

Technical Corporation Document

I. Basic Information for TC

▪ Country/Region:	Regional/CCB
▪ TC Name:	Institutional Strengthening to Promote the Development of Small and Medium Sized Enterprises in St. Vincent & the Grenadines
▪ TC Number:	RG-T3270
▪ Team Leader/Members:	Hennessey, Michael (IFD/CTI) Team Leader; Stevenson, Claudia (IFD/CTI) Alternate Team Leader; Pereira Stefano (IFD/CTI); Grant, Kayla Sharee (IFD/CTI); Pilgrim, Valerie (IFD/CTI); Gonzalez, Yohana (IFD/CTI); Betina Hennig (LEG/SGO)
▪ Taxonomy:	Client Support
▪ Date of TC Abstract:	April 17 th , 2018
▪ Beneficiary:	St. Vincent & the Grenadines ¹
▪ Executing Agency:	Inter-American Development Bank
▪ Donors providing funding:	Caribbean Partnership Facility- CCP
▪ IDB Funding Requested:	\$88,120
▪ Local counterpart funding, if any:	\$ 33,400
▪ Disbursement period:	24 months
▪ Required start date:	June 18 th , 2018
▪ Types of consultants:	Firms and Individual Consultants
▪ Prepared by Unit:	Competitiveness & Innovation (IFD/CTI)
▪ Unit of Disbursement Responsibility:	INSTITUTIONS FOR DEVELOPMENT (IFD)
▪ Included in Country Strategy (y/n);	No
▪ TC included in CPD (y/n):	No
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Productivity and innovation

II. Objectives and Justification of the TC

- 2.1 The objective of this TC is to promote the development of SMEs through strengthening the institutional capacity of the Commerce and Intellectual Property Office (CIPO) of Saint Vincent and the Grenadines to support business registration.
- 2.2 The Saint Vincent and the Grenadines' economy is small, with a population of approximately 110,000 (2017); a workforce of 59,620; small natural resource base; and GDP of approximately USD 0.82 billion in 2017. The country's economy is open with a very narrow export base, high import dependence, and extreme vulnerability to external shocks. Economic growth in recent years has been low, highly variable and inadequate to reduce the high rate of unemployment and poverty. Real GDP growth averaged - 1.2% between 2008-2011. In the last 5 years annual growth has been fluctuating between 1.2 and 1.8%, with an annual rate of growth of 1 % in 2017². Enhanced connectivity with key tourism source countries and some recent developments, like the

¹ In accordance with GN-2851, paragraph 2.9, St. Vincent & the Grenadines is an eligible beneficiary country under the Complete Caribbean Partnership Facility.

² <https://knoema.com/> with information from the International Monetary Fund (IMF) and <https://data.worldbank.org> World Bank Data.

conclusion of the new international airport, the construction of a modern port, and the launching of a geothermal project, should support business growth in the medium term.

- 2.3 Goal 1 of the National Economic and Social Development Plan: Re-engineering Economic Growth. One of the strategic objectives in the Saint Vincent and the Grenadines' National Economic and Social Development Plan (NESDP) 2013-2025, is to enhance productivity and competitiveness, which the Government plans to achieve by, among other things³, reducing the costs of doing business in Saint Vincent and the Grenadines through measures aimed at (i) improving energy efficiency; (ii) increasing productivity; (iii) enhancing public sector delivery of business-related services; and (iv) implementing a judicious mix of fiscal and monetary policies.
- 2.4 Notwithstanding the commitments in the NESDP, Saint Vincent and the Grenadines' ranking in the World Bank's Ease of Doing Business Index has steadily declined over the last 5 years. The country went from a position 82 in 2014 to position 129 in 2018. In this period, the country has fallen in all the Doing Business Thematic Areas, except for Resolving Insolvency and Enforcing Contracts. Some of the constraints to Saint Vincent and the Grenadines' Doing Business ranking are inherent within outdated legislative applications and practices as well as antiquated procedures and processes within government line ministries and other agencies. A key policy recommendation in the International Monetary Fund Country Report for Saint Vincent and the Grenadines (December 2017) is "*improving the business climate by streamlining regulations, enhancing labour productivity and labour market flexibility, improving access to credit, and helping agriculture transition from subsistence to agribusiness*".
- 2.5 Various business climate reform initiatives have been executed over the last five years, are ongoing or imminent⁴. These initiatives are being implemented with the support of various regional and international development agencies including the CSME Unit, CARICOM Secretariat, 10th European Development Fund (EDF), World Bank Group, Eastern Caribbean Central Bank, Caribbean Development Bank, the United Nations Conference on Trade and Development, and the Commonwealth Secretariat.
- 2.6 This project builds on prior efforts to improve Saint Vincent and the Grenadines' ranking for *Starting a Business*. As a result of assistance provided under the CARICOM Online Companies Registries project (financed under the 10th EDF), an automated system for registering companies, business names, and other legal entities was established within

³ Other strategic interventions are: (i) Promote best practices and increase training; opportunities to enhance productivity (ensuring that resources are channeled into the most productive activities); (ii) Encourage more research and development; (iii) Facilitate the application of technology, the growth of e-commerce and the development of an appropriate regulatory environment; and (iv) Expand social protection programs for workers.

⁴ Some of these include: (i) an ongoing ECCB-led initiative to establish a credit bureau for the eight-member Eastern Caribbean Currency Union; (ii) completion of a diagnostic assessment and towards reforming the Secured Transaction Legal Framework in the Member Countries of the OECS; (iii) the development of guidelines towards a regional approach to insolvency reform; (iv) establishment of the USD12m Eastern Caribbean Partial Credit Guarantee Corporation (ECPCGC) Agreement; (v) the completed Caribbean Regional Communications Infrastructure Program which improved the country's telecommunications infrastructure; (vi) implementation of risk management practices at Customs by optimizing the use of ASYCUDA World and significantly reducing container inspections; (vii) constructions of a new airport; (viii) ongoing efforts to improve preparedness and infrastructure resilience to natural disasters; (ix) the completed 10th EDF-financed CARICOM Online Companies Registries project, which provided a region-wide electronic platform for online name searches and name reservation, and business and company registration; and (x) diagnosis and development of action plans to improve Starting a Business, a recently initiated regional project by the Commonwealth Secretariat and the Caribbean Association of Investment Promotion Agencies (CAIPA), Caribbean Export Development Agency.

the Commerce and Intellectual Property Office (CIPO)⁵. The automated system is designed to enable submission and processing of applications and electronic data exchanges with other registries within CARICOM. Despite design capability, most of the processes at CIPO are still conducted manually and are paper-based. The Final Report of the CARICOM project detailed actions, which CIPO had to implement to utilize the Online Registry, these were: (i) complete data entry of all historic records; (ii) enhance some of the CIPO forms; and (iii) increase its network bandwidth to avoid the poor performance currently being experienced. Since project completion, work was done to enhance the CIPO forms and to improve the reliability of the internet service at CIPO.

- 2.7 The database that underpins the automated business registration system was not populated as only a limited amount of records (7,000) were entered for testing purposes only. To date, CIPO has lacked the human resources and equipment to digitize the remaining hard-copy records (approximately 18,500), some of which date back to 1909. In addition, the Government of Saint Vincent and the Grenadines is still working towards an agreement with the commercial banking sector to facilitate online payments related to registering a business. When this agreement is reached, some modifications must be made to the automated system to allow the online payment. Also, the processes for business registration would be further optimized if the CIPO database for registering businesses are linked to the CIPO database for registering intellectual property. Any effort to make the automated system fully operational, must also include user training (which was not done under the CARICOM project) and refresher training for staff of CIPO and the government's Information Technology Services Department (ITSD). ITSD is responsible for maintaining the government's IT infrastructure and was trained in 2016 under the CARICOM project.
- 2.8 This TC is consistent with the Update to the Institutional Strategy (UIS) 2010-2020 (AB-3008) as it is strategically aligned with the development challenges of (i) productivity and innovation as it is expected to improve productivity via streamlining processes via e-governance and the digital economy, and specifically addresses the special needs of small and vulnerable countries in fostering development through the private sector. The project is also aligned with the priorities defined in the Innovation, Science and Technology Sector Framework Document (GN-2791-3).

III. Description of activity/component and budget

- 3.1 **Component I. Enabling the Commerce and Intellectual Property Office (CIPO) to utilize the full capacity of its electronic registry (US\$81,520).** This component will engage the services of an e-government systems firm to (i) digitize the hard-copy records and complete the population of CIPO's databases; (ii) review the performance of the business registration system, once the database has been populated; (iii) debug any performance issues and make any modifications required to facilitate online

⁵ CIPO is a statutory agency of the Government of Saint Vincent and the Grenadines, established under the Commerce and Intellectual Property Office Act, No. 43 of 2003. CIPO has been constituted as the national authority, responsible for the registration of companies, businesses, trademarks, geographical indicators, patents and industrial designs in Saint Vincent and the Grenadines. CIPO is headed by a Registrar, who is supported by a staff of nine persons [Deputy Registrar (1), Senior Executive Officer (1), Executive Officer (1), Senior Clerk (1), Clerk/Typist (2), Junior Clerk (2); and Vault/ Office Attendant (1)]. In 2017, CIPO received the following applications: company registrations (165), patents (2), trademarks (241), and registration of sole proprietorships/sole traders (444).

payments; (iv) link the business registration database to the CIPO intellectual property database; (v) support CIPO with going online; (vi) transfer knowledge on system maintenance to public sector technicians; (vii) assess end-user training needs including legal professionals, women, youth, rural residents and any groups that are under-represented in terms of business registrations; (viii) assess training needs for CIPO staff, including responsiveness to natural disasters and power outages; (ix) design and deliver training using approaches that are gender sensitive and inclusive and employing appropriate technology; and make recommendations for making CIPO more gender responsive and able to increase access to services by women and other underserved groups. This component will also engage a communications specialist and finance communication gender sensitive activities aimed at (i) managing the launch of the online services and generally sensitizing potential users on its availability; (ii) developing user-friendly user guidelines for posting via the CIPO website; and (iii) communicating the results of project to stakeholders.

- 3.2 **Coordination and Monitoring and Evaluation (US\$40,000).** The CIPO Registrar will work closely with the Compete Caribbean Facility Coordination Unit (FCU) to coordinate project activities. This component will also finance a monitoring and evaluation consultant who will work closely with CIPO, the firm engaged under Component 1, and Compete Caribbean FCU to (i) compile and analyze pre- and post-project data, disaggregated by gender and other relevant characteristics, on the business processes, time required to access CIPO's services, user experiences, client satisfaction levels; (ii) prepare monitoring and completion reports; and (iii) provide data, for use by the Communications Specialist, on the status of implementation and achievements at completion. Compete will provide a template for status reports to the resource responsible for this activity that will include pertinent information needed to update Convergence, including progress on components, risk assessment, sustainability and innovation and stories from the field.
- 3.3 The total cost of the TC is US\$121,520 of which US\$88,120 will be financed by the Compete Caribbean Partnership Facility (CCP), and US\$33,400 will be financed in-kind by the Government of St. Vincent & the Grenadines (GOSVG) as local counterpart.

Indicative Budget (in US\$)

Activity/Component	Description	IDB/CCPF	Counterpart Funding/GOSVG (In-kind)	Total Funding
Component 1: Enabling CIPO to utilize the full capacity of its electronic registry	Fees and Expenses - E-Government Solutions Consulting Firm	60,120		60,120
	Workshop Expenses – User Training	3,000	3000	6,000
	Workshop Expenses - Staff Training		400	400
	Communication Expenses: launch of online services; sensitization of potential users; developing content for the CIPO website; and communicating the results of the project	15,000		15,000
Sub-total Component 1		78,120	3,400	81,520
Coordination and Monitoring and Evaluation	Fees and Expenses – Monitoring and Evaluation Consultant	10,000	30,000	40,000
TOTAL		88,120	33,400	121,520

IV. Executing agency and execution structure

- 4.1 The Compete Caribbean Partnership Facility (CCPF), approved under GN-2851, was jointly designed with donors to be a Bank Executed Program, through the CCPF's Facility Coordination Unit (FCU) established in COF Barbados. The 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 Competitiveness, Technology Innovation Division (IFD/CTI) in coordination with the FCU. Project output indicators will be monitored following the Monitoring and Evaluation (M&E) framework of the CCPF. The project will be executed in collaboration with the Commerce and Intellectual Property Office (CIPO) of St. Vincent and the Grenadines.
- 4.2 The execution and disbursement period will be 18 months and the UDR will be IFD. The activities to be executed are included in the Procurement Plan (Annex III) and will be contracted in accordance with Bank policies as follows: (a) AM-650 for Individual consultants; (b) GN-2765-1 and Guidelines OP-1155-4 for Consulting Firms for services of an intellectual nature and; (c) The procurement of consulting services different from consultants will be carried out by IDB in accordance with Corporate Procurement Policy (GN-2303-20). The Bank and the Caribbean Development Bank (CDB) have entered into a financial agency agreement for the implementation of projects in the OECS.

V. Major issues

- 5.1 There is strong local ownership for the project, as the CIPO Registrar is highly committed to offering a fully online service. Senior staff of the Ministry of Finance, Economic Planning, Sustainable Development and Information Technology have also committed to ensuring timely agreement between the Government and the banking system to allow online payment of fees due to CIPO. As such, the most significant risk to achieving the planned objectives is limited IT capacity to resolve problems with the online system during the launch phase, should they occur. To mitigate this risk, the e-government systems specialist will support CIPO with the process of going online for a period of 6 months; and will also transfer knowledge, related to the maintenance of the system, to local public-sector IT technicians within the Information Technology Services Division (ITSD), Ministry of Finance, Economic Planning, Sustainable Development and Information Technology. Training received under this project coupled with prior training will equip ITSD with the capacity required to support the delivery of online services.
- 5.2 Being a small island state in the Caribbean, St. Vincent & the Grenadines is vulnerable to hurricanes. Therefore, Component 1 will assess the capacity of CIPO mitigate the effects of potential exogenous shocks such as those caused by natural disasters or power outages and train staff in dealing with these scenarios through minimizing the disruption to the registry.

VI. Exceptions to Bank policy

- 6.1 No exception of the Bank Policy is required for this TC.

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 [Screening Form](#)).

Required Annexes:

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

INSTITUTIONAL STRENGTHENING TO PROMOTE THE DEVELOPMENT OF SMALL AND MEDIUM SIZED ENTERPRISES IN ST. VINCENT & THE GRENADINES

RG-T3270

CERTIFICATION

I hereby certify that this operation was approved for financing under the **Compete Caribbean Partnership Facility (CCP)** through a communication dated May 23, 2018 and signed by Goro Mutsuura (ORP/GCM). Also, I certify that resources from said fund are available for up to **US\$88,120** 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, represent a risk that will not be absorbed by the Fund.

Certified by:

<u>Original signed</u> Sonia M. Rivera Chief Grants and Co-Financing Management Unit ORP/GCM	<u>06/28/2018</u> Date
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Approved by:

<u>Original signed</u> Gonzalo Rivas Division Chief Competitiveness and Innovation Division IFD/CTI	<u>06/28/2018</u> Date
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