

Investment Promotion Strategy and Implementation Plan

Member States of the Organisation of Eastern Caribbean States (OECS)
Grenada, St Vincent & The Grenadines, St Lucia, Dominica, St Kitts & Nevis,
Antigua & Barbuda, Montserrat, Anguilla and the British Virgin Islands

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Abbreviations

ACS	Association of Caribbean States
AID Bank	Agricultural and Industrial Development Bank
ASP	Application Service Provider
ASYCUDA	Automated System for Customs Data (UNCTAD)
ATM	Asynchronous Transport Mode
B2B	Business to Business (electronic commerce)
B2C	Business to Consumer (electronic commerce)
BI	Business Incubator
BLS	Bureau of Labour Statistics (U.S. Department of Commerce)
BTA	Basic Telecommunications Agreement (WTO)
CAGR	Compound Annual Growth Rate
CANA	Caribbean News Agency
CANTO	Caribbean Association of National Telecommunications Organisations
CARICOM	Caribbean Community and Common Market
CDB	Caribbean Development Bank
CET	Common External Tariffs (CARICOM)
CIC	Community Information Centre
CLAA	Caribbean Latin American Action
CMM	Capability Maturity Model (Software Engineering Institute)
C&W	Cable and Wireless
DBMS	Data Base Management System
DOC	U.S. Department of Commerce
DOMELEEC	Dominican Electricity Services
DOT Force	Digital Opportunity Task Force
ECCB	Eastern Caribbean Central Bank
ECLAC	United Nation's Economic Commission for Latin America and the Caribbean
ECTEL	Eastern Caribbean Telecommunications Regulatory Authority (Dominica, Grenada, St. Kitts/Nevis, St. Lucia, St. Vincent/Grenadines)
EDA	U.S. Department of Commerce's Economic Development Administration
EDI	Electronic Data Interchange
FDI	Foreign Direct Investment
FTAA	Free Trade Area of the Americas
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNP	Gross National Product
GPS	Global Positioning Systems
GSM	Global System for Mobile Communications
IAS	International Accounting Standards

IBC	International Business Company
ICT	Information and Communications Technologies
IDP	Integrated Development Plan
IDB	Inter-American Development Bank
IEEE	Institute for Electronics and Electrical Engineers
IESC	International Executive Service Corps
-IFC	International Finance Corporation (WB)
IMF	International Monetary Fund
IPA	Investment Promotion Agency
IPO	Initial Public Offering
IPR	Intellectual Property Rights
ISDN	Integrated Services Digital Network
ISO	International Standards Organisation (e.g., ISO 9000)
ISP	Internet Service Provider
IT	Information Technology
ITIO	International Tax and Investment Organisation
ITA	Information Technology Agreement (WTO)
IT&C	Information Technology and Communications
ITG	Information Technology Group at Centre for International Development at Harvard University
ITU	International Telecommunications Union (UN)
Km	Kilometres
LAN	Local Area Network
Mbps	Mega bytes per second
MOC	Ministry of Communications, Works, and Housing
MOE	Ministry of Education, Sports, and Youth Affairs
MFP	Ministry of Finance and Planning
MHz	Mega (million) Hertz (cycles/second)
NTRC	National Telecommunications Regulatory Authority
NDC	National Development Corporation
NDFD	National Development Fund of Dominica, Ltd.
NGO	Non-Government Organisation
OECS	Organisation of Eastern Caribbean States
PC	Personal Computer
PPP	Public Private Partnership
SME	Small and Medium Enterprise
TA	Technical Assistance
TRIPS	Trade Related Intellectual Property System (WTO)
UNCITRAL	United Nations Commission on International Trade Law
UNCTAD	United Nations Commission on Trade and Development
UNDP	United Nations Development Program
UPS	Uninterruptible Power Supply
U.S.	United States
USAID	U.S. Agency for International Development
UWI	University of the West Indies
VAT	Value Added Tax
VSAT	Very Small Aperture Terminal
WB	World Bank
W.I.	West Indies
WIPO	World Intellectual Property Organisation
WTO	World Trade Organisation

0 Executive Summary

This report is the second of three reports and presents a regional strategy for the OECS countries to create the foundation for a vibrant Information Communications Technology services sector on the Islands and promote it regionally and internationally. The proposed framework must be seen in close relation with the ICT Policy strategy also proposed by GOPA Consultants. Please refer to *Final Report ICT Policy and Strategic Plan* for further information on the various policy frameworks.

The introductory chapter provides a background to the project and the methodology adopted by the Consultant.

Chapter 2 presents an overview on the investment level with respect to the proposed Pilot Projects mentioned in the report *Pilot Project Proposals* also prepared by GOPA Consultants as a part of this project.

Chapter 3 describes the types of investment that are involved in the developing process of the ICT sector. The different types of investment are:

- ✓ OECS Level Public Investment
- ✓ National Level Public Investment
- ✓ Investment by Donor Organisations
- ✓ Local Private Investment
- ✓ Foreign Private Investment
- ✓ Combined Public-Private Investment

Chapter 4 details 16 ICT Investment Promotion areas that the OECS and individual member states might consider to give expression to an ICT policy and strategy.

Each of the presented strategies aims to increase inward investment. Among the discussed topics are business facilitation measures which include: investment promotion policies, incentives, after-investment services, improvements in amenities, and measures that reduce the "hassle costs" of doing business in the OECS. The identified strategy areas are:

- ✓ Create a World-Class Business Environment
- ✓ Draft/Enact ICT investment-friendly laws to protect investment
- ✓ Create sound regulatory framework
- ✓ Create larger ICT and Internet user base
- ✓ Conduct a location audit that helps define "value-proposition", market niches, and the visions for the ICT sector in the OECS and in each member state

- ✓ Encourage the collection of data on the ICT sector
- ✓ Adopt a comprehensive investor targeting strategy
- ✓ Strengthen the Investment Promotion Agencies (IPA) in each member state to become world-class
- ✓ State Investment Facilitation Committee SIFC
- ✓ Establish a world-class Central Investment Facilitation Committee CIFC for OECS
- ✓ The need for champions to spearhead ICT development in each OECS state
- ✓ Public/private partnership and ICT business association
- ✓ Reduce the risk and cost of investment and for starting a new business
- ✓ Train business managers and introduce quality software standards
- ✓ Entrepreneurship Among the Young
- ✓ Deregulation and privatisation

1 Introduction

The OECS member states want to use the ICT sector as a catalyst for creating a foundation for sustainable economic growth, economic diversification, and new employment. The Consultant was asked by the OECS Secretariat to propose ideas on how to improve the investment environment and promote it for the islands of St. Lucia, St. Kitts & Nevis, St. Vincent and the Grenadines, Grenada, and the Commonwealth of Dominica.

This report is the second of three reports and presents a regional strategy for the OECS countries to create the foundation for a vibrant Information Communications Technology services sector on the Islands and promote it regionally and internationally. The proposed framework must be seen in close relation with the ICT Policy strategy also proposed by GOPA Consultants. The required legal, regulatory, and procedural reforms (designed within the OECS context) that can move the investment environment in the OECS countries towards world-class status are not further developed in this document. Please refer to the report *Final Report ICT Policy and Strategic Plan* for further information on the various policy frameworks.

The present report offers an integrated approach, comprising:

- ✓ An overall assessment of the required broader OECS legal, regulatory, and institutional environment that help promote foreign and domestic investment.
- ✓ Key actions to be taken by the OECS member states and other stakeholders to ensure a favourable place in the knowledge-based economy of the future.
- ✓ An overview of the best practices of world-class Investment Promotion Agencies (IPAs) and the key components of their success, in terms of legal, regulatory, and institutional frameworks.

Through the OECS ICT Investment Forum at the Royal St. Lucian Hotel on 26 June 2002 it became clear that

- ✓ Potential investors need very focussed events in order to fruitfully participate
- ✓ The OECS needs to develop a programme for structured investor attraction pointing to both regional (OECS) and national priorities in promoting ICT
- ✓ A dialogue must be initiated between investors and the banking sector in order to achieve a common understanding of the needs of ICT investments
- ✓ The legal framework for E-Business is of high importance to attract foreign investors into the ICT sector

2 Overview of ICT Investment with respect to Proposed Pilot Projects

Pilot Project Idea for ICT Sector Development	Investment type supported
Pilot Project 1.: National ICT Plans and Strategies	
This project offers a basis for each member state to formulate and implement its own national ICT plan and strategies.	National Level Public Investment
Pilot Project 2.: OECS-wide and National Structures for ICT Policy Formulation and Implementation	
This project will form three inter-related structures throughout the OECS, which collectively form a management framework to formulate and implement agreed ICT projects and programmes throughout the region; a National ICT Steering Committees, a National ICT Executing Agencies, and an OECS Regional ICT Commission.	OECS and National Level Public Investment
Pilot Project 3.: Legislative Framework for Electronic Commerce	
This project is to realise a harmonised legislative environment to facilitate electronic commerce throughout the OECS.	OECS and National Level Public Investment, Investment by Donor Organisations
Pilot Project 4.: National Communications Backbone	
This project is to put in place the necessary data communications backbone upon which to build applications serving the public and private sector and civil society in general.	Investment by Donor Organisations, Local private and Combined Public-Private Investment
Pilot Project 5.: Government On-Line	
This project should address the ten questions mentioned in the report <i>Roadmap for E-government in the Developing World</i> to arrive at real opportunities for e-governance, e-services and/or e-business that have a high probability of success.	National Level Public Investment, Investment by Donor Organisations
Pilot Project 6.: Developing OECS ICT Clusters	
This project is intended to evaluate potential sites for ICT clusters within the OECS region, select one or more for follow-on activities, and initiate the process of cluster development.	National Level Public Investment, Investment by Donor Organisations and Combined Public-Private Investment

Pilot Project Idea for ICT Sector Development	Investment type supported
Pilot Project 7.: Multi-Purpose Community Telecentre Project	
This project is to enable communities and especially rural communities within the OECS to identify real benefits from ICT and to assist them to realise the benefits via the launch of Multi-purpose Community Telecentres.	National Level Public Investment, Investment by Donor Organisations and Combined Public-Private Investment
Pilot Project 8.: ICT for Teachers	
This project comprises several modules aimed at instruction in basic ICT skills within a curriculum tailored to the teaching environment. It also contains a module dealing with ICT integration in curriculum and instruction.	OECS and National Level Public Investment
Pilot Project 9.: ICT Labour Market Statistics	
This project is to collect accurate information on the current ICT labour market to assist in the development of a long-term OECS ICT Human Resources Development Plan and to put in place an ongoing ICT labour market monitoring mechanism for the region.	National Level Public Investment, Investment by Donor Organisations
Pilot Project 10.:Multimedia Summer Camp Project	
This project is to expose children and their parents to information and communication technology in a relaxed atmosphere. The project also works as a template for similar activities targeting other groups like teachers, government high officials, businessmen etc.	Combined Public-Private Investment

3 Types of Investment

On order to develop the ICT industry and, furthermore, to transform the society into a knowledge-based society large investments from all parts of the OECS community are involved. The different types of investment are:

- ✓ OECS Level Public Investment
- ✓ National Level Public Investment
- ✓ Investment by Donor Organisations
- ✓ Local Private Investment
- ✓ Foreign Private Investment
- ✓ Combined Public-Private Investment

Any of the mentioned types of investment targets a different part of the ICT sector. Whereas investment on an OECS level supports the preparation of decisions and the collection of relevant data, the National Public Investment targets the Human Resource Development, such as training of public servants and providing computers and software at schools to name only a few.

The National Private Sector Investment can be seen as bringing the existing business into the information age, like modernisation and computerisation of accounting processes or the development of a database to keep track of the various customers, and also starting and expanding local ICT business like Computer maintenance, specialised training institutes and software development for the local market.

Foreign Direct Investment (FDI) is often seen as the "healer of all local investment problems". In order to attract FDI in ICT the business environment and market size of the OECS member states must be more attractive. The countries of the OECS have realised this already and have taken an enormous step by starting the liberalisation and regulation of the telecommunication market. In the telecom area major FDI will take place in the upcoming months. Outside the areas of telecommunications and infrastructure provision only rare requests have been addressed so far to the national development agencies. GOPA Consultants, therefore, recommends several steps to improve the demand for ICT services from the OECS member states and thus generate more FDI.

3.1 OECS Level Public Investment

At the OECS level investment must be made in order to facilitate the further development of ICT policy development through financing meetings and information exchange among the OECS member states. Similar to

the excellent work that the OECS Education Reform Unit (OERU) has delivered in the areas of curriculum adjustment and teacher education, concerted efforts should be put into the development of an OECS ICT commission to develop, start and monitor identified ICT projects. Please refer to the Pilot Project No 2 in the *Pilot Project Proposals* report for further information on how to shape this committee.

Additionally the OECS should support the creation of a regional consortium that can negotiate software licenses and achieve discounts for ICT related purchases. Such kinds of arrangements have already been implemented successfully by OECS in the area of procurement of pharmaceutical products to name an example.

The OECS should also support the national governments in evaluating the opportunities of the Open Source Software (OSS) licensing scheme by inviting the Ministers in charge of ICT to OSS awareness seminars and the national ICT coordinators to training seminars based around the operating system LINUX.

3.2 National Level Public Investment

In order to understand the influence of public investment on the development of the ICT sector one must take into account the role of the Government of any OECS member state as the largest employer and the largest user of ICT. The areas that are addressed by any governmental ICT investment are:

- ✓ Building the infrastructure, like in-house telephone systems, computers, local area networks, wide area networks and national backbone
- ✓ Digitisation of existing records, like birth and death, land, health care etc.
- ✓ Overhaul internal processes to meet the requirements of computerized workflows
- ✓ Training of the workforce in ICT
- ✓ Development of E-Government applications
- ✓ ICT Training and Education

All of the mentioned areas are subject to the recommendations of GOPA Consultants and can be found in the reports: *Pilot Project Proposals* and *Final Report ICT Policy and Strategic Plan*.

Unfortunately, ICT sector investments can require large amounts of capital. This fact scares most Governments from budgeting the necessary provisions in their annual households. Henceforth, large ICT projects are subject to international donor organisations or individual corporate or country donations. The risk of depending on donation lies not so much in the implementation of the project itself but rather in maintaining the donated computers and peripherals. After the donor project ends the maintenance can often not be guaranteed so that malfunctioning computers

or broken parts cannot be replaced due to a lack of (additional) financial resources. Therefore, it is unavoidable to build a provision into the annual household for maintaining the existing infrastructure independent on how those items have been introduced into the public system.

Finally it is the obligation of any Government to use their financial resources in the most effective ways. With regards to licensing of software this could mean either the investment in proprietary software or, alternatively, to investigate in less expensive software solutions such as Open Source Software (OSS). The savings from license fees through the use of OSS could then be invested into training of trainers and administrators for the alternative system. Thereby, the Government can contribute to the development of the local ICT sector.

3.3 Investment by Donor Organisations

The nature of most of the proposed pilot projects, like national backbone and E-Government initiatives, exceed the investment capabilities of the OECS member states. Therefore, GOPA Consultants, within its *Pilot Project Proposals* report, recommends that external funding be sought through the OECS ICT Council once a good definition of the desired activity is available.

The OECS region is already the target of several international donor funded projects, see Annex 2. The major task for the OECS and their member states is to coordinate these efforts in order to reach the common goal, i.e. the development of the ICT sector.

3.4 Local Private Investment

Any business - no matter whether already established, planned or in the process of opening and independent of the sector it works in - depends on the effective usage of ICT. The demand of each of those businesses for local ICT products and services must be seen as a contribution to the development of the local ICT sector and thus as an investment of the local private sector.

Obviously, direct investment into ICT business models needs special attention and incentives from the Government. The experience of GOPA Consultants in other countries leads to the recommendation to make no policy distinction with respect to attracting local or foreign investment. The same rules for profitability and return on investment apply to both groups. However, the foreign direct investment usually involves larger amounts of capital.

The importance of local investment in small economies like the member states of the OECS must not be underestimated. Special attention should be paid to young graduates from community colleges or universities or other individuals to support their desire in starting their own business. Here the governments in collaboration with the local banking sector are very much in demand to invest in start-up companies through the

provision of low interest loan facilities. The deployment of ICT requires that the financial sector adjusts its normal practices to an economy that relies upon services and intangible assets (and typically does not have the collateral requested by traditional banking) with a view to offer attractive packages especially for the creation of new enterprises.

The local banking sector also needs to invest into their own operation in order to make E-business and E-transactions possible. One of the driving forces behind the fast acceptance of the Internet in Europe was the quick adaptation of key banking processes by the banking sector. Online banking is now the way to communicate with large European banks. Obviously the banks would not have invested into Online banking without realising the cost cutting and productivity increasing opportunities of the ICT introduction.

Please refer to the next section to receive detailed information about the investment areas. As mentioned before most of the recommendations to foster Foreign Direct Investment are applicable to Local Direct Investment also.

3.5 Foreign Private Investment / Foreign Direct Investment (FDI)

The OECS desires to move into an investment-based economy to achieve economic diversification, sustainable economic growth, and increased employment and prosperity for all citizens in the nine member states. Foreign direct investment (FDI), together with local / domestic investment, was identified as the surest catalyst for creating sustainable economic growth.

3.5.1 Why FDI

FDI accounts for nearly 50% of all capital inflows to developing countries, creating new jobs and industries, and boosting trade and tax revenues for host governments. On the one hand, the increase in government revenues benefits society as a whole through spending on education, social programs, and better infrastructure. On the other hand, consumers win as quality and selection of goods increases, and competition lowers prices.

In addition, FDI is the quickest and most cost-effective method of providing technology transfer to local industry – through partnerships and supplier relationships – which in turn speeds economic development. For example, full-scale foreign plants can provide high wages and benefits, sophisticated marketing and managerial techniques, and more research. Also, local suppliers to trans-national companies often begin exporting goods to affiliate locations. Local firms frequently become certified as

original equipment manufacturers and replacement equipment suppliers. Finally, employees trained by foreign firms often begin their own companies, further expanding the local economy.

Although FDI to developing countries as a whole rose during the year 2000 to \$240 billion, its share in world FDI flows declined for the second year in a row to 19 percent compared to the peak of 41 percent in 1994. At around \$1,097 billion, the forecast for this year's FDI reflects expectations of only a moderate acceleration in the global economy, a moderate number of privatisations and less cross-border acquisitions by international companies.

In conclusion, despite its recent decline in the last 2 years, FDI is still considered the largest and most stable source of private capital for developing countries and economies in transition. FDI can bolster the nascent ICT sectors of the OECS member states and maximize its ability to compete in local, regional, and global markets. FDI can lead to an accelerated software and IT services development which will, in turn, result in significant benefits for OECS countries.

3.5.2 Prerequisites for attracting FDI

Given the potential role FDI can play in accelerating economic growth, countries are aggressively reforming their business environment, laws, and policies to compete for FDI opportunities. The reduction of production cost is not the first determinant in choosing a location. Transnational corporations need access to international markets. Countries that liberalise their internal regulatory frameworks, sign multilateral trade agreements and join the WTO are more competitive in attracting FDI.

The main factors influencing location choices for FDI include a host country's regulatory laws, the steps it takes to facilitate business, and economic considerations. Below is a brief summary of those factors.

Policy & Regulatory Factors:

- ✓ Economic and political stability of the host country
- ✓ Local rules governing entry and operations of foreign investors
- ✓ Standards and Treatment of Foreign Affiliates
- ✓ Freedom of capital inflow and repatriation of profit
- ✓ Access to larger markets (regional and international trade agreements)
- ✓ Trade facilitation policies (tariffs, customs, free zones, etc.)

- ✓ Tax policies
- ✓ Privatisation policies
- ✓ Intellectual property rights (IPR) laws

Business Facilitation Factors:

- ✓ Investment promotion services (i.e. one stop-shop for business registration)
- ✓ Financial and fiscal investment incentives
- ✓ Hassle cost reduction (corruption, bureaucracy, administrative inefficiency, etc)
- ✓ Sophisticated targeting of investors and sectors
- ✓ Investment services infrastructure (banking, capital market)
- ✓ Amenities (quality hotels, business services, international schools, pleasant living conditions, etc.)
- ✓ After-investment services

Economic Factors:

- ✓ Market size and per capita income
- ✓ Market growth
- ✓ Access to larger markets (regional and global)
- ✓ Country-specifics (consumer preferences, sector niches, available skills, etc.)
- ✓ Structure of markets
- ✓ Access to resources and raw materials
- ✓ Cost of resources and assets adjusted for productivity
- ✓ Cost of skilled and unskilled labour
- ✓ Cost of transport, telecommunications, utilities, etc.
- ✓ Cost of intermediate goods
- ✓ Access to marketing networks, reliable market data, and business associations.
- ✓ Access to technology, innovative capacity, and educated workforce.
- ✓ Reliable infrastructure (ports, roads, power, telecommunications, technical support,)

3.6 Combined Public-Private Investment

Wherever the financial resources of Governments are not sufficient or international donors are not interested in the type of project proposed by one of the OECS member states the opportunities of Public-Private-Partnerships (PPP) should be considered.

This type of investment is usually a combination of public resources, like land or surety, and private capital. On Antigua for instance the International IT Institute of Antigua and Barbuda was completely financed by a local entrepreneur and is now leased back by the Government of Antigua. Independent of the political implications of such an arrangement the involvement of local business people in the development of the ICT sector is a prerequisite.

Other areas of PPP could be:

- ✓ Authentication agency for electronic signature
- ✓ Agency to maintain the top level Internet Domain
- ✓ Development of ICT Clusters

4 Strategy For ICT Investment Promotion For The OECS

The OECS member states individually and jointly have already taken key steps to access regional and international markets. Key bilateral regional and international trade agreements such as CARICOM, CARIB-CAN, LOME, CARICOM/Venezuela Trade Agreement, CARICOM/Columbia Trade Agreement, etc. were signed and WTO membership was gained by the 5 member states. All those agreements are important steps, in addition to the well-educated workforce and the social and political stability that the OECS countries enjoy, and are critical and pre-requisites for improving the OECS' ability to attract FDI. However, the setting has yet to improve in order to attract sizable foreign and local investment in ICT.

To increase inward investment, the OECS countries must pay attention to other factors that influence investors' location decisions. Among these factors are business facilitation measures which include: investment promotion policies, incentives, after-investment services, improvements in amenities, and measures that reduce the "hassle costs" of doing business in the OECS.

The following issues and/or shortcomings need to be thoroughly addressed by the OECS and its member states:

4.1 Create a World-Class Business Environment

Summary

To compete with more developed countries for FDI dollars and investment projects, the OECS member countries should encourage a world-class business environment. Public sector officials should concentrate on policy formulation and coordination with the private sector instead of regulation and implementation.

Foreign firms, competing in the world market, seek cost reduction, bigger market shares, operating in a business-friendly environment, and access to appropriately educated workforce, adequate technologies, innovative capacity, marketing networks, and communications infrastructure. Countries that offer those man-made assets become more attractive FDI destinations. In addition, potential investors, including expatriate Caribbean returning home, should not be discouraged by the lack of transparency and bureaucracy that create obstacles for potential investors. Any lack of clear rules, combined with discretionary power wielded by bureaucrats make it difficult for entrepreneurs to operate efficiently.

Recommended Strategy

Each OECS member state should:

- ✓ formulate business-friendly policies with full participation and input from the private sector
- ✓ cut on any existing red tape or bureaucracy that imposes a burden on the private sector and discourage investment
- ✓ streamline business and governmental procedures
- ✓ Encourage business facilitation services, such as one-stop shop, business incubators, business offices, targeted investment incentives
- ✓ Create a reward mechanism for public sector servants who facilitate job creation and investment inflow .

4.2 Draft/Enact ICT investment-friendly laws to protect investment

Summary

The WTO and its intellectual property provisions cover the relation between countries in international trade. By virtue of fundamental acceptance of the WTO, the OECS member states agree to international acceptance of the rights of copyright and patent holders. The OECS countries need to enact modern and clear ICT investment-friendly laws to protect foreign and domestic investment. Those laws have to be consistent with international best practices and the WTO. They should be easily communicated to investors.

Recommended Strategy

Each OECS state should carry out an in-depth review and assessment of the existing domestic regulatory framework that protects the rights of investors.

Each OECS member state should enact the following laws that protect and indirectly promote investment:

- ✓ E-commerce laws, covering Business to Business B2B, Business to Customer B2C, Government to Business G2B, Government to Citizen G2C, digital signature, electronic and payment transactions, encryption, certifying authority, etc.
- ✓ Copyright laws to protect against unauthorized and illegal software distribution and use
- ✓ Intellectual property and patent laws
- ✓ Privacy and consumer protection laws
- ✓ Electronic security laws

4.3 Create sound regulatory framework

Summary

Regulatory and market liberalization are key ingredients in attracting FDI to developing countries. Foreign firms will not invest in the OECS countries if they do not have confidence that their venture is profitable. Also, Trans-national corporations chose locations for its foreign affiliates in countries where trade rules and regulations are open and forthright.

Recommended Strategy

- ✓ An overall evaluation of the existing corporate tax system in each of the member states, so any necessary reform to make the OECS market internationally more competitive for investors, can be identified.
- ✓ The thorough review of any proposed investment law to ensure that IT is given the most favourable tax status available to any industry in the OECS countries, while remaining compliant with the terms of WTO membership and other bilateral agreements.

4.4 Create larger ICT and Internet user base

Summary

Accessing larger economies and markets are determinant factors for most local and foreign investment. For the ICT sector to develop in the OECS, a larger economy of scale should be created or accessed. Currently, the low number of Internet subscribers in each of the OECS countries, would turn off any investment idea, unless each OECS country and the entire OECS create hubs to tap into larger markets and increase the number of local subscribers and users.

Recommended Strategy

- ✓ Identify candidate areas for merging some aspects of each individual island economy with other areas of other OECS member islands economies to create and promote for a larger market and for larger industry sectors.
- ✓ Identify areas where each island can be used as a hub to serve large neighbouring economies (i.e. technical and data processing centres).
- ✓ Encourage the use of internet and email as a mean to exchange information in the public sector (i.e. provide free email service to all public sector employees or above certain job category to encourage the use of Internet in the workplace and to increase the number of Internet users).

- ✓ Launch e-government programs to encourage public sector online service delivery to businesses and citizens, in particular immediately start the following 4 E-Government programs:
- ✓ Initiate on-line business registration, as a key priority area for business promotion and to jump-start the e-government program)
- ✓ Introduce a Human Resource System for public sector employees and contractors, so every public sector servant or contractors start updating their personal information on-line.
- ✓ Introduce E-government Procurement, as a mean to make government service and contracts more transparent to investors. Establish a policy to publish government contracts online.
- ✓ Establish Government call centres to serve citizens and businesses alike.
- ✓ Introduce incentives to employers and schools to promote Internet and email use in the work place and to provide relevant training (i.e. provide free email service to teachers, to students, to employees, to increase the number of Internet users).

4.5 Conduct a location audit that helps define the value proposition, market niches, and the visions for the ICT sector in the OECS and in each member state

Summary

A business model contains a description of the profit a client or partner would yield from the business connection with another company. This part of a business model is defined as *Value Proposition*. To be able to develop a successful value proposition one should answer the following questions:

- ✓ What need does your business satisfy?
- ✓ How does your business addresses that need?
- ✓ Why would someone pay you to provide your solution?

If those questions can be answered one has to give special attention to defining the competitive advantage and what enables the organisation to sustain that advantage. While developed and defined to serve individual businesses the term value proposition can also be applied to the situation of a country or a region.

While commitment to support the ICT sector has been expressed by the political leadership in all of the OECS states, the unique value proposition has not yet been elaborated.

Although the ICT policy and strategy report offers a vision statement which is geared to the development of the ICT sector and to shape a learning society, namely

The member States of the OECS form a community where Information and Communication Technologies are used to the widest possible extent and in an harmonised fashion by all segments of society with a view to fostering, accelerating and sustaining their long-term social, cultural and economic development.

a clear vision statement with regards toward ICT investment promotion needs to be developed. Also, some clear goals to monitor the progress toward that vision have not been identified as well.

The vision statement should be based on the comparative and competitive advantage of the national ICT sector and its potential. The vision statement should be analysed and supported by the private sector based on their knowledge of their competition and the unique value proposition for their businesses.

The vision for each OECS state has to be articulated and translated by each government into actual deeds and supportive policies. The vision has to be translated into supportive legislations, incentives, budget funds, government programs, and additional investment promotion activities in support of ICT development. On the other hand, a regional ICT vision should offer a framework for ICT cooperation and exchange between the islands, so each OECS state can participate and benefit from the larger OECS' ICT sector opportunities and offerings.

An overall analysis of the value proposition or market niches for the ICT market in the OECS is provided below:

The OECS member states currently enjoy, through existing trade agreements, some preferential status. Due to their geographic location and English language ability, the OECS countries can be used as a free transit/trade zone for assembling and packaging ICT exports and e-retail orders from North America and Europe to South and Central America and West Africa. In addition, the OECS countries can also have a distinguished role in outsourcing data processing and technical support services for European and North-American companies. In brief, if the special geographic location, the existing technical workforce, and the special skills that the Islands enjoy are taken into account one can confirm *some potential for the OECS in the following areas:*

- ✓ Call centres for international companies
- ✓ Remote data processing centres for English-speaking North American and European companies, such as health, insurance, and other data collection service companies
- ✓ Web and Internet design and management for international promotional and marketing companies

- ✓ Training centres for professional skills development for international acknowledged certificates like Oracle, Linux, Microsoft, Cisco etc.
- ✓ Technical support centres for international ICT companies who may or will establish certification programs in the OECS, i.e. CISCO and Microsoft
- ✓ Warehousing facility, assembly, and distribution centres for international online retailers.

Finally, in order to monitor progress toward the vision, each OECS state needs to associate its vision with clear and measurable goals to monitor the impact of the ICT development on their islands, in particular on the overall economic growth, increase in employment, increase in ICT export, and in the inflow of FDI.

On the other hand, a unique value proposition needs to be defined and refined for each ICT business and in each country and at the OECS by the local company executives. To the extent that there are commonalities between individual company's propositions, the possibilities for concerted effort and knowledge transfer and national and regional visions increase.

The unique value proposition should describe not only what the OECS countries believe that they can offer, but what the foreign buyer perceives to get when buying from the OECS producers and service providers.

The vision and the value proposition have to be articulated and translated into actual deeds that can guide the investment promotion activities..

Recommended Strategy

Request from a broad group of executives the formulation of a "Unique Value Proposition" or areas of competence and strength for their ICT businesses, so a common, national, and OECS level ICT Value Proposition might be developed to use in international promotion for each individual state and for the OECS.

Conduct a location audit of the OECS' present competitiveness and positioning, based on the comparative and competitive advantage of each member state as host for ICT foreign and domestic investment and ICT sector potential. The study should identify:

- ✓ the positioning of the OECS relative to other regional countries and global markets, the unique "value proposition" for the sector in each of the OECS state
- ✓ The integrated vision for the larger ICT sector in the OECS

- ✓ The complementary roles that each island can best play to support that vision
- ✓ Identify some clear measurable goals for each OECS state, at least, in relation to:
 - The expected increase in ICT employment over the next several years.
 - The level of increase in foreign direct investment expected over the next five years
 - The level of increase of annual ICT exports

4.6 Encourage the collection of data on the ICT sector

Summary

The current market lacks accurate data on the ICT sector, available skills, and available skilful individuals. This impedes the identification of the market potentials and areas of strengths and weaknesses. In addition, it makes it harder for investors to identify partners, and candidate local ICT firms for acquisition, mergers, or joint ventures. Finally, accurate data on the market and skills reduce the risk to foreign investors and encourage investment in the OECS.

Please refer to Project No 9 of the *Pilot Project Proposals* report to get more information on how this labour market data could be obtained.

Recommended Strategy

- ✓ The suitability of the available OECS resources and people for an IT-based growth trajectory needs to be objectively analysed.
- ✓ The OECS needs to collect market data on the ICT and make them available to investors, in the investment promotion campaigns, and policy makers in the OECS member states.
- ✓ Encourage the formation of ICT business associations for individuals and businesses.

4.7 Adopt a comprehensive investor targeting strategy

Summary

A comprehensive and well-focused investment promotion strategy is essential for the marketing of the ICT sector to the local, regional, and international investment community. The key to revenue and to an effective marketing strategy is the "solution sale." The solution sale is the polite term for "selling to pain". "Pain" is described as follows: An organisation will not buy a software product or outsourced development except

when it feels pain, a condition that threatens its viability. Software is not bought for prestige or for potential benefits. It is bought to solve a problem in the here and now. Software may solve an operational problem. It may reduce costs. It may help recover market share.

An organisation that does not feel pain will not buy, not now. Only if a company with pain can be identified that can be relieved through ICT then that company is a prospect. The wise and seasoned software producer and sales/marketing manager will quickly move on to the next company if the present target is not qualified. Prospect qualification is the single most difficult part of marketing, and for the OECS member countries, export promotion. For example, in the OECS, there are relatively few users of ICT. After those users are identified, they can all be visited regularly. In other markets, the number is vast. It is important to spend time on the users that are likely to buy and quickly eliminate those without potential. Within the prospect company, one must identify the buyer. The buyer is the person with the pain. One can identify the buyer with a single question "what is the single most troubling part of your business or job?" If the answer is not the pain you can relieve, then you are not talking to the right person. After that, one needs to determine if that business or manager has the authority responsibility and budget to buy.

Recommended Strategy

- ✓ Prepare and train the NDC marketing staff and business managers in the OECS on a focused targeting strategy.
- ✓ Perform an analysis of targeted markets and sectors by each NDC in the member states and develop some thorough marketing plans
- ✓ Improve investors' facilitation services.
- ✓ Create a committee in each NDC office whose members are in charge of facilitating procedures for investment projects and obtaining all the approvals from their respective government agencies.

4.8 Strengthen the establishment of a world-class Investment Promotion Agency (IPA) in each member state

Summary

Even though FDI promotion programs involve high human and capital costs, developing nations are spending more money on business facilitation and promotion measures so that they can compete with more developed countries for FDI funds.

To facilitate and promote investment in the OECS, the strengthening of the existing National Development Agencies NDCs and Investment

Promotion Agencies (IPAs) to turn them into world-class agencies is crucial to the investment promotion of the ICT sector. Appendix II details the international best practices adopted by Investment Promotion Agencies.

The administration and management of each IPA should be based on the best international practices for ICT promotion agencies. The choice of an institutional framework for an IPA is a complex process that must take into consideration existing constitutional and institutional arrangements within each OECS country. No "ideal" model exists as a blueprint for institutional reform. However, three key factors can be identified that strongly influence the success of any national promotion agency:

- ✓ a strong degree of institutional autonomy and authority can depoliticise the investment regime, ensuring policies that are geared toward economic success
- ✓ a "one-stop" investment approval process, with formal links with relevant government agencies and streamlined procedures, can improve inter-agency cooperation, as well as reduce the burden on investors; and
- ✓ a private sector-led approach, which promotes best practices in agency management and administration, as well as ensures that the interests of the private-sector, who the agency is designed to serve, is kept at the forefront.

Each IPA should enjoy the level of autonomy required to operate in a truly independent manner. It must follow a private-sector driven approach and have the authority to streamline all investment approval procedures. In other terms, the IPA should not be constrained by a lack of support from other agencies, which impedes its ability to operate effectively and to facilitate investment. Therefore, placing it above any ministerial rivalry and bureaucratic constraints is critical for its success. Some countries might consider to move the IPA into the Prime Minister's Office to give it the necessary leverage to facilitate investment in each OECS state.

Recommended Strategy

- ✓ Strengthen the NDC and/or IPA in each OECS country and turn it into a world-class agency in accordance with the most suited international best practices in Appendix 2.
- ✓ Provide each member state IPA with the required political support to be effective and maintain the autonomy granted to it by law.
- ✓ Support the establishment of foreign sales offices and Investment Facilitation Committees attached to each member state IPA or NDC, as follows:

4.9 State Investment Facilitation Committee SIFC

Summary

Due to the lack of the overall transparency, the lengthy business registration procedures for member countries, and the non-streamlining of government investment support services, such as one stop-shop or window for investors.

Recommended Strategy

It is recommended to complement each country's IPA by a State Investment Facilitation Committee SIFC to,

- ✓ facilitate investment project procedures (i.e. project related incentives);
- ✓ obtain all the approvals from their respective government agencies;
- ✓ improve the inter-agency and inter-Ministry relations; and
- ✓ streamline of investment procedures in their respective countries.

4.10 Establish a world-class Central Investment Facilitation Committee CIFC for OECS

Summary

The OECS member states need a Central Investment Facilitation Committee CIFC to facilitate and coordinate the promotion of investment projects and joint ventures involving more than one single state. One of the possible areas could be the risk sharing among industrial facilities on more than one island. For instance if a hurricane strikes one island and the operation has to close down the sister operation on one of the neighbouring countries and not effected by the storm can take over the workload.

Recommended Strategy

The CIFC should complement the work of each individual IPA by focusing on:

- ✓ Planning, facilitating, coordinating, and promoting joint projects and ventures.
- ✓ Negotiating agreements that foster investment in several OECS member states rather than for an individual country. There is a greater advantage to negotiate agreements that favour a larger market rather than one individual small market. Prepare and sign trade and preferential agreements with organisations.
- ✓ Reviewing and fostering the removal of any existing restrictions on capital inflows and repatriation of profits for domestic and foreign in-

vestors among in the member states and between the OECS and the outside world. Capital movement and a transparent exchange rate mechanism would facilitate the free flow of capital and the repatriation of profits and investments.

Finally, the procedures of the CIFIC should follow the world-class best practices of the institutional and organisational structure of an IPA. It is recommend to:

- ✓ Have the head of each member state IPA as an active member on the CIFIC.
- ✓ The position of the head of the CIFIC should be either appointed by the OECS Secretariat or rotated among the heads of the IPA in each member country.

4.11 *The need for champions to spearhead ICT development in each OECS state*

Summary

Currently, there is no concerted public sector effort to promote the ICT sector on each of the OECS islands. Often, the responsibility of ICT is given to several government agencies or ministries with no allocated budget and funds. Also, the responsible person in charge of ICT often lacks any knowledge about the ICT and its potentials.

Potential investors who visit the Islands often get discouraged by the lack of transparency and the length procedures to register their business, to obtain information, or to complete the necessary paperwork. All these are impediments to investments that have to be tackled and reversed.

The reports *Pilot Project Proposals* and *Final Report ICT Policy and Strategic Plan* give a clear indication about the scope of management and governance. Please refer to Pilot Project 2 and the Annex 2 to receive detailed information on the recommended structures

Recommended Strategy

- ✓ Identify and appoint champions, with the political leverage, the technical knowledge, and the required financial and human resources to spearhead public sector efforts and guide ICT development and policies implementation.
- ✓ The establishment of a Ministry in charge of ICT development policy on each of the Islands. The agency should be given the necessary financial and human resources to spearhead the ICT effort on the Island.
- ✓ Use the E-Government programs as a launching pad to jump-start ICT development on each of the Island.

Encourage and strengthen the private sector partnership and involvement in public sector policies.

4.12 Public/private partnership and ICT business association

Summary

The OECS secretariat and member governments should encourage the creation of ICT business associations that, in turn, help refine OECS ICT policies. The ICT associations can also facilitate matches between local and international partners and investors and provide training to improve the local quality standards so that locally provided ICT products and services can be used by/for European and North American clients.

Recommended Strategy

- ✓ To have the public sector take concrete steps to encourage the creation of local ICT business associations, to lobby for ICT sector development and policies.
- ✓ The associations can be used to conduct a review of the sector capabilities, services, skills, needs, ICT policies, and existing constraints and difficulties.

4.13 Reduce the risk and cost of investment and for starting a new business

Summary

Investment and new businesses generally stay away from locations where the risk of investment is high or the cost of starting a business is excessive. This also discourages many new start-up businesses that constitute the backbone of any new ICT development.

Recommended Strategy

The OECS has to adopt policies that reduce the cost of doing business on the OECS islands and encourage small start-up ICT firms, in particular:

- ✓ **Incubators:** Encourage the establishment of local incubators, especially those geared towards start-up companies with low capital. Please refer to Pilot Project No 6 for further information on how to plan an ICT Cluster. It must be mentioned that an incubator facility can be established before an ICT Cluster is operational. The highest productivity however can be achieved by sharing facilities like Local Area Network, Firewall, Conference room, Cafeteria etc. in one location, i.e. ICT Cluster / IT Park.

- ✓ **Facilities:** Encourage the creation of local facilities and office space for ICT businesses and foreign investors.

4.14 Training business managers and introduce quality software standards

Summary

The development of a positive perception of the OECS countries' capabilities overseas is based on the demonstrated success of a locally managed IT industry. For foreign companies to invest in off-shore facility they first look for local partners or for a party to join venture with. It is important to facilitate matching between international and local firms.

Recommended Strategy

A pre-requisite is to train local managers on how to deal and partner with international firm and investors. Areas of training should include:

- ✓ The specificity of the North American and European markets.
- ✓ The interests and needs of global investors.
- ✓ Managing partnerships and joint ventures.
- ✓ Quality aspects to be in a position to serve more advanced and sophisticated ICT sectors and users.

Therefore, OECS' public and private sector policies have to encourage:

- ✓ The training of local business managers and small-firms start-up owners.
- ✓ The adoption of international industry standards, as means for certifying software producers, like ISO and CMM.

Note: Capability Maturity Model CMM is the framework for measuring the qualifications for vendors. The results of a CMM assessment range from one to five. Level one is a given for any company, assessed or not. Level Two is the hardest to achieve. Assessment at higher levels is a very effective means of reducing the perceived risk in a US buyers mind.

4.15 Entrepreneurship Among the Young

Summary

The OECS member countries need to demonstrate to the world, especially to more developed North America countries and Europe, that it is a place of opportunity for a new generation, that it places great importance

on entrepreneurship and creativity, and that it aspires to be at the cutting edge of technology to serve global clients and the region.

Recommended Strategy

- ✓ Encouraging young OECS population to create new business opportunities for themselves and for their future.
- ✓ The establishment of programs that promote entrepreneurship for the youth.
- ✓ Review existing school curriculum to encourage the creation of program that stimulate creativity and analytical ICT skills, critical for ICT sector.

4.16 Deregulation and privatisation

Summary

Deregulation and privatisation by individual OECS member states is important to encourage competition and open up markets for international, local, and regional investors. Privatisation can be used as a catalyst to promote the development of the local capital market and attract foreign direct investment. Open trade, deregulation, and privatisation improve access to markets for goods and services. Countries that liberalise their internal regulatory frameworks, sign multilateral trade agreements, are in a better position to attract FDI. However, any delays and false starts can cause a chilling effect on foreign investment and incalculable damage to the OECS reputation as a place interested in ICT private sector development.

Recommended Strategy

- ✓ To assess and review all current and potential privatisation projects, and include them as part of future investment promotion campaign for the OECS countries.

Annex 1

**EXISTING REGIONAL AND INTERNATIONAL
AGREEMENTS WITH THE OECS**

EXISTING REGIONAL AND INTERNATIONAL AGREEMENTS WITH THE OECS

Some of the special regional and international trade agreements are listed below:

CARICOM

Under this agreement, local manufacturers have preferential access to a regional market of fifteen (15) countries with a combined population of over 5 million people. Locally manufactured goods may be imported duty free into any of the CARICOM countries, subject to certain value added criteria as specified under the CARICOM Rules of Origin.

CARIBBEAN BASIN INITIATIVE (CBI)

Under this agreement, specified products made or assembled in St Lucia are allowed to enter the United States duty free; Exempt from CBI are: Garments/Apparel, petroleum & petroleum products, sugar/syrup/molasses, tuna (prepared or preserved), watches and watch parts, leather items including footwear, handbags, luggage, work gloves and wearing apparel

Criteria:

a: 35% local value added; (This may include the value of US raw materials which must not exceed 15%)

b: Substantial transformation of product is required

For example, as a CBI beneficiary country, St Lucia has signed a Tax Information Exchange Agreement (TIEA) with the USA, qualifying it for below market rate financing of eligible projects through an amendment to Section 936 of the US Tax Code. Additionally, US executives can claim a tax deduction on convention expenses *incurred* in St Lucia. A double taxation agreement is in effect with the USA.

CARIBBEAN/CANADA TRADE AGREEMENT (CARIBCAN)

CARIBCAN is a programme for trade, investment and industrial cooperation for the Commonwealth Caribbean region. CARIBCAN's main feature is a unilateral extension by Canada of preferential duty-free access to the Canadian market for almost all imports from the Commonwealth Caribbean countries. CARIBCAN also contains measures to encourage Canadian investment and other forms of industrial cooperation with the region.

CARIBCAN's basic objectives are to enhance the Commonwealth Caribbean's existing trade and export earnings; improve the trade and economic development prospects of the region; promote new investment opportunities; and encourage enhanced economic integration and cooperation within the region.

The principal provisions of the Programme are as follows:

Duty free access to the Canadian market for imports from the Commonwealth CARICOM;
Duty free access covers a wide range of goods which were not previously exported from, or manufactured in the Commonwealth Caribbean;
Textiles, clothing, footwear, luggage, handbags, leather garments, lubricating oils and methanol are subject to established rates of duty under the General Preferential Tariff, or the British Preferential Tariff, where rates exist;

In order to qualify for duty free entry under CARIBCAN, goods must be certified as being the growth or manufactured of the Commonwealth Caribbean, i.e. a minimum of 60% of the ex-factory price of the exported goods (which includes factory overheads and reasonable profits) must originate from any of the Commonwealth Caribbean countries or Canada.

LOME AGREEMENT

Under this agreement, qualifying goods exported by members of the African, Caribbean and Pacific States (ACP), of which St Lucia is a member, to the countries of the European Union, are granted duty free status.

Qualifying goods are those agricultural goods wholly produced in an ACP State, and ACP industrial exports having a value added of 60% and greater, originating in an ACP State or jointly in ACP and EU State.

CARICOM/VENEZUELA TRADE AGREEMENT

The fundamental objective of this agreement is to strengthen the economic and trade relations between CARICOM and Venezuela: The agreement will also provide the following:

The promotion and expansion of the sale of goods originating in CARICOM through inter alia, one-way duty-free access to the Venezuelan market;

The stimulation of investments aimed at taking advantage of the markets of the Parties and strengthening their competitiveness in world trade;

The facilitation of the creation and operation of regional joint ventures;

The encouragement of mechanisms for the promotion and protection of investments by nationals of the Parties.

St Lucian exports can be exported to Venezuela without attracting any customs duties. Goods should be wholly produced or at least 50% of the export value of the product is local value added, or should have to undergo a process of substantial transformation i.e. the final product is classified under a different tariff heading from that which the material input used to manufacture the products.

CARICOM/COLUMBIA TRADE AGREEMENT

Agreement on trade, economic and technical cooperation between the Caribbean Community and Colombia. The fundamental objective of this agreement is to strengthen the trade and economic relations and technical cooperation between CARICOM and Colombia through:-

- The promotion and expansion of the sale of goods originating in CARICOM and Colombia with particular emphasis on exports from CARICOM States in the early stages in the implementation of this agreement;
- The promotion and protection of investments aimed at taking advantage of the opportunities offered by the markets of the Parties and strengthening their competitiveness in the international market;
- The facilitation of the creation and operation of regional joint ventures;
- The development of technical and scientific cooperation activities which may be agreed upon between the Parties;
- The promotion of private sector activities, including business exchanges between Parties.

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Under this arrangement, goods are cut in the US and can be sewn in St Lucia with duties paid only on the value added in St Lucia. When cut goods are of US origin, special access levels are negotiated with the United States.

Annex 2

**Best practices adopted by international
Investment Promotion Agencies**

Best practices adopted by international Investment Promotion Agencies

Best Practices in Investment Promotion: Institutional and Organisational Structure, Operations, and Investment Approval

	International Best Practices	Recommended Reform
Institutional Structure		
Institutional oversight	Successful agencies maintain a high degree of political commitment. In environments with history of bureaucratic delays, positioning the agency under the Prime Minister's Office can ensure a high-level of commitment to the agency's mission.	Ensure that each IPA have the mandate and the authority to facilitate investment
Degree of autonomy	World class agencies are granted a high degree of autonomy.	Implement any required reforms to make IPA truly independent, both administratively and financially
Links/Liaison with other agencies	Successful agencies depend on good working relationships with relevant agencies, through both formal links and inter-personal relationships	Create one-stop shop applications, Create a Facilitation Committee, an interagency committee, to ensure licensing and approvals within (???) days
Board of Directors – Composition and Powers	In world class agencies, private sector-led Board ensures business-driven approach. Board is vested with all powers and functions to manage agency operations.	Increase private-sector representation on a Board that is vested with all the powers required to run the IPA
Organisational Structure		
Delegation of Authorities	In world class agencies, the Board is vested with all powers and functions to manage agency operations. In turn, the Board delegates downward within the agency to committees and individual staff positions appropriate powers to effectively manage the agency's day-to-day operations.	Where not existing, give the Board the power to delegate its functions to committees and individuals within each IPA
Agency Functions	In countries where bureaucratic delays are common, promotion agency should carry out regulatory functions in order to ensure an investor-friendly environment	In the short term, maintain regulatory functions within the IPA while streamlining process. In the medium term, transfer functions to relevant government departments.

	International Best Practices	Recommended Reform
Employment Procedures		
Adherence to Civil Service Procedures	Government civil service procedures are often cumbersome and impede an agency's ability to attract and retain the most qualified personnel. World class agencies typically have more flexibility in hiring/firing, as well as employee compensation.	Draft new comprehensive regulations that release the IPA from the provisions of the Civil Service Ordinance. New regulations should be more flexible in terms of personnel management.
Procurement Procedures		
Adherence to Government Procurement Procedures	Agencies generally comply with basic principles of government procurement procedures while maintaining decision making autonomy.	Draft regulations that provide IPA with full autonomy regarding purchasing, with no need to refer to outside bodies for approvals, as long as general principles of government procurement are respected.
Delegation of authorities	In successful agencies, proper delegation of authorities within an agency, to committees and individual staff positions, ensure efficiency.	Delegate downwards within the IPA the ability to approve purchases.
Financial Controls		
Internal audit procedures	In successful agencies, an Audit Committee is established as a committee of the Board, which reviews the accounts of the organisation and internal audit reports.	Establish an Audit Committee as a committee of the Board, fully empower the Internal Auditor to undertake audits at the direction of the Committee, and establish a mechanism through a Management Committee to implement recommendations.
External audit procedures	In all successful agencies, it is accepted practice for the accounts of the agency to be audited by a third party.	External auditor is Government Audit Bureau, which is also part of procurement procedures. Appoint a world class firm to act as external auditor.

	International Best Practices	Recommended Reform
Investment Approvals		
One-stop shops	The most successful agencies operate as one-stop shops, which take care of obtaining all required permits and approvals on behalf of the investor in a timely manner.	Create a new Facilitation Committee, with representatives from the most relevant government agencies on each island, ensures that all approval and permits are obtained within (???) days Review progress of Facilitation Committee after 6 months to ensure effectiveness.
Delegation of authority	In successful agencies, streamlined procedures are ensured by delegating downward within the agency the power to grant approval of incentives.	Further delegate power to grant approvals to committees and individual positions. Reform incentives regime, replacing tax holiday scheme with a low, flat tax.