



Business Environment Reform Facility

Building Capacity for Improving the Business Environment in Montserrat

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Business
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Facility



Department
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Development

About Business Environment Reform Facility (BERF)

BERF is funded by the UK Department For International Development (DFID) under the Business Environment for Economic Development (BEED) Programme. BERF is a central facility responding to demand from the DFID's priority Country Offices and stakeholders to initiate, improve and scale up business environment reform programmes. BERF is managed by a consortium led by KPMG LLP. The programme started in January 2016 and will finish in January 2019.

We provide expert advice, analysis of lessons learned, policy research about what works and what doesn't and develop innovative new approaches to involving businesses and consumers in investment climate reform.

BERF has a strong emphasis on strengthening the Business Environment for women and girls, as well as for young adults more generally. It is also aiming to improve the relationship between business and the physical environment including where relevant through linkage to climate change analysis. BERF recognises the need for appropriate political economy analysis in order to underpin business environment reform processes and interventions.

About this Report

Research for this study was conducted by Michael Julien between September and December 2016.

The views contained in this report are those of the authors and do not necessarily represent the views of KPMG LLP, any other BERF consortium member or DFID.

This is a working paper shared for discussion purposes only. No reliance should be placed upon this report.

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Acronyms and Abbreviations

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AG	Attorney General
ASYCUDA	Automated System for Customs Data
BDC	Business Development Centre
BE	Business Environment
BELTRAIDE	Belize Trade and Investment Development Service
BER	Business Environment Reform
BFS	Business Facilitation Services
BFSC	Business Facilitation Services Centre
BSO	Business Support Organisation
CDB	Caribbean Development Bank
COSME	Competitiveness of Enterprises and Small and Medium-sized Enterprises
CUS	Competitiveness Unit of Suriname
DBJ	Development Bank of Jamaica
DITES	Department for Information Management and E-Government Services
DFID	Department for International Development
EC	European Commission
FACTA	Fair and Accurate Credit Transactions Act
FDI	Foreign Direct Investment
FSC	Financial Services Commission
GoM	Government of Montserrat
IBIS	Integrated Business Incubation System
ICT	Information and Communications Technology
IDB	Inter-American Development Bank
IFC	International Finance Corporation
JAMPRO	Jamaica Promotions Corporation
JBDC	Jamaica Business Development Corporation
M&E	Monitoring & Evaluation
MDAs	Ministries, Departments and Agencies
MDC	Montserrat Development Corporation
MSE	Micro and Small Enterprise
MSME	Micro, Small and Medium Enterprise
NCC	National Competitiveness Council
NEDCO	Trinidad and Tobago's National Enterprise Development Corporation
NGO	Non-Governmental Organisation
OCT	Overseas Countries and Territories
OECS	Organisation of Eastern Caribbean States
OPSD	Office of Private Sector Development
PFM	Public Financial Management
PPD	Public Private Dialogue
PPP	Public Private Partnership

Building Capacity for Improving the Business Environment in Montserrat

RDB	Rwanda Development Board
SBDCBelize	Small Business Development Centre Belize
SBF	Suriname Business Forum
SBLC	Small Business Loans Company
SME	Small and Medium Enterprise
TC	Technical Corporation
TEPA	Trade and Exports Agency
TOR	Terms of Reference

Executive Summary

Overview

The purpose of this report is to provide the Government of Montserrat (GoM) and the Department for International Development (DFID) with a strategic and institutional framework for improving the business-enabling environment in Montserrat. The report sets out a) international best practice, b) key functions that are required for the government to engage effectively with businesses and investors, improve business and sector regulation and drive improvements in the business environment (BE) and c) recommended options for the design of an intervention within GoM in areas related to the BE that would build capacity in engaging with and supporting businesses and investors.

International Best Practice

In theory, best practice in business environment reform (BER) consists of a) legal and regulatory framework for business generally and small enterprise in particular and includes the rule of law and access of businesses to commercial justice; b) a policy framework for business and private sector development; and c) the institutional framework for design and implementation of, and compliance with, policies and programmes linked to the regulation, promotion and representation of business.

Operationally, best practice has been condensed into a standard institutional framework that facilitates BER via a) linkage of the BER programme to national development priorities, b) establishment of a public-private dialogue (PPD) mechanism to ensure that challenges are identified and addressed in an open and transparent process; c) deliberate access to and usage of technical resources primarily aimed at the introduction of technological and legal reforms and d) support from international donors in the diagnostic and implementation phases of the reform process. Also, in most cases, the institutional mechanism functions as an operational unit within one of Government's leading economic development agencies.

Current Status of BER in Montserrat

At the time of this study, Montserrat, like other Caribbean countries, had already initiated a limited number of BER. GoM itself has attempted to address BER such as through developing an investment promotion strategy. In October 2012, Upper Quartile LLP, a UK-based consultancy firm in collaboration with GoM, formulated such a strategy on GoM's behalf. The strategy was designed to "promote private sector investment in Montserrat". Also, it defined specific objectives in a small number of sectors including high quality tourism, geothermal energy, agro-processing and mining and manufacturing. The investment promotion agency was to be established as an operating arm of the Montserrat Development Corporation (MDC). However, the MDC was terminated following poor performance and concerns over management of money, as evidenced by the findings and recommendations of a Task Force review of the MDC in March 2015. Consequently, this primary investment promotion capacity was never fully realised and was itself terminated with the closure of the

MDC. Between 2012 and 2016, prospective foreign investors have continued to express frustration with the poor BE. Moreover, GoM has failed to streamline four Acts governing investment concessions into one investment incentives Act to bring clarity and improve the processing of foreign direct investment (FDI) proposals. The absence of a transparent, supportive and efficient investment facilitation system is therefore a major constraint to creating a more supportive enabling environment for both foreign and locally sourced private sector initiatives on the island.

More recently, GoM's Department for Information Technology and e-Government Services (DITES) have created Information and Communications Technology (ICT)-based reforms that were encouraged by DFID. The result was the adoption of an Automated System for Customs Data (ASYCUDA) World, which covers most foreign trade procedures, handles manifests, customs declarations, accounting procedures, transit and suspense procedures. This new system now allows customs brokers to file their declarations online and receive customs approvals of those declarations within 24 hours. DITES has also created online access to land information via www.landinfo.gov.ms, and an online system whereby visitors needing to obtain tourist visas to visit Montserrat can now do so via www.immigration.ms. This is especially convenient for new visitors to the island since they can receive their visas online in a short timeframe from application to the actual issuance of visas.

Montserrat's Current Capacity to Implement BERs

Montserrat's readiness to implement BERs mainly depends on the government's organisational capacity to a) introduce ICT solutions for transactions that the private sector undertakes on the basis of that country's Doing Business Rankings; b) modify, upgrade or introduce new legislation and regulations to allow the reforms to take legal effect and c) oversee and participate in the formulation and implementation of reform initiatives.

The current challenges to effective BER identification and implementation include a) assimilation of private sector priorities and concerns, b) increasing the ICT capacity at DITES, c) potential throughput limitations of the office of the Attorney General, d) GoM's reluctance to forego online revenue due to credit card payment mechanisms associated with the availability of online services e.g. tax payment etc.; and e) the general capacity constraints of GoM.

It is axiomatic that most developing countries face almost identical challenges. Those that have succeeded at achieving marked improvements in their BE have done so by a combination of understanding their constraints, and over the short term, developing "workarounds" that allow governments to implement targeted BERs at operational levels. Such temporary solutions include a) strong reliance on outsourced technical expertise and b) leapfrogging priority lists of a nation's legal agenda to ensure efficient enactment of new legislation or actual amendments to existing Acts or regulations.

Nonetheless, such strategies are not a panacea for longer-term capacity building solutions within government, which is a wider and medium- to long-term challenge that GoM will have

to address. However, “workarounds” have proved successful in other Caribbean countries (e.g. Jamaica and Grenada) and can instigate GoM to take more immediate action on their institutional deficiencies over the medium term.

The BER Model: Options for Montserrat

Three potential institutional approaches were considered for Montserrat:

- Option 1: A stand-alone model where the institution would exist as a relatively independent agency tasked with multi-disciplinary functions normally provided by a national investment promotion entity or its equivalent.
- Option 2: The attachment of BER functions to an already-established and functioning private national agency such as the local arm of the Organisation of Eastern Caribbean States (OECS) Business Council, the Chamber of Commerce, or the Small Business Association, whose *raison d'être* is to promote private sector development in Montserrat.
- Option 3: A more inclusive model where the institution would be attached to or operate as an arm of a leading government Ministry or entity that already has responsibility for advancing economic planning and implementation of key development strategies.

On the basis of an assessment of the strengths and weaknesses of each option, the consultant recommended Option 3 for adoption by GoM. The proposed institutional mechanism represents the convergence of 1) best practice models used in other countries; 2) the business facilitation priorities articulated by Montserrat’s private sector, 3) the current capacity constraints of Montserrat’s public sector and 4) longer-term approaches to improving Montserrat’s attractiveness to investors via development of eco-system solutions aimed at enhancing national competitiveness of key growth sectors to “best practice” levels.

The Business Facilitation Services Centre

The recommended model which is called “the Business Facilitation Services Centre” (BFSC) aims to strengthen three core components of BER: 1) the ease of doing business, 2) business facilitation/support services including investment promotion and 3) competitiveness – in terms of the development of highly conducive sector eco-systems. Organisationally, the model should consist of a public-private dialogue (PPD) mechanism referred to as the Task Force (TF) and an operational support arm that is called the BFSC Secretariat.

The TF would be appointed by GoM’s Cabinet and consist of four senior public sector and four private sector representatives. The purpose of the TF is to identify and ensure GoM’s endorsement of the BER priorities that the Secretariat will then be authorised to develop operational solutions for.

As is the case with many BER mechanisms, the Secretariat will be lightly staffed with two executive officers. It will be mainly dependent on technical expertise that will be contracted on a short-term basis to address specific challenges and articulate the needed reforms to

improve the BE. Given the importance of actually implementing the reforms, the consultant suggests that the BFSC operate as a high priority arm of the Office of the Premier.

The inclusion of 3 major components is not intended to overwhelm Government, the TF or the Secretariat: initially, the BFSC should concentrate on just one or two main activities and gradually build out its capacity over the first three years of its existence. Such an approach should mitigate most of the risks of launching a “full blown” model in an environment in which there is some – but mostly limited – knowledge of and capacity for implementing BER.

Action Plan and Proposed Budget

A proposed Action Plan (see Table 6) highlights the following objectives associated with the implementation of the BFSC: 1) Establishing the Task Force; 2) Creating the BFSC Secretariat; 3) Establishing a BFSC Grant Fund; 4) Operationalising the Doing Business Component, 5) Operationalising the Business Support Services component and 6) Operationalising the Competitiveness i.e. sector eco-system, component.

It is proposed that the Action Plan be funded via a DFID Grant i.e. the BFSC Grant Fund, totalling the sterling equivalent of US\$2,063,229 i.e. approximately £1,650,583, for the first three years of operations of the BFSC (see Table 7 as presented under section 7.6 Three-Year Estimated Budget for the BFSC Programme).

1. Introduction

Department for International Development (DFID) Montserrat, on behalf of the Government of Montserrat (GoM), has requested support from the Business Environment Reform Facility (BERF) in order to strengthen capacity for undertaking business environment reform (BER).

1.1 Objectives

The objectives of this assignment are as follows:¹

- To define BE and set out international best practice (including examples from the Caribbean region and small economies) in building government capacity on matters related to the BE such as business and sector regulation, public-private dialogue (PPD) and evidence-based policy.
- To set out the key functions that are required for the government to engage effectively with businesses and investors, improve business and sector regulation and drive improvements in the BE.
- On the basis of an assessment of public and private sector capacity, to set out a proposed institutional framework and indicative priority functions that would allow the GoM to strengthen its relationship with the private sector aimed at improving the BE and at driving systematic improvement to that environment.
- To meet with key local stakeholders, including GoM officials, DFID and key private sector actors such as the Chamber of Commerce and the Small Business Association, with a view to understanding the local context, political economy and identifying capacity constraints in GoM related to the government's role in engaging with and supporting businesses and investors.
- To recommend options for the design of an intervention and change management process to develop key functions within GoM in areas related to the BE and build capacity in engaging with and supporting businesses and investors.

In terms of priority, the two main purposes of this consultancy are 1) to identify the capacity (building) needs for driving BER on Montserrat, and 2) to outline the institutional/organisational arrangements that need to be established to address BER in Montserrat.

1.2 Background

The following synopsis highlights Montserrat's relatively nascent and fragile organisational and economic status:

¹ Montserrat BERF - TORs FINAL 15Sep16

Montserrat is a Caribbean UK Overseas Territory with the Governor having responsibility for external affairs, defence, internal security and oversight of appointment, discipline and removal of public officers. Montserrat has its own Constitution, its own elected Government with a wide range of responsibilities and its own local laws.

Once a near self-sufficient economy, natural disasters in the mid-90s have devastated Montserrat's infrastructure, rendering two-thirds of the island uninhabitable and resulting in heavy population, capital and skills outflow. The island's economy is still struggling to recover (GDP today is only about half of what it was pre-volcano). Montserrat exports very little and imports 95% of its consumption and has become dependent on UK aid, which is currently funding more than half of its recurrent budget.

The flight of capital and skilled labour following the volcanic eruption has shrunk the local private sector significantly and the economy is now dominated by the public sector. Estimates suggest that the public sector accounts for up to 75% of GDP² and provides about half of the jobs in Montserrat.

The Government of Montserrat is currently facing severe capacity and expertise constraints with regards to improving the BE and providing basic support functions to businesses and investors. Due to institutional shortcomings, some basic pillars of the BE are not adequately provided for in Montserrat. For instance, there is no structured PPD, basic regulatory functions are not fulfilled and government interventions affecting businesses and the economy are often not informed by thorough analysis, resulting in market distortions (e.g. through selection bias and rewarding failure) and increased uncertainty for businesses and investors.

A governance structure capable of effectively engaging with, regulating and supporting the private sector is a precondition for improvements in the country's BE.

BERF therefore appreciates that Montserrat needs to adopt a more structured, collaborative and realistic approach to articulating and realising its short- and medium-term development goals. The existing environment calls for an approach to formulating and implementing economic policies and reforms that a) is clearly understood and agreed by all key stakeholders and b) is going to be implemented along transparent paths where (implementation) progress and performance can be monitored and corrected in transparent ways.

1.3 Guiding Parameters

To establish the basis for building an institutional framework supportive of the enabling environment at Government level, it is important that reviewers of this report develop a basic understanding of the process and resulting actions associated with improving the BE

² Standard and Poor's 2014 Montserrat country rating update.

generally. Therefore, the BERF consultant has used a limited number of examples to illustrate how countries approach BER and the level of skills needed to successfully implement those reforms. This process exposes the basic implementation structure needed to implement BER. That structure forms the basis for identifying the skills sets and operating and institutional framework required to facilitate effective BER processes. An overview of country-specific mechanisms is presented in Table 1 below.

It is important to emphasise that the approach lays out the essential parameters under which successful BER interventions are undertaken. However, the actual recommended operating mechanism and framework will be determined by a combination of 1) the consultant's findings regarding GoM's institutional structures and operating capacity and 2) the stakeholders' (i.e. GoM and the private sector) preferred choice of the BER delivery mechanism based on three options which will be developed and presented to the GoM and DFID as part of this study.

1.4 Approach

The BERF consultant's approach to identifying how to build BER capacity in Montserrat was based on the following analytical processes – all of which are associated with the implicit value of having a BER facility in Montserrat:

Step 1

Development of an understanding of how the government functions in Montserrat and the formal allocation of key duties and responsibilities of various government Ministries and Departments.

Step 2

Determination of the extent to which Montserrat has a National Development Plan, a clear vision and has articulated its development priorities for the short to medium term. If there is a Plan, what are the economic growth objectives and how does the government expect to address those priorities?

This second step is important because any BER-type mechanism will have to “attach” or “anchor” its proposed programme to the vision of the country and the intended realisation of that country's strategic objectives. If a national agenda is not in place, then a first prerequisite is to develop one and include the identification of BE constraints that are currently inhibiting economic growth.

Step 3

Articulation of best practice BER models and determination of the level of knowledge in government and the private sector about BER, their understanding about why BER is important and their ownership of identified BER priorities - whatever those priorities are perceived to be.

These first three steps helped establish a) the degree of enthusiasm for BER, b) the level of knowledge of how reforms are implemented and c) the types of reforms that have been identified as development priorities.

If there is little or no knowledge about how BERs are identified, how solutions/reforms are developed and how they are implemented, then capacity building “educational” exercises would have to be incorporated into the project design to improve local understanding of such processes – both in-country and possibly via field visits to best practice countries such as Jamaica.

Step 4

On the basis of the preceding findings, definition of what the critical functions of a BER facility for Montserrat are likely to be.

Step 5

Identification of a limited number of institutional options, comparisons of their potential operational efficiency and – on the basis of that assessment – recommendations of an appropriate BER institutional “solution” for Montserrat.

1.5 Desk Review

The BERF consultant reviewed various documents associated with economic development challenges in Montserrat. These documents included strategic reports such as the Montserrat Sustainable Development Plan 2008 – 2020; the National Tourism Policy of May 2016; the Tourism Policy and Action Plan; the Agricultural Strategy and Marketing Plan; Business Environment Reform in Small Island Developing States – the case of St. Helena; and the Caribbean Development Bank: Montserrat Country Strategy Paper (CSP) 2012 – 2015. Overall, the consultant reviewed more than 35 policy level, strategic, and operational plans generated on behalf of or by the GoM (see Appendix 1). The consultant’s provisional findings on these reports were that:

- The documents reviewed provided invaluable information on Montserrat. They covered a wide range of actual and proposed activities. Considerable research has been completed on various priority sectors including Access, Energy, and Agriculture and Tourism.
- The strategic documents are perhaps not as focused as they could be. Consequently, while they are excellent points of reference for development, they do not yet reflect a) a short list of top priorities and a proposed sequencing of how those priorities should be addressed,³ b) the factoring-in of major constraints into realistic strategy formulation

³ Government developed “Montserrat’s Policy Agenda 2016-2017 and Priority Ranking by Cabinet” on 13 July 2016. But those priorities were established after most of the strategic reports had been prepared.

given that some constraints e.g. limited access to Montserrat, are likely to be resolved over the medium term.

- There is a formal Monitoring and Evaluation (M&E) capacity within GoM. However, M&E performance indicator criteria were not embedded in the development documents or plans generated by the respective Ministries because those documents pre-dated the establishment of the GoM's M&E system.⁴ Consequently, the general observation is that implementation commitments made prior to 2016 did not reflect a systematic approach to performance management.

These findings suggest that management-by-performance is emerging but a) that it is still not standard practice within the public sector and b) hints at capacity and institutional limitations within the sector. For instance, although the GoM's M&E office is now monitoring the implementation plans of the various Ministries there is no formal linkage between achieving Key Performance Indicators (KPIs) and the commitment in financial and human resources within GoM. Furthermore, there is no financial or career path reward system that has been institutionalised within the GoM to both legitimise and incentivise higher levels of performance by Government ministries and departments.

1.6 Provisional Findings about Institutional Capacity

To develop a basic understanding of Montserrat's economic environment, the consultant interviewed key personnel in each of the Ministries and key departments of Governments. This process included meetings with the Office of the Premier, the Ministry of Finance, Economic Development, Tourism and Culture, the Ministry of Agriculture, Lands, Housing, Environment and Ecclesiastical Affairs, the Department for Information Management and E-Government Services (DITES), the Physical Planning Unit, the Financial Services Commission, the Customs Department, the Tourism Division and the Attorney General's Office. The consultant also chaired a Workshop on the Enabling Environment with private sector representatives and met with the Montserrat representative of the Organisation of Eastern Caribbean States (OECS) Business Council.

An overview of the GoM's institutional capacity is highlighted by the Caribbean Development Bank (CDB) in its Country Strategy Paper 2012 – 2015 for Montserrat: "GoM is challenged by the availability of space and associated competing demands by the various economic sectors within the "safe zone", as well as by public sector capacity constraints. There has been a failure to attract, deploy and retain required specialised skills along with inadequate succession planning in public administration given the scarcity of financial resources. In the area of public financial management (PFM), for instance, the lack of adequate accounting and auditing skills is constraining operations. Strengthening public services is largely dependent on the availability of resources to facilitate their provision. The narrow economic,

⁴ Note: Again, Key Performance Indicators and a National Performance Framework were only developed in 2016

and by extension, tax base in Montserrat, however, limits revenue generation on the one hand, and results in a high per capita cost for the provision and maintenance of all state services, on the other”.

The concern about the country’s institutional capacity was echoed in the various interviews carried out by the BERF consultant. Examples include:

- DITES has been successful in facilitating Government’s adoption of IT-driven services in a number of critical areas such as electronic access to customs, online visa application and process, and online access to land information. But the Department has limited internal capacity and has to outsource programming services to the private sector. Furthermore, DITES has expressed concerns that “knowledge transfer is a problem because employee receivers within GoM have limited time to allocate to [DITES] training for that transfer”.
- The concerns expressed by the GoM’s Human Resource Office of various employee retention challenges that the government faces, including a) the lure of expected higher net incomes in nearby countries such as Antigua, Anguilla and St. Kitts, b) income brackets of middle and upper management in the public sector that do not allow access to affordable social housing; c) the fact that General Orders state that applicants’ experience must be in the public sector which places applicants with high qualifications – but without experience in the public sector - into lower level posts in Government, and d) difficulties in retaining externally-sourced professional personnel for extended employment periods, partly because of the resentment expressed by Montserratians who did not leave the country during the volcanic disruptions against “returnees” who did and foreign nationals.

Generally, public sector administrative structures are mostly horizontal with limited senior staff in each Ministry or key Department. However, as is the case in other Caribbean countries, the GoM needs skilled technical persons. Instead the public service serves as a job creation strategy for mostly clerical and junior positions.

The experience of the Montserrat Development Corporation (MDC), which was responsible for investment promotion and business development support, highlighted this deficiency: in addition to governance issues, there were capacity constraints due mainly to key professional positions being staffed with persons with inadequate skill sets.

Likewise, the capacity in potential growth sectors is also limited. For example, a) Tourism is currently functioning as a two-person division without a qualified tourism development or marketing expert, b) the mining sector’s oversight responsibilities are not clearly set out or adequately staffed and c) the agriculture department charged with increasing the sector’s productivity does not have access to market analysis or specific agro-processing expertise.

- A temporary solution to the human resource and institutional capacity challenges has been the Technical Corporation (TC) employment model, which is used to attract key

personnel to Montserrat. But, as alluded earlier, the higher TC salaries are perceived to cause employee tension within the organisations to which the TCs are posted. Furthermore, according to the findings of the public sector reform programme, the TC approach is not an interim solution given the absence of a long-term plan to address Montserrat's capacity issues.

Overall, these examples confirm that GoM is challenged by its human resource retention capacity and that institutional capacity is consequentially constrained as a result. Moreover, these findings suggest that GoM is not just lacking technical functions usually found in an investment promotion agency or a business development support services facility but also in fundamental private sector development support capacity. The findings also suggest that the development of a new institutional model aimed at addressing BE constraints, would require careful consideration if such a facility is to a) be well established and b) operate with the required levels of expected efficiency and effectiveness and c) achieve the results set out for it.

2. Best Practices to Improve the Business Environment

2.1 The Business Environment Defined

The Donor Committee for Enterprise Development (DCED - www.businessenvironment.org) defines the BE as a “complex of policy, legal, institutional, and regulatory conditions that govern business activities. It (...) includes the administration and enforcement mechanisms established to implement government policy, as well as the institutional arrangements that influence the way key actors operate (e.g., government agencies, regulatory authorities, and business membership organisations including businesswomen associations, civil society organisations, trade unions, etc. (see Figure 1 below). It can include almost anything pertaining to the political, economic, and social environment in which businesses operate”.⁵

This definition does not include other areas that affect business, such as an economy’s proximity to larger markets and the quality of infrastructure services, or business facilitation services (BFS).

Organisationally, it consists of three core elements:

- Legal and regulatory framework for business generally and small enterprise in particular. This includes the rule of law and access of businesses to commercial justice;
- Policy framework for business and private sector development; and
- The Institutional framework for design and implementation of, and compliance with, policies and programmes linked to the regulation, promotion and representation of business.

Though similar to the model proffered by DCED, the World Bank’s (WB) focus on improving the BE is more specific. Therefore, the WB has introduced easily measurable indicators that enable a comparison across countries, whereby economies are ranked on their ease of doing business, from 1–189. A high ease of Doing Business ranking e.g. 5th, 6th, or 10th, means the regulatory or enabling environment is more conducive to both the starting and operations of a typical firm or enterprise. The rankings are determined by sorting the aggregate distance to frontier scores on 11 topics, each consisting of several indicators, giving equal weight to each topic. These include Starting a Business, Getting Credit, Registering a Property etc. The Doing Business methodology does have some limitations: The WB does not include some BE-related areas in its list of 11 Doing Business topics, such

⁵ See www.businessenvironment.org/dyn/be/docs/70/session1.2pinderdoc.pdf

as concessions used to attract FDI⁶ or the transparency of government procurement, and the indicator-based approach does not look at underlying drivers of the BE as mentioned by the DCED definition, such as government policy and institutional arrangements.

BER is important to governments and the private sector. According to the DCED, reforming the BE is a priority for governments because of the significant influence it has on the development of the private sector and therefore on economic growth and the generation of livelihoods and jobs.⁷

BER encourages businesses to change their behaviours by:

1. Reducing business costs. This may lead to both increased profits and investment
2. Reducing risks. This is accomplished by bringing certainty and predictability to markets with respect to government policies, laws and regulations
3. Increasing competitiveness pressures through new (business) entry. This stimulates efficiency and innovation in markets

The WB asserts that significant improvements in the Doing Business Index can lead to a 0.8% increase in GDP over time.⁸ Such gains are important to Caribbean countries given that many of them have been languishing at growth rate levels of 1% – 2 % since 2010. Also, there is evidence⁹ suggesting that BERs help countries attract foreign investment and that investors consider a good BE to be more important than the existence of an investment promotion agency or investment incentives. In addition, BERs improve the operating efficiency of government – allowing the public sector to save on scarce resources while improving the effectiveness/efficiency of services offered to society.

According to DCED, the BE affects the performance of private enterprises in both formal and informal economies. BER promotes the development of markets that encourage competition and enhance the effectiveness and sustainability of other development interventions. For the private sector, adoption of BER also results in improvements in turnaround/approval timeframes when needing a government decision and clearer and more transparent processes in making business decisions locally. As a result, the private sector

⁶ Their research suggests that concessions a) distort investment priorities and b) are a major source of tax leakage for developing countries

⁷ See: Supporting Business Environment Reforms: Practical Guidance for Development Agencies. Donor Committee for Enterprise Development (DCED). August 2008.

⁸ See: “Reforming the business environment in 2014/15” in the Doing Business 2016 Report by IFC.

⁹ See: “Business environment reform and investment promotion and facilitation”, rapid evidence assessment, commissioned by DFID, August 2015

– both local and foreign - in countries where BERs have been introduced, are often more confident about undertaking business initiatives.

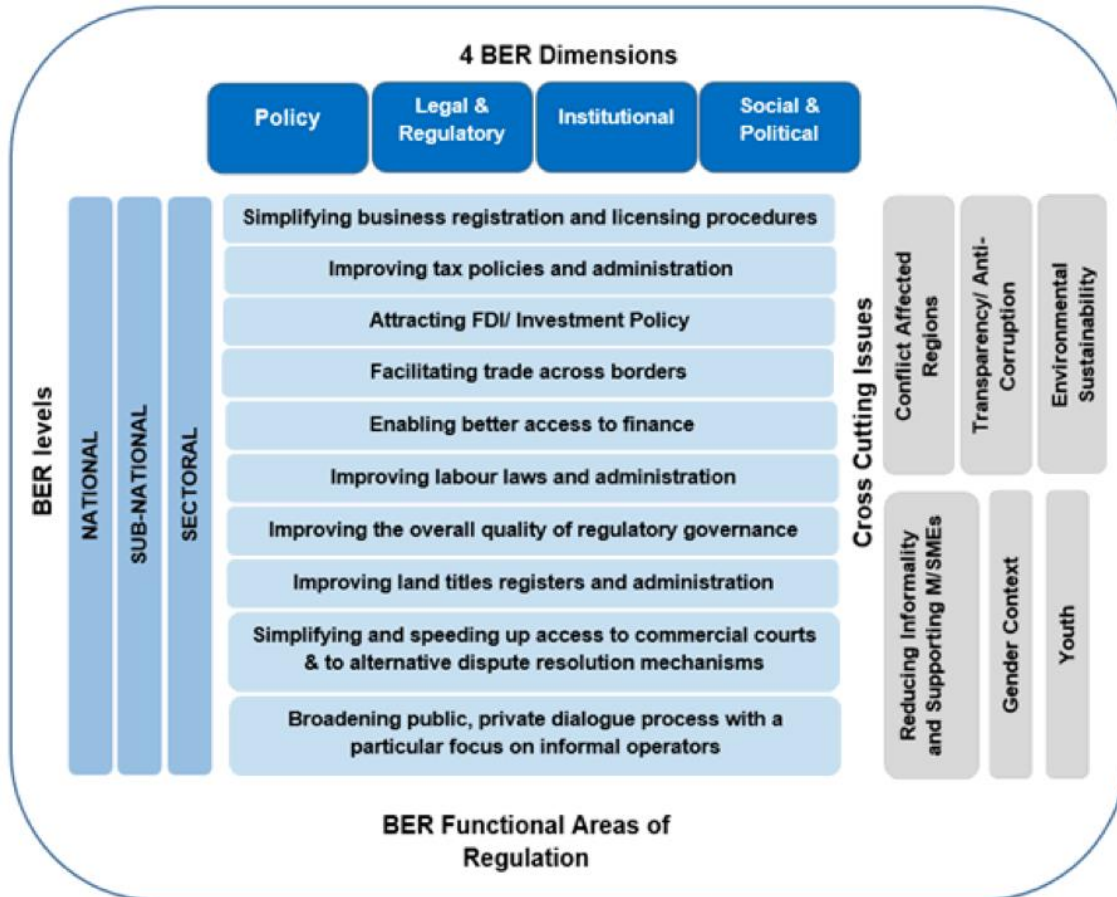
Many development agencies such as the WB, the European Union, DFID and the Inter-American Development Bank, consider a conducive BE as one of the fundamental pre-requisites for sustainable economic growth and poverty reduction [DCED, 2008].¹⁰

But improvements in the BE can be quite complex. They can include multi-dimensional issues such as getting finance, dispute resolution, trade, land titling, tax policy, foreign direct investment (FDI), access to commercial courts etc. Implementation of reforms in any of these areas will require specialist advice and technical assistance (TA) to improve or reform existing legislation to ensure that it is aligned with best practice standards. It could also include policy reforms and revised mandates for existing institutions to adjust to. Such reforms can be costly to government. In addition, BE reforms are likely to require communication campaigns to support public sector, private sector and consumer understanding of the implications of the reforms and the new procedures and processes which the society will have to adjust to. Finally, there is the need for oversight and adequate M&E systems to track the effectiveness and impacts of changes once they have been introduced.¹¹

¹⁰ <http://www.enterprise-development.org/implementing-psd/business-environment-reform/>

¹¹ This has been reported as a critical failing with respect to the poor performance of the Montserrat Development Corporation

Figure 1: The Business Environment

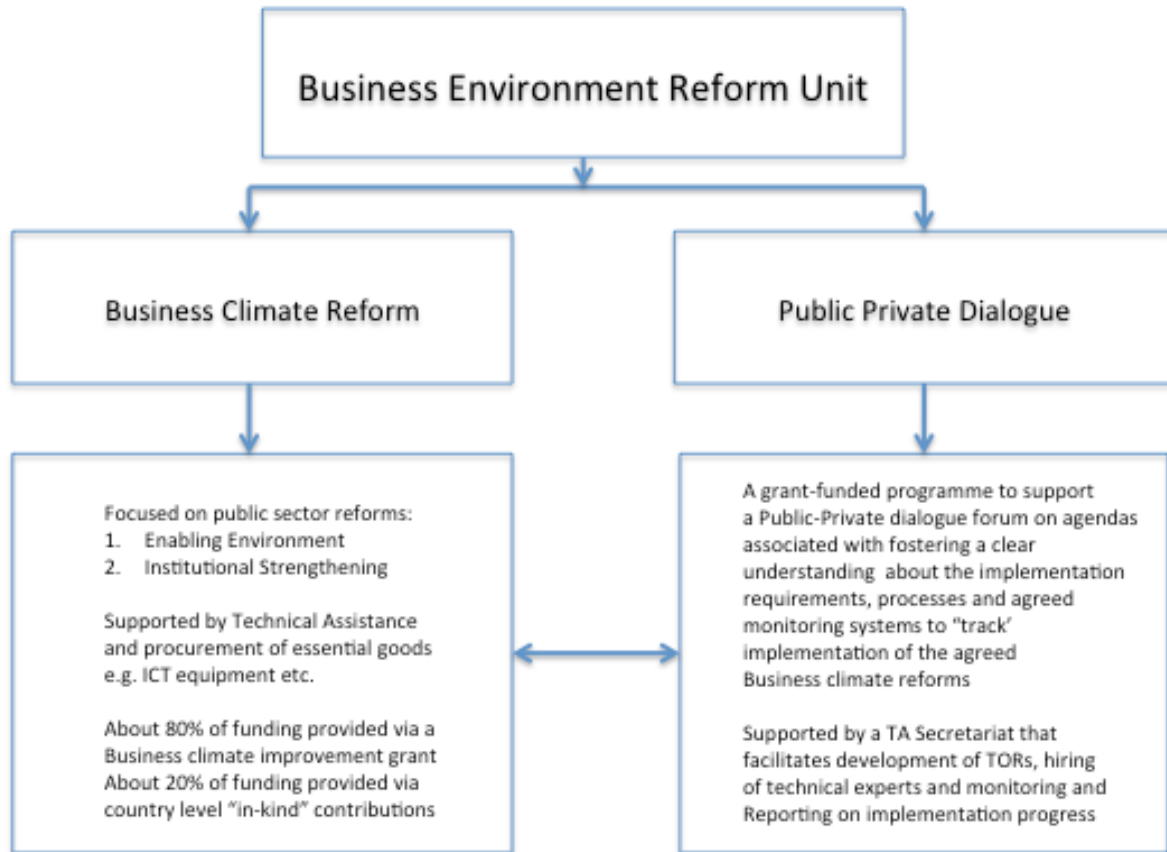


Source: Guidance for Consultants Undertaking Business Environment Reform (BER) Diagnostics, Remy Kormos, Business Environment Reform Facility (BERF), August 2016 (adapted from Donor Committee for Enterprise Development (DCEd), Supporting Business Environment Reforms: Practical Guidance for Development Agencies (2008))

2.2 Operating Mechanism to improve BER

Over the last decade, the main donor agencies supporting Business Environment Reform (BER) have worked closely with implementing countries to develop an operational model associated with carrying out analysis and implementing the requisite reforms. The typical operating mechanism for a BER Unit within Government is illustrated in Figure 2 below. This model, which was in part encouraged by the International Finance Corporation (IFC) in its support of Doing Business Reforms globally, is representative of many institutional implementation units in the Caribbean and elsewhere. Differences in implementation arrangements mainly reside in the degree of autonomy of the BER Unit nationally and/or the functional “home” of the unit itself (e.g. Ministry of Finance, Ministry of Commerce, a national development agency etc.)

Figure 2: BER Institutional Model



Source: BERF Consultant's Generic Institutional Structure of Business Environment Reform Units 2016

A standard BER Unit consists of two components:

1) Business Climate Reform

The Business Climate Reform component is deliberately created or assimilated into a host institution that has or is granted direct access to Cabinet.

BER is normally linked to priorities established in National Development Plans or Export Development Strategies or may be identified via diagnostic work carried out by the Secretariat that is directed by the Public-Private (PP) Forum or legal Business Reform (BR) entity.

2) Public-Private Dialogue

The Public-Private Dialogue (PPD) component consists of a Board of Directors, Task Force or Committee partly represented by Ministers within the public sector and partly represented by the Chairpersons of the key private sector organisations in the country. The Board discusses the reforms to be implemented and, with support from the Secretariat, endorses critical steps in the reform process. However, since most of the reforms are likely to be implemented in the public sector, the primary roles of the public sector members of the Board

is to a) apprise the Cabinet of the steps being taken and b) seek endorsement, and ensure that the reform responsibilities are assigned to key personnel within each Ministry.

The PPD mechanism serves important purposes. First, it ensures that the priorities being addressed reflect the main concerns, in order of priority, of the private sector. Obviously this is critical because the operating mechanism for facilitating reforms is aimed at improving the BE for the private sector. Second, it introduces an oversight function outside of government, incentivised to monitor progress of reform actions identified. Third, it also serves a political transparency function in that the mechanism engenders stronger private sector support for broader public sector policies and strategies aimed at facilitating sustainable economic growth.

2.3 Four Options Described

For Montserrat, there are four mutually exclusive models that can be referenced, of which three are in the Caribbean:

Model 1: Jamaica. Strategy: The BER mechanism is institutionalised within a leading development agency – in this case, the investment promotion agency, Jamaica Promotions Corporation (JAMPRO).

Model 2: Suriname. Strategy: The BER mechanism is institutionalised within an independent “stand alone” institution, the Suriname Business Forum.

Model 3: Grenada. Strategy: The BER mechanism is institutionalised as the Office of Private Sector Development in the Ministry of Finance.

Model 4: Rwanda. Strategy: The BER mechanism is institutionalised within a multi-functional “one-stop shop” investor facilitation facility known as the Rwanda Development Board.

For purposes of this report, each model is briefly described in Table 1: Four Business Environment Reform Mechanisms, below.

Table 1: Four Business Environment Reform Mechanisms

BER Model	Key Features	Key Functions	Progress and/or Results
1. Jamaica: BER mechanism institutionalised within leading development agency (JAMPRO)	A National Competitiveness Council (NCC) was established in March 2010 under Chairmanship of the Minister of Industry, Investment and Commerce. NCC is an amalgamation of the National Export Council, the Trade Facilitation Board and the Target Growth Competitiveness Committee. NCC is a public-private partnership and works closely with Ministries, Departments and private sector agencies to address constraints. NCC has established a reform agenda of 20 BERs to be implemented within a fixed time frame.	JAMPRO/NCC: a) Co-ordinates and drive cross-functional and multi-agency strategies that seek to address the impediments to establishing and doing business in Jamaica b) Formulates the necessary measures leading to speedy processing of business and investment proposals c) Provides policy advice on steps towards an improved and competitive business climate and d) Communicates effectively with broader stakeholders and the general public regarding the implementation of initiatives that affect the business environment.	Of a total of 20 planned reforms, six were completed between 2013 and 2015. Of these, three required new Bills to be tabled/passed by Parliament and three required modified ICT-based systems: 1. Tabling of Secured Obligations Bill 2. Tabling of (new) Insolvency Act 3. Establishment of Collateral Registry 4. Rollout of Port Community System 5. Amendment to “Superform” legislation 6. Development of online “Superform” Jamaica is now ranked 64 th on the 2016 Doing Business Index, 7 th in the world for Getting Credit, and 9 th in Starting a Business.
2. Suriname: BER Mechanism institutionalised within an independent “stand-alone” institution, Suriname Business Forum (SBF)	The SBF Act passed in 2006 to establish Suriname Business Forum as a public-private partnership consisting of Ministry, Private Sector and Civil Society organisations’ elected representatives to SBF Board of Directors. Suriname Business Centre (SBC) was established in 2008 as the SBF Secretariat/TA arm.	a) SBF via SBC identified major “sector opportunities” and formulated a Private Sector Development Strategy. b) Strategy included constraints to growth in seven priority sectors and 89 legal reforms needed to existing legislation.	SBF Strategic Action Plan was drawn up in 2010. SBC concentrates on providing support to unblock constraints in the seven priority sectors. SBC activities are mostly funded by donor assistance. There is little progress on legal reforms. The business reform and competitiveness agenda transferred into the Competitiveness Unit of Suriname (CUS) in June 2012.
3. Grenada: BER mechanism institutionalised within leading government Ministry (Ministry of Finance)	The Office of Private Sector Development was established as a department within the Ministry of Finance in 2010. Task Force of heads of public sector institutions and private sector were created. IFC provided TA and advisory services.	a) Coordinate key private sector reforms b) Facilitate partnerships between GOG, private sector and civil society c) Improve the Business Climate e.g. investment code, small business policy d) Give direction to investment initiatives	IP Office; electronic Automated System for Customs Data (ASYCUDA) was implemented; and an investment code was created. Grenada improved its Doing Business Ranking from 98 th to 73 rd in 2010 – 2011. It had a change of government in 2013, and rankings dropped to 135 th by 2015 - 2016
4. Rwanda: BER mechanism institutionalised within a one-stop shop investor facilitation facility called the Rwanda Development Board in 2008	Initially, in 2001 the World Bank’s Competitiveness and Enterprise Development Project collaborated with the Bank’s Rwanda Investment Climate Reform Program to establish the Doing Business Unit in Rwanda	A Doing Business Steering Committee was established in early 2009: a) Technical Task Force of 6 PPP working groups; b) Small full-time team to link working groups to Steering Committee and access donor-funded technical support	Implemented 26 reforms since 2005 (approx. 2.6 per year). Rwanda is best performing Doing Business country in East Africa and third overall in Africa. Of 189 countries in 2016, it ranked 2 nd in Getting Credit and 12 th in Registering Property

2.4 Understanding the Four Options

There are similarities and differences between the four options.

A first common denominator is that the BER mechanisms were established in recognition of overt constraints to be addressed to improve private sector growth prospects in the four countries.

The second common denominator is that they were established to work via technical working groups or task forces in recognition of the need to engender strong ownership in adoption and implementation of reforms that would impact on the responsibilities of various institutional entities in both the public and private sectors.

The third common factor is that the four mechanisms were heavily dependent on external technical expertise to define and/or introduce the reforms. In Jamaica, a National Competitiveness Council (NCC) accessed technical support from the Inter-American Development Bank (IDB) i.e. from Compete Caribbean which is supported by DFID, Canada and the IDB. In Grenada and Rwanda, TA was obtained from the International Finance Corporation (IFC) and from other international donor agencies. This suggests that the modus operandi of a BER Unit is that 1) it secures or “anchors” its plan of operations to key national priorities; 2) communications, consensus and ownership are nationally-driven, and 3) external expertise is essential, given that in most countries there is limited knowledge about how to actually implement the needed reforms and because BER outputs are seen as new “impositions” on a country’s operational and legal framework.

The dissimilarities in the options are influenced by the scale i.e. market size, and are linked to the design of the institutional structure for implementation and each mechanism’s effectiveness in achieving business improvement results.

Jamaica

The NCC in Jamaica is a merger of the National Export Council, the Trade Facilitation Board and the Target Growth Competitiveness Committee. It consists of 20 representatives – 10 from key public sector Ministries and/or Departments and 10 from private sector organisations. The Minister with portfolio responsibility for Industry, Investment and Commerce chairs the council. Technical sub-committees are also established to address specific Doing Business constraints. There is a two-person technical unit based in the investment promotion and export development agency, JAMPRO, which coordinates the delivery of TA services to the relevant government ministries and departments. The unit also oversees specific interaction between consultants and the public and private sectors.

Suriname

In Suriname, the BER mechanism was transferred from the Suriname Business Forum (SBF) to the Competiveness Unit of Suriname (CUS) in June 2012. The unit functioned under the Cabinet of the Vice President and is perhaps the most multi-functional of the four examples highlighted in this study. It is tasked with integrating industrial policy, innovation policy, human capital development strategy, entrepreneurship development policy and

governance, and the legal framework associated with the BE. The CUS's main tasks include coordinating BER and a private sector development roadmap, involving stakeholders in the reform calendar, identifying priority growth sectors and formulating and monitoring Suriname's competitiveness strategy. Perhaps, because of the extensive breath of responsibilities, the CUS is not as focused on Doing Business reforms as the other three BER models and there is no deliberate Public-Private Sector mechanism – either through a formal board of directors or a task force, to prioritise and address BE challenges.

Grenada

In Grenada, the Office of Private Sector Development (OPSD), was established as a department of the Ministry of Finance and used a similar task force model to that of Jamaica and Rwanda, albeit in a smaller and less sophisticated form. Grenada's Task Force mechanism, which included public and private sector stakeholders, worked quite well when that mechanism was in place. But in 2013, a change of government occurred and the tasks of the OPSD were transferred to the Ministry of Economic Development, which discontinued the Public-Private Partnership (PPP) model embedded in the Task Force. This change resulted in a regression of the progress made under the OPSD with the country's ranking on the WB's Doing Business Index slipping from 73rd in 2011 to 135th in 2016.

Rwanda

In Rwanda, the BER mechanism is managed by the Rwanda Development Board (RDB). The Board oversees the entire investor experience i.e. business registration, investment promotion, environmental clearances, privatisation, Information and Communications Technology (ICT), Tourism, Small and Medium Enterprise (SME) development and human capacity development in the private sector. That approach has produced remarkable results. Importantly, the President of Rwanda made business regulatory reform a top national priority and room was created in the national budget to invest in reform implementation. A Doing Business Steering Committee was established in 2009, which brought together representatives from different Ministries to lead reform efforts at Cabinet level. Technical Task Forces made of working groups were established to focus on business entry, licensing reform legislative changes, taxes, trade logistics etc. This task force model includes private sector representatives, which helped to ensure private sector buy-in into the reform process. Today, Rwanda stands out as the No.3 African performer on the Doing Business Index with an overall ranking of 62nd in 2016.

2.5 Business Facilitation Services

The term “business environment” has similar connotations with the terms “business facilitation or business support”. Consequently, there can be overlaps both in a) conceptualising the scope of BE reforms and 2) provision of support services to the private sector. This ambiguity occurs for a number of reasons, the most significant of which are as follows:

- In many countries, the private sector is more concerned about the immediate constraints that they face in operating their businesses daily and not interested in understanding the underlying causes of the constraints, which are often related to the BE.
- Government and the private sector can have limited knowledge about the productivity gains and benefits of a conducive BE and struggle with the sometimes-complex BE concepts. Therefore, neither group is likely to rank BE improvements as highly as they rank business facilitation (support) services (BFS).
- BFS are much more attractive politically to both the public and private sectors because those initiatives focus on helping the needy immediately, rather than investing in tackling underlying BE constraints. BFS that provide direct subsidy or financing to the private sector are particularly attractive. Therefore, the perception is that those types of services are of much higher value than improvements made via legal reform and adoption of ICT-based services by government to enhance the BE.

BFS - most of which primarily focus on training SMEs, incubator support, facilitating or supporting access to finance, and on other weaknesses such as product development, branding and marketing, accounting, and use of information technology – are offered in many developing countries by a combination of public sector bodies, donor funded projects, investment promotion agencies, business associations, non-governmental organisations (NGOs) and national foundations. Usually such services are free or highly subsidised and provide essential support for emerging, young and small entrepreneurs.

The primary difference between BER efforts and BFS is that the former offers universal coverage because reforms affect all businesses and produce a lasting favourable environment for all types of enterprises whereas business facilitation is usually “targeted” with beneficiaries often confined to “most needy” groups. Consequently, while BER transform the business landscape at a national level, only a smaller proportion of a nation’s enterprise base accesses even the most attractive BFS. For example, Jamaica’s leading small business financier, the Small Business Loans Company (SBLC), has 14,000 Micro, Small and Medium Enterprise (MSME) clients but there are over 200,000 enterprises that function in that space. This means that the company, which received donor support, is only reaching 7% of the total SME market for potential loan financing. Similar comparisons can be made for access to training and for new product development, where actual assistance provided by many BFS providers represents only a small proportion of the total market size.

Below are some examples of public sector-initiated BFS models:¹²

- **Trinidad and Tobago’s National Enterprise Development Corporation (NEDCO)**, operates a network of 11 entrepreneurship development centres countrywide. It has a

¹² These examples are excerpted from a Study entitled “Micro-Small-Medium Enterprise Development in the Caribbean: Towards a New Frontier” for the Caribbean Development Bank carried out by M. Julien and M. Edwards in 2016.

fully staffed Corporate Business Unit that performs Research and Development functions. NEDCO targets business services to University students and provides start-ups with coaching sessions. It has been delivering entrepreneur and business management training, counselling and TA to thousands of existing entities by combining in-house coordinators and technical staff with a roster of subject specialists on-call. NEDCO also operates a national Integrated Business Incubation System (IBIS). Its small grants and loans (ranging from TT\$50,000 to \$250,000) facility has been highly subscribed for more than 15 years. Recently, government funding has been significantly reduced and the corporation has no experience in mobilising or managing donor funds, having been 100% government funded since its inception.

- **The Jamaica Business Development Corporation (JBDC)** leads MSME development on government's behalf, and is mandated to implement the MSME Policy approved by Cabinet and cleared through Parliament. It employs 105–120 business development officers who perform business model appraisals; guide entrepreneurs to formalise their businesses; and help businesses to get through required regulatory processes. Its incubator system accommodates resident and non-resident businesses. JBDC partners with banks and large companies to leverage financial and TA resources, including accessing the Development Bank of Jamaica's (DBJ) "Ignite" Programme. "Ignite" provides grant funding of up to JD\$4 million per client on a call for proposals basis by registered businesses less than 4 years old that are undertaking innovation projects across all sectors. It also teaches business plan development throughout the rural parishes, using a mobile clinic; and engages consultants to upgrade business plans; package products; or conduct market surveys.
- **Small Business Development Centre Belize (SBDC Belize) - Belize Trade and Investment Development Service (BELTRAIDE)**, employs five staff to service huge demands from over 30,000 registered and informal Micro and Small Enterprises (MSEs) over vast terrain. The unit is effectively led: proactive in using ICT and social media; strong on partnering, networking with financial institutions; does effective proposal writing and management of donor projects. There are some capacity deficits in serving the needs of the MSME sector. If given additional institutional resources, the SBDC will reach a larger clientele through accelerated implementation of the deliverables in its approved MSME Policy and Strategy.
- **In St. Lucia**, a somewhat different model has been developed. Three principal agencies serve designated segments of the MSME sector and report to the Ministry of Commerce, Business Development, Investment and Consumer Affairs: a) The Trade and Exports Agency (TEPA) provides development support to exporters, export-ready firms and potential exporters and administers grants to approved businesses; b) The Commerce and Industry Department assists medium-sized firms especially in the manufacturing and services sectors with on-site advice, facilitation for concessions and other off-site support, and c) The SBDC is the Government of St. Lucia's (GOSL's) lead agency for

business development knowledge and expertise. It offers a more holistic approach to the development of the MSE sector. Its core mission is to help businesses become globally competitive by providing long-term consulting, training, financing, and market research solutions that create economic impact.

- **The Rwanda Development Board (RDB)** uses a highly transformative process that enhances the efficiency and effectiveness of government support institutions in the provision of business services, and is potentially an example of substantial relevance to the Caribbean region. In 2011, RDB took a strategic decision to involve private operators in the management of its Business Development Centres (BDC), utilising a PPP model, whereby Government retains ownership of the BDCs' assets, and the private operator assumes responsibility for all expenditures. Four private operators entered into contracts with the RDB to manage all 30 district BDCs. The services provided by the district BDCs include, but are not limited to: a) Entrepreneurial Development – training entrepreneurs to develop skills for professional development which helps them to identify and develop business ideas, b) Business Registration –encouraging commercial registration for companies to reduce informality and facilitate closer rapport with the business community by start-up businesses and c) Skills Training, Business Advice and Counselling. Participants vary from new entrepreneurs with minimum skills needing general assistance to established businesses to skilled operators in need of specialised knowledge or a specific intervention.

The five models have a number of similarities that are worth noting in this study. First, these entities are all funded by government and are therefore subject to political change and to the financial/fiscal influences of the public sector. Second, they are generally geared to addressing *operational* deficiencies in the national SME client base. Normally, they do not address BE issues directly. Third, they are all closely linked into sector priorities established in National Development Plans or economic growth strategies that place emphasis on “private sector development as the engine of growth”. Finally, they fill relatively acute service gaps at the supply end of the development chain and therefore strengthen the private sector’s growth capacity.

While BFS can be valuable they are not a panacea for BER: helping enterprise get through an inefficient system is not the same thing as improving that system’s operational efficiency. For instance, “Access to Credit” is a BFS that would establish a line of credit to support the business sector directly. Often this means that some business would have better access to credit. In contrast, "Getting Credit" is a BER that involves a) establishing a credit bureau and b) improving the legal rights of creditors to debtor information – allowing financial markets to make all loans more efficiently and effectively.

When implemented, BERs have sustained longer-term effects on both government and private sector efficiency and a more conducive BE attracts foreign investment – which is critical to Montserrat’s future sustainable economic growth agenda.

3. Current Status of BER in Montserrat

3.1 Linkages to National Development Priorities

A review of Montserrat’s leading development plans such as the Sustainable Development Plan 2008 – 2020, confirms that BER is closely aligned with various national strategic goals. Specifically, this includes Strategic Goal 1 (Economic Management) under the strategic focus to implement initiatives to support the strengthening and development of the private sector, *including the creation of an enabling business environment*, and Strategic Goal 4 (Governance) under the strategic focus of creating a modernised, efficient, customer friendly and performance driven public services *using programmes drawing from lessons learnt and global best practice*. Consequently, a programme aimed at addressing BER would be closely affiliated with Montserrat’s national development priorities.

3.2 Early Initiatives

BERs are at a relatively nascent stage of development in Montserrat. Nonetheless, some IT-based reforms have already been introduced - mostly via implementation of DITES-spearheaded efforts that were encouraged by DFID. To date, the following reform efforts have been addressed – some, with more success than others:

- **Investment Promotion Strategy.** In October 2012, Upper Quartile LLP, a UK-based consultancy firm, submitted an investment promotion strategy for 2012 – 2015 to the Government of Montserrat.¹³ The strategy was designed to “promote private sector investment in Montserrat” and was carefully targeted at delivering the Master Plan for Little Bay and Carr’s Bay. The strategy also had additional objectives in a small number of sectors including high quality tourism, geothermal energy, agro-processing and mining and manufacturing. It was planned that the Montserrat Development Corporation (MDC) would implement the strategy, working closely with colleagues in other government departments, agencies and the local private sector. The MDC aim was to “stimulate economic growth by creating a more supportive environment for private sector investment and infrastructure development on the island”.¹⁴

A review of the strategy revealed that it was well conceived and was clearly focused on Montserrat’s top priority at the time: high quality tourism. It laid out priority activities such as establishment and recruitment, research, project modelling, establishment of a one-stop shop, visit management, development of an investor’s guide, campaign planning, aftercare services etc. An activity plan was prepared with assigned responsibilities

¹³ These examples are excerpted from a Study entitled “Micro-Small-Medium Enterprise Development in the Caribbean: Towards a New Frontier” for the Caribbean Development Bank carried out by M. Julien and M. Edwards in 2016.

¹⁴ These examples are excerpted from a Study entitled “Micro-Small-Medium Enterprise Development in the Caribbean: Towards a New Frontier” for the Caribbean Development Bank carried out by M. Julien and M. Edwards in 2016.

including the essential task of determining the requirement for a single Investment Incentives Act, with estimated completion dates for the various activities. Since 2012 various projects were supposed to be facilitated under the auspices of the Trade and Investment Promotion Division of the MDC including Plymouth Tours, Air Studios, the Sports Complex and assistance to FDI interests in the Little Bay Development. However, the MDC was terminated following poor performance and concerns over its management of money, as evidenced by the findings and recommendations of a Task Force review of the MDC in March 2015. Consequently, this primary institutional capacity was never fully realised and was terminated with the closure of the MDC.

Between 2012 and 2016 a) prospective foreign investors have continued to express frustration about the poor BE and b) the streamlining of four Acts governing investment concessions into one Investment Incentives Act has not occurred. The absence of a transparent, supportive and efficient investment facilitation system is therefore a major constraint to creating a more supportive BE for both foreign and locally sourced private sector initiatives on the island.

- **Trading Across Borders.** The GoM's adoption of the ASYCUDA World Customs System, a standard computerised customs management system which covers most foreign trade procedures, handles manifests, customs declarations, accounting procedures, transit and suspense procedures. According to the Customs Department, this new system now allows customs brokers to file their declarations online and receive customs approvals of those declarations within 24 hours (see <http://convergesolve.com/GoM/asycuda/>). Also the system generates trade data for statistical economic analysis, and therefore enhances Government's capacity to develop trade-related policies that are aligned with Montserrat's economic goals. However, the system needs to be further enhanced via development of online (duty) payments options and online issuance of duty payment receipts.
- **Registering Property.** DITES, in close collaboration with the Physical Planning Unit, has created online access to land information via www.landinfo.gov.ms. For a small fee the website allows interested parties to have access to information on roads, parcel boundaries, coastlines, vegetation, gazetted information, etc.
- **Visa Application.** Government has established an online system whereby visitors needing to obtain tourist visas to visit Montserrat can now do so via www.immigration.ms. This is especially convenient for new visitors to the island since they can receive their visas online in a very short timeframe from application to issues of the visas.

In addition to these three initiatives to improve private sector efficiency, all of the laws of Montserrat are available online via <http://agc.gov.ms/>. This service is immediately accessible and is especially convenient for legal professionals, business advisors, investors, the private sector, the public sector and the diaspora and the local Montserratian community. Moreover,

there is an e-Government Strategy to guide the GoM's progressive introduction of broadening government's development of online services on the island.

These are not the only initiatives considered. For instance, attempts have been made to establish an online registry at the Financial Services Commission (FSC), which is responsible for business registration in Montserrat. There is also the opportunity to establish an online property tax payment system given that a substantial number of property owners now live overseas. While such a system may not increase property tax revenues, it will make it more convenient for investors, villa owners and the diaspora to make such payments – which would improve tax collection efficiency on the island.

3.3 Follow-on efforts to address the BE

In mid-2016 a European Commission (EC) funded programme referred to as the Competitiveness of Enterprises and Small and Medium-sized Enterprises (COSME) launched initiatives aimed at improving the Overseas Countries and Territories' (OCTs') BEs through a study entitled "Improving the Regulatory and Business Environment for Business Support Organisations (BSOs) Supporting SMEs in the Caribbean OCTs".

The purposes of this study are as follows:

- To conduct an analysis of the regulatory environment for doing business in each Caribbean OCT such as: a) Starting a business (registering and licenses required), b) Paying taxes, c) Registering property, d) Trading across borders, e) Enforcing contracts and f) Access to finance, as well as other regulatory constraints relating for example to labour regulations (work permit procedures, social security requirements) and immigration requirements.
- To perform a comparative analysis of the regulatory and institutional practices of the Caribbean OCTs, including the identification of best practices and recommendations for follow-up actions and to establish a ranking according to the indicators measured.
- To formulate recommendations for regulatory reforms favouring SME development.

So far, Ecorys, the manager of the EU-funded COSME project for the Caribbean OCTs, has contracted a consultant to carry out this assignment. To date, the consultant has completed his fieldwork and findings on a number of OCTs, including Montserrat.

The TOR included the requirement that the consultant develop best practices and practical recommendations for follow-up actions and project ideas, along with suggested changes and/or update in legislation and regulations affecting the operations of business in the participating territories that have been researched. The COSME project was awaiting the consultant's draft report at the time of this current DFID-funded study on Montserrat. How the findings and recommendations will impact on Montserrat's efforts to improve the BE was unclear at the time of the preparation of this BERF study.

4. Montserrat's Current Capacity to Implement BERs

This section of the report assesses the degree to which the GoM has the capacity to implement BER given its current constraints. In that regard, this section builds on the main findings about GoM capacity contained in section 2.7 Preliminary Findings about Institutional Capacity and zeros-in on government's capacity to facilitate the main processing streams used to achieve BER i.e. GoM's *readiness* to process business reform activity.

4.1 Capacity criteria

Montserrat's readiness to implement BER is mainly a factor of government's organisational capacity in the following areas:

- Introducing ICT solutions for transactions that the private sector undertakes on the basis of the 11 criteria used to establish or improve a country's Doing Business Ranking;
- Modifying, upgrading or introducing new legislation and regulations to allow the reforms to take legal effect; and
- Government's capacity to oversee and participate in the formulation and implementation of reform initiatives.

Section 5.2 below highlights the current institutional challenges to improving the BE from ownership, capacity, technical, and legal perspectives.

4.2 Current challenges to improving the BE

The following ownership and capacity challenges were identified through interviews with the private sector and especially with public sector entities:

Private Sector "ownership" and priority concerns

Feedback from a private sector workshop chaired by the BERF consultant on 29th September 2016 suggests that there is interest in improving the BE. Participants were appreciative of improvements already made i.e. the ASYCUDA World Customs System and online access to land information. Participants were particularly frustrated by slow government processes e.g. land surveying and payment of invoices, poor customer service by government (e.g. Customs), poor regulation of some sectors such as sand mining, lack of transparency and predictability in the investment approval processes and the absence of a structured PPD mechanism to address private sector concerns and to improve public-private relations in Montserrat as well as lack of transparency of progress being made by GoM in its implementation of national strategies and action plans.

Concerns were also expressed about the need for government intervention beyond BER such as an accreditation system to improve standard operating procedures in the hospitality industry, a labour market system that would address skills shortages, an SME business incubator, strategies to improve or provide access to finance such as venture capital,

mentoring support for SMEs and a renewed TVET training capacity at the Community College.

Upgrading of ICT-based skills

One of the potential bottlenecks of introducing BERs is the difficulties that DITES has experienced in establishing training programmes associated with the upgrading of the capacity of key government personnel so that they become proficient in managing new ICT operating platforms. DITES points out that the challenge of creating new service platforms is that the respective ministries have logistical difficulties in committing staff to training programmes to upgrade their proficiency with ICT tools. Consequently, even when new software and operating platforms are introduced, there are challenges in keeping those systems up to date and in managing and monitoring data analytics at Ministry level. An example is the need to update land registry information that is already available online.

Capacity limitations at DITES

Although DITES has been reasonably successful in the introduction of ICT services within some Ministries and Departments, this has been accomplished through the outsourcing of needed DITES technical capacity to the private sector. On the assumption that DITES would be required to expand its operating capacity to facilitate the introduction of BER-related ICT support services, such an institutional deficiency will only be exacerbated – even if only 1 or 2 BERs have to be conceptualised and the related IT operating system built-out annually. According to DITES, the underlying problem is that Government salaries for ICT work are not attractive enough to lure private sector ICT experts into the public sector. Some solutions, such as giving DITES Executive Agency status, are possible but this will take some time to authorise, develop and implement.

Throughput limitations at the Office of the Attorney General

An essential feature of BER implementation resides with the capacity of the Attorney General's (AG) Office to process requests for amendments to existing legislation and or the drafting of new bills that are legal outputs of a specific BER. But, according to that Office, for various reasons, less than 10% of the legislative agenda gets passed in a given year.

The process begins with Cabinet preparation of a priority list of legislation, which is submitted to the AG's Office for drafting amendments, the preparation of bills, and then converting the modified bills into acts. The priority agenda can be pre-empted by externalities such as the urgent need to amend existing legislation to ensure country compliance with international requirements e.g. Fair and Accurate Credit Transactions Act (FACTA). Other factors also impact on legislative throughput, including provision by some Ministries of legislation drafted by consultants (which may then require further revisions) and the shortage of legal drafters, which slows down the delivery of legislation through the approval system. One example of the somewhat unpredictable workflow process management system is that the Mining Bill,

which was prepared in 2012, is still not on the legislative agenda. If management systems are not improved such challenges will create implementation bottlenecks for a proposed BER system.

Government reluctance over potential 4% revenue loss

Understandably the GoM is reluctant to create a broad menu of online payment services. The reason is that while such actions will improve tax collection efficiency, it is likely to reduce collected revenues by 4% i.e. by the service fee which all users of credit cards i.e. vendors, have to transfer to the credit card provider(s) for use of their payment system. This is a formidable but not an insurmountable factor given that other countries that have already converted to across-the-board use of online payments have found workable solutions to this problem.

General capacity constraints within Government

These constraints cannot be overlooked as possible inhibiting factors to implementing BER. Continuing fallout of the loss of employees to migration to the UK and to other countries is the difficulties that the Ministries, DITES and the AG's Office will encounter in various aspects of building out the institutional infrastructure and in ensuring adequate management of the new or modified operating systems as a result of the reforms. For instance, access to building permits, in time, is unlikely to improve if the post of Chief Surveyor remains vacant and access to land will be similarly affected if the post of Land Registrar is not filled. Overall, staff retention is a larger policy issue, which the GoM has to address and its scope is beyond that of BER implementation.

Given these constraints, is it realistic to expect that the GoM would have the capacity to identify and process BERs efficiently?

To clearly articulate BER challenges, Government would have to rely on diagnostic work and the identification of specific solutions to be carried out via a TA mechanism, possibly funded by DFID. This is not an unconventional solution given that it is the primary approach used by the IDB's Compete Caribbean and by the IFC when those agencies provide technical support to countries that have agreed to embark on BE programmes.

The efficient processing of BERs will require time-bound commitments to be made by the affected/responsible departments or agencies that have been identified to actually implement the reforms and a strong oversight and monitoring capacity by the TA mechanism that would initiate reform activities in the first place.

Indications of the ways in which such a support system would function are illustrated in Section 7. Implementing the Model, below, which emphasises private sector development via the adoption of a public-private dialogue mechanism that is institutionalised within a specific agency tasked with the responsibility to address BER, business facilitation and best practice sector challenges.

5. The BER Model: Options for Montserrat

This section of the report explores the options available to Montserrat for establishment of a BER model. The two most critical elements of the model are highlighted below a) a needs assessment of the supporting institutional prerequisites of a BER model and b) options for an institutional structure or framework that could be used to facilitate operational implementation of an appropriate BER model.

5.1 Needs Assessment of the supporting institutional framework

The needs assessment or key factors for success of a BER operating framework are essentially the reciprocal of the factors identified in section 5.2 Current challenges to improving the BE, above. Table 2 below identifies a) the optimal state for critical components in the BER supporting operational framework, b) a proposed “ideal” or optimal solution and c) a possible fall-back position for each component in the framework.

Table 2: Potential solutions to improve reform-related capacity		
BER: optimal state of institutional support framework	Optimal solution	Fall Back Position
2. A structured approach to Government staff training and upgrading of ICT-related skills is established	Staff turnover and vacancies are reduced due to improvements in human resource development policy and incentives/benefits offered to staff.	Staff turnover and vacancy challenges are reduced via broader TC programmes used by GoM and DFID to address capacity limitations.
3. DITES capacity is increased and strengthened	Staff capacity is strengthened at DITES via increased salary scales to attract IT personnel or via DITES conversion to an Executive Agency.	GoM to allow ICT vendors to build turnkey systems and to include a charge for development of such services into the revenues collected thereafter by GoM. Result: DITES “effective capacity” improved without staff increases.
4. Throughput capacity limitations at the Office of the Attorney General are addressed	Expand legal drafting capacity via access to OECS TA to provide a draft model legislator to the AG’s Office.	Strengthen the Project Management capacity of the AG’s Office and introduce Work Flow Process Management systems.
5. Government ambivalence over potential 4% revenue loss is resolved	GoM to increase tax rates for online payments thereby circumventing any implicit losses in revenue associated with online payments.	GoM to allow the credit card payment vendor(s) to charge an equivalent 4% convenience fee associated with online payments by customers/clients.
6. General capacity constraints within Government are addressed	GoM to adjust its human resource procurement policies to include more attractive incentives such as subsidised housing, educational advancement incentives, increased local and overseas training, more attractive pension schemes etc.	Pending reforms to human resource policies, a) increase the outsourcing of key personnel via TC or other contracts and/or b) outsource some GoM services to the private sector – sufficient to eliminate/address the public sector’s capacity weaknesses

The possible solutions and fall-back positions proposed in Table 2 are indicative only. Moreover, they also address some issues that are beyond the scope of this assignment (e.g.

general capacity challenges in government) and highlight some solutions that have already been considered by GoM e.g. outsourcing of some DITES work to the private sector and outsourcing proposals already developed for Government. Overall, the potential solutions will impact on GoM's budget commitments.

The essential point is that if the GoM wants to proceed with efficient implementation of BERs it will have to think through capacity solutions or “workarounds” to the institutional challenges noted above. In summary, improving government capacity is a prerequisite for successful BER - which would experience implementation challenges if government does not adequately address the capacity issues as outlined in Table 2.

5.2 Options for a BER institutional structure

Three potential institutional approaches were considered for Montserrat:

- Option 1: A stand-alone model where the institution would exist as a relatively independent agency tasked with multi-disciplinary functions normally provided by a national investment promotion entity or its equivalent.
- Option 2: The attachment of BER functions to an already-established and functioning private national agency such as the local arm of the Organisation of Eastern Caribbean States (OECS) Business Council, the Chamber of Commerce, or the Small Business Association, whose *raison d'être* is to promote private sector development in Montserrat, and
- Option 3: A more inclusive model where the institution would be attached to or operate as an arm of a leading government Ministry or entity that already has responsibility for advancing economic planning and implementation of key development strategies.

Option 1's main advantage is that it could result in a strong “one-stop shop” capacity for addressing investor and SME concerns across a broad spectrum of technical areas. But its main weaknesses are a) Montserrat's limited human resource capacity to build and sustain such an organisation, b) the high costs associated with operating such an entity autonomously and c) functionally, the risk of spreading the institution's services too thinly resulting in less than effective impact in terms of advancing economic development in the country. Currently, there are similar issues that need to be resolved by GoM, including the impending concept and functions of an Investment and Tourism Promotion Authority.

Option 2's main strength is that the BER agenda would be vested in the intended beneficiaries of such a programme, ensuring that there is strong ownership of its operational mandate. However, the Achilles Heel of such a model is that a) none of the private sector entities currently have the institutional capacity to take on BER responsibilities and b) a private sector-driven model does not address the underlying challenge of actually getting BER into and through the public sector implementation system.

Option 3's strengths are that it would be assimilated into the executive fold of government and its operational mandate would be aligned with similar public sector improvement initiatives of the GoM e.g. articulation and implementation of a national economic strategy and e-government strategy. A second advantage of this model is that it would place BER directly into an organisational framework that would have responsibility for implementing the selected reforms. But the operational risks are also high: a) it may not elicit strong private sector ownership and participation in the Task Force and b) it would be subject to changes in political administration of the country.¹⁵ Option 3's risk could be mitigated once c) the design of the BER Unit places special emphasis on strengthening the PPP mechanism by providing exposure to similar PPP models in the region and by respecting the contributions of the private sector to the business facilitation dialogue process and d) an appropriate Memorandum of Understanding is established between the UK government and the GoM about the role and permanency of the BER Unit.

Therefore, in summary, given the current institutional environment and limitations, Option 3 is recommended as the most realistic solution for institutionalising a BER system.

5.3 Proposed BER Institutional Mechanism

A proposed BER institutional mechanism is illustrated in Figure 3, below. The mechanism represents the convergence of 1) Best Practice models used in other countries; 2) the business facilitation priorities articulated by Montserrat's private sector, 3) the current capacity constraints of Montserrat public sector, and 4) longer term approaches to improving Montserrat's attractiveness to investors via development of eco-system solutions aimed at enhancing national competitiveness of key growth sectors to "best practice" levels.

There are various issues about the potential efficacy of the proposed model that are highlighted below:

First, the model reflects the localised needs and capacity challenges faced by Montserrat. It is therefore a customised solution aimed at addressing critical needs of the country at its current stage of development.

Second, the model as illustrated in Figure 3 is "full blown" primarily because it highlights the full scope of BER, competitiveness and BFS that such a mechanism could provide at full operating capacity. In that context, we would like to highlight that the model does not represent the initial or transitional phases of activities that such an institution would adopt

¹⁵ This has been visible in other countries such as Grenada, where, following a change of Government, the functions of the Office for Private Sector Development were folded into the Ministry of Economic Development, which was not as effective as the Ministry of Finance in addressing Doing Business challenges.

as it moves from inception to full operating capacity – which is likely to take at least 3 – 5 years to achieve.

In that regard, it is important for both private and public stakeholders to appreciate that the proposed approach to developing this mechanism should be deliberately *cautious*. The reason is that the key lesson learned about establishing BFS in small developing countries is that they should a) not be overly ambitious in the establishment of an initial operating framework, b) lower their expectations of “quick” accomplishments and c) not be spread too thinly initially in light of the clear human resource capacity limitations nationally.¹⁶

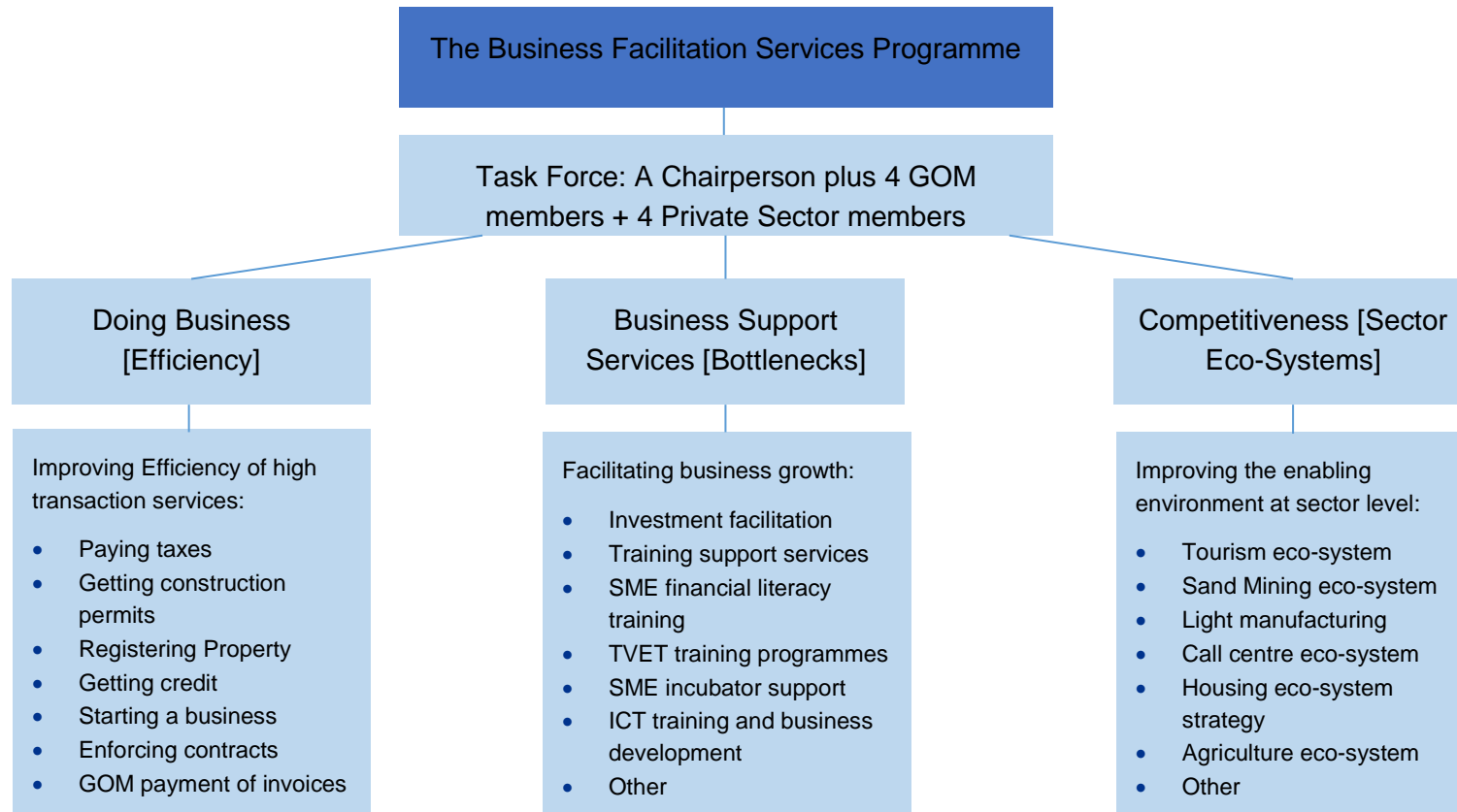
A visualisation of the initial phases of the proposed BER model is presented in Figure 4, partly to illustrate what the institutional structure might look like at start-up and for the first 1-3 years of existence. Figure 4 therefore suggests that the range of responsibilities/actions be limited to **one** Doing Business activity (e.g. more efficient government payment of invoices) in Year 1 and only **two** activities in Year 2 with the addition of another primary activity (e.g. the tourism sector eco-system) being completed in Year 3. Such an approach will allow for adequate time to be placed initially on a) knowledge acquisition, b) nurturing a collaborative PPP and c) developing an organised approach to BER implementation.

Third, as recommended in the St. Helena-related study by BERF¹⁷ “at the very minimum, all BER programmes should disaggregate all of their monitoring processes by gender to ensure that reforms are not disadvantaging women and to provide a baseline for future analysis”. This Montserrat BERF study supports that recommendation. We also suggest that, Montserrat, in establishing its BER model, refer to the WB publication “Gender Dimensions of Business Environment Reform” for guidance in creating programmes that would ensure a non-discriminatory gender approach to the provision of BE and BFS to the community.

¹⁶ See: Business Environment Reform in Small Island Developing States – Implications for St. Helena. Prepared for the Department for International Development by the Business Environment Reform Facility (BERF).

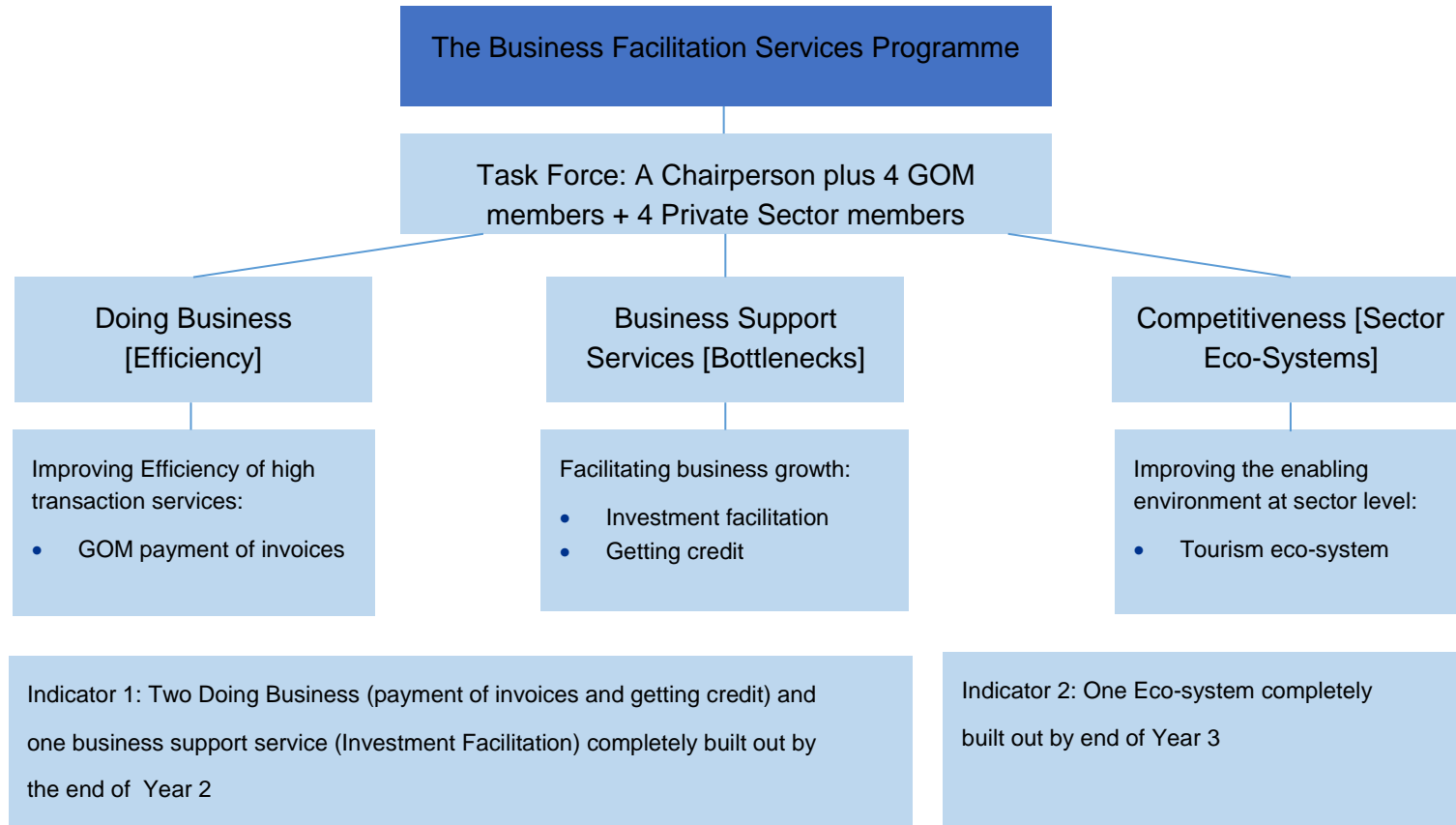
¹⁷ See: Business Environment Reform in Small Island Developing States – Implications for St. Helena. Prepared for the Department for International Development by the Business Environment Reform Facility (BERF).

Figure 3: Full-Blown Business Environment Improvement Model



Source: BERF Consultant: Design of Business Environment Facility 2016

Figure 4: Initial (Start-up) Business Environment Improvement Model (Years 1 – 3)



Source: BERF Consultant: Design of Business Environment Facility 2016



6. Implementing the Model

This section of the report defines the operational structure of the proposed Business Facilitation Services Programme. The programme is arranged to address a combination of a) BER, b) BFS priorities as highlighted by the private sector and c) competitiveness issues associated with the sectors that Government has identified as the main development priorities for Montserrat. The institutional mechanism aimed at addressing all three priorities is therefore hereinafter referred to as the Business Facilitation Services Centre (BFSC).

6.1 How the system would work

A public-private Task Force (TF) would be created and the proposed BFSC would have the following responsibilities and key tasks:

- A BFSC is established as an operational arm of the Office of the Premier.
- Cabinet appoints a task force that consists of a Chairman and four public sector plus four private sector representatives. The purpose of the TF is to drive and monitor requisite policy change and public awareness initiatives that would a) create an environment conducive to the development of MSMEs and b) enhance the economic growth strategies of the GoM.
- The TF will consist of four Permanent Secretaries on the public sector side and four appointed private sector representatives, at least two of which must come from the Chamber of Commerce, the Small Business Association or the OECS Business Council. Cabinet can appoint other independent private sector representatives of the TF.
- The TF agenda will be based on consultations with the private sector and with relevant Ministries, Departments and Agencies (MDAs) from time to time for the endorsement of Cabinet. The TF Chairperson will submit interim reports on the progress of implementation of Cabinet-approved BFSC actions to Cabinet.
- The TF will meet at least once monthly to oversee and guide the operations of the BFSC. The TF will respond to work submitted for its review in the timelines specified. The Chairperson of the TF, can on his/her own, move a motion to convene extraordinary meetings to review and sign off on deliverables. The Chairperson may also have the authority to address matters of his/her accord or matters highlighted via working with select TF members and/or external stakeholders.
- TF meetings will be properly constituted if at least 50% of the permanent members of the TF are present (including the Chairperson). Alternative representatives (i.e. alternates) will be acceptable if the appointed member is unable to attend.
- The primary responsibilities of the TF should be as follows:
 - To co-ordinate and drive reform initiatives that seek to address the impediments to establishing and doing business, building MSME capacity and establish attractive eco-systems for private sector investment in Montserrat.

-
- To obtain Cabinet approval to address BERs, business facilitation and eco-system development challenges recommended by the TF.
 - To co-ordinate and drive cross-functional and multi-agency strategies that seek to address the impediments to establishing and running a business in Montserrat.
 - To develop and monitor the BER agenda and report against its progress.
 - To provide policy advice on steps towards an improved and competitive BE.
 - To formulate necessary measures leading to speedy processing of business and investment projects.
 - To identify issues and report (through the Chairperson of the Task Force) to Cabinet, on progress in implementing the initiatives within the TF's purview.
 - To communicate effectively with broader stakeholders and the general public regarding the implementation of initiatives being undertaken.
 - To address directly complaints regarding delays experienced in the processing of business and investment projects in Montserrat.
 - To oversee the smooth implementation of Doing Business, business facilitation and eco-system development activities undertaken by the BFSC Secretariat (see below).
 - To participate in the selection of technical experts based on the TORs for approved BFSC interventions.
- A BFSC Secretariat to support the Task Force will be staffed with an Executive Director and a Project Assistant.
 - The main responsibilities of the Executive Director are to:
 - Help prioritise the implementation activities of the BFSC;
 - Prepare the TORs for the delivery of TA to relevant MDAs associated with implementation of BER, BFS and eco-system sector development;
 - In collaboration with the Task Force, select technical experts to carry out business facilitation and eco-system development assignments approved by GoM;
 - Oversee implementation of TA activities and help resolve TA challenges encountered in the process of implementing the TA solutions; and
 - Manage communications strategies to support reforms, business facilitation and eco-system activities of the BFSC.
 - The Project Assistant should be responsible for organising all meetings, workshops, and TA collaboration sessions and for reporting and record-keeping on behalf of the BFSC. He/she will also be required to assume temporary executive directorship responsibility in the absence of the Executive Director.

6.2 Functional Responsibilities of the BFSC

Table 3 below illustrates the functional responsibilities of each of three operational components of the BFSC as a full-blown entity: 1) Doing Business, 2) Business Support Services and 3) Competitiveness.

Table 3: Functional Responsibilities of the BFSC

Operational Component	Functional Responsibilities
1. Doing Business	<p>1.1 Identify and prioritise Doing Business constraints to be addressed</p> <p>1.2 Through the Task Force, obtain Cabinet approval to address/work on the identified constraints</p> <p>1.3 Discuss and agree on the operational solutions to address the constraints, especially with relevant GoM implementation agencies</p> <p>1.4 Develop the technical assistance Terms of Reference (TORs) to access the expertise and/or resources to address the constraints</p> <p>1.5 Secure approval of the TORs by the Task Force</p> <p>1.6 Get the TORs endorsed by the implementing agencies who will participate in processing/advancing the business environment reforms</p> <p>1.7 Put the TORs out to tender to secure the most appropriate technical expertise and/or resources needed to articulate the solutions in greater detail and to guide implementation of the reforms</p> <p>1.8 Communicate with stakeholders and the general public about the intended reforms, their involvement (if necessary) and the time frame for implementation and changes in processes that are expected to occur as a result of the reform(s).</p> <p>1.9 Manage and monitor the delivery of the technical resources and facilitate the collaboration of the key implementing agencies who will lead/adopt the reforms</p> <p>1.10 Ensure that the GoM formally adopts the reforms through new legislation or amendments to existing ones</p> <p>1.11 Develop a communications strategy and inform stakeholders and the general public about the completion of the reform(s) and the resulting changes that will be adopted by GoM and users in the post-reform period.</p>
2. Business Support Services	<p>2.1 Identify and prioritise the business support services issues to be addressed (including investment promotion and facilitation support services to be provided by Government).</p> <p>2.2 Through the Task Force, obtain Cabinet approval to address/work on the priority business support services that have been selected</p> <p>2.3 Establish a work plan that identifies activities, timing and costs associated with the business support services to be developed and offered by the BSFC.</p> <p>2.4 Get the work plan reviewed and approved by the Task Force. For information purposes, the Task Force will brief the Cabinet on the essential features of the Plan.</p> <p>2.5 Develop the implementation mechanism e.g. adoption of investment facilitation guidelines, procedures and practices in line with the Upper Quartile report¹⁸ or in close collaboration with private sector stakeholders, design a support facility to improve private sector access to Commercial Bank credit</p> <p>2.6 Where appropriate, access technical assistance to help advance the implementation of the Business Support Services that will be adopted by the BFSC i.e. to support investment facilitation, Access to Finance etc.</p> <p>2.7 Put management systems in place to ensure efficient and effective implementation of the business support services developed by the BFSC</p>

¹⁸ See: Annex One: Activity Plan, Page 28. Upper Quartile. Montserrat Investment Promotion Strategy 2012 – 2015. 1 October 2012.

	2.8 Develop and implement a communications strategy that promotes the provision of the business support services to local and foreign private sector investors.
3. Competitiveness	<p>3.1 Identify and prioritise the investment sectors that Montserrat would like to “build out” to international Best Practice status.</p> <p>3.2 Through the Task Force, obtain Cabinet approval to address/work on sector competitiveness issues.</p> <p>3.3 Through desk research and/or access to industry/sector specialists identify the Best Practice conditionalities that are associated with each sector. For instance, for the Business Process Outsourcing (BPO) sector, the best practice pre-requisites would include a) investor access to Business Park rental space; b) the pre-training of potential employees via a collaborative Training Fund between GoM and investors, c) access to finance to cover operational costs and d) access to very high speed internet services.</p> <p>3.4 Develop Action Plans to address the eco-system deficiencies and opportunities associated with each sector’s progression towards Best Practice.</p> <p>3.5 The Task Force to apprise Cabinet of the main details of each Action Plan i.e. planned activities, resources needed, policies to be endorsed by Government, collaborative requirements to be agreed-to by the GoM etc., and obtain approval of the Action Plans to advance the targeted sectors’ eco-systems towards international Best Practice.</p> <p>3.5 Implement the Actions Plans to enhance the competitiveness of targeted sectors.</p> <p>3.6 Develop and implement a communications strategy that promotes the rationale of improving sector competitiveness to the private sector and the general public.</p>

The BFSC’s Secretariat staffing requirements should be limited initially to two persons at start up but would be influenced by the number of activities to be undertaken under each BFSC component. However, as the BFSC evolves, it is quite possible that the BFSC will eventually be staffed with managers for each of its three components who would be assigned responsibility for overseeing implementation of each of core areas of BFSC business.

6.3 Selection Criteria for screening BFSC projects

How should the BFSC go about selecting activities to support under its mandate? It is recommended that the BFSC and the TF use the following criteria to rank the selection of initiatives that the Centre would propose (to Cabinet) to undertake:

Table 4: Selection Criteria and Vetting System for potential BFSC Activities						
Criteria	2	4	6	8	10	Total
1. Likely economic impact						
2. Scope of coverage of initiative						
3. Relative benefit to MSMEs						
4. Time frame for likely impact						
5. Sustainability once implemented						
Total Score						

If the likely economic impact is very strong i.e. the activity will have considerable positive effects on MSME cash flow and/or investment benefits to government in terms of cost-

efficiency of the initiative, then the appropriate score would be 10. If it will have marginal or insignificant economic impact or effects, the score would be 2.

If the scope of coverage of the initiative would be extensive i.e. it would transform the way almost every business benefits from the activity, the scoring could be 10. If the initiative will have limited effect, in terms of potential benefits to businesses, the score would be 2.

If the relative benefit to MSMEs is expected to be very high then the appropriate score would be 10; if the benefits are likely to be marginal or none at all, the score would be 2.

If the timeframe (after the initiative has been completed) for the benefits of the reform, service or eco-system is likely to be short-term or immediate (less than 12 months), the relative score should be 10. If it is going to take quite some time for the completed activity to take effect (3 years or more), the score would be 2.

If the sustainability of the reform, service or eco-system development is not linked to extensive subsidies (e.g. financial literacy training of MSMEs) then the score should be 10. If the initiative is dependent on perpetual subsidies to exist, the score for such a related activity should be 2.

Only one score should be assigned to a selection criterion (2 or 4 or 6 etc.). Given that the maximum vetting score is 50, it would be prudent to assume that the minimum score that any intervention should attain is 25. All actions scoring 25 or above should be ranked and approved; all proposed actions ranking below 25 should not be considered for BFSC support.

6.4 Sequencing and Timing

The proposed sequencing of the first three years of implementation is as follows:

Table 5: Sequencing and Timing of the Institutional Development of the BFSC

Time Frame	Main Action
First 6 mths (pre-start up phase)	1. Appointment and formation of the Task Force; TOR for Task Force agreed; and TOR for Executive Director (ED) agreed and ED position advertised. 2. Appointment of BFSC Executive Director
6 – 12 mths (pre-start up phase)	3. BFSC Work Plan prepared by the ED; Work Plan approved by Task Force and authorised by Cabinet 4. Appointment of BRSC Project Assistant 5. Technical Assistance Fund defined and secured via DFID grant agreement 6. Task Force undertakes Study tours to active Task Forces in Jamaica and St. Lucia (Two weeks in Jamaica and one week in St. Lucia)
12 – 18 mths (first six months of actual operations)	7. Technical Assistance deployed for first Doing Business Reform project/activity
18 – 24 mths	8. Technical Assistance deployed for second Doing Business Reform 9. Technical Assistance deployed for first business facilitation initiative
24 -36 mths	10. Tourism Eco-System Development (with possible Technical Assistance) completed

The proposed sequencing suggests that it would take six months to appoint the TF and select/hire the BFSC Executive Director. The remaining six months of the year would be used to secure a DFID-funded TA Fund, develop the BFSC Work Plan, and undertake two study

tours by the BFSC Task Force to two Caribbean countries that a) use a BER model to address Doing Business challenges and b) are offering BFS to MSMEs. The BFSC Project Assistant could also be appointed in this period.

At the start of Year 2 (which would be the first year of actual operations), the first TA initiative aimed at addressing the top Doing Business priority could be provided to the GoM via the BFSC. After the first 6 months of Year 2, TA could be deployed to establish an investment promotion and facilitation service and to address a second-ranked Doing Business priority. By the start of Year 3, work should have commenced on the development of a (more conducive) tourism sector eco-system with responsibilities associated with eco-system development/implementation being assigned and accepted by the various stakeholders by the end of Year 3.

6.5 Three-Year Action Plan

The Action Plan in Table 6 below reflects the following objectives associated with the implementation of the BFSC: 1) Getting the Task Force established; 2) Creating the BFSC Secretariat; 3) Getting the BFSC Grant Fund established; 4) Operationalising the Doing Business Component, 5) Operationalising the BFS component and 6) Operationalising the Competitiveness i.e. sector eco-system, component. It is proposed that this Action Plan be funded via a DFID Grant totalling the sterling equivalent of US\$2,063,229 (see Item 3 in Table 6 and the attached budget in 7.6 Three Year Estimated Budget, below.

Table 6: Three-Year Action Plan to establish the BFSC				
Objective	Responsible Entity	Inputs Required	Expected Results	Estimated Costs
1. Task Force established	Office of the Premier	1. 8 appointed members of Task Force (4 public and 4 private sector representatives) attending 12 meetings per year with stipend of US\$100 per member per meeting 2. Overseas Travel Expenses for 2 study tours in the Caribbean: 8 persons for one week each in two Caribbean Countries	Task Force operationalised Knowledge and Lessons Learned on BER processes assimilated by Task Force	US\$72,800
2. BFSC Secretariat created	Office of the Premier	1. Executive Director (annual salary) 2. Assistant to ED (annual salary) 3. Overseas Travel Expenses 4. Secretarial Services 5. Communication costs 6. Office Equipment and Supplies 7. Contingencies	Secretariat operationalised and addressing main BER priorities	US\$642,180
3. BFSC Grant Fund Established	Office of the Premier and DFID	1. Grant Resources from DFID for BFSC technical assistance interventions 2. Work Plans for BFSC Doing Business, Business Support and Competitiveness components	Grant Fund being used to enhance Montserrat's investment climate and strengthen the private sector.	US\$2,063,229
4. Doing Business Component operationalised	BFSC Secretariat	1. Technical Assistance consultancy services based on Doing Business Terms of Reference(s)	Montserrat's enabling environment for Doing Business improved	\$200,000

5. Business Support Services Component Operationalised	BFSC Secretariat	<p>1. Technical Assistance consultancy services based on Business Support Terms of Reference(s):</p> <p>a. Investment Facilitation Reforms addressed: Investment code, streamlining laws and regulations supportive of FDI and local investment</p> <p>b. Business Development Services e.g. training in i) accessing finance, ii) book-keeping, iii) marketing, iv) ICT usage, etc. to Montserrat SMEs.</p>	<p>Investment facilitation improved and investment (approval) processing strengthened</p> <p>SMEs improve their viability via access to key business support services</p>	<p>\$550,000</p> <p>\$300,000</p>
6. Competitiveness (eco-system) Component operationalised	BFSC Secretariat	<p>1. Technical Assistance consultancy services to develop sector eco-systems</p> <p>2. Reforms to laws and regulations supportive of enhancing sector competitiveness in Montserrat (e.g. tourism sector)</p>	<p>Establishment of international best practice in sector competitiveness</p>	<p>US\$200,000</p>

6.6 Three-Year Estimated Budget for the BFSC Programme

Table 7: Three Year Budget Estimates for Establishment and Operations of a BFSC

Expense Item	Total Units	Unit Cost in US\$	Yr.1	Yr. 2	Yr.3	Total Cost US\$	Explanation or Assumption
I. TASK FORCE AND BFSC							
a. Task Force Meetings	36	800	28800			28800	8 Task Force members receive stipend of US\$100 per meeting
b. Task Force: Overseas Travel:							
i) Air fares	16	1000	16000			16000	8 Task Force members two trips: 1) Jamaica and 2) St. Lucia
ii) Per diems	112	250	28000			28000	8 Task Force members: one week each in Jamaica and St. Lucia
						72800	
BFSC SECRETARIAT COSTS:							
a) Executive Director (ED)	3	120,000	120,000	120,000	120,000	360000	A highly experienced Executive Director @ US\$10,000/month
b) Assistant to ED	3	72,000	72,000	72,000	72,000	216000	An experienced Assistant to the ED @ US\$6,000/month
c) Overseas Travel Expenses:							
i) Air Fares	4	1000	4000			4000	Two airfares each for the ED and Assistant to the ED
ii) Per Diem	28	250	7000			7000	14 days of per diem each for the ED and Assistant ED
d) Secretarial Services	3	3000	9000			9000	Salary for one secretary assigned full time to the BFSC
e) Communication Costs	36	300	3600	3600	3600	10800	Estimate of US\$300 per month
f) Office Equipment and Supplies							
i) Laptops	3	1000	3000			3000	Three laptops for BFSC staff
ii) Desks, Office Supplies	3	600	1800			1800	Estimate that each Desk will cost US\$600.
						611600	
g) Contingencies 5%					30580	30580	
						642180	
II. DOING BUSINESS COMPONENT							
1. Technical Assistance consultancies	2	100,000		100,000	100,000	200000	Two sets of consultancies under Doing Business Component

<u>Expense Item</u>	<u>Units</u>	<u>Unit Cost in US\$</u>	<u>Yr.1</u>	<u>Yrs.2</u>	<u>Yr.3</u>	<u>Total Cost US\$</u>	<u>Explanation or Assumption</u>
III. BUSINESS SUPPORT SERVICES							
1. Investment Facilitation:							
a) Streamlining of existing legislation	1	100,000		100,000		100,000	Legal consultancy to streamline existing business legislation
b) Website Development	1	25000	25000			25000	Re: Upper Quartile's Investment Promotion Strategy
c) Website Maintenance	3	10000	10000	10000	10000	30000	Re: Upper Quartile's Investment Promotion Strategy
d) Technical Assistance	3	50000		50000	100000	150000	Re: Upper Quartile's Investment Promotion Strategy
e) Marketing Material	3	50000		50000	100000	150000	Re: Upper Quartile's Investment Promotion Strategy
f) Travel and Accomodation	3	15000		15000	30000	45000	Re: Upper Quartile's Investment Promotion Strategy
g) Research Material	3	15000	15000	15000	15000	45000	Re: Upper Quartile's Investment Promotion Strategy
h) CRM system	1	5000		5000		<u>5000</u>	Re: Upper Quartile's Investment Promotion Strategy
						<u>550000</u>	
2. Business Development Services							
i) Training Funds for SME business development services	3	100000		100000	200000	<u>300000</u>	BFSC will utilize \$100,000 per year for SME training activities
IV. COMPETITIVENESS COMPONENT							
1. Technical Assistance consultancy	1	100000			100000	100000	Identify International Best Practice (BPs) and Policies needed
2. Consultancy for new legislation and reforms	1	100000			100000	<u>100000</u>	Introduce new legislation or reforms associated with BPs
						<u>200000</u>	
V. BFSC GRANT FUND NEEDED							
Contingency 5%			343200	640600	981180	1964980	Total of all the preceding costs from I, II, III and IV above
Total BFSC Budget Estimate			<u>343200</u>	<u>640600</u>	<u>1079429</u>	<u>2063229</u>	Total Budget Estimate for three years of operations

Appendix 1: Persons Interviewed

1. Her Excellency Governor Elizabeth Carriere, HMG's Governor of Montserrat
2. Honourable Donaldson Romeo, Premier of Montserrat
3. Martin Dawson, DFID Representative, DFID Montserrat
4. Hannes Bahrenburg , DFID Private Sector Development Officer, DFID Montserrat
5. Colin Owen, Honourable Financial Secretary, Government of Montserrat
6. Michael Joseph, General Manager, Bank of Montserrat
7. Peter Queley, General Manager, St. Patrick's Cooperative Credit Union
8. Jasmine Garraway, Tourism Strategy Consultant
9. Denzil West, Director, Dept. of Information Technology and E-Government Services
10. Honourable Claude S. Hogan, Minister of Agriculture, Trade, Commerce and Lands
11. Dulcie James, Registrar/Director of Financial Services Commission
12. Dionne Semple, Deputy Registrar, Financial Services Commission
13. Norman Cassell, Representative OECS Business Council
14. Felicia Linch, Public Sector Reform Programme Manager
15. Gregory Willock, Parliamentary Secretary for Youth Affairs and Sport
16. Camille Gerald, Permanent Secretary, Office of the Premier
17. Agatha Aspin, Business Services Manager, Office of the Premier, Tourism Division
18. Sheree-Jemmotte-Rodney, Acting Attorney General, Government of Montserrat
19. Eulyn Silcott-Greaves, Chief Human Resource Officer, Government of Montserrat
20. Debra Lewis, Deputy Governor's Office, Government of Montserrat
21. Cynthia Farrell, Trade and Investment Officer, Government of Montserrat
22. Yvonne Gerald, Head of Montserrat Bar Association, Allen Markham and Associates
23. Peter White, Montserrat Customs and Revenue Service
24. Rosetta West, Tourism Division, Government of Montserrat
25. Cherise Aymer, Tourism Division, Government of Montserrat
26. Joseph Irish, Director of Economic Management, Ministry of Finance and Economic Mgmt.
27. Robert Gillis, Investor, Green Gecko Brewery
28. Jerome Meade, Physical Planning Unit
29. Franklyn Greenaway, Physical Planning Unit
30. Irene Sweeney, Monitoring and Evaluation Officer,
31. Delmaude Ryan, Honourable Minister of Education, Government of Montserrat
32. Kenya Lee, Economist, Ministry of Finance

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