

TC DOCUMENT

I. Basic Information for TC

▪ Country/Region:	Regional/CCB
▪ TC Name:	Improving Climate Resiliency in Dominica through Foreign Direct Investment
▪ TC Number:	RG-T3325
▪ Team Leader/Members:	Umana, Mario Alberto (INT/TIN) Team Leader; Arias Urones, Ana (INT/TIN) Alternate Team Leader; Pilgrim, Valarie (IFD/CTI); Franklyn, Russell Levon (IFD/CTI); Gomez Gonzalez, Maria Margarita (INT/INT); Cox, Shameka Tameisha (IFD/CTI); Lindsay, Courtney Oliver (IFD/CTI); Lucenti, Krista (INT/TIN); Verissimo Da Silva, Carolina (LEG/SGO).
▪ Taxonomy:	Client Support
▪ Date of TC Abstract authorization:	February 21, 2019
▪ Beneficiary:	Dominica ¹
▪ Executing Agency:	Inter-American Development Bank
▪ Donors providing funding:	Compete Caribbean Partnership Facility (CCP)
▪ IDB Funding Requested:	US\$225,200
▪ Local counterpart funding, if any:	US\$64,600
▪ Disbursement period:	30 months
▪ Required start date:	May, 2019
▪ Types of consultants:	Consultants, firms
▪ Prepared by Unit:	Trade & Investment Division (INT/TIN)
▪ Unit of Disbursement Responsibility:	Institutions for Development Sector (IFD/IFD)
▪ 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:	Climate Change and Environmental Sustainability

II. Objectives and Justification of the TC

- 2.1 The objectives of this Technical Cooperation (TC) is to strengthen the capacity of the Invest Dominica Authority (IDA) to attract sustainable foreign direct investment and contribute to the achievement of the Government of the Commonwealth of Dominica's (GOCD's) long-term vision to make the country the first Climate Resilient nation.
- 2.2 On September 18, 2017, Hurricane Maria, a category 5 hurricane hit the Commonwealth of Dominica with catastrophic impact. According to the World Bank, Hurricane Maria resulted in damages worth US\$931 million and losses of US\$381 million, which amounts to 226% of 2016 Gross Domestic Product (GDP). The Government responded with dispatch in the provision of relief and recovery and rebuilding support. In addition, the Government has posited a long-term vision² to make Dominica the first Climate Resilient nation. Public sector agencies, including

¹ In accordance with GN-2851, paragraph 2.9, Dominica is an eligible beneficiary country under the Compete Caribbean Partnership Facility.

² This vision is articulated in the document "Government of the Commonwealth of Dominica, Office of the Prime Minister, Our Role: "Building a Climate Resilient Dominica: A Public Service Response".

IDA, are required to revise and align their strategies and action plans with this vision. IDA is the government agency responsible for promoting and facilitating investment in tourism and industrial activities.

2.3 Sustainable Foreign Direct Investment

2.4 Countries have realized that private sector financing, including foreign direct investment (FDI), is critical to mobilizing the resources required to implementing national development goals and commitments under the United Nations Sustainable Development Goals (SDGs) and Framework Convention on Climate Change (COP21). This is influencing a shift in the approaches to attracting FDI and have given rise to the concepts of sustainable FDI, green FDI, and/or climate-smart FDI. Sustainable FDI considers economic development, environmental sustainability, social development and inclusion, and good governance.³ Green FDI advances progress on environmental and climate goals, protection and resilience, and avoids negative impacts on the environment or climate.⁴ Climate-smart FDI is any type of FDI which results in the use, production and distribution of Climate Smart Goods and Technologies (CSGT) or even more broadly as any type of FDI which results in mitigation of or adaptation to climate change.⁵ Green and climate smart FDI can be considered as subsets of sustainable FDI. Most importantly, sustainable FDI, green FDI and climate-Smart FDI should be thought of as FDI that is closely aligned with a country's sustainable development strategies and climate plans. In the case of Dominica, these include the country's Fourth Medium-Term Growth and Social Protection Strategy (GSPS) 2014-2018; National Mitigation Actions (NAMAs), Intended Nationally Determined Contributions (INDCs); National Climate Change Adaptation Policy; Low-Carbon Climate Resilient Development Strategy 2012-2020; Dominica Strategic Program for Climate Resilience (SPCR); and National Resilience Development Strategy Dominica 2030.

2.5 Companies also, increasingly recognize that it is important to invest in sustainable investment and inclusive business activities to both increase revenues and enterprise value and mitigate risks. Sustainable development practices can increase company revenues and enterprise value as they maintain competitive positioning, keeping up with competitors who adhere to and actively promote higher standards; also, it differentiates products or services; contributes to gaining market share and/or commanding a price premium (e.g. Fair Trade, etc.); capture revenues, developing new revenue streams by accessing new customers and markets; build awareness and brand loyalty among customers as well as shareholders; and increases employee loyalty among those who share these values. Sustainable development practices can mitigate risks by preserving the license to operate, avoiding reputational damage and avoiding future supply disruptions.

2.6 Challenges to Attracting Sustainable FDI

2.7 According to a report published in January 2018 by the UN Conference on Trade and Development (UNCTAD), global FDI fell by 16% in 2017 as compared to 2016 but rose by 8% for Latin America and the Caribbean (LAC). This rise within LAC was, however,

³ Source: Handbook on Policies, Promotion and Facilitation of Foreign Direct Investment for Sustainable Development in Asia and the Pacific. United Nations Economic and Social Commission for Asia and the Pacific.

⁴ Green FDI in Developing Countries, United Nations Environment Programme, 2017.

⁵ Source: United Nations Economic and Social Commission for Asia and the Pacific at https://www.unescap.org/sites/default/files/12-PAR~1_0.PDF.

only due to relatively stronger performance in Brazil, Argentina, Dominican Republic and Haiti. For the other LAC countries, the picture was less encouraging. This lack-luster performance is a continuation of the trend, which coincides with the 2007-2008 financial crisis.

- 2.8 The determinants for sustainable FDI are similar to “traditional” FDI, it is only the focus on sustainable development that differs. These determinants include a high-growth economy; political and economic stability; rule of law and economic policy coherence; competitively priced and productive labor; natural resources; large open demand and/or supply markets; well-developed infrastructure; a strong local private sector; an enabling business, innovation and investment climate; the right mix of policies and regulations related to the key sectors such as power, transport, telecommunications, water and sanitation, etc.; Specific, Measurable, Actionable, Realistic and Timebound (SMART) strategies for developing and strengthening national competitive advantages; a well-educated workforce; capacity to enforce laws and regulations; a clear commitment to “going green”; and an Investment Promotion Agency (IPA) with the capacity to promote and target specific types of FDI and provide good investor after-care.
- 2.9 More specifically, the IPA must be equipped with: (i) an investment policy and promotional strategy that targets specific sectors, is SMART, aligned with the country’s sustainable development strategies, Nationally Determined Contributions, National Adaptation Plans, etc., and which promote new investments, reinvestments by existing investors, and international SMEs; (ii) investor attraction tools such as incentives and Special Economic Zones (SEZs) that are adapted to encourage sustainable investment; (iii) identification and knowledge about targeted sectors where FDI can have a direct impact on sustainable development and can play an indirect role especially through technology transfer and specialist services and products that address key sustainable development threats facing the location and the associated regulatory framework and options for financing green investments; (iv) knowledge on the demand for environmental goods and services in export markets; (v) competitiveness and site location studies/analyses; (vi) investor opportunity profiles and investment presentations; (vii) a lead generation program to generate prospective investors; (viii) resources for an image-building campaign and promotions, including a good website, and hosting green investment forums and road shows; (ix) the capacity to conduct ex-ante and ex-post cost-benefit analyses of fiscal, financial and other incentives to help ensure that they are effective in generating the desired benefits for the host country; and (x) specific FDI new target metrics are needed to take into account Non-Equity Mode (NEM) types of investment and the positive impact they can have on reducing sustainable development threats as well as creating jobs and investments in local partners.
- 2.10 The global trends in FDI flows and the determinants of an attractive FDI destination clearly indicate that attracting and ensuring long-term inflows of FDI, particularly in small developing countries, is challenging; and improving a country’s attractiveness as an FDI destination is a deliberate and continuous process that is not the sole responsibility of the IPA but requires strong commitment from the highest levels of government and a very coordinated “whole of government”/multi-agency approach. For example, when using the World Bank Doing Business Indicators to gauge the health of the business environment, Dominica’s overall ranking is 103 out of 190 countries and ranks 168 for Registering Property, 144 for Getting Credit, 134 for Resolving Insolvency, and 99 for Protecting Minority Interest. To improve Dominica’s

business environment will require coordinated action across multiple public sector agencies. A preliminary assessment also suggests that there is much room for strengthening Dominica's ecosystem for entrepreneurship and innovation, and public sector capacity to implement policies and enforce legislation and regulations.

- 2.11 While IPAs are often seen as gatekeepers for sustainable FDI, very few have actually developed a holistic strategy to incorporate sustainable development into their investment promotion strategies. There is intense competition between IPAs to secure investment projects and create the most jobs, which prevents common strategies for sustainable development being pursued. Also, different views and attitudes towards the concept of sustainability prevent common strategies for sustainable development; and in some cases, an IPA cannot afford to lose an investor.⁶ The World Association of Investment Promotion Agencies (WAIPA) conducted a survey in cooperation with the Columbia Center on Sustainable Investment (CCSI). The results showed that economic development is of the highest priority for IPAs, followed by environmental sustainability.⁷ This all points to the importance of increasing awareness and changing perceptions of sustainability within IPAs and the whole of government.

2.12 Invest Dominica Authority

- 2.13 IDA was established by an Act of Parliament, Act No. 9 of 2007 to assist the government in the formulation and execution of policies to attract investment into Dominica. IDA provides "One Stop Shop Facilitation" services to investors to guide them through the various stages of the investment process. Fiscal incentives are provided to encourage the establishment and expansion of businesses; and investment promotion services are also provided to encourage investments and to promote existing businesses. IDA comprises 11 staff members and is structured in two units: Investment Promotion Unit and the Investor Services Unit. IDA is a member of the Caribbean Association of Investment Promotion Agencies (CAIPA). IDA will be the first member of CAIPA to systematically integrate sustainable development considerations into its investment promotion strategy and has requested assistance from the Compete Caribbean Partnership Facility (CCPF) to strengthen its capacity to attract sustainable FDI that supports the Climate Resiliency Vision for the Commonwealth of Dominica. In the third quarter of 2018, Mario Umana, Integration and Trade Lead Specialist at the Inter-American Development Bank (IDB), undertook a mission to Dominica to hold discussions with IDA and other stakeholders and facilitate a participatory approach to designing a TC in response to IDA's request.
- 2.14 This TC will build on prior institutional strengthening support provided by CCP during its first phase. The phase one TC, RG-X1044, was aimed at building the capacity of IDA to attract FDI to the voice Business Process Outsourcing (BPO) and tourism sectors; and supported: (i) strengthening the market research and intelligence information that articulates the prioritized sectors for investment attraction; and (ii) marketing, and the development of the necessary material to use in the investment attraction effort. The end-of-project evaluation of the Phase one TC found that planned outputs were achieved but recommended that IDA needed additional institutional strengthening including: (i) assistance with identifying investment opportunities and preparing investment profiles; (ii) the development of FDI 'success stories' to be

⁶ WAVTEQ, 2017.

⁷ Criteria for Investment, World Association of Investment Promotion Agencies (WAIPA), concept paper, ICTSD and WET workshop for Sustainable development in Geneva, February 2017.

flagged in IDA literature and on its website;⁸ (iii) adequate resources to implement promotional campaigns; (iv) a research database (names and contact information of potential investors); and (v) an upgraded website that provides information in languages pertinent to regions from which IDA is targeting FDI.⁹ IDA has already implemented some of the end-of-project evaluation recommendations [items (ii) and (v)] This TC will, among other things, contribute to addressing the remaining recommendations (items (i) and (iii)).

- 2.15 This TC is aligned with the objective of CCP to promote an environment that enables innovation and growth; and the focus of Pillar II on supporting the drafting and implementation of policies and regulations. This TC is consistent with efforts by the Trade and Investment Division (INT/TIN) of the Bank in preparing the technical knowledge to support the goals of Climate Change Resiliency from the point of view of trade and investment. It is also consistent with the Update to the Institutional Strategy (UIS) 2010-2020 (AB-3008) as it (i) is strategically aligned with the development challenges of climate change and environment sustainability by specifically improving the climate resilience of small and vulnerable countries; and (ii) addresses the structural challenge of low productivity and innovation due to, among other things, climate change, institutional and regulatory frameworks.

III. Description of Activities/Components and Budget

- 3.1 **Component I. Capacity Building of IDA.** This component will engage the services of a site selection consulting firm to: (i) assist IDA with updating its sector targeting and investment promotion strategy to, among other things, include a clear Country Value Proposition, and to align the investment promotion strategy to the country's sustainable development strategies and climate resilience commitments; (ii) make recommendations for improving IDA's capacity to implement the updated strategy, including staff development, new target matrix and improvement of the IDA website, and more widely for improving Dominica's readiness to attract sustainable FDI; (iii) prepare approximately five investor profiles; (iv) develop an investor targeting database with profiles that include investments, which would lead to linkages with both men-owned and women-owned firms in Dominica; (v) develop an in-house scorecard for assessing, ranking and prioritizing investments; (vi) deliver training to IDA staff, training will include identification of ways to link women owned firms to FDI; and (vii) provide IDA with expert advice and support towards implementation of the updated strategy over a period of 18 months. This component will also engage a consultant to enhance the IDA website such that it is more supportive of the updated strategy; and finance travel and other costs related to a study tour by three members of staff of IDA (Senior Investment Promotion Officer, Investment Promotion Officer, and Investor Services Officer). Counterpart resources represent the value of the access provided to venues for the conduct of stakeholder consultations.
- 3.2 **Component II. Kickstarting Implementation of the Updated Strategy.** This component will: (i) support the hosting of a boutique investment 2-day forum in Dominica. CCP resources will be used to engage a consultant to assist IDA with coordinating the event, including post-event follow-up; and (ii) cover air travel and accommodation costs for approximately 8-10 invited investors, meals and refreshments, and communication expenses. Counterpart resources represent the value of the access provided to meeting venues fully equipped with presentation

⁸ Completed post -TC. See <http://www.investdominica.com/>.

⁹ Completed post-TC. See <http://www.investdominica.com/>.

equipment, local transportation, and other inputs relevant to the hosting of the investment forum.

- 3.3 **Component III. Awareness Raising and Policy Strategy.** This component will finance the hosting of two local sensitization meetings targeted to: (i) senior policy makers and the leadership of the public sector in the Commonwealth of Dominica; and (ii) other personnel in the country's public and private sectors with key roles in implementing the recommendations for increasing the attractiveness of the country as a destination for sustainable FDI. These meetings will be aimed at increasing participants' understanding of: (i) sustainable FDI and how it might contribute to increasing the contribution of local SMEs, including those that are women-owned, to economic growth; (ii) the importance of sustainable FDI to achieving the vision of becoming the first Climate Resilient Country; (iii) the actions and resources required to increase the inflows of sustainable FDI and (iv) provide recommendations on how to improve the policy framework to attract sustainable development FDI. The component will also finance costs associated with the preparation and delivery of a presentation by the site selection consulting firm (see Component I) at a regional CAIPA-hosted event. The presentation "Making the Shift to Sustainable FDI, Dominica's Experiences and Lessons Learned" will be aimed at sensitizing other Caribbean Community member countries on the benefits of and a possible approach to aligning the attraction of FDI to a country's sustainable development strategies and climate plans. The presentation will also be disseminated via the CCP newsletter, website and other channels.
- 3.4 **Component IV. Coordination, Monitoring and Reporting. The TC will be executed by CCP under the guidance of the Team Leader (TL).** IDA will appoint a member of staff to serve as Project Coordinator (PC). He/she will work closely with CCP and the TL to coordinate the implementation of the project. The PC will coordinate project activities locally; contribute to the review of project outputs; collect baseline and performance data; and prepare and submit to CCP, Quarterly Monitoring Reports and a Project Completion Report. More specifically, the PC will collect data on: (i) pre-project levels of understanding of what is and how to attract sustainable FDI; (ii) the timeliness and quality of planned outputs delivered; (iii) actual versus projected level of participation by international investors in the investment forum; (iv) investors' perception on the utility of the forum; (v) the number of targeted investor, pre- and post-project, handled by IDA; (vi) the number of enquiries from targeted investor, pre- and post-project, handled by IDA; (vii) the number of leads generated pre- and post-project; and (viii) number of investment decisions and value of investment attracted from targeted investors, pre- and post-project. CCP will work closely with the PC to develop a Monitoring and Evaluation Plan and will provide templates for the Quarterly Monitoring Report and Project Completion Report. The Quarterly Monitoring Report will be submitted within 1 week of the end of each quarter and, will among other things, track and report on the estimated value of counterpart resources contributed by GOCD to the project. The Project Completion Report will be submitted within 1 month of project completion. Project supervision missions will be conducted by CCP. The objectives and scope of these missions will be guided by the TL, who will participate in missions virtually, as required. Counterpart resources represent the value of the time, which will be devoted by the PC to coordination, monitoring and reporting.
- 3.5 The total cost of the TC is US\$289,800 of which US\$225,200 will be financed by CCP and US\$ **64,600 in in-kind resources, will be provided by GOCD.** This in kind contribution consists of provision by GOCD of access to venues for

meetings/consultations, local transportation, and the time of a member of staff of IDA who will serve as the PC.

Indicative Budget (in US\$)

Activity/Component	Description	IDB/Fund Funding	Counterpart Funding/GOCD In-kind	Total Funding
Component 1: Capacity Building of IDA	Consulting Fees and Expenses:	171,100	2,000	173,100
Component 2: Kickstarting Implementation of the Updated Strategy	Boutique Investment Forum:	48,700	5,000	53,700
Component 3: Awareness Raising	Local and Regional Sensitization Meetings Dissemination of approach, results and lessons learnt to other Caribbean countries	5,400	0	5,400
Component 4: Coordination, Monitoring and Reporting	Coordination of Project Activities, Collection of Baseline Data, Preparation of Quarterly Reports, Preparation of Project Close-Off Report.	0	57,600	57,600
TOTAL		225,200	64,600	289,800

IV. Executing Agency and Execution Structure

- 4.1 CCP, approved under the document: "Proposal for the Establishment of the Compete Caribbean Partnership Facility" (GN-2851), was jointly designed with donors to be a Bank Executed Program, through the CCP's Facility Coordination Unit (FCU) established in COF Barbados. The Bank has demonstrated its ability to coordinate and motivate action across diverse stakeholders at both the national and regional levels. The execution of this TC will be carried out by the Bank through the Trade and Investment Division (INT/TIN) in coordination with the Competitiveness, Technology and Innovation Division (IFD/CTI). Project output indicators will be monitored following the Monitoring and Evaluation (M&E) framework of the CCP.
- 4.2 The execution and disbursement period will be 30 months and the Unit of Disbursement Responsibility (UDR) will be IFD/CTI. The procurement of individual consulting services will be carried out by the IDB in accordance with Human Resources (HRD) Complementary Workforce Policy (AM-650). The procurement of consulting firms will be carried out by the IDB in accordance with the Policy for the Section and Contracting of Consulting Firms for Bank-executed Operational Work (GN-2765-1). The procurement of consulting services different from consultants will be carried out by IDB in accordance with Corporate Procurement Policy (GN-2303-20).
- 4.3 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 (OECS).

V. Major Issues

- 5.1 Major risks to realizing significant inflows of sustainable FDI, and therefore project sustainability beyond this TC, are the need for further institutional strengthening of IDA; Dominica's level of readiness to attract FDI compared to competing destinations; the rate at which recommendations made at Component 1 can be implemented given resource limitations; and the availability of resources to promote Dominica as a destination and more generally to implement the updated investment promotion strategy.
- 5.2 To mitigate these risks, the TC includes two sensitization meetings (see Component 3). These meetings seek to build key stakeholders' commitment to supporting the shift in focus to sustainable FDI and should increase the likelihood that funding and other resources are allocated by government to implement the recommendations. CCP will also work closely with the site selection consultants and the government to identify additional grant resources to support the implementation process. In addition, the updated investment promotion strategy will be realistic in its ambitions and will reflect the realities of a country that is still in a post-hurricane recovery mode.

VI. Exceptions to Bank Policy

- 6.1 No exceptions to the Bank's policies are expected.

VII. Environmental and Social Strategy

- 7.1 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](#) and [the Safeguards Analysis Report](#)).

Required Annexes:

- Annex I: [Request from the client](#)
- Annex II: [Results Matrix](#)
- Annex III: [Terms of Reference](#)
- Annex IV: [Procurement Plan](#)

IMPROVING CLIMATE RESILIENCY IN DOMINICA THROUGH FOREIGN DIRECT INVESTMENT

RG-T3325

CERTIFICATION

I hereby certify that this operation was approved for financing under the **Compete Caribbean Partnership Facility (CCP)** through a communication dated March 18, 2019 and signed by Goro Mutsuura (ORP/GCM). Also, I certify that resources from said fund are available for up to **US\$225,200** in order to finance the activities described and budgeted in this document. This certification reserves resource for the referenced project for a period of four (4) calendar months counted from the date of eligibility from the funding source. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this operation. Amounts greater than the certified amount may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, representing a risk that will not be absorbed by the Fund.

Certified by:	Original firmado	5/14/19
	_____ Sonia M. Rivera Chief Grants and Co-Financing Management Unit ORP/GCM	_____ Date

Approved by:	Original firmado	5/15/19
	_____ Fabrizio Operti Manager Integration and Trade Sector INT/INT	_____ Date