Terms of Reference:

Improving the Business Climate by Strengthening Procedures to Start a Business in the Caribbean

Introduction and Context:

The Commonwealth Investment Facilitation Program aims at helping member states design investment promotion policies and regulations that are embedded in their national level trade/development policies, identifying the potential sectors of investments and connecting with investors within the Commonwealth in order to facilitate intra-Commonwealth investments as directed by the Ministers of Trade in their recent meeting. Creating an enabling environment to facilitate investments through regulatory reforms is critical for small states with limited ability to offer incentives for FDI attraction.

The countries of the Caribbean share a number of characteristics that pose special development challenges. Their small domestic markets have led to relatively undiversified production and exports which when combined with their openness and geography, results in high vulnerability to external shocks such as natural disasters and commodity price spikes. The region is one of the most highly indebted in the world. The Caribbean has also experienced a declining trend in growth since the 1970s following the dismantling of preferential trade agreements, declining productivity and this is compounded by the high costs of doing business in the region. These factors have adversely affected the region’s ability to compete in global markets, reduce poverty and promote sustainable growth.

The World Bank’s annual Ease of Doing Business Report presents evidence of a significant correlation between improvements in the business environment as measured by the Doing Business indicators and flows of foreign direct investments (FDI).¹ Although this does not imply causation, the findings of the World Bank Team seem to support the claim that improvements in the overall investment climate by increasing transparency in doing business, reducing the number of procedures, improving regulations and

¹ Does Doing Business matter for foreign direct investment?

policies, decreasing the amount of time and costs associated with doing business, among others, will attract more FDI.

In an effort to attract increased FDI to the Caribbean, the Caribbean Association of Investment Promotion Agencies (CAIPA), in collaboration with the Caribbean Export Development Agency (Caribbean Export) developed a Regional Investment Promotion Strategy in 2015. The Strategy presents a platform for regional collaboration in investment attraction to the Caribbean and is based on findings that investors tend to begin their site selection process regionally before making a decision on any one territory. In this regard, there is significant merit in collaborating in the promotion of the Caribbean as an investment destination. The Strategy presents targeted sectors for proactive promotion, a communication element and a plan focused on engendering improvements in the business climate. With regard to the latter, the Strategy noted that the Caribbean territories in general faced similar challenges across the indicators. This presents an opportunity for collaboration and for increased impact.

Based on the results of the Doing Business Report of 2018, the general performance of the Caribbean in implementing improvements is wanting. Relative to 2014, all territories in the Commonwealth Caribbean (with the exception of Jamaica) have deteriorated in ranking in the Ease of Doing Business Indicators. The areas where the region is performing at its worst include: Registering Property, Getting Credit, Trading Across Borders, Resolving Insolvency, Protecting Minority Investors and Paying Taxes. The region is performing reasonably well in the areas of Getting Electricity, starting a Business, Enforcing Contracts and Dealing with Construction Permits.

UNCTAD recently launched the global action menu for investment facilitation as a key link to increasing investment in developing countries. UNCTAD defines ‘investment facilitation’ as encompassing transparent and predictable rules, efficient administrative procedures, efficient dispute prevention and resolution, effective stakeholder relations, and investor services to help deal with rules and procedures. The Action menu recommends some key interventions that Governments can implement to improve the business climate for attracting FDIs

**Purpose and Scope of Assignment:**

The aim of this initiative is to offer support to the region in the area of business climate reform. It should be noted that other regional programmes exist that support business climate reform in the Caribbean. Among these is the Compete Caribbean Programme which is jointly funded by the Inter-American Development Bank (IDB), the United
Kingdom Department for International Development (DFID) and the Government of Canada. The programme provides technical assistance grants and investment funding to support productive development policies, clustering initiatives and Small and Medium Size Enterprise (SME) development activities in the Caribbean region, as well as business climate reforms. The Compete Caribbean Programme however works on a country-level. Given the premise that investors tend to look regionally before deciding on a country specific location for their investment, there is a need for a region-wide programme that addresses business climate reform.

Objectives

The objectives of the initiative are to:

a. Assess the business climate of Caribbean countries to determine the extent to which the current procedures and time to start a business have resulted in low rankings in the Ease of Doing Business Report and have not contributed to the creation of an enabling business environment.

b. Present case studies that are relevant to the Caribbean on good practices in starting a business;

c. Make recommendations in the form of an action plan/business process flows, on the country specific reforms that can be undertaken to reduce bottlenecks, the number of procedures as well as the time and cost to start a business in each territory.

d. Assist in the planning and delivery of training to CAIPA members on ways to implement the recommendation of the UNCTAD Action menu and effect business climate policy changes at the national level.

e. And include an implementation scheme with a monitoring and evaluation framework built in to ensure sustainability and track results.

Beneficiaries

The immediate beneficiaries for this initiative are the twelve (12) Caribbean Commonwealth countries who are also members of CAIPA. These are: Antigua and Barbuda, The Bahamas, Barbados, Belize, Canada, Dominica, Grenada, Guyana, Jamaica, Saint Lucia, St Kitts & Nevis, St Vincent & The Grenadines and Trinidad and Tobago.

Indirect beneficiaries will include the non-Caribbean Commonwealth countries who are members of CAIPA as they will benefit from the good practices developed under this programme.
Scope

The assignment will use the UNCTAD Global Action Menu and the World Bank’s Ease of Doing Business Report as a guide, the latter with specific reference to the starting of business indicator. The existing procedure, the cost and time required to complete each procedure, as well as the institutional and any other arrangement that influence the business process will be collated and mapped for each territory. An assessment of each County’s Investment practice using the GAM will be completed to identify gaps and possible areas for reforms.

Key stakeholders including representatives from the private and public sector will be interviewed to better understand the views of the end-user as well as the service provider and their opinions on how the business environment can be improved in their territories as it relates to starting a business. The information will be analysed and possible explanations regarding the obstacles that inhibit speedier and simpler procedures presented;

To provide relevant recommendations, the consultant will perform an assessment of best practices that are relevant for the Caribbean. In each territory, the consultant will provide this information on best practices to a working group of public and private sector stakeholders (Reform Steering Committee) who will be responsible for driving change in the domestic economy as it relates to starting a business. (Please note that the CAIPA members will be responsible for spearheading the formation of the Reform Steering Committees with recommendations from the consultant).

Process flow charts and/or action plans will be defined for each territory. These will be reviewed by the Reform Steering Committees in each territory. A regional meeting with CAIPA members, the chairpersons from the Steering Committees and at least 3 best practice country representatives will be convened to answer follow-up questions and determine next steps. (Please note that, based on the findings, the consultant will be responsible for the identification of the 3 best practice countries and securing their participation in the regional meeting).

Methodology

1) **Desk research (home-based):** This will include literature review on starting a business in each territory using available data.
2) **Country visit**: This will involve wide consultation through interviews and focus groups with public and private sector stakeholders in each territory, World Bank representatives, competitiveness councils, investment promotion agencies, Business Support Organisations etc.

3) **Report drafting (home based)**: Consultants will produce a draft report and following comments by Caribbean Export, CAIPA members and other relevant parties, a final report.

4) **Country Presentation/Workshop**: The consultant will be required to present final findings, conclusions and action plans at a regional seminar.

**Level of Effort/Timeframe**

The assignment is expected to be completed by October 2018. The project is planned to commence in June 2018. It is estimated that 60 consultant days will be needed to complete the project, including agreed fieldwork. The consultant(s) will work in close collaboration with CAIPA Secretariat.

**Deliverables**

- Inception Report following desk Research on starting a business in each country. (To include a situation report and proposed work plan)

- A Progress Report, which covers progress made under Stage 1 tasks a-c of the Scope of Work, delivered after 12 weeks.

- Training of CAIPA members on ways to implement the recommendation of the UNCTAD Action menu and effect business climate policy changes at the national level.

- The final draft of work plan for business climate reform and Implementation, Monitoring and Evaluation framework with clear indicators, baselines, targets, timelines with accountable officers indicated by week 20.
Approach and Implementation Arrangements

The project will be supervised by the Trade Adviser, Commonwealth Secretariat. The Caribbean Association of Investment Facilitation Agencies (CAIPA) which is the main client for this project will provide access to office space, organise meetings and provide administrative support where needed.

The assignment will be delivered through a stakeholder-driven approach. The consultant(s) is expected to work closely with stakeholder teams in delivering the project. The consultant(s) is expected to facilitate/moderate a number of Stakeholder dialogue consultations and other meetings at key stages of the assignment.