development and implementation of internal policies for energy savings; and (iv) knowledge management and communications to capture, synthesize and disseminate the knowledge generated at the project level.
- 7.9. For the procurement of all other goods and contracting of consulting services under this project, the EA will apply the IDB Policies for the Selection and Contracting of Consultants (GN-2350-9) and the Operational Guidelines for Technical Cooperation Projects (OP-639). The Diagnostic of Executing Agency Needs (DNA) generated a high level of risk classification for procurement management. The IDB Lab will review all procurements under this project on an **ex-ante basis**. Before commencement of project contracting and procurement, the EA must submit the project Procurement Plan for the IDB/IDB Lab's approval which should be updated annually and when there are changes in the methods or goods or services to be procured.

## VIII. INFORMATION DISCLOSURE AND INTELLECTUAL PROPERTY

- 8.1. **Information Disclosure.** This project is classified as public for the purpose of the Bank's information disclosure policy.

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<sup>32</sup> Link to the document Financial Management Operational Guidelines.

<sup>33</sup> MIF/AT-1143-2



- 8.2. **Intellectual Property.** The knowledge products and materials produced with the funds disbursed under the project remain the property of the Inter-American Development Bank.


## **IX. RECOMMENDATION**

- 9.1. The Chief of Unit, Grant's Unit, Maria Elena Nawar, recommends the approval of this operation by the IDB Lab Chief Executive Officer, under the Delegation of Authority granted by the Donors Committee by Resolution MIF/DE-33/11 adopted on September 20<sup>th</sup>, 2011 and the use of resources from the Government of Canada, via the EcoMicro Program Facility (EcoMicro, RG-O1649) managed under RG-X1131 ATN/CN-15796-RG, totaling up to US\$280,000, in order to finance the corresponding project.

## **X. APPROVAL**

- 10.1. I hereby approve, according to the Delegation of Authority provided by the President of the Bank according with the facility approved by the Donors Committee by Resolution MIF/DE-33-11 adopted on September 20<sup>th</sup>, 2011 (MIF/AT-1143-2), up to US\$280,000 for the financing of the project "EcoMicro - National Development Foundation of Dominica Limited - Green Finance for MSMEs and Low-Income Households", the "Project," to be considered as part of the EcoMicro Facility.
- 10.2. That the resources of the project shall be utilized to finance the activities described and budgeted in this document chargeable to the resources of the IDB Lab under the EcoMicro Program (RG-X1131) on a non-reimbursable basis.
- 10.3. The commitment and disbursement of these resources shall be made only by the Bank in US\$. The same currency shall be used to stipulate the remuneration and payment to the consultant, except in the case of local consultants working in their own Borrowing Member Countries who shall have their remuneration defined and paid in the currency of such country.
- 10.4. No resources of the Program shall be made available to cover amounts greater than the amount certified herein above for the implementation of this Technical Cooperation Brief.

Approved

  
\_\_\_\_\_  
Irene Arias Hofman  
IDB Lab Chief Executive Officer

3/5/2019  
\_\_\_\_\_  
Date