

# **OECS MSME GURANTEEE FACILITY**

**A Partial Credit Guarantee Scheme for OECS MSMEs**

# **INDIGENOUS PEOPLES PLAN**

**FINAL VERSION  
FEBRUARY 9 2018**



**KALINAGO TERRITORY**

**COMMONWEALTH OF DOMINICA**

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September 14, 2017

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**Acronyms**

BDS	Business Development Service
CGF	Credit Guarantee Facility
CGS	Credit Guarantee Scheme
DREP	Dominica Rural Enterprise Project
ECCGC	Eastern Caribbean Credit Guarantee Corporation
FI	Financial Institution
IPP	Indigenous Peoples Plan
KC	Kalinago Community
KTC	Kalinago Territory Council
KT	Kalinago Territory
MOKA	Ministry of Kalinago Affairs
MSME	Micro, Small and Medium Enterprise
OECS	Organization of East Caribbean States
PCGS/F	Partial Credit Guarantee Scheme / Facility
MSME	Small and Medium Enterprise / Small and or Medium Entrepreneur
TA	Technical Assistance
WB	World Bank

## **Executive Summary**

The OECS Partial Credit Guarantee Scheme is a credit/loan financing facility for micro, small and medium sized enterprises (MSMES) in the OECS.<sup>1</sup> The need for this scheme emerged out of the MSME Debt Market Failures; Structural and Cyclical in the OECS. OECS governments approached the World Bank (WB) to assist with redressing this problem. In this regard, the WB designed the OECS Credit Guarantee Facility which will facilitate the establishment of a Partial Credit Guarantee Scheme (PCGS) for micro, small and medium sized Enterprises (MSMEs) in the OECS. In so doing, the banks role in designing the PCGS triggered World Bank Operational Manual 4.10 requirement to undertake the preparation of an Indigenous Peoples Plan (IPP) where bank financed projects are being implemented in countries with indigenous populations. This IPP ensures non-differentiated participation of Kalinago Territory MSMEs in the OECS PCGS, or put another way, to ensure the land tenure system in the territory which prevents MSMEs from using land as collateral to secure MSME financing does not deny KT MSMEs equal access and opportunity under the scheme when compared to non-indigenous applicants anywhere in the OECS. This IPP represents the bank's consultancy to prepare the IPP with the indigenous peoples of the Kalinago Territory (KT) in the Commonwealth of Dominica.

Preparation of the IPP included engagement of the indigenous people and their MSMEs in bilateral and community consultations inside the KT where details about the OECS PCGS were provided to the community. In addition, bilateral consultations were had with Financial Lending Institutions and Government Support Program Stakeholders in Dominica's MSME Environment. Following these consultations, a draft IPP was prepared and reviewed by the community and the bank. Following these revisions, the IPP was finalized.

### ***Main Conclusion***

Access to finance is necessary for MSME development in the KT. The inability to use land as collateral to increase access to finance for business development places limitations upon MSMEs especially where alternative options for collateral are limited. This is a critical finding and the proposed PCG project will be designed so that all applicants from the Community are evaluated fairly given this overarching Community constraint that cannot be overcome by any single individual. In addition to the use of land as collateral constraint, the community and all other stakeholders consulted concluded that lack of business acumen and related business development capacity constraints in the KT is an equal if not larger deficit the community will have to overcome. The bank is so mindful and recognizes that the Technical Assistance footprint of the OECS MSME PCGS will have to be deeper and longer in the KT.<sup>2</sup>

### ***Main Recommendation***

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<sup>1</sup> At the time of the consultation the project was known as the OECS SME Guarantee Facility and therefore all official correspondence with the KT referred to the project as so. The project's World Bank name changed to OECS MSME to match the ECPCGC Agreement that was passed during the interim period. This name change has no material impact on the IPP as the micro sector was covered in the scope of the IPP from the beginning.

<sup>2</sup> Note: The PCGS will not be directly funding TA, but will be working with TA providers to highlight areas of special need.

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The loan application process from a participating financial institution will contain fields to capture the community land constraint of members of the Community that reside in the Territory. Such applicants will receive an evaluation that takes this institutional limitation (lack of individual land titles) into account by overweighing other factors – such as the strength of the business plan and the projected and current cash flows. Additionally, focused and concentrated capacity development of MSMEs in business and entrepreneurship will be required by the contracted TA provider and state support programs.

## 1 Background

This background section contains updated Socio-economic and Demographic Data for the OECS MSME Partial Credit Guarantee Scheme based on socio-economic and demographic data contained in the 2014 Disaster Vulnerability Reduction Project (DVRP) Indigenous Peoples Plan (IPP). The DVRP is currently being implemented in the Commonwealth of Dominica. The information in this section combines secondary data, literature from published documents and other sources as well as observations from two days of initial consultations in the Kalinago Territory.

### 1.1 Legal and institutional framework applicable to Indigenous Peoples

#### 1.1.1 The Kalinago Territory Act of 1978 (as amended)<sup>3</sup>

The Kalinago Territory Act of 1978 is formerly known as the Carib Act of 1978<sup>4</sup>. The change in the name of the Act follows the passing into law of Carib Territory Amendment Act No 2 of 2015<sup>5</sup>. The Act provides for the establishment of a corporate body for the administration of the territory, and for matters connected therewith. It gives the Kalinago Territory Council (KTC) and Kalinago Territory Chief/Kalinago Chief the authority and responsibility for the management of the Kalinago Territory. With respect to the elections of the Kalinago Chief and matters contained therewith as cited in the 1978 Act were amended by the Carib Reserve Amendments Act no. 8 of 1994.

The Act (of 1978) indicates how funds are to be used on behalf of the territory. It gives the KT Council powers to institute various bylaws pertinent to the management of the territory. The Council is further organized into Hamlet Development Committees, governed by a constitution prepared by the Council. At the time of writing, not all Hamlet Development Committees are functional.

In 2005, the Ministry of Carib Affairs now the Ministry of Kalinago Affairs (MOKA) was established. The mission of MOKA is to work towards the improvement of the socio-economic condition, the preservation and promotion of the cultural heritage of the people of the Kalinago Territory and to facilitate the vigorous promotion of the integration of Dominica's Indigenous People into the socio-economic life of the wider Dominican society. <http://www.dominica.gov.dm/laws/chapters/chap25-90.pdf>

#### 1.1.2 The United Nations Declaration on Indigenous Peoples (UNDRIPS)

UNDRIPS provides an international framework for the recognition and support for the rights of Indigenous Peoples. The UNDRIP was adopted by resolution of the UN General Assembly on September 13, 2007. It is a non-legally binding aspirational document that describes both individual and collective rights of Indigenous Peoples around the world. It addresses issues such as culture, identity, language, health and education and provides guidance to states, the United Nations, and other international organizations on harmonious, cooperative relationships with Indigenous Peoples. It is based on the principles of equality, partnership, good faith and mutual respect. UNDRIPS specifically calls for the protection of the rights of Indigenous Peoples under Article 26 where it states:

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<sup>3</sup> <http://www.dominica.gov.dm/laws/chapters/chap25-90.pdf>

<sup>4</sup> <http://www.dominica.gov.dm/laws/chapters/chap25-90.pdf>

<sup>5</sup> [http://www.dominica.gov.dm/laws/2015/Carib%20Reserve%20\(Amendment\)%20Act,%202015.pdf](http://www.dominica.gov.dm/laws/2015/Carib%20Reserve%20(Amendment)%20Act,%202015.pdf)



- Indigenous peoples have the right to the lands, territories and resources which they have traditionally owned, occupied or otherwise used or acquired.
- Indigenous peoples have the right to own, use, develop and control the lands, territories and resources that they possess by reason of traditional ownership or other traditional occupation or use, as well as those which they have otherwise acquired.
- States shall give legal recognition and protection to these lands, territories and resources. Such recognition shall be conducted with due respect to the customs, traditions and land tenure systems of the Indigenous Peoples concerned.

#### **1.1.3 The ILO Convention 169**

The ILO Convention 169 on indigenous and Tribal Peoples, requires consultations be carried out in good faith and in a form appropriate to the circumstances, with the objective of achieving agreement or consent to the proposed measures. Article 6 also continues:

- i) Consultation of the people's concerned, through their appropriate procedures and in particular through their representative institutions.
- ii) Establish means through which these peoples can freely participate, to at least the same extent as other sectors of the population, at all levels of decision-making in elective institutions and administrative and other bodies responsible for policies and programs which concern them.
- iii) Establish means for the full development of these peoples' own institutions and initiatives, and in appropriate cases provide the resources necessary for this purpose.

The priority issues of the Indigenous People's include land and natural resources (grazing lands). Any potential adverse impacts on these were topical subjects for consultations and were sensitively discussed and prioritized at all times. Informed participation in decision-making on mitigation measures proposed and participation in implementation of the same was encouraged.

The rights of the peoples concerned to the natural resources pertaining to their lands shall be specially safeguarded. These rights include the right of these peoples to participate in the use, management and conservation of these resources.

### **1.2 Demographic, social, cultural, and political characteristics of the Kalinago Community**

#### **1.2.1 Demographic Characteristics**

The Kalinago Territory consists of 3,782.03 acres of land stretching 9 miles on the east coast of Dominica in the Parish of St. David. The 2011 population census records the population of the Kalinago Territory to be 2,145 persons (1.76 acres per head of the KT population). The population distribution by sex indicates 1,212 (56.5%) males and 933 (43.5%) females; the 2011 population figure represents a 2.9 % decline in the population of the territory over the 2001 census figure of 2,208, however there is no discernable change in the male to female population ratio over the two periods.

"The Kalinago population is young. 70% are under the age of 30 and 40% are younger than 19" (PAHO, 2011).

The Territory is divided into 8 hamlets, namely; Sineku, Gaulette River, Mahaut River, St. Cyr, Salybia, Crayfish River, Battaca and Touna Concorde. Based on figures in the 2011 population census, some other demographic statistics of the territory include the following:

- Number of households: 652
- Number of persons per household: 3.3
- Number of dwelling units: 722 (dwelling units occupied – 630, vacant – 70, closed 22)

According to the 2011 population and housing census statistics of the territory, the territory is by far the largest village/geographical district in the parish of St. David, and the largest village/district in nearly eight of the ten parishes in Dominica in terms of population, housing numbers and physical/geographical size in terms of square miles. In comparison to other parishes, the territory is also by far the largest village/district to any village/district in the parishes of St. Peter, St. Mark, St. Luke, St. Patrick (though about the same population size as Berricoa), St. Joseph (though about the same population size as Salisbury), St. John (other than Portsmouth), St. Paul (other than Canefield) and St. Andrew (other than Marigot/Concord with a population of 2,411 to the territory's 2,145). The territory is between the 5<sup>th</sup> and 7<sup>th</sup> largest village/district overall in Dominica in terms of population and household size. It is located within the parish of St. David which is the second largest parish in Dominica at 50.8 square miles (behind St. Andrew at 68.8 square miles and just ahead of St. Joseph at 46.8 square. miles).

### **1.2.2 Social Infrastructure, Social Relations and Socio-Economic Characteristics**

The following is a brief synopsis of the main features of social infrastructure, social relations and socio-economic characteristics of the territory obtained from consultations in the territory, observation; research of literature provided by personnel in the territory, and published reports.

#### **1.2.2.1 Social Infrastructure**

- Tunubuku Reference Library and Computer Center
- 4 pre-schools
- 4 primary schools
- No secondary schools but served by two secondary schools in nearby Castle Bruce
- 2 health centers with limited range of services, irregular availability of health professionals and one or sometimes twice weekly visits from certain medical specialist
- 1 Police station
- Sineku Community Center, Sineku Business Enterprise Center and St. Cyr Resource Center
- 2 Cemeteries (1 Catholic Cemetery and 1 Public Cemetery)
- 10 Christian churches/places of worship, mainly Catholic.
- 1 major playing field, at least two/three other playing fields in use
- Other government welfare programs and NGOs have outreach programs in the community

The Dominica Country Poverty Assessment (2009) reports that Roseau Central and the Carib Territory have the largest number of institutions and organizations providing services, resources and support to its residents.

#### *1.2.2.2 Sports*

There exists a limited range of sporting activities, facilities and amenities in the KT. The dominant sport is cricket. Some football is played and a few have entered boxing. Its sports are male dominated, however the territory is developing female cricket. The territory's main sporting facility is the Jolly John Memorial Park, which has helped with the development of the territory's strong youth and adult cricket teams that perform well in domestic cricket leagues.

#### *1.2.2.3 Social Relations*

From discussions and interactions with the community, it is not unlike typical community and social life in any society. There is evidence that family and community relations are valued and strong where they are, and weak where they are not. Social problems ranging from drug use, domestic violence, alcoholism and conflicts/crime are known occurrences to varying degrees. The DVRP IPP from 2014 summarizes the recent poverty, development and unemployment history. It does this by using the 2009 World Bank Country Poverty Assessment.

In respect of ethnic origin, indigenous persons were more likely than any other group in the population to be poor; 49.8 percent or one in two persons of indigenous origin were poor in 2009. This is a significant finding as the indigenous population represents about 5 percent of the total population of Dominica. However, there has been a recent reduction in measured poverty among the group, given that in 2003, some 70 percent was poor and half were particularly vulnerable. As a means for further interventions to improve the lives of the Indigenous People, the Government of the Commonwealth of Dominica through loan assistance from the Caribbean Development Bank constructed the Kalinago Barana Aute (KBA) Village. The KBA Village offers tours including cultural dances and site visits. In the shops, local creations are centered on larouma, calabash, pottery and coconut products. Unemployment in the Carib Territory is estimated to be high, particularly among the youth. Decline in the agricultural sector coupled with delayed realization of strong and sustained growth in the tourism sector, have nationally continued to negatively impact employment in the Carib Territory. The development strategy for the sustainable use of land and other resources in the Carib Territory should thus facilitate opportunities for job creation.

"Underemployment within the territory is a current and chronic issue especially after the agricultural export of banana dropped significantly." (PAHO, 2011)

From cursory observations while traversing the territory, the craft makers and weavers (making baskets, mats etc.) and craft vendors seem aged.

The Ministry of Kalinago Affairs (MOKA) Strategic Plan 2015 – 2018 list among its Strategic Objectives:

- To establish a Business Development Fund for the Kalinago Territory. EC\$500,000.00 was allocated by the government in its 2015/2016 budget. The fund will be placed "in convenient financial institutions utilized by members of the community". Activities to establish the fund include:
  - To appoint an Advisory Group
  - To have government provide funding for the Kalinago business fund

The fund is earmarked to support significant business related development including crop and livestock production, tools and equipment, marketing, upgrading facilities among others.

A synopsis of other Strategic Objectives and Activities to achieve them in the MOKA Strategic Plan 2015-2018 with respect to commerce, business development and the Kalinago economy include the following:

- Provide the funding through the Economic Citizenship Program for the development of the three-star hotel in the Kalinago Territory
- Complete restructuring of the Kalinago Barana Aute<sup>6</sup> to reflect the original intended purpose
- Construct the Cassava Plant under the [Kalinago] Community Capacity Building Project
- To designate the Kalinago Territory as a Tax & Duty Free Zone

These are all relevant to the aims and objectives of the OECS MSME Credit Guarantee Facility (CGF)/Partial Credit Guarantee Scheme (PCGS) and efforts should be made to link KT Micro, Small and Medium Enterprises (MSMEs) to the business and economic related objectives and activities of the Strategic Plan 2015 – 2018 to come away with maximum benefits from both programs, where the latter may be accessed by KT MSMEs.

#### *1.2.2.4 Land / territory traditionally owned and customarily used and occupied*

The issue of land ownership or lack thereof, (Kalinago Council has ownership of lands in the Territory) poses serious concerns for individual socio-economic advancement. This significantly limits their access to credit at local banks since they do not possess individually required collateral i.e. certificate of titles as per the laws governing the Territory. Whereas it is necessary to ensure the lands allocated to the Territory remains unchanged, it [inhibits] individual economic advancement based on requirements from banking community (DVRP IPP, 2014)

#### *Land, Family and Education – two stories of Inter-generational Opportunity and Inter-generational Poverty*

The fortunes and change in fortunes of Kalinago's through the interaction of land, family and education are well captured in the story of Gloria and Roxann in the Dominica Country Poverty Assessment Report 2009. It makes instructive reading and provides insight into how **Land** (access, inputs, banana and coffee production), **Family** (immediate and extended family support, fairly stable family unit, family as unit of production and farm labor) and **Education** (demanded school attendance despite farm labor and navigating other significant school related hardships, maintained school attendance because of extended family help, valued learning and education at home) helped keep Roxann and her family out of poverty and into wellbeing and their capacity for enhanced wellbeing while the said **Land** (access, no inputs, no production), **Family** (dysfunctional, no extended support, informal adoption and abuse) and **Education** (irregular school attendance, education valued but no means and no extended family help to maintain

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<sup>6</sup> The Kalinago Barana Aute' (means the Carib Cultural Village by the Sea). This Village honours the diversity, heritage and history of the Kalinago people by portraying their customs and traditions. It provides an opportunity for guests to learn experience and gain a greater appreciation of Kalinago culture and history.

schooling despite intermittent state interventions and letdowns) deepened Gloria's and her family's poverty and ill-being.

Roxann's story and Gloria's story are the Kalinago's story. These stories ought to be lifted from the poverty assessment report and published as short stories for use in Kalinago Territory schools, for schools drama clubs to develop theatrical productions of these stories. It is to be lifted from the pages of the poverty assessment report and made into short documentary films and radio drama series narrated by Kalinagos. Such a pursuit would be consistent with the Strategic Objectives of the Ministry of Kalinago Affairs Strategic Plan 2015 – 2018 which is to “develop a Kalinago Language program and a more relevant curriculum for community schools”.

### **1.2.3 Cultural Characteristics**

In the past, the Kalinago territory was well known for performing arts culture through its dance and other performances. It produced the globe-trotting Garifuna (Karifuna) Cultural group that took off from its runway in the Kalinago Territory to perform in several major regional and international capitals of the world. Likewise, the Karina Cultural Group carried the torch of Kalinago culture proudly for decades. However, “The traditional culture of the Carib Territory is almost totally gone...” (Frederick, Kalinago Territory Community Profile 2010: 20).

If this recent statement is accurate, what is the legacy of the Karifuna and Karina cultural groups in the Kalinago Territory?

The Kalinago Territory is also well known for its culinary arts and centrality of cassava in its culinary fare. Its culinary cultural tradition and heritage were on great display when served to the participants of the community consultations for this IPP at the Salybia Primary School. The refreshments for the consultations were provided by a Kalinago Catering Group currently in training. This was their first catering contract. The menu was an excellent representation of the strong, rich Kalinago culinary heritage.

During the community consultations, the youth and young adult participants did not show reverence neither attached meaning or importance to historical Kalinago culture and heritage. Yet, the experienced participants in the consultation recounted dramatic stories of Kalinago lore, mythology and revelations of the power of the moon and rain gods which held the attention of the room. Others in the community discussed the struggle of the Kalinago cultural development officer to keep interest in Kalinago culture among the children and youths. One resident complained that; “the children do not want to learn and perform Kalinago dance and music”. The community's children interest and taste are of today's contemporary “bashment” music and dance. This must be of concern to the community because holding onto one's culture is the most important identifying characteristic of ones origins and heritage.

#### **1.2.3.1 When one loses one's culture, who then are you?**

It is understood that when one looks away from one's culture, one is usually attempting to break-up a bad relationship. Reading the stories of Kalinago's in the PAHO 2011 publication, the Dominica Country Poverty Assessment 2009 and other literature, Kalinagos seem to look upon their traditional culture with

uncertainty and discomfort. It is understandably difficult to transfer a culture looked upon this way to a new generation.

#### **1.2.4 Political Characteristics**

As mandated in the [Kalinago Territory Act of 1978], the lands in the Territory are the property of the Kalinago Council and no individual can own land and/or have titled land in his or her name. The Council is solely responsible for allocating land for all purposes including housing, public conveniences, government projects and community projects. The Council is comprised of seven (7) persons – the person elected as Chief and six (6) other persons elected as members. The Chief is the Chairman of the Council hence, is responsible for convening meetings. In terms of other rights and privileges, the Indigenous Peoples are entitled to all rights like all Dominicans including voting, passports, political participation, etc. (DVRP IPP, 2014)

#### **1.3 Natural resources**

According the Dominica' Land Use Policy (2004); "the Kalinago Territory as an area of special significance will be treated as a special policy area in recognition of the Kalinago's unique position as the original inhabitants of the island, and be planned to support the culture and lifestyle of the people, their social structures, and historical and natural attractions." (Dominica Land Use Policy, 2014)

The policy will "protect and enhance the vitality of forest and natural environment" It lists five categories of forest including the Kalinago territory as one of the five categories of forest. Rivers, wetlands and waterfalls are among the range of natural resources the land use policy will address.

#### **1.4 Summary of Background Section**

In summary, this background section has identified the legal, demographic, social and cultural characteristics of the community. Overall, the population comprises of approximately 5 percent of the population of Dominica. The community is located within the parish of St. David and is the largest community within the parish. It is also among the larger communities in Dominica. The territory possesses basic social infrastructure, a limited range of sporting disciplines and social characteristics and concerns not unlike other communities including unemployment. The community maintains rich historical culinary arts and practices, but transferring it's once globally sought after dance culture and performing arts to its future generation is a challenge. In accordance with the Kalinago Territory Act of 1978, Land in the KT is vested in the KT Council. Certificate of title cannot be individually acquired. The KT is governed by a council headed by the chief elected by the residents every five years in accordance with the Act.

The next four sections namely, Sections 2 – 5 provides an overview of the consultations that took place over May 2 and 3, 2017 with the Kalinago Territory community for the proposed IPP for the OECS MSME PCG. The subject of each section and the organization of the IPP document are provided in 1.5 below.

#### **1.5 Organization of the IPP**

This IPP document is structured as follows: Section 2 presents outcomes of consultations with the Kalinago Territory Council; Section 3 provides details of the Kalinago Territory community consultations; Section 4 provides details of consultations with Kalinago Territory Micro, Small and Medium Entrepreneurs

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(MSMEs); Section 5 presents the outcomes of consultations with Kalinago Territory MSMEs who were not participants in the community consultations. Consultations with this group of MSMEs ensured that wider MSME experiences were obtained beyond the experiences of those MSMEs participating in the community consultations alone. Section 6 presents the outcome of bilateral consultations with financial lending institutions and government MSME support program stakeholders in Dominica's MSME Environment. This section offers brief insights into the experiences these institutions have with Kalinago Territory MSMEs which can help users of this IPP concerned with non-differentiated participation of MSMEs of the Kalinago Territory in the PCGS. Section 7 provides the framework for and the outcome of the second community consultations. The second community consultations involved review of the first draft of the IPP by the Kalinago Territory Council and community. Section 8 proposes a consultation strategy for the IPP and finally Section 9 which presents the Plan, conclusions, recommendations, implementation arrangements, an indicative budget and grievance redress mechanism.

## **2 Meeting/Bilateral Consultations with the Kalinago Territory Council**

During the first day of the consultations (Tuesday May 2, 2017), Chief Williams, Kalinago Council stated: *“...the ability to take a loan to do business in the first place depends on the economy, if the economy bad then taking any kind of loan is difficult especially for us here in the territory, you have to consider that if you’re not getting business because the economy is bad, how will you repay your loan?”*

The quotation above were among the first words spoken by Chief Williams, head of the Kalinago Territory Council (KTC) and leader of the territory, after the introduction of the OECS Credit Guarantee Facility (CGF) and its operational variant the Partial Credit Guarantee Scheme (PCGS) and the purpose of the mission to the Kalinago Territory (KT) was presented to the Council at the council conference room on Tuesday May 2, 2017. This was the first meeting of any meeting of the mission in Dominica or in the territory. It is therefore the first presentation of the mission. Chief Williams and the council members present offered support for the mission, its aims and objectives and hailed the OECS MSME Credit Guarantee Facility as a positive development. But his quote above resonated throughout the territory over the two days of focused engagement with MSMEs and residents of the territory.

The Chief’s first words of this mission is not without merit, though he just as readily acknowledged the opportunity that has to be seized with such a scheme and the business related help needed in the territory under such a scheme if there is to be beneficial participation of MSMEs from the territory in the scheme.

Chief Williams’ words offer important insights for consideration in how the OECS PCGS can spur MSME development in the territory should KT MSMEs access the scheme. The insight offered is that macro-economic variables will play a part in the perceptions of interest and participation of rural MSMEs and the MSMEs of the KT in such a scheme. This was gleaned from overall interactions in the community, even though the community is aware that the lenders will be protected to the extent of the amount of the loan partially guaranteed by the MSME PCG fund. It is similarly understood by some of the more experienced MSMEs and the younger members of the community with startup intent, that though a partial underwriting of any default that may come upon a participating MSME is offered in the scheme, this is a last resort. It is known that the loans are to be repaid in full. It is in this light that there was varied pronouncements and advocating for the conditions under which such loans are made available and accessible to rural MSMEs in the KT under this OECS PCGS requires its own dynamic considerations, not only because of the unique circumstances of residents of the KT who cannot use the lands they live on as collateral for loans, but precisely because of Chief Williams’ opening words to the mission. The participants at the community consultations offered what they believe are useful considerations under which loans could be made available and accessible to them in the KT under this PCGS, this is described in more detail in Section 3 below.

Importantly therefore, is not just the PCG aspect that is attractive in and of itself, but what conscious supportive options for accessing loans under the scheme avail to the MSMEs of the KT, in light of the macro-economic atmosphere, and the widely held truth that the rural economy suffers twice as much where the national economy lacks vibrancy or sustained vibrancy. Where such vibrancy is lacking, or only short term cyclical vibrancy are experienced or where vibrancy occurs in spurts based on sector specific



booms such as large scale construction activity, the mezzo and micro economy likewise enjoys and suffers similar cycles. In some cases however, the mezzo and micro economy suffers to the extent that even in some situations or circumstances, a partial credit guarantee still may not restore ability to service loans or offset overall decline in business fortunes when the PCG may be applied. Where it does however, and the studies and case scenarios presented in the background documents provided by the Bank and reviewed in preparation for this mission confirms, the PCGS will go a long way towards restoring credit market failure and make finance available to MSMEs that otherwise would not have accessed financing for business continuity, and its positive spinoff effects for MSME development, job creation and overall local socio-economic development.

Having provided the council with an overview of the OECS Credit Guarantee Scheme, a review of the role of the consultant, the purpose of the consultancy and a review of the TOR of the consultancy (the consultant provided the Council with a copy of the TOR for its records, as requested by the Council), a purposeful dialogue ensued. With respect to the MSME PCG and the KT, however, the Council noted the aim and intent of the scheme and offered the following considerations, perspectives and questions:

With respect to the MSME PCG, the KTC acknowledges that individual credit worthiness is important and is a responsibility of each loan applicant regardless of one's status or station or address and that must be a goal of anyone seeking to obtain loans from FIs. This is the case for all loan applicants for the OECS PCG across the eight Member States of the ECCU.

The council however notes that notwithstanding the importance of individual and business creditworthiness, collateral has been an issue for MSMEs in the KT.

With respect to personal and business loans obtained, in the case of one councilor, two separate loans (both over EC\$50,000 respectively), were secured without land as collateral. Loans were secured through property insurance. The council however acknowledges that other collateral accepted from the territory includes:

- Letter of guarantee from a third party from within or outside the KT, especially an outside guarantor.
- Property (house) insurance
- Life insurance
- Bill of sale on vehicle

With respect to experiences engaging financial institutions in Dominica, the council holds the view that high lending rates have been an issue and consequently a deterrent for MSMEs in the territory seeking loans from Financial Institutions.

The recent poor performing economy is the biggest issue for the territory as a whole. The poor performing economy has resulted in a major decline in visitors, tours and other customers passing through the territory. This has been a serious issue in terms of poor sales for craft and agribusiness MSMEs in the territory. Moreover, since the decline of banana production, the level of income opportunities that

banana production provided for many in the territory has not been seen since. In fact, the council notes that the territory has not seen any comparable period of economic activity since the collapse of bananas.

The council contends that historical inequity in the allocation and distribution of resources and investments in the territory by governments and institutions in Dominica has in no small measure slowed MSME and other development in the territory. The Council argues that even the allotment of land which comprises the territory (3,782 acres) allocated in perpetuity to the last surviving Kalinago's in the OECS amounts to a mere 2 percent of the total land acreage of Dominica (185,300 acres). The Council perceives this is an ongoing inequity in resource allocation and distribution which when positioned against the historical ruin of the Kalinago inhabitants across the region, is justifiable grounds for continuing to put this inequity in the public domain and sufficient grounds for disquiet and calls for redress. One proposal which the Council offers that will help with reducing or removing this disquiet and which will go a long way towards such redress while serving the cause of investment in MSME development of the Territory is a proposed ***Extension of Land Initiative***.

It is important to note that the World Bank PCG scheme is regional, and hence would not be able to absorb this proposed Dominica-only Extension of Lands Initiative into its design. The aim is not to have this initiative absorbed into the PCGS, but that the PCGS may help the KTC to advance the rationale for the initiative.

The Council is however very quick to similarly acknowledge that government and institutions in Dominica in more contemporary times have provided significant support towards the development of the territory and its residents including provision of scholarships, housing development and infrastructure.

The Council did question whether the World Bank Group (WBG) as part of this OECS MSME Credit Guarantee scheme will support Financial Institutions (FIs) in Dominica to lend to MSMEs from the KT at lower rates than currently prevail. The Council wondered aloud whether this should not be a factor under the scheme considering that the WBG would be capitalizing the MSME Credit Guarantee Fund.

The subsidization of loans to MSMEs has had a mixed history across the world. This is summarized in more detail in the Market Sounding Exercise for a PCG in the OECS. There are two main issues. The first is that subsidizing loans is distortionary, and therefore the risk allocation is imperfect. The second is that subsidizing loans requires much more liquidity and fiscal space. The WB decided not to follow the route of subsidizing loans for two main reasons. The first is that estimates for lending per country would increase from US\$2million to numbers in the range of US\$20-\$30 million. Each of the World Bank's member countries have other developmental priorities and in the country consultations, were not able to pledge those amount. The second reason why this approach was not adopted, was because the financial system is already high in liquidity. This means that some financial institutions are holding onto excess liquid assets with lower profitable loan opportunities. This has been interpreted as a combination of market risk as well as MSME readiness risk.

## **2.1 Brief Analysis of the KTC discussions and proposed Extension of Lands Initiative**

Alternatives other than land as collateral to raise financing have been successfully utilized by members of the council and community, but mainly for personal and family activities and less so for MSME purposes. Alternative security options including use of property and life insurance or external guarantors or bill of sale are however not readily available to many in the territory, especially the youth. This has been gleaned from speaking with some youths in the territory. Consequently, the necessity for use of land as collateral for business development and business sustainability remains paramount.

The KTC acknowledgement of the importance of creditworthiness is positive. Such self-awareness of the value of creditworthiness in securing credit is welcoming and will be strengthened by the PCG scheme

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***BOX 1: KT Council Extension of Land Initiative***

*To reduce the problems and challenges that SMEs face in raising financing due to the limitations of use of land in the territory as collateral, the Council is considering approaching government for an allocation of land as an extension of the Kalinago Territory in the amount of 200 acres or possibly a government estate which will be independent and separate from the existing territorial lands; such lands to be located anywhere in Dominica. These lands will be used as guarantee for loans to Kalinago Territory (KT) SMEs. These lands will be vested in the Council and used as collateral for securing financing for KT SMEs. Whenever KT SMEs default on loans which the Council secured through the land extension, the Council will have first call or lien on such land. The Council will use its resources to either pay off the debt and if unable to do so, will surrender the amount of lands used as collateral to the financial institution providing the financing.*

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since development of credit bureaus, credit registries and foreclosure laws are concerned with creditworthiness. Further, since the PCG scheme aims to encourage cash-flow lending (where the stability of future income is used rather than physical collateral for security) through both training loan officers and in its appraisals of guarantees, this acknowledgment has resonance across the OECS.

It cannot be ignored that macro-economic decline negatively impacts mezzo (regions/sectors) and micro (locality/community) economic activity in the rural milieu. With a decline in visitor tours and other customer traffic through the territory, it worsens some of the inherent disadvantages of the already small, localized rural commerce and trade. This includes the disadvantage of lack of diversified market options for sale of

products and services, as well as the diminished spending power of rural residents. It also worsens existing unemployment and exacerbates the problem of creating self-employment opportunities. This in turn adds to the already high failure rates in MSME startup and still further compounded by a limited product or service range and equally limited market for already limited product and service offerings. If businesses cannot service loans due to declining customer traffic and if local spending is weak then participating in a PCG scheme and assessing MSMEs ability to service loans even where partial write-off in the event of default is on offer, still presents increased risk for both scheme and MSME because of the weak economy. This scenario therefore cannot be ignored in considering how the territory can benefit from the OECS PCG scheme and how it can be best helped to so benefit. At the same time, this is also a concern across the

ECCU. As the Market Sounding Exercise report note, the entire region has suffered from a decline in economic activity.

The provision of additional allocation of land anywhere in Dominica as an extension of the territorial lands of the Kalinago people, but which is separate and independent of the current territorial lands which is home to the Kalinago peoples and which is intended for use as collateral for Kalinago MSMEs in the manner proposed by the Council at Box 1 is expected to cause debate and that should be welcomed. On the face of it, the proposal is plausible if well developed and structured. Should it materialize, the Kalinago Council will need special assistance to manage and coordinate this dimension of the economic development prospect of the territory. The Council should draw upon its thought leaders in the territory and upon expertise in the real estate and financial lending fields to support the development of the proposal.

Land is not just an option for security to make loans. Land is a source of wealth. The price per square foot of residential land in some OECS territories are publicly advertised and sell for USD \$20 and based on location and purpose have been purchased for more than USD \$50 per square foot. Land value appreciates but sometimes the valuation price is quite staggering. Individuals, companies, sectors and economies have flourished, floundered or fallen on the business of land. Land as a resource for Kalinago development is a relevant development issue for the territory, including in the manner proposed by the council.

## **2.2 Summary of Bilateral Consultations**

1. Creditworthiness of borrowers is acknowledged
2. Land is an issue where its use as collateral to secure credit is concerned however other collateral has been used in the past to access credit by residents and MSMEs in the territory.
3. Important to be cognizant of the role of the macro economy – but this is also the case in other OECS jurisdictions
4. Extension of Land Initiative is important and a good innovation. While it is not intended to be absorbed into the PCGS and in any event it will be tricky for the PCG Scheme to manage this domestic program if it was the intent to have it absorbed into the scheme, the Council's consideration of this initiative in support of MSME access to credit is noted.

### **3 Kalinago Territory Community Consultations**

At least three members of each hamlet were mobilized to participate in the community consultations. Participants were drawn from a list provided by the KT Development Officer as well as via references from the Council. Representation from some hamlets was less than three, while from other hamlets it was more than three. Overall, a good representation was realized. The consultations were held at the Salybia Primary School. The Attendance Register can be found in Appendix A.

#### **3.1 Introduction of the OECS MSME Guarantee Facility**

The consultations commenced with brief formalities and a probing of participants MSME experiences. This was followed by a presentation of the OECS MSME PCGS, a synopsis of which is presented below.

##### **3.1.1 Why the need for an OECS MSME PCG Scheme?**

- The OECS economies face several challenges:
  - low growth
  - high debt
  - fiscal deficits
  - vulnerabilities to external shocks
- Poverty: Poverty rates across the OECS vary from 18 to 38 percent, and unemployment is rising, especially youth unemployment
- Increase in non-performing loans (NPL). As a result of NPL, banks and other financial institutions are less willing to take risk by lending to MSMEs. Consequently, since 2012, bank loans to MSMEs contracted/declined by 13 percent per year in the OECS.
- 43% of firms surveyed in Dominica cited access to finance as their main constraint
- Less credit can in-turn slow job creation and economic growth

##### **3.1.2 What is the OECS MSME PCG Scheme?**

The OECS MSME Credit Guarantee is a project which will increase access to finance to Micro, Small and Medium Sized Enterprises

###### **3.1.2.1 What is the Objective?**

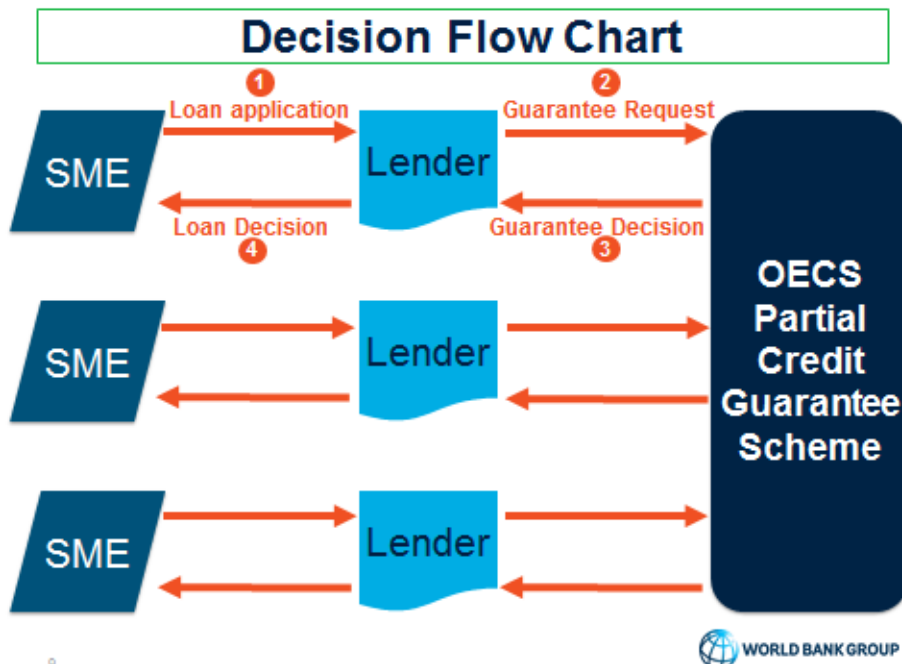
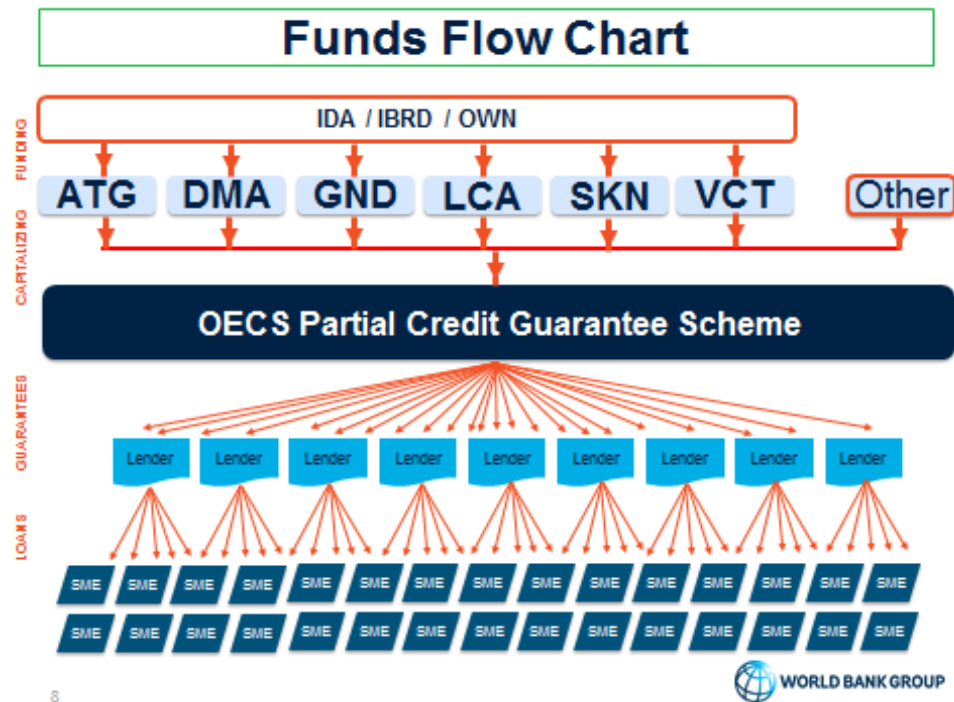
The objective is to facilitate additional financial lending options for MSMEs and strengthen the enabling environment for MSME loan financing in the OECS

###### **3.1.2.2 What will the PCG Scheme do?**

The PCG scheme will provide third-party credit risk mitigation to financial intermediaries or Lenders (financial intermediaries/Lenders are banks, credit unions etc.) with the specific objective of increasing access to loans for MSMEs.

### 3.1.2.3 And how will the MSME PCG Scheme Operate?

The PCG will absorb a portion of the lender's losses on the loans made to MSMEs in case of default on loan payments by MSMEs (the participating bank/credit union or other financial entity that borrows money from the Credit Guarantee fund will on-lend to the MSME).



### 3.1.3 Components of the OECS MSME Credit Guarantee Scheme

The PCG Scheme Comprise of 3 Components:

#### *Component 1: The fund*

- US\$12 – 15 million will be available/accessible to MSMEs in six OECS countries over time

#### *Component 2: Technical Assistance (FIs and MSMEs)*

- Training to Lenders (banks, CUs to improve MSME lending)
- Training to MSMEs (to improve writing business plans etc. (this sub component will be undertaken with partner organizations )

#### *Component 3: Technical Assistance (Government/Private Sector)*

- To help governments and the private sector develop credit registries, credit bureau and strengthen foreclosure laws

#### 3.1.3.1 *Technical Assistance to FIs & MSMEs*

##### *Financial Institutions*

- Train FIs on using the PCG instrument
- Train FI and loan officers on MSME lending
- Conduct regional workshops on above
- Share best practices

##### *MSMEs*

- Partner with BDS (business development services) providers
- Find ways for MSME to improve their loan applications, accounting, cash flow analysis and other components with and without the guarantee

#### 3.1.3.2 *Measuring the Impact the PCG Scheme (sample):*

##### *Component 1: The fund*

- Number of MSMEs receiving guaranteed loans from PCG
- Share of guarantees issued to women owned or managed MSMEs
- Number of direct new jobs created through guaranteed loans

##### *Component 2: Technical Assistance*

- Number of loan officers trained
- Number of MSMEs assisted

##### *Component 3: Technical Assistance*

- Number of credit information workshops held

### **3.2 Screening, Eligibility and Exclusion Criteria (Kalinago Territory)**

The Screening and Exclusion aspect of the criteria is presented to reflect relevance to the Kalinago Territory. In this regard, the PCG will screen and exclude MSMEs in the KT whose activities will:

- adversely impact the lands or natural resources traditionally owned, or under customary use by the Kalinago Community
- result in the relocation of the Kalinago Peoples from lands and natural resources subject to their traditional ownership or customary use, and
- adversely impact their cultural heritage, including commercial use of cultural heritage or adversely impact natural areas with cultural and/or spiritual value such as sacred groves, sacred bodies of water and waterways, sacred trees, and sacred rocks.

*(As part of the group work activity, participants were asked to Identify and list which areas / resources in the Kalinago Territory refers to bullets 1, 2 and 3)*

### **3.3 Eligibility and Qualifying Criteria of MSMEs**

MSMEs will have to satisfy various criteria to qualify for a loan under the PCG, and will fall into one of four (4) categories:

Micro Enterprise:

- Has an annual revenue or projected annual revenue of less than \$75,000
- Employs or intend to employ less than 5 permanent employees

Small Enterprise:

- Has an annual revenue or projected annual revenue of less than \$400,000
- Employs or intends to employ less than 25 permanent employees

Medium Enterprise:

- Has an annual revenue or projected annual revenue of less than \$2,000,000
- Employs or intend to employ less than 50 permanent employees

Start-Up Enterprise:

- Once they are incorporated or registered in an OECS Member Territory
- Not Older than 2 years

### **3.4 Why Prepare an Indigenous Peoples Plan (IPP) for the Kalinago Community?**

An Indigenous Peoples Plan (IPP) is developed to comply with World Bank Operational Manual 4.10 to: a) promote sustainable development benefits and opportunities for Indigenous Peoples in a culturally appropriate manner; b) anticipate and avoid adverse impacts of projects on communities of Indigenous Peoples, or when avoidance is not possible, to minimize and/or compensate for such impacts, and; c) to



establish and maintain an ongoing relationship based on Prior and Informed Consultation and Participation (ICP) with the Indigenous Peoples affected by a project throughout the project's life-cycle.

#### 3.4.1 What are the main Objectives of the IPP Consultancy?

- To better understand the entrepreneurial activities of members of the Kalinago Community
- To better understand the existing relationships between the Kalinago Community MSMEs and lending institutions in Dominica
- To develop an Indigenous Peoples Plan (IPP) with the Kalinago Council and Kalinago Community that will:
  - Establish and maintain an ongoing relationship based on Informed Consultation and Participation (ICP) with the Kalinago Council and Community throughout the MSME activity's life-cycle.
  - Anticipate and avoid adverse impacts of MSME activities on the Kalinago Community, or when avoidance is not possible, minimize and/or compensate for such impacts
  - Promote the participation of MSMEs that are owned by the Kalinago Peoples to ensure that they can access and reap benefits from the Project, in furtherance of the sustainable socio-economic development of the community in a culturally appropriate manner.

#### 3.5 Overview of Consultation Format

During and after the presentation, questions and comments on the presentation as well as on the overall PCG scheme with reference to the Kalinago Community were addressed. After the session, four (4) groups were formed comprising representatives of at least two hamlets per group. The groups were provided with questions/topics for consideration and determination. The topics/questions related to potential benefits and challenges foreseen or anticipated for the KT/KT MSMEs participating in the PCG, mitigation strategies and approaches based on the potential challenges identified and finally their consideration of a consultation strategy for ongoing engagement of the KT in the PCG scheme. The groups were also subsequently asked to list natural resources traditionally owned and sites and resources which are of heritage, cultural and spiritual value as part of their presentation. These topics/questions were to be deliberated upon based on the unique status of the KT in Dominica. The list of topics/questions the groups deliberated on is found at Appendix B. The group work topics flow directly from the World Bank's Operational Manual 4.10. 4.10 in a nutshell refers to and addresses safeguards that are to be observed and put in place to protect Indigenous Peoples from any adverse effect of projects and to ensure ongoing consultation and beneficial participation of indigenous peoples in any World Bank supported project or program.

Based on these topics, the groups deliberated and presented the following for consideration and inclusion in the IPP, as outlined in Table 1 below.

### 3.6 Summary of Community Group Input for IPP

<b>TABLE 1: GROUP PRESENTATIONS – COMMUNITY CONSULTATIONS</b>	
<b>GROUP 1</b>	
<b>Potential Benefits:</b> of KT MSMEs Participation in OECS PCG Scheme	<ul style="list-style-type: none"> <li>• More employment opportunities</li> <li>• Economic growth</li> <li>• Improved welfare of the Kalinago people</li> <li>• Encourage collaboration among businesses</li> <li>• Educational opportunities</li> </ul>
<b>Potential Challenges:</b> or difficulties KT MSMEs may face seeking to participate in OECS PCG Scheme	<ul style="list-style-type: none"> <li>• Problem developing business plan</li> <li>• Poor managerial skills</li> <li>• Lack of land as collateral</li> <li>• Stereotyping by financial institutions</li> </ul>
<b>Mitigation:</b> of potential challenges or difficulties foreseen and entity most likely to assist KT MSME with mitigation	<ul style="list-style-type: none"> <li>• The government should make the needed collateral available to the Kalinago people.</li> <li>• The banks should consider Life insurance as a form of guarantee</li> <li>• Make lower interest rate available compared to none indigenous Kalinago People</li> <li>• Waiver of interest rates on loans in case of delinquent loan payment for valid reasons</li> </ul> <p>Entity/Individual most Instrumental in assisting with mitigation:</p>
<b>Consultation Strategy:</b> for ongoing KT Community Consultations on the PCG	
<b>GROUP 2</b>	
<b>Potential Benefits:</b> of KT MSMEs Participation in OECS PCG Scheme	<ul style="list-style-type: none"> <li>• Self-employment</li> <li>• Self-empowerment/individual growth</li> <li>• Community development</li> <li>• Increase in job opportunities</li> </ul>
<b>Potential Challenges:</b> or difficulties KT MSMEs may face seeking to participate in OECS PCG Scheme	<ul style="list-style-type: none"> <li>• Lack of experience or managerial skills in certain business areas.</li> <li>• Failure of program/scheme due to bad paymasters.</li> </ul>
<b>Mitigation:</b> of potential challenges or difficulties foreseen and entity most likely to assist KT MSME with mitigation	<ul style="list-style-type: none"> <li>• Continued monitoring of businesses which receive funding.</li> <li>• Training in good managerial practices (record keeping, book keeping etc.</li> <li>• Disburse in the form of LPO.</li> <li>• Provide funding in phases of setting up the business.</li> <li>• Partial grace period to at 6 months or a grace period based on business sales capacity.</li> <li>• Support for specific MSME attention in the community linked to turnover cycle (to elaborate)</li> <li>• Reducing balance loans and not straight line method should apply</li> <li>• Export oriented businesses should be given some level of priority/special incentive and additional hand-holding support</li> </ul> <p>Entity/Individual most Instrumental in assisting with mitigation:</p>

## DRAFT

### INDIGENOUS PEOPLES PLAN (IPP) - OECS MSME Guarantee Facility KALINAGO TERRITORY - COMMONWEALTH OF DOMINICA

	<ul style="list-style-type: none"> <li>Banks and other financial institutions establish Sub-committees as part of the loan departments who assist with monitoring business development in the KT.</li> <li>Kalinago council.</li> </ul>
<b>Consultation Strategy:</b> for ongoing KT Community Consultations on the PCG	<ul style="list-style-type: none"> <li>One on one engagement</li> <li>Group consultations</li> <li>Hamlet based consultations</li> </ul> <p>Specific Steps or Procedures to consider / establish in Consultation Strategy:</p> <ul style="list-style-type: none"> <li>More group work within the community</li> <li>After approval, community consultations should be facilitated by the village council</li> <li>Financial institutions should notify the community of the readiness of loan scheme</li> <li>Board of directors can be put in place to review and help improve on applications</li> </ul>
<b>GROUP 3</b>	
<b>Potential Benefits:</b> of KT MSMEs Participation in OECS PCG Scheme	<ul style="list-style-type: none"> <li>Small businesses would be able to operate smoothly</li> <li>They would be sustainable</li> <li>Be able to provide a large variety of goods and services to the community</li> <li>Create job opportunity</li> <li>Boost persons with entrepreneurial skills</li> <li>Boost Kalinago pride, respect and identity</li> <li>Revive and maintain our culture and heritage</li> <li>Alleviate stereotyping and historic stigmatization</li> <li>Improved confidence among individuals</li> </ul>
<b>Potential Challenges:</b> or difficulties KT MSMEs may face seeking to participate in OECS PCG Scheme	<ul style="list-style-type: none"> <li>Lack of collateral</li> <li>Lack of record keeping</li> <li>Lack of entrepreneurial skills (despite having the ideas, individuals experience difficulties in developing them further)</li> <li>Due to poor management in the past, presently business persons are faced with difficulties in accessing loans</li> </ul>
<b>Mitigation:</b> of potential challenges or difficulties foreseen and entity most likely to assist KT MSME with mitigation	<ul style="list-style-type: none"> <li>More entrepreneurial training</li> <li>Technical support to constantly monitor business operations</li> <li>Government to allocate a piece of land managed by the chief and council to use as collateral</li> </ul> <p>Entity/Individual most Instrumental in assisting with mitigation:</p> <ul style="list-style-type: none"> <li>Kalinago chief and council</li> <li>Government/Ministry of Kalinago Affairs (MOKA)</li> </ul>
<b>Consultation Strategy:</b> for ongoing KT Community Consultations on the PCG	<ul style="list-style-type: none"> <li>Communicate with council and chief</li> <li>Social Media (active in the KT): Batata KT, Kalinago Connections, Nazarene Youth International, L'Escalier Motivators, Sineku Enterprise Center, KT Sports Committee, Sineku Sports Committee</li> <li>Radio talk shows</li> <li>Town hall meetings</li> </ul>
<b>GROUP 4</b>	
<b>Potential Benefits:</b> of KT MSMEs Participation in OECS PCG Scheme	<ul style="list-style-type: none"> <li>Ease of access to finance</li> <li>Avoid institutional discrimination</li> <li>Emergence of new businesses or strengthening of existing ones due to increased access to credit.</li> <li>Increase availability of goods and services to residents</li> </ul>

**DRAFT**  
**INDIGENOUS PEOPLES PLAN (IPP) - OECS MSME Guarantee Facility**  
**KALINAGO TERRITORY - COMMONWEALTH OF DOMINICA**

	<ul style="list-style-type: none"> <li>• Activate actions towards establishment of Kalinago bank or other financial institution.</li> <li>• Foster new and better business practices</li> <li>• Special consideration will be given to every unique case and scheme design to match.</li> </ul>
<b>Potential Challenges:</b> or difficulties KT MSMEs may face seeking to participate in OECS PCG Scheme	<ul style="list-style-type: none"> <li>• Increase in number of failed businesses in the first few years</li> <li>• Discrimination at local banks</li> <li>• Business glut i.e., too many similar or same business ideas to be implemented in the locality.</li> </ul>
<b>Mitigation:</b> of potential challenges or difficulties foreseen and entity most likely to assist KT MSME with mitigation	<ul style="list-style-type: none"> <li>• Kalinago representative on PCG loans board (because of our unique circumstances and/or at least must have a specific relationship with the country's MSME representative on the PCG board)</li> <li>• Support financial and business literacy of KT residents (considering our experience in the 1930s uprising which had at its core, conflict associated with trade which undermined our continued entrepreneurial development)</li> <li>• Financial facility (KT bank) – response to our unique circumstances. The Kalinago Council therefore accept the likely necessity for amending the Act to support it)</li> <li>• Kalinago Development Corporation (consistent with KT Act)</li> <li>• Ensure that equal chances are given to all applicants regardless of gender.</li> </ul> <p>Entity/Individual most Instrumental in assisting with mitigation:</p> <ul style="list-style-type: none"> <li>• Kalinago Development Committee (KDC), Kalinago Council (KC), MOKA</li> </ul>
<b>Consultation Strategy:</b> for ongoing KT Community Consultations on the PCG	<ul style="list-style-type: none"> <li>• Provide training in financial literacy, record keeping etc. as a means to promote and strengthen participation in the scheme</li> <li>• Oversight – there must be an oversight body in the territory for reviewing/scrutinizing preparation, monitoring disbursement and giving support</li> </ul>

<b>SITES / NATURAL RESOURCES</b> <b>OF HERITAGE, CULTURAL, HISTORIC AND SPIRITUAL VALUE IN THE KALINAGO TERRITORY</b>	
<b>Valued Site / Natural Resource</b>	<b>Location / Hamlet</b>
<b>L'escalier Tete Chien:</b> The legendary L'escalier Tete Chien is a lava rock staircase which descends right to the sea at Sinekou. It's the Carib name for the boa constrictor, because the rock formation is shaped like a snake.	<b>SINEKOU</b>
<b>Centipede Trail:</b> This is a trail which leads to a rock with a huge centipede shaped like marked onto it. There's a legend to this mark. This area is not popular since it has not been developed to be made properly accessible	<b>ST. CYR</b>
<b>The Horseback Ridge:</b> This ancient Carib Trail between villages and farms is accessible to vehicles between Salybia and Bataca. A drive or walk over the Ridge gives a picturesque view of St. Cry and Bataca, parts of Concord and the Atlantic Ocean.	<b>SALYBIA</b>

<b>Catholic Church:</b> Inside this triangular shaped church are murals depicting past and present Carib ways. Admire the canoe-shaped altar and other traditional and religious carvings.	<b>SALYBIA</b>
<b>The Kalinago Barana Aute'</b> (means the Carib Cultural Village by the Sea). This Village honours the diversity, heritage and history of the Kalinago people by portraying their customs and traditions. It provides an opportunity for guests to learn experience and gain a greater appreciation of Kalinago culture and history.	<b>SALYBIA</b>
<b>The Author stated that all these sites need upgrading</b>	

**Source:** Delma Frederick, Kalinago Territory Community Profile, 2010

### 3.7 Impacts of the Project on the Community

#### 3.7.1 Summary of potential Positive Effects of the CGF on the Kalinago community

From the four group presentations, each group identified the following potential positive effects and benefits of the PCG scheme.

- Increased employment including self-employment and other job opportunities
- Increased acquisition of business and entrepreneurial skills and better business practices
- Increased access to finance
- Reduce/remove/alleviate/avoid stigma and discrimination
- Improved welfare, social and community development of the Kalinago People

#### 3.7.2 Summary of Challenges / potential Adverse Impacts of the CGF on the Kalinago community

The following are the most frequently cited challenges by all groups which are seen as likely to be most adverse to non-differentiated participation of KT MSMEs in the PCGS. Several other challenges are detailed in the table which will require collective efforts and partnerships to address.

- Lack of business and entrepreneurial skills and lack of experience and training in managing a small business.
- Lack of collateral
- Stigma and stereotyping by FIs

#### 3.7.3 Summary of Mitigation measures necessary to avoid/minimize or compensate for potential adverse effects

In order to ensure appropriate benefits as per World Bank Operational Manual 4.10 most groups identified the following identical mitigation measures and safeguards against potential adverse effects (identical based on intent and not necessarily use of same wording in their submissions).

- Technical support especially through an entity established in the KT to monitor, oversee and support possible MSME participation in the PCG scheme.
- Overall capacity development ranging from training in financial literacy, entrepreneurship and various business related fields to management training to be provided prior to and during any likely MSME accessing of the PCG scheme.

- Make loans available to KT MSMEs at differential interest rates. In the current design where the FI makes the loan – this is not feasible, but the sentiment that it represents is acknowledged.

These three mitigation measures seems common to all groups, it therefore would be helpful to work with the community to implement these measures under the PCG scheme where feasible (the third is not feasible in this project). While some mitigation measures may be beyond the scope of the PCG scheme, the mitigation approaches proposed seems necessary to ensure non-differentiated participation of KT MSMEs in the PCG scheme.

#### **3.7.4 Proposed Mitigation Measure – Differential Interest Rate for KT MSMEs in the PCGS**

While there may be utility in the mitigation proposal which calls for differential interest rates on loans to the KT MSMEs, one financial institution consulted indicated the experience with one program they instituted which provided a zero interest rate for successful applicants. This loan program was a serious failure. In that program, interest free loans were provided. Applicants only had to repay the principal borrowed yet the program failed. By comparison, the same institution had a low interest rate programs implemented around the same time as that of the interest free loan program and that program was a success, with high repayment rates. What did the institution running both programs at the same time learned that mainly accounted for the failure of the interest free program in terms of repayment and the success of the low interest program in terms of repayment? The method of loan payment was the major difference and determining factor between the failure of the interest free loan program and the low interest loan program. The institution indicated that where the borrowers were required to come in to pay over the counter, they were lax and did not show discipline and commitment in making their payments. It was easier not to come in to pay and or to make excuses for not exercising discipline in making their over the counter payments. By comparison, payments for the low interest program were made from direct debit of accounts of borrowers who signed payment orders to the financial institution so their payments were deducted by the financial institution from sales and other deposits made directly to the bank from customers of the borrowers. In such a scenario, factors other than interest rate such as discipline and commitment is a greater determinant of repayment than the interest rate or not, *ceteris paribus*. Further, it is likely that the screening process when there was an interest rate was probably better as the lending institution had an incentive to better screen for potential applicants.

## **4 Experiences of MSMEs, MSME Aspirants and Start-ups Participating in Community Consultations**

Participants at the community consultations comprised of micro and small enterprise owners/entrepreneurs and those aspiring to start a business (either in the idea or concept stage, already started or are in startup mode). The focus and outcome of the work of participants at the community consultations are outlined in Section 3. However, in addition to their role at the community consultations, they also completed the same MSME template that the other MSMEs completed that is, those who were not part of the community consultations. The participants at the consultations were asked to complete the MSME template for the same reason as the other MSMEs i.e., to gauge their possible participation in the PCG Scheme and to gauge their relationships with Financial Institutions (FI).

### **4.1 Responses to MSME Questionnaire from Community Consultations**

In all, sixteen (16) participants at the consultations responded to the five questions asked, offered suggestions for a consultation strategy and completed the MSME template. Two sets of tables represent their responses. In Table 2, their combined responses to the five questions are shown (i.e., 16 responses). It must however be noted that seven (7) participants did not seek a loan specifically for business purposes but indicated they had loan application-related experience with FIs. Their experience relates to loan applications for other purposes such as house repairs. One participant indicated they secured a loan of EC\$17,000 for house repairs and describes the experience as good. Others describe their experience as fair or bad. Further, the responses from these seven participants indicate that they are mainly in start-up mode (including concept/idea stage in some cases), as well as reflected in their responses to the other questions and consistent with their disclosures during the consultations. Also, at least seven (7) participants listed “startup/getting started” on the Attendance Register together with their area of business interest. The Attendance Register is at Appendix A. It also reflects the likelihood that the loan sought could have spilled over into income generation purposes/activities.

Table 2 is therefore split in two parts to reflect the responses of these seven respondents followed by the responses of the other nine participants who sought a loan specifically for business purposes. Those who sought a loan for personal and related purposes would have the benefit of this experience to take into consideration in preparation for their application for a business loan. This in itself is a good thing for that group of MSME aspirants.

The subsequent table (Table 3) shows the template responses (17 responses). This table is also presented in two parts as in Table 2 above starting with the 8 participants who did not seek a business related loan followed by responses of the 9 who did. The table shows only one of the eight who did not seek a business loan is officially registered which is to be expected since most are in start-up mode even if a small number have commenced operations. But of the 9 who sought and or received business related loans, 6 have not formally or officially registered their business and one did not say. This therefore is an important business related capacity development need to address. This issue of enterprise registration was also identified in other OECS jurisdiction in the Market Sounding Exercise and is a challenge across the region.

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**Table 2: MSMEs/Prospective MSMEs Combined Responses to Questions**

Questions	Combined Responses					
<b>Did not seek MSME loan (=7)</b>	<b>Other loan related experience</b>					
<b>Experience interacting with FIs</b>	Bad (1)	Fair/Receptive <b>(3)</b>	Good/Positive <b>(2)</b>	--	Other (1)	No answer
<b>FI reaction to loan application</b>	Eager to support <b>(2)</b>	Help/advice to Improve application	Seemed to deter me <b>(3)</b>	Found process cumbersome (1)	Other (1)	No answer
<b>Area of financing needed most**</b>	Equipment (1)	Stocks	Expansion (1)	To Start up <b>(2)</b>	Capital* <b>(2)</b>	No answer (1)
<b>Main Banking / FI doing business with</b>	Foreign owned bank	Locally owned bank (1)	Credit Union <b>(4.5)</b>	Development Bank <b>(1.5)</b>	Other	No answer
<b>Type of business help most needed</b>	Accounting (1)	Marketing <b>(2)</b>	Doing Business Plans <b>(2)</b>	Two or more areas listed <b>(2)</b>	Other	No answer
<b>Sought a MSME loan (=10)</b>	<b>MSME loan related experience</b>					
<b>Experience interacting with FIs</b>	Bad (2)	Fair/ Receptive <b>(4)</b>	Good/ Positive <b>(3)</b>	--	Other	No answer (1)
<b>FI reaction to loan application</b>	Eager to Support (2)	Help/advice to Improve application <b>(4.5)</b>	Seemed to deter me (1)	I find process cumbersome <b>(2.5)</b>	Other	No answer
<b>Area of financing needed most**</b>	Equipment (1)	Stocks (1)	Expansion (2)	To Start up	Capital* <b>(5)</b>	No answer (1)
<b>Main Banking / FI does business with</b>	Foreign owned bank (1.5)	Locally owned bank (1.5)	Credit Union <b>(4.5)</b>	Development Bank <b>(2.5)</b>	Other	No answer
<b>Type of business help most needed</b>	Accounting (2)	Marketing <b>(3)</b>	Doing Business Plans (1)	Two or more areas listed <b>(3)</b>	Other	No answer (1)

\*\*In some instances, responses included more than one area of financing most needed. Some indicated they needed a combination of capital, stock, equipment, working capital etc. in their answer to this question. The each area is given .5 accordingly. The same scoring applies to multiple responses in some other responses.

\*Capital here refers to land, labor, finance, building/infrastructure (equipment, expansion, start-up etc. treated separately).

Note: The numbers highlighted in brackets represent the majority of responses and those in bold are the next majority responses or equal in number of majority responses.

From the details in Table 2, a majority of MSMEs in the KT consulted about their experiences with FIs indicate FIs have been fair/receptive and good/positive towards their loan applications, regardless of the purpose of the application. But more MSMEs applying for personal loans felt deterred rather than an eagerness to be helped by FIs. This is aligned with their interpretation of fair/receptive because on the questionnaires, several respondents said “fair” but only after satisfying the FIs requirements while others stated “receptive” only after comparing experiences between two or more FIs.

Similarly, a majority applying for MSME related loans indicate they had a fair/receptive experience but was helped by the FI with advice to improve their loan application. This is consistent with findings from discussions with FIs who all indicate that MSMEs from the territory would need a lot of help to participate and succeed in the PCGS. The results also show this as MSMEs in the territory identify business help needed across the board. Most need finance to fund capital. Most indicated that they do their banking with credit unions.



**Table 3: Experiences of MSMEs, MSME Aspirants/Start-ups Participating in Community Consultations**  
**Gauging possible Participation in the PCG Scheme and Gauging Relationships with Financial Institutions**

No	PRODUCT or SERVICE	MSME PCGS QUALIFYING CATEGORY	REGISTERED / NOT REGISTERED		LOAN FIANCING SOUGHT and or RECEIVED FROM				# of SUCCESSFUL or UNSUCCESSFUL LOAN APPLICATIONS			LOAN DEFAULT STATUS		COLLATERAL ACCEPTED for LOAN	FINANCIAL GRANTS RECEIVED		COMMENTS or INFORMATION on OWNERSHIP
			Reg.	Not Reg.	Bank	CU	Other	NS	Succs	Not Succs	NA	Past	Pres		Govt	NGO	
	Main products or service produced / sold	Micro, Small or Medium												Land, cash, gold, letter...			Male/female owned, # of staff
1.	Automobile parts	Micro		✓				✓			✓						Male owned
2.	Bar	Micro		✓				✓			✓						Female owned
3.	Baked products	Micro		✓				✓			✓				✓		Female owned
4.	Smoked meats (pork)	Micro		✓				✓			✓						No response
5.	Plant nursery	Micro		✓				✓			✓						Female owned
6.	Sewing	Micro		✓			4H	✓			✓						
7.	Music/entertainment	Micro	✓					✓			✓						Group of 5
8.	Short term crops	Micro		✓	✓	✓	✓		✓								(personal loans)
9.	Prepared Foods/snack	Micro		✓						✓							Female owned
10.	Bar, food, souvenirs	Micro	✓		✓	✓				✓							Female owned
11.	Cassava products	Micro		✓	✓		✓			✓				Person			
12.	Craft products (wood, straw, pine)	Micro		✓			✓ DREP							Through DREP			Female owned
13.	Animal health	Micro		✓	✓					✓				Land letter			Male owned, one worker
	Pig farm				✓				✓								
14.	Accommodation	Micro	✓		✓	✓			✓	✓				Property Insurance			Family owned
15.	Kalinago craft	Micro		✓		✓			✓	✓				Land, cash			
16.	Baked products	Micro				✓			✓					Cash	✓		Group owned
17.	Food and beverage	Micro	✓		✓	✓	✓		✓					Letter	✓		Family owned

**Key:**

- Micro (make less than \$75,000 per year), Small (make less than \$200,000 per year), Medium (make less than \$2,000,000 per year)
- Reg. / Not Reg. – officially registered or officially not registered business
- CU – Credit Union
- Succs / Not Succs – successful or not successful
- NA – No Application made to date
- NS – None sought / no loan financing sought from any financial institution

## **4.2 Analysis of MSME Responses from Community Consultations**

From the MSME template in Table 3, five Kalinago applicants were successful in their applications for MSME loans. In each case, they were successful with as much as four loans. Of the five successful applicants, three also had unsuccessful business loan applications. Three applicants were unsuccessful in their MSME loan applications. The table shows a near equal number of applications were made to banks and credit unions while some also applied to other providers such as Fast Cash. Collateral accepted for securing loans include person (personal guarantor), cash, land, letter (with respect to letter, the AID Bank conveyed that they have an agricultural loan program that accepts a letter from the Kalinago Council which confirms that the applicant is allocated land in the territory for agricultural purposes). Most MSMEs are not registered. Registering their businesses as legal entities no matter how small is beneficial. During the community consultations, participants commented about the “glut” in business types in the territory which is seen in the MSME template with bar, food, craft dominant, although the table also shows other necessary business interests. Most MSMEs in the table are female owned (and mainly operating food and beverage and craft) while two are family owned and two are group owned/operated.

In addition to the specific information in the table, some MSMEs loan applicants participating in community consultations provided some brief interpretations of their experiences.

3 unsuccessful loan applicants said the following respectively:

- *“Stressful, unhappy.”*
- *“I have had 3 unsuccessful loan applications due to lack of collateral and because I work [with a government program] where salary deductions were not available. I had one successful loan application when the [government program] allowed salary deductions”*
- *“Used joint personal resources – no grant or loan funding”*

2 successful loan applicants said the following:

- *“I was overcharged on a...loan”*
- *Financial institutions never willingly give assistance to residents of the Kalinago territory. It is easier if the person is a government employee and even if you are, the paperwork involved is overwhelming. The area where I want to seek assistance is in helping to expand my business to employ at least two people...I have never defaulted because...I do salary deductions however I’ve been overcharged on many occasions”*

It is interesting that both successful loan applicants (both of whom were successful with more than 3 loans) had experienced being overcharged. Importantly, they were aware and may be encouraged to alert others to be alert.

## **5 Experiences of Kalinago Territory MSMEs not participating in Community Consultations**

Seven (7) individual MSMEs from various Hamlets in the KT were engaged in discussions about their MSME experiences and relationships with financial institutions in Dominica. These individual MSMEs are involved in business activities ranging from craft, accommodations, agriculture/agri-business, automobile services, bar, shop/mini mart and baked products. They represent a purposive sample of MSMEs from the main Hamlets in the territory. Engaging these MSMEs was deliberate and intended to bring varied perspectives of the MSME experiences in the territory rather than to present the viewpoints and outcomes of the discussions with participants of the community consultations only. These individual MSMEs were not participants of the community consultations which comprised other MSMEs, MSME aspirants and or startups.

### **5.1 Analysis of MSME Responses Outside of the Public Community Consultations**

Five of the Seven MSMEs consulted completed the MSME templates. Their responses to topics in the table which sought to gauge possible participation in the PCGS and gauging their relationship with FIs are seen in Table 4 below. The table reflects the experiences of this group of MSMEs which in the main is similar to the experiences of MSMEs participating in the community consultations.

Table 4 shows that the pattern of successful and unsuccessful loan applications among this group of MSMEs mirrors that of the MSMEs participating in the community consultations. In one case, the MSME was successful in obtaining up to seven (7) loans, four from one FI and three from another. He attributes this to the fact that he started on his own, with his own resources so he had a start. Then through savings, eventually had a good savings so it was possible to take share secured loans until there was confidence and trust in the relationships. That trust came with always repaying loans. These were small loans ranging from EC\$2,000 to EC\$8,000 over time. The belief shared is that you have to start small and build up and accumulate and do not settle for one thing because the place too small to rely on one means of survival...more of this small group of MSMEs registered their businesses (in some cases it was mandatory to obtain food handlers certificate and annual liquor license).

Other than the specific topics in the table headings discussed with this group of individual MSMEs and reflected in the table, they offered additional insights based on their experiences that helps inform this IPP in a number of very important ways and which are important for understanding the territory, how some MSMEs in the territory help themselves and how best they can be helped. The range of those additional insights is presented below.

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**Table 4: Meetings/Bilateral Consultations with Kalinago Territory MSMEs not participating in Community Consultations**  
**Gauging possible Participation in PCG Scheme and Gauging Relationship with Financial Institutions**

No	PRODUCT or SERVICE	MSME PCGS QUALIFYING CATEGORY	REGISTERED / NOT REGISTERED		LOAN FIANCING SOUGHT and or RECEIVED FROM				# of SUCCESSFUL or UNSUCCESSFUL LOAN APPLICATIONS			LOAN DEFAULT STATUS		COLLATERAL ACCEPTED for LOAN	FINANCIAL GRANTS RECEIVED		COMMENTS or Info on OWNERSHIP
			Reg.	Not Reg.	Bank	CU	Other	NS	Succs	Not Succs	NA	Past	Pres		Govt	NGO	
	Main products or service produced / sold	Micro, Small or Medium												Land, cash, gold, letter...			Male/female owned, # staff
18.	Automobile services	Micro		✓			✓			✓							Male owned
19.	Shop (dry goods only)	Micro	✓				✓			✓							Female owned
20.	Shop (goods, liquor...)	Micro	✓			✓			✓					Cash (joint)			Family owned
21.	Agriculture	Micro	✓				✓		✓	✓							Group operated
22.	Goats, bar, fabricating	Micro				✓	✓		✓					Cash, lien, Reputation			Male owned. I repay my loans...

**Key:**

- Micro (make less than \$75,000 per year), Small (make less than \$200,000 per year), Medium (make less than \$2,000,000 per year)
- Reg. / Not Reg. – officially registered or officially not registered business
- CU – Credit Union
- Succs / Not Succs – successful or not successful
- NA – No Application made to date
- NS – None sought / no loan financing sought from any financial institution

**Note:**

Include information for up to 3 businesses if you own more than 3 or also involved in a separate family business or separate partnership with a group.

## **5.2 Additional Insights from KT MSMEs**

### **5.2.1 Effects of the Decline of the Banana Economy**

Firstly and in general, most experienced MSMEs who were engaged in consultations recall the positive impact of the Banana era as having provided consistent income flows and opportunities for farmers and their families. This export economy also served as the main driver of local economic activity in the territory more than a decade and a half ago. There is an overwhelming sense that the community has not recovered from the loss of income from the “banana economy” of the Kalinago Territory. Additionally, it appears that the wider effects of the collapse of the banana economy nationally which would have had beneficial multiplier effects on the rural economy of Dominica is still being felt in the Kalinago Territory as discussions inevitably references the banana era. Indeed, some in the community decry the social fallout from decline of the banana economy as well.

### **5.2.2 Entrepreneurial Foundations and Wealth Creation**

Secondly, there appears to be a historical disconnect in the transfer of knowledge and practice of entrepreneurship and wealth creation from one generation to the next in the territory. The association between business and generation of wealth is known, but the foundations for this in the community appear weak. There is the view that over time the Kalinago community is still struggling to transition from its self-sustenance and subsistence orientations to a full understanding and appreciation of commerce, entrepreneurship and wealth creation. This absence of entrepreneurship and wealth creation in their “DNA” as one put it, coupled with a still strong lineage to subsistence/survival-based enterprise remains a struggle for the community to transition from, into one of genuine business development. This is because most in the community do not have the entrepreneurial foundations nor provided with the critical fundamental entrepreneurial training and other foundations to become entrepreneurs.

### **5.2.3 Perceptions, Realities and Possibilities**

#### **MSME insight 1**

“Approaching the bank has been half and half, good and bad, they are usually receptive to me but once they hear you are from the territory, attitudes seem to change because they know land cannot be used as collateral for the loan or business. They will try to provide alternatives to you to use cash as security but if you don’t have cash then there are very slim chances of you getting a loan...the other choices that you have is getting a guarantor and using like that persons vehicle as a sort of security...I was unsuccessful with getting the loan so I have halted the application process...I started building the structure through joint resources with my partner...both our salaries...self-employed family members buying buses and boats get loans easier because they can take a bill of sale on it...one FI said we should start titling our lands...Ministry of Small Business and Commerce Small Business Unit provides a grant for materials and supplies for small business but the process is long so I hope to get that in the next financial year...we have had business plan development training here in the territory...a lot of young people was trained in business plan development...an area we are weak in here in the territory is a lot of people have the business ideas and they want the money yes but when they get the money they don’t apply it to what they got it for...to consult, the approach we must use is to do one and one...do it at the hamlet level, select

business persons from the different hamlets who have businesses and want to get into business and do indoor sessions with them in that setting..." (*Food and Beverage MSME Startup*)

#### MSME insight 2

You've had a loan from a FI in Dominica? "no, none, I start this (tire repair shop) by own little finance...bought my tools piece by piece, I started very small...I had a small compressor and together with a fridge motor...and a hose...after much trial and error...that is what I used, 10 years...that is what I use to give the tires air...35 pounds of air...I started out fixing little things like refrigerators...I am self-taught...that's how I learned to use the fridge motor and compressor to give the tires air...

So did you apply again? "I went to them but I didn't get any...they sent me to make an invoice for certain amount of things, the compressor, tools, I bring it back for them but they never approved it. I went back about three times. I had asked for just EC\$6,000...that is about 10 years ago. About 3 years ago I also went to...place when they was giving grants. I went there a lot of times...lot ah lot ah times. Then eventually they told me they could not give me, that I am too old...so I told my son to go because he young, before he went to study abroad, they told him to bring invoices he bring it and up to now nothing...that's why I stayed so, compressor very expensive, I have no collateral for loan, can't afford...I bought that old one second hand...my brother brought some for me...but the service here take too long...all night I have to be fixing things...my two sons help so they do it faster but it still take too long" Can you get someone as a guarantor and apply again? "...that's hard now, people does not like to do that anymore...I went [to someone] but they say the people don't pay so no [they did not do it]...Life insurance no...I think to consult and keep [us] informed is good...use the Council and put information on the radio too" (*Automobile services MSME*).

#### MSME insight 3

"...no we didn't take a loan...never took loans...we plant the laoma reed and you can also find it in the rain forest...and the vetivier...we dry it to use it to make our basket, our craft...we make it ourselves...my husband make them, and he build boats...these yams, sweet potatoes...I am selling, these come from my garden...can't take loans on that...look whole day am here and sell nothing...my brother took a loan but couldn't pay back that loan...took the loan to plant bananas...the company asked them to pay back the interest, they couldn't even reach to pay the interest...many people in the territory can't afford to take loan...they don't work for big money to take loan...no use forcing the point...20 years ago my husband took a loan, \$15,000 to plant bananas...every banana fortnight we wouldn't get any money because they told us last fortnight we were already in arrears...so my husband and I we go on like that, we go on like that, we try and pay, we try and pay...the day they tell us we finish pay for that loan I make the sign of the cross...it was very very hard for us...I tell my husband never watch another loan eh, leave loan right there...it hard to live in the Kalinago territory because it don't have money, the people are not working..." (Vendor – craft, root crops MSME)

#### MSME insight 4

"I went for a loan...for my shop, I already had my four pillars up already...I say if they can give me about a \$20,000 that would be good...they came and see the place and they told me that it had too many shops

in the area so they couldn't give me the loan...that was 18 years ago...that was it, so I sell my things, save my money and buy, 500 blocks then another 500 blocks and is so I build my place...and the little profit from the shop is that I take to build my house [house adjoining shop]...I never went back...never took a loan...but right now if I get maybe a \$40,000 to help me...I did a bit of babysitting and save my money and that helped me too...I pay my suppliers with cash and that's it, I don't keep no records because I don't going in bank for no loan..." (Shop Owner MSME)

MSME insight 5

"...my experience as a business person in the community here is that funds are slow...I never approached any financial institution for loans to start, I started with the small funds that I have...now have a loan with...FI that I use to run my farm...the treatment from the...FI is good so far. I borrowed \$4,000 with two years to pay...this loan was taken mainly for the farm....took three loans thus far with...FI but has also dealt with...FI. The loan with the...FI was also taken for the farm. I took approximately \$8,000. I took a total of four loans with...FI. The treatment from ...FI is also good. Loans have always been for farming however if there is need for another loan it will be to assist with purchasing of a fridge and for extension of the property, to be able to organize a nice snack bar with chairs and tables where patrons can come to get food...I save at the...FI...I don't have a bank account...never saved in a bank before...right now I have current loans with...FI and...FI, one each...I don't keep records...Never took any training for business...". Have you ever defaulted on any of your loans? "No, I have always made my payments and have thus been successful in all loans...While I have not planted crops in a while, the current plan is to return to crop farming also, mainly into the plantain...currently looking for plants..." How would you and the community want to be communicated with about this project? "Pass and encourage us. Inform us that there is business coming..." (Farmer, Bar Operator... MSME)

MSME insight 6

"...I operate a farm, have access to 25 acres of land...works closely with the extension officer for the area...the land currently is cultivated with yams, dasheens mainly root crops and some tree crops (fruits, oranges and grapefruits). Also do some short crops...currently working with a team to transform 12 acres...into aqua culture, animal husbandry and trails...in the process forest management would be considered example planting of the laoma plant for basket weaving...currently being assisted in developing a business plan...the project was already presented to [government], however we were told to return as the project is viewed as a big project...the project has the potential for job creation and sustainable development...the land is not an issue in the KT, what is the issue is the necessary resources to develop that land..."

What collateral options do you think can be explored? "If someone can co-sign...purchase land outside of the territory which can later be used as collateral to finance development in the Territory...the council can raise its own funds and purchase land outside the KT which can be used instead of always requesting from the government, the government can then be asked to compliment it..." Did you ever have a loan with any financial institution? "Yes with FI...and FI...which was for agricultural purposes...the experience has been good and bad to a certain extent. When more credit is taken from your income then it becomes difficult to repay...the treatment however is good." What area of training you need most? "All areas of

training, as new information is always coming, hence consistent training is crucial. My weakest area is record keeping” What would you like to see happen in terms of consultation? “Stay to ensure the project works before you let it go... the Kalinago people can be trained to provide that role, hand holding, partnership arrangements...” (Farmer, MSME)

These six brief MSME experiences tell the story of challenges in seeking loan financing and their resort to their own and other means to keep going and develop their businesses. It also tells the stories of those who were successful in obtaining loans. They provide opportunities for understanding how they wish to be consulted. One MSME proposes consultation in the form of hand-holding support, as he puts it “stay to see the project through, helping someone to start and then leave it to them to run is not helping them...”

### **5.3 Summary of all MSME insights**

1. KT MSME experiences and relationships with FIs vary between positive and negative.
2. Relatively small amounts of loan financing sought by many KT MSMEs characterize their lending approach. Their collateral base is a factor linked to this approach.
3. The KT possesses a lot of micro enterprises, many offering similar products and services.
4. An Important distinction is to be observed regarding collateral versus training
5. There is a critical need to help with KT MSMEs with training/capacity building and to ensure such training is targeted to MSMEs.
6. With respect to collateral, the situation is not fully one sided, there are other options, but the Kalinago community is still at a disadvantage.

### **5.4 Summary of all KT Consultations**

Between May and July 2017, four (4) different groups were consulted with in the KT: the KT Council (Chapter 2), wider community (chapter 3), MSMEs and startups (chapter 4) and individual MSMEs (chapter 5). In each case, the particular group was notified in advance of the consultations relevant to the particular group through phone calls and community walkthroughs by the Community Development Officer for the KT, the KT Chief and other personnel. In addition, phone calls, word of mouth and dissemination of letters of invitation and other notices were used for consultation mobilization. In some instances, ad-hoc and impromptu consultations and other opportunistic moments were seized to engage different members of the community. In some instances, members of the community recommended others who in their view were important to be consulted with and such leads were pursued and consultations had with such persons.

Each group or individual consulted with were given background information on the purpose of the engagement and tasks associated with development of the IPP and the consequent utility of the IPP for the community’s benefit. In the case of consultations with the KT Council, a copy of the consultant TOR was provided to the Council as a basis for their greater awareness of the IPP instrument, how the IPP is to be developed, how it would be used by the community and to generally aid their familiarity with the consultant assignment and the support role the council will play in undertaking the assignment.



In each of the consultations, the particular grouping were provided with a brief synopsis of the background and purpose of the IPP, how the IPP is being developed and their respective role in the IPP development.

The outcomes / output of the various consultations form the core content of the IPP which is evident in Chapters 2, 3, 4, 5 and 7 of the document. The outcome of consultations with the KT Council is best captured in the chapter summary at 2.2. Outcome of the consultations with the community is best captured in Section 3.6, Table 1. The outcome of consultations with MSMEs, MSME Aspirants and Start-ups participating in Community Consultations is best captured in Table 2 and Table 3. The outcome of consultations with individual MSMEs is best captured in Table 4.

Two additional rounds of community consultations occurred. A second round of community consultations and a third round of community consultations were held to review the draft IPP. The process and the outcome of the second round of community consultations to review the draft IPP are best captured at Sections 7.2 and 7.3 and at Appendix C (community comments on the draft IPP) and Appendix E (Minutes of the second round of community consultations on the draft IPP). Following the second round of community consultations, and based on changes requested by the community as well as the request for more time to review the draft IPP, a third round of community consultations occurred to review the revised draft IPP. The process and outcome of the third round of community consultation on the draft IPP is best captured at Section 7.4 and at Appendix D.

Throughout these consultations on the draft IPP, a primary community concern revolved around the community desire for special consideration in the PCGS given their collateral weaknesses, capacity deficits and related circumstances and constraints. The IPP points them in the direction of the role training will play in enhancing MSME capacity to better engage in mobilizing MSME financing, engage in better MSME operations while at the same time ensuring non-differentiated access to the PCGS. Finally, these consultations addressed one major change the community requested, namely the removal of language that appeared to restrict or downplay potential beneficial outcomes of the PCGS if accessed by MSMEs in the KT. This was interpreted by the community based on language in the IPP, namely; that the purpose of the IPP is not a development program for the KT...nor a program to promote economic development in the KT.... That language was contained in Section 9.1.3 of earlier draft of the IPP. That section was completely removed. No such reference is made in the IPP anymore. The IPP does state its purpose and how it will be utilized by the ECPCGC, participating FIs and the KT to ensure non-differentiated access by KT MSMEs to the PCGS.

Arising from these consultations, the revised IPP was approved by the KT.

## **6 Bilateral Consultations with Financial Lending Institutions and Government Support Program Stakeholders in Dominica's MSME Environment**

These bilateral consultations were primarily aimed at providing context for gauging interpretations of the prospects for MSME development in the KT, gauging relationships between financial lending institutions, government support programs and Kalinago MSMEs and community, gauge areas of support the respective institutions can or will provide to KT MSMEs in aid of non-differentiated participation in the PCGS, seek their advice about how KT MSMEs can benefit from participating in the PCGS and solicit their input/recommendations for design of a consultation strategy for engagement with the Kalinago Community regarding the OECS MSME PCGS (drawing upon their knowledge of and lessons learned over their long history of engagement and foreseeable future engagement with KT MSMEs). In addition to these topics/discussion areas with both sets of stakeholders, financial lending institutions were also asked how their participation in the PCGS could benefit MSME loan applicants from the KT, their experience with loan applicants from the KT and what have been done or can be done by their institutions (or Financial Institutions (FIs) in General) to reduce or remove barriers to MSME lending.

The most salient points of the collective inputs of these institutions are presented in Table's 5 and 6 below.

The four (4) financial lending institutions consulted were: (i) the Dominica AID Bank; (ii), National Bank of Dominica (NBD); (iii) Castle Bruce Credit Union which is now the Castle Bruce branch of the National Cooperative Credit Union (NCCU) of Dominica, and; (iv) the National Development Foundation of Dominica (NDFD). Their responses are summarized in Table 5.

The five (5) Government support programs consulted were: (i) the Ministry of Trade, Energy and Employment (MTEE); (ii) Ministry of Commerce, Enterprise and Small Business Development (MCESBD); (iii) Small Business Unit (SBU) of the MCESBD; (iv) Dominica Cooperative Societies League (DCSL), and; (v) the Dominica Association of Industry and Commerce (DAIC). Their responses are summarized in Table 6 below.

Additionally, the Dominica Youth Business Trust (DYBT) was also consulted. The DYBT provides loan guarantees for young entrepreneurs between ages 18 to 35 and offers a competition based grant for start-ups only. The DYBT is unique in its design and delivery modality since – as was described by the its Coordinator – the DYBT does not handle money at its place of business but pays guarantees for defaulting members from resources it receives mainly from government for this purpose, and provides a competitive one-off grant for start-ups at the end of each training cycle for new entrepreneurs. Considering the DYBT provides loan guarantees (not loans) and a competitive grant for start-ups (not grants), brief insights from the DYBT is provided separately. However, its advice to KT MSMEs and recommendations for a consultation strategy are similar to those of the other stakeholders.

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**Table 5: Contributions of four Financial Lending Institutions**

<b>How would Participation of your Financial Institutional In the PCGS benefit KT MSMEs?</b>	<b>Institutional Experience With KT MSMEs</b>	<b>Purpose for which Loans are Most Requested by MSMEs</b>	<b>Most Helpful Advice to KT MSMEs Participating in the PCGS</b>	<b>Recommended Consultation Approach for KT</b>	<b>How FIs Reduce/ Remove Barriers to MSME Lending</b>
<ul style="list-style-type: none"> <li>• Technical assistance to help them manage. Our Concern is when there is a line of credit but there is no facility to help them to manage.</li> <li>• The scheme should be made attractive and accessible</li> </ul>	Experience is positive, they are a productive group of people...They have generally serviced loans they have with us	<ul style="list-style-type: none"> <li>• Generally: tour buses, parts, stocks for bars, equipment</li> <li>• For Agriculture: inputs for farming, labor cost, planting material, farm</li> </ul>	<ul style="list-style-type: none"> <li>• Management of their businesses</li> <li>• Take record keeping seriously, it is important</li> <li>• Seek Technical support</li> <li>• Education, learn the technical knowhow</li> </ul>	<ul style="list-style-type: none"> <li>• Focus group through the Council to identify existing businesses</li> <li>• Guided discussions with MSMEs to identify their needs and work with them to address</li> </ul>	<ul style="list-style-type: none"> <li>• No security &amp; minimum collateral type loans</li> <li>• Various lending options with various limits to increase access to as many MSMEs as possible</li> </ul>
<ul style="list-style-type: none"> <li>• To help them use the opportunity they have for increased access under the scheme</li> <li>• to encourage and support members with the opportunity for their MSME development</li> </ul>	Negative and positive: <ul style="list-style-type: none"> <li>• DREP closed off bad debts of some from KT, though the bad debts to the institution were across the board.</li> <li>• Many from the territory service their loans well</li> </ul>	Mainly for craft based activities and agriculture (inputs)	<ul style="list-style-type: none"> <li>• Training is important</li> <li>• Getting support when PCGS on stream is critical</li> </ul>	You must find KT people who are interested, that have a mindset that they want to get from one place to the next using the scheme, only so they can be kept informed to remain interested and involved	<ul style="list-style-type: none"> <li>• Flexibility, this was the most used approach to increase opportunities for financing to MSMEs otherwise because of poor records etc. many more would be denied</li> <li>• A lot of advice helped</li> </ul>
Provide borrowers with more options however, some internal changes would be required since the institution is not geared to provide the level of technical support required (partnership with Institution such as NDFD)	Positive: Agricultural Production Credit Scheme (APC) worked quite well with broad impact. However, extensive technical support and follow-up was required	<ul style="list-style-type: none"> <li>• Equipment</li> <li>• Stock</li> <li>• Transportation</li> </ul> Recommend loans for: <ul style="list-style-type: none"> <li>• Product design and development</li> <li>• Marketing and</li> <li>• MSME Management</li> </ul>	<ul style="list-style-type: none"> <li>• Undertake mentorship program and understand the success factors before embarking on project</li> <li>• Create avenues for technical support</li> </ul>	Community town hall meetings conducted by program benefactors followed by sector specific meetings conducted by sector professionals/ experts and technical support service providers	Partnerships with other FIs to extend and expand lending to the MSME sector

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How would Participation of your Financial Institutional In the PCGS benefit KT MSMEs?	Institutional Experience With KT MSMEs	Purpose for which Loans are Most Requested by MSMEs	Most Helpful Advice to KT MSMEs Participating in the PCGS	Recommended Consultation Approach for KT	How FIs Reduce/ Remove Barriers to MSME Lending
<ul style="list-style-type: none"> <li>• Difficult to pinpoint at this time</li> <li>• Terms and conditions must be favorable to persons involved</li> <li>• Interest rate must be reasonable</li> <li>• Repayment period must be specific to them &amp; their situation</li> <li>• Assist with Training etc.</li> </ul>	<ul style="list-style-type: none"> <li>• We give a lot of loans to MSMEs in the KT</li> <li>• Our payment location is an issue. Some come to town infrequently; payments due monthly</li> </ul>	<ul style="list-style-type: none"> <li>• Agriculture</li> <li>• Retail to do small shops and bars</li> <li>• We seeing services</li> </ul>	<ul style="list-style-type: none"> <li>• Control disbursement!! It is not just to get the money but how you use that money is key!!</li> <li>• Training, training and more training, training</li> </ul>	<ul style="list-style-type: none"> <li>• So many projects have come and gone over the years. Where are they now? <u>What is the impact?</u></li> <li>• Review projects &amp; lessons</li> <li>• Focus on groups, interests and specific projects.</li> </ul>	<ul style="list-style-type: none"> <li>• More flexibility in loan security requirements</li> <li>• More partnerships and agreements between FIs and us to on-lend to MSMEs to expand access to credit and support</li> </ul>

**Table 6: Contributions of four Government Support Programs**

Type of Institutional Support The Organization could Provide to KT MSMEs	How You Propose FIs can Best Support KT MSMEs Applying to the PCGS?	Institutional Experience with Grant Applicants from the KT	Most Helpful Advice to KT MSMEs seeking to access the PCGS	Recommended Consultation Approach for Continued Engagement with KTSMEs
<ul style="list-style-type: none"> <li>• Promoting the scheme among them &amp; in our client database</li> <li>• Serve as guarantors for them</li> <li>• Participation in the ministry rural business enterprise center incubation program for TA and entrepreneurial training</li> </ul>	<p>Loan guarantee agreements under this scheme must commit the FIs to monitor the loan recipient and help the scheme rather than leave it to the guarantor because the risks is the guarantors' risk</p>	<ul style="list-style-type: none"> <li>• Largely positive. They adhere to the terms and conditions of the grant and based on the monitoring visits conducted, they use the money for the purposes intended.</li> </ul>	<ul style="list-style-type: none"> <li>• before receiving financing, ensure technical assistance and other support is in place</li> <li>• ensure there is a tangible market for the product or service of the business</li> </ul>	<ul style="list-style-type: none"> <li>• sensitization in the community and among MSMEs</li> <li>• SWOT analysis</li> <li>• Visioning: Where are they now, where they want to be, how will they get there &amp; how they know they have arrived</li> </ul>
<ul style="list-style-type: none"> <li>• The Ministry provides grants, technical assistance, advice, guidance and training to MSMEs</li> <li>• Assist Capacity building and incorporation into incubation program</li> </ul>	<ul style="list-style-type: none"> <li>• Because of the legal title issues the FIs and the PCGS would have to work out separate mechanisms to get around that for their MSMEs</li> </ul>	<ul style="list-style-type: none"> <li>• Positive, we recognize the potential is there but a lot of hand holding support is required</li> <li>• Special assistance needed to handle/management of loans</li> </ul>	<ul style="list-style-type: none"> <li>• Handholding support key</li> <li>• Management, use and accountability of funds – understand and shift from survival mode to business mode is necessary</li> </ul>	<ul style="list-style-type: none"> <li>• Start engagements with key stakeholders in the MSME sector and based on those inputs, build partnerships to support the MSMEs in the KT</li> <li>• Engage KT with stakeholders</li> </ul>

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<b>Type of Institutional Support The Organization could Provide to KT MSMEs</b>	<b>How You Propose FIs can Best Support KT MSMEs Applying to the PCGS?</b>	<b>Institutional Experience with Grant Applicants from the KT</b>	<b>Most Helpful Advice to KT MSMEs seeking to access the PCGS</b>	<b>Recommended Consultation Approach for Continued Engagement with KTSMEs</b>
<ul style="list-style-type: none"> <li>As a non-financial institution the ministry can partner with other organizations and can help the KT to partner with other organizations to support MSMEs</li> <li>Exchange programs can also be facilitated</li> <li>Help branding items from the KT</li> </ul>	<ul style="list-style-type: none"> <li>There has to be a lot of hand holding</li> <li>There must be a lot of capacity building prior to loan disbursement</li> <li>assistance must be consistent (6 months to one year)</li> <li>Provide FI specific training</li> </ul>	<ul style="list-style-type: none"> <li>technical support</li> <li>Effects of training questioned: Many persons targeted for training do not attend the training, or they do not participate or</li> <li>Do not have a business place to put training had into use</li> </ul>	<ul style="list-style-type: none"> <li>The funds must be used for what it was intended for</li> <li>There must be a vision as to where they want their business to go</li> <li>Business plan is essential</li> </ul>	<ul style="list-style-type: none"> <li>Support must be given to MSMEs before, during and after the PCGS</li> <li>Have Hamlet consultations. It is more prudent and provides for better inputs</li> <li>Have random one-on-one MSME meetings</li> </ul>
<ul style="list-style-type: none"> <li>A major issue across all MSMEs is record keeping. The organization can assist with that re workshops</li> <li>The organization is looking to partner with an accounting firm and a bank to provide some training so it can assist with that</li> </ul>	<p>The people have the innate skills but to commercialize it etc. that is missing hence they need some system which can assist them.</p>	<p>No business related experience</p> <ul style="list-style-type: none"> <li>Based on general experience, there is a greater need for capacity building rather than finance. The critical thing is capacity.</li> </ul>	<ul style="list-style-type: none"> <li>Planning</li> <li>record keeping</li> <li>market research and</li> <li>assessment</li> <li>individual capacity building</li> </ul>	<ul style="list-style-type: none"> <li>A financial institution within the territory</li> <li>The approach would be to articulate where you see value and how you can handle that value then provide the technical assistance to do that</li> </ul>

## **6.1 Perspective from the Dominica Youth Business Trust**

*The Dominica Youth Business Trust (DYBT) has an estimated 600 clients from its inception 13 years ago; approximately 20% of them are from the KT territory.*

*There is no special target as the programme is national. We do loan guarantees and a grant competition for start-ups only. The winner receives \$5,000 to use however they wish.*

*We enhance the loan prospect of our clients by providing a loan guarantee facility for them. We have MOUs with the credit unions, NDFD and AID bank. The young persons are trained and provided with business plan and business consultation support. After they complete a viable business plan then we write to the various institutions explaining that we are willing to act as guarantors. They have access to a maximum \$20,000 dollars at these institutions, guaranteed by us. This works well for the KT territory as their lands are communally owned as such we provide guarantees for their loans.*

### **6.1.1 How does that guarantee work?**

*We act as the guarantor for the loan but the young person has the contract with the bank or financial institution and they pay their loans to the financial institutions*

### **6.1.2 What happens when there is default?**

*If it's not recoverable at all, then we are responsible for paying the loan*

### **6.1.3 Where do you get the funds from?**

*Funds are made available from the government. We have a loan guarantee fund from the government that is there in case of default.*

### **6.1.4 What is the annual disbursement from that fund?**

*We paid over \$80,000 last year (2016) which were default loans that existed long before. We pay annually against the default and are not required to pay off loans on a one-off basis.*

### **6.1.5 Would you say that default is going up or down?**

*From 2014, 2015 efforts have been made to stay on top of the entrepreneurs to ensure payment. There is evidence of persons taking commitment to pay their loans. The Enterprise Development Officer (EDO) goes on the ground every week. Entrepreneurs would be called; their information is entered into the database and would keep track of all the entrepreneurs. We receive a quarterly report from the financial institutions which shows how the entrepreneurs we guaranteed are paying allowing us to keep track of the entrepreneurs. Only two young persons from the territory had not paid their loans which are small loans.*

### **6.1.6 Portfolio of loans/start-up ideas**

*From the territory the applications are mostly bars, shops, supermarkets, mainly on a small scale. We did see an applicant with interest in pottery. They have access to land where the clay is available to make the pottery.*

#### **6.1.7 How does the Programme Operate?**

*DYBT don't deal with money, they don't provide any transaction involved with money however the trust facilitate[s] loans. What is provided is our stamp to show that we have seen the business plan, approve the business plan. A letter is given to take to the bank showing our support and that the Trust is willing to guarantee the amount in question. The financial institution would then do all the work involved in the loan, then they would send the contract back to the Trust saying whether or not there is approval.*

*Monies are only dealt with when there is a default. We then have to pay the financial institution. The fund is in an interest bearing account which is good because it accumulates interest in the meantime.*

*The model is unique in that it's financial but not, governmental but not...*

#### **6.1.8 What support is provided to MSMEs?**

*Support is provided in four areas: training, mentorship, the loan guarantee and business plan support.*

#### **6.1.9 Do you see the Institution participating in the PCGS?**

*Yes the trust always gravitates to being able to increase our services to young people. We are a youth organization servicing persons within the ages of 13-35 so even if we are a part of the scheme we would only be able to service persons within this age range. Especially in terms of the fund, we may allow a couple persons over 35 for training but they won't have access to the fund. We will be able to provide that support within the capacity that we are already providing generally.*

*We would stress that:*

- *Mentorship would be extremely important to such a scheme*
- *Key is their mind-set, the way they think.*

The perspectives shared by the DYBT offer tremendous insights for consideration of parties to this IPP.

#### **6.2 Key Question from a Government Support Program Stakeholder**

*My question is whether the program is a community program or an indigenous people's program...there are people who have moved out of the community and have integrated in the wider society and as such no longer have the limitations they would otherwise have as part of the community. Hence would the program apply to those who have moved out of the territory and also to those who have moved into the territory but not Kalinagos?*

*To answer the question whether it is a community program or an indigenous people's program – the strict answer is that it is neither. The scheme is a MSME program for most MSME across the ECCU / OECS. That is 6 Member States. It is also important to distinguish between scheme and program. The object is not to help the Kalinago, per se, although that would be a great benefit. The objective is to make sure that the design doesn't preclude their participation. So the second answer is that the scheme is indifferent to whether a Kalinago person has moved out of the territory. There are no quotas in the project for the Kalinago and the FI are technically 'blind' to whether someone is in the territory or not. What is important is that if an application happens to come from a Kalinago person – we don't want the design to*

*discriminate against them. The key word here is happens. There is no direct contract between the scheme and the MSME – the direct contact is with the FI. The FI is the local face of the scheme. The technical assistance to MSMEs will not promote the scheme to the extent that expectations are created. The technical assistance component is to partner with existing [technical assistance] providers so that there is a network of help available. Our goal here is to make sure that the Kalinago can get extra help and also see what provision for collateral we can include. It is critical that we do not create expectations that this will be a guarantee for all MSMEs – and also we don't want to create the perception that this scheme is designed as an "indigenous people's program"*

***The OECS MSME PCG Facility is not an Indigenous Peoples Program. It is a regional program. The World Bank will not be implementing the program. The Bank designs the project and will have all the project documents including the IPP ready for the new institution that will be created to run the programme. That organization will make the day-to-day decisions regarding the PCG facility***

It is perhaps worth putting the question another way in the interest of clarity, the question is whether other MSMEs, not owned by the indigenous community, could obtain funding to implement a project for example ecotourism, in the Kalinago Territory? The most straightforward response is yes, it can, because an important object of the IPP is to ensure that IPP communities are aware of the project (PCGS) and how to access it. The object is not to exclude other MSME entities in the KT. In this respect, such entities are subject to and must comply with the same Performance Standard i.e., World Bank Operational Manual 4.10 which criteria is outlined at Section 3.4 above.

### **6.3 Key Consideration from a Kalinago Taught Leader Heading a Government Support Program**

**The challenge in the KT however is the land tenure system**

*Many believe that despite the collateral issue, the government of the day can make a difference for example funds can be put aside as collateral and the Kalinago people can take loans out of that fund and in the event that they default then the funds can be used and not the lands. There will never be an agreement that the lands be parceled out hence the importance of creating other avenues.*



## **7 Second Round of Community Consultations – Kalinago Territory**

The purpose of the second community consultations is to review the first draft of the IPP so that the participants at the initial community consultations can approve the draft IPP for finalization on behalf of the territory. The intent is to seek clarifications, raise questions, propose changes and make additions to the draft before finalization.

The second community consultation is to be coordinated by the KTC and participants of the first community consultations. This second consultation will be supported by the consultant remotely.

During the initial Community Consultations held May 2<sup>nd</sup> and 3<sup>rd</sup>, 2017, the participants at the consultations proposed the second community consultations to be delivered through a process of group review of the first draft of the IPP prior to staging the second community consultation on the first draft of the IPP. This consultation is to be coordinated and hosted by the KTC at the KTC conference room. The second community consultations will comprise participants of the first consultations and other interested members of the community in attendance, with the consultant participating via skype. The methodology proposed for staging of the second community consultation is as follows:

### **7.1 Group Review of Draft IPP Prior to Second Community Consultations**

During the first / initial community consultations, participants were placed in groups based on hamlets represented. Four groups (4) were formed comprising participants from seven of the eight hamlets. Each group comprised representatives of at least two different hamlets. Each group was then tasked with reviewing questions related to the potential benefits of the OECS MSME PCG to the territory and MSMEs in the territory, potential challenges or risks to beneficial participation in the CGS and proposed mitigation to any such challenges or adverse effects of the PCG scheme on the community and to offer proposals for a consultation strategy they wish to see adopted and put in place to facilitate continuous engagement with the territory on the PCG scheme. The group work questions are at Appendix B.

It was decided that the same groups that were formed to review the questions and make presentations would remain and they will review the draft IPP when submitted by the consultant. It was decided that each group will review and make comments on an equal number of pages. In other words, if the first draft IPP consists of sixty (60) pages, each group will review 15 pages each. The groups may organize their review as they see fit. Group reviews may be organized in any or all of the following ways:

- Each member of the group may be asked to read the quota of pages that the group is assigned and make individual comments which the group will then combine and compile into one document to submit to the Council or
- Each member may be assigned a certain number of pages to review individually based on the total number of pages assigned to the group for review, following which one member will compile the individual members' comments into one document to submit to the Council or
- One or two members of the group may be assigned the role of reviewer for the group. They will review the pages assigned to the group for review. After the assigned reviewer or reviewers

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complete their review, the rest of the group will be informed of their comments after which it is submitted to the council

- Any other approach deemed fit by members of the respective groups.

*However, considering the most critical part of the second consultation would be to get feedback on the proposed mitigation measures and IPP consultation strategy, each group is required to review those two parts of the draft IPP.*

Once the group completes their review, they will submit their comments to the Council for compilation and presentation at the second community consultations. Table 7 below shows the composition of four groups from the first community consultation where the approach to review the draft IPP as outlined above was agreed. The daily Attendance Register is at Appendix A.

**Table 7: Group Composition – IPP Community Consultations**

No	GROUP 1	HAMLET	No	GROUP 2	HAMLET
1.	Bryan Samuel <a href="mailto:brysamuel32@gmail.com">brysamuel32@gmail.com</a>	Bataca	2.	Norbert Cuffy <a href="mailto:dr.norbertcuffy@gmail.com">dr.norbertcuffy@gmail.com</a>	Mahaut River
3.	Migall Danne Auguiste (277-0847) <a href="mailto:danneaug@hotmail.com">danneaug@hotmail.com</a>	St. Cyr	4.	Arthurton Telemacque (317-1200) <a href="mailto:arthurtonbarrie@gmail.com">arthurtonbarrie@gmail.com</a>	Salybia
5.	Bertrus Sanford (317-1723) <a href="mailto:Truser101@hotmail.com">Truser101@hotmail.com</a>	St. Cyr	6.	Cavin G Gumbs (315-5686)	St. Cyr
7.	Craig Joseph (295-9516)	Gaulette River	8.	Brenda Andrew (315-9320)	Crayfish River
9.	Remy Auguiste (Councilor, placed in Group 1, no original group assignment)	Crayfish River	10.	Arnique Valmond (617-8614) <a href="mailto:Arnique.v.valmond@gmail.com">Arnique.v.valmond@gmail.com</a>	St. Cyr
11.	Charles Williams (Chief Williams) (445-7256/615-8473). <a href="mailto:charleshotel@yahoo.com">charleshotel@yahoo.com</a> (Provided inputs to all groups...)	Crayfish River	12.	Natasha Green (317-1680) <a href="mailto:nato.green@gmail.com">nato.green@gmail.com</a>	Salybia
No	GROUP 3	HAMLET	No	GROUP 4	HAMLET
13.	Gail Benjamin (612-3710) <a href="mailto:gailo_benjo@hotmail.com">gailo_benjo@hotmail.com</a>	Bataca	14.	Meranda Britton (295-0761) <a href="mailto:Miranda-burton@yahoo.com">Miranda-burton@yahoo.com</a>	Sineku
15.	Jhulio Frederick (613-3136) <a href="mailto:samudif@hotmail.com">samudif@hotmail.com</a> , <a href="mailto:samufred@gmail.com">samufred@gmail.com</a>	Part Salybia	16.	Lorraine Belle (276-9302) <a href="mailto:msfredbelle@hotmail.com">msfredbelle@hotmail.com</a>	Salybia
17.	Francine Paris (316-3474) <a href="mailto:msfrancineparis@gmail.com">msfrancineparis@gmail.com</a>	Salybia	18.	Winsome Hazel John (612-0532)	Salybia
19.	Kimani Lapps (317-3646) <a href="mailto:kimani.lapps@gmail.com">kimani.lapps@gmail.com</a>		20.	Masterlyn Eustache (225-7908)	Bataca

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21.	Genette Lucien (615-8921/445-7294)	Crayfish River	22.	Sheridon Burton	Crayfish River
23.	Bertrus Sanford (placed in Group 4, original group assignment not seen)	St. Cyr	24.	Jannis Thomas (placed in Group 4, original group assignment not seen)	Salybia
			25.	Hariana Stout-Stanford (placed in Group 4, original group assignment not seen)	St. Cyr
No	ATTENDANCE ON TUESDAY MAY 2 <sup>ND</sup> ONLY Can join any group to contribute to review of draft IPP		HAMLET		
26.	Janet Williams		Bataca		
27.	Gertrude John		Bataca		

From Table 7 above which was compiled from group participation and the consultations' Attendance Register, Gaulette River and Sineku were underrepresented (one participant each) considering the number of MSMEs seen in the MSME lists provided for those areas. Only two MSMEs from Mahaut River appeared on the list of MSMEs provided so attendance by one MSME from Mahaut River is reasonable. Concorde (also called Touna) did not have representation at the community consultations but bilateral meeting/consultation did occur with one MSME from Concord/Touna.

## 7.2 Second Community Consultations

At the second community consultations, the KTC representative presented their comments on the draft IPP to the participants in attendance and to the consultant participating remotely. After the presentation, and following a presentation on the draft IPP, the floor opened for questions and comments from participants for response by the consultant.

During the first community consultation, the participants requested the participation of a member or members of the World Bank Team who are overseeing the OECS MSME PCG Scheme and specifically responsible for the mission in the KT. It was considered necessary to help participants/members of the community to have a fuller appreciation of the banks position and contribution to advance the beneficial participation of KT MSMEs in the scheme, answer questions directly from participants and offer other advice and guidance to MSMEs, MSME aspirants and startups from the KT. Members of the WB team overseeing the OECS MSME PCGS have been informed of the request for their participation in the second community consultations. The WB team acknowledged the request and attended remotely but due to internet connection issues in the KT, their participation was interrupted.

## 7.3 Outcome of the Second Community Consultation

A total of 16 persons attended the second community consultations. The main issues / questions raised and addressed surrounded the Indigenous Peoples expectation that they would be given special consideration under the PCGS. The fact that the IPP is intended to ensure that their participation is not unequal due to their cultural/socio-economic differences, they said they could not see how the IPP does ensure that (which harks back to their expectation that special consideration should be afforded them because of their circumstances). Having elaborated on the parts of the IPP that emphasizes the region-

wide scope of the scheme which preclude special consideration to the KT in the manner envisaged by the community, it was acknowledged the community did not adequately review the draft IPP and thereupon indicated they will need more time to better review the draft IPP. This was agreed. The community also proposed that a small team will convene for a similar meeting with consultant and bank team remotely to discuss their review of the draft IPP and will also provide written comments on the draft IPP. The community's written Comments on the draft IPP are at Appendix C. Minutes of the second community consultations are at Appendix E.

#### **7.4 Third Round of Community Consultations**

Following the outcome of the second community consultations, a third consultation occurred with the presence of WB staff in the KT and consultant participating remotely by phone. The Minutes of that meeting is at Appendix D. Two main messages emerged from the consultations.

##### **Two main messages from the Consultations:**

- **Call for a Financial Institution located in the Kalinago Territory dedicated to working specifically with the Kalinago Community.** While the Kalinago Community recognized and appreciated the benefits about technical assistance and capacity building it believed that more was required for the community to be able to overcome the barrier of a communal land tenure system which limited access to finance. The Bank affirmed that it heard the request for a dedicated credit facility. However, this was something that had not been agreed to by the participating states.
- **The Community was dissatisfied with language in Section 9.1.3 which they believed was not in line with the principles or spirit of the World Bank Operational Manual on Indigenous Peoples (OP 4.10).** The Bank undertook to revisit the language to ensure it conveyed this spirit and intent.

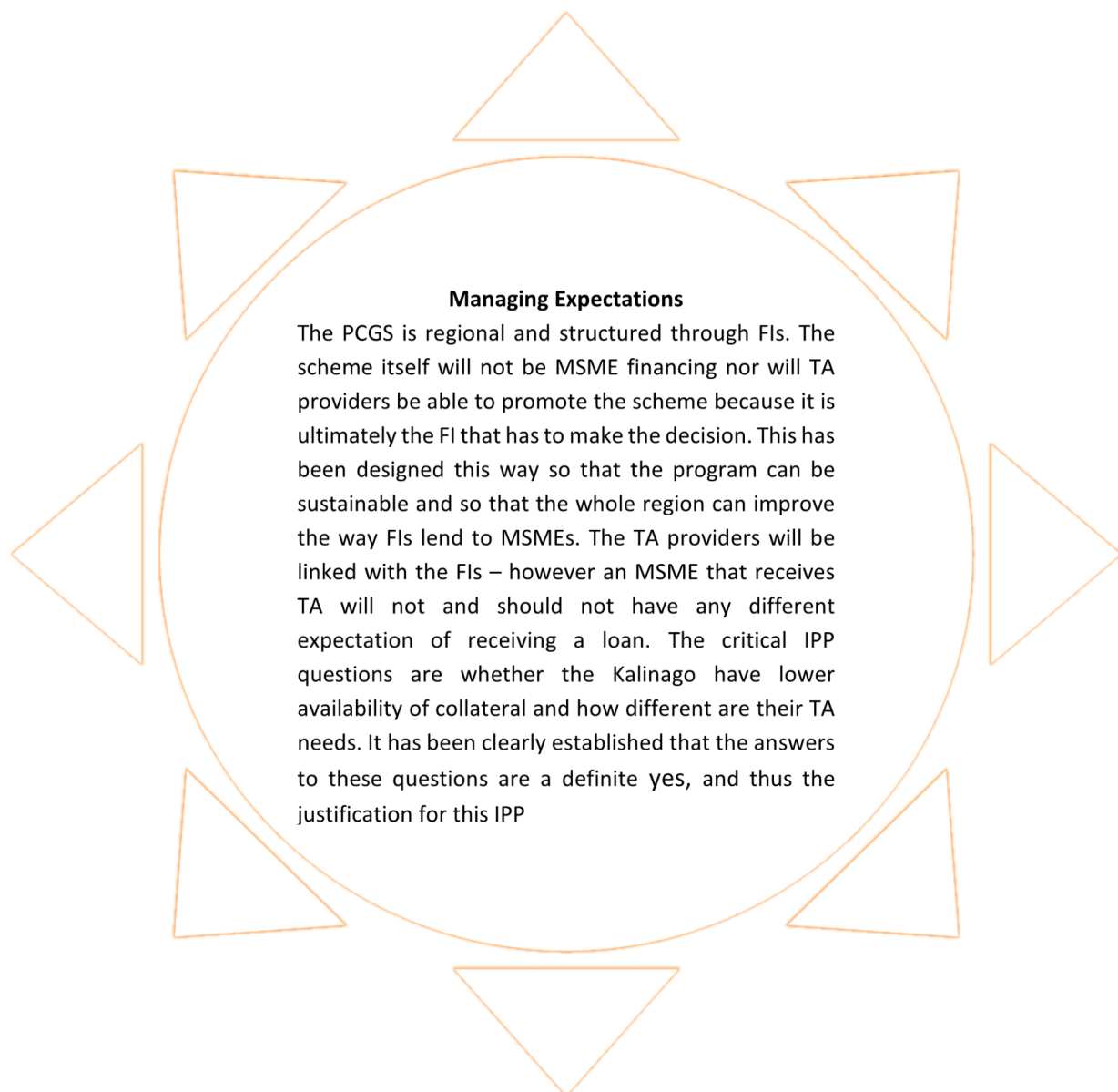
#### **7.5 Other Comments on the Draft IPP**

Additional reviews of the draft IPP was sought from individual MSMEs and other public figures from the KT. Some indicated their comments were conveyed to the Chief and Council.

## **8 Consultation Strategy for Ongoing Engagement with the Kalinago Community**

The consultations conducted under this project will follow the principles of free, prior and informed consultation with affected Indigenous Peoples' Communities. The participants at the community consultations acknowledge that the objective of the consultation strategy is to facilitate ongoing awareness of the OECS MSME PCG in the territory and as means to ensure that the Kalinago are not precluded from fair participation in the scheme rather than merely having a strategy on paper. Their contribution to the design of the strategy reflects such thinking, as seen in Table 1, Section 3 above. A synopsis of the most frequently referenced consultation approach from the different groups at the community consultations and of individual MSMEs consulted is presented in Table 8 below.

### **8.1 Managing Expectations**



## 8.2 Modality for determining an appropriate and culturally relevant consultation strategy

The modality was firstly to ask participants at the community consultations and the other KT MSMEs with whom bilateral consultations were had to propose an appropriate consultation approach and how they will like to see it implemented. Other Stakeholder groups consulted during this mission provided suggestions captured in Tables 5 and 6. Those suggestions to a significant extent comports with the proposals from the members of the Kalinago Territory.

In Table 8 below, a synopsis of the main proposals from the KT are shown. The three proposals reflect identical proposals/recommendations from two or more groups at the community consultations and integrated with suggestions from the other MSMEs consulted in the KT. These three proposals in Table 8 do not represent the total list of suggestions for a consultation strategy by MSMEs from the KT. All suggestions for a consultation strategy from the KT are seen in Table 1 of Section 3. Consequently, while the consultation strategy is designed around the three common themes from among all the proposals from the territory, other recommendations, proposals or elements of them can be incorporated into the proposed consultation strategy at any time where deemed helpful by parties to this IPP. The proposed consultation strategy that follows is derived from the KT proposals and related considerations.

**Table 8: Recommendations for Consultation Strategy for Kalinago Territory IPP**

<b>CONSULTATION STRATEGY</b>	<b>CORE PROPOSALS / RECOMMENDATIONS FROM KT MSMEs</b>
	Channel information through the Kalinago Territory Council
	Use group work / community consultations / Hamlet consultations / town hall meetings / one on one (MSMEs) and group based meetings (by sector or industry such as Agri-business / Fisher folk/Craft producing sub group meetings) coordinated/facilitated by KTC and or other parties to the IPP
	The community to establish and utilize oversight body to help MSMEs access the PCGS and provide other support and monitoring of such PCG loan uptake

### 8.2.1 Main themes identified from KT MSMEs recommendations for consultation strategy

Table 8 shows that from consultations with MSMEs and members of the KT, three common themes ran through all proposals / recommendations for a consultation strategy for ongoing engagement with the KT on the PCGS. The common themes are:

- Channeling information through the Kalinago Territory Council
- Intra and inter community consultations with MSMEs to spur interest in MSME facilitated by parties to the IPP: this will comprise a combination of Hamlet level community consultations (using various formats including town halls styled meetings, group based meetings i.e., grouped by sector/interest/prospect or potential start-up and individual (one-on-one) based meetings i.e., existing MSMEs and prospective MSMEs/Entrepreneurs).
- Special entity / oversight body to help advance the KT MSMEs interest and successful applications to the PCGS. this is an undertaking of the KT with help from wherever it can be sourced

Against the foregoing, an Integrated Consultation Strategy (ICS) is proposed. To this end, the consultation that began as part of IPP preparation will continue throughout the lifecycle of the project. Consultations will take place on an annual basis to provide update to project stakeholders and receive pertinent feedback. The project proponent will lead the consultation activities in close collaboration with the Kalinago Territory and Community. The consultations carried out under this project will follow the principles of free, prior and informed consultation with affected Indigenous Peoples' Communities.

The final design for the TA to MSMEs is still being finalized and these will be determined during implementation of the project. The current idea is to have a regional provider combine a physical OECS footprint as well as a travelling component. This would also likely include an online virtual component so that persons are able to access general information online and then seek specific help with the in-person or the 'bootcamp' experience. The 'bootcamp' experience that is being explored would be an intense one to two week program where perspective entrepreneurs or existing businesses can go through the lifecycle of MSME needs. In the current plan, all these programs will have no or nominal costs to participants. What is clear from this IPP, is that the on the ground physical presence as well as the local footprint would need to have a stronger, more emphasized KT emphasis. Further regional consultations will clarify this further.

### **8.3 Integrated Consultation Strategy**

It is recommended that the implementing entity for running of the PCGS and which will use this IPP for the purpose of ensuring non-differentiated participation/access of KT MSMEs to the PCGS consider the approach outlined in this ICS, considering the inputs of the Kalinago community presented in this IPP:

### **8.4 ICS Roles**

#### **8.4.1.1 PCGS Implementing Entity**

The PCGS implementing entity establishes contact with the KTC providing the KTC with details of its role (the implementing entity) and how such role is to be exercised. And;

- a. Facilitates a meeting / dialogue with the KTC on the IPP to ensure agreement on the IPP (could take the form of a face to face meeting, video conferencing or email exchanges).
- b. Details its understanding of the role to be performed by the relevant entity in the KT that would have a role or a stake in supporting KT MSMEs to access the PCGS including whether that role is expected to be performed by MSMEs themselves.
- c. Presents a preliminary IPP Action Plan for input (if and where applicable)
- d. Conveys in such correspondence the mode of communication that the KT entity would have to follow where the IPP is concerned and identifies the communication conduit for such purpose.
- e. Provide general sources of information available and accessible by MSMEs of all participating OECS countries in the PCGS ensuring no disadvantage to such access by MSMEs in the KT and the wider community.

#### **8.4.1.2 Kalinago Territory Council**

1. The KTC Coordinates revision and finalization of the draft IPP with members of the community and makes the final approved draft, that will be disclosed publicly.

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2. Awaits and reviews correspondence from the entity responsible for implementation of the PCGS and which is expected to be the said entity responsible for activation/implementation of the IPP in accordance with 8.4.1.1 above and;
  - a. Responds to the correspondences identifying its understanding and acceptance or other conditions that represents its understanding and;
    - i. Puts in place the mechanisms for maintaining the activation status of the IPP in accordance with the contents of the said correspondence.
    - ii. Circulate any information from the PCGS Implementing Entity pertinent to MSMEs and helpful to their possible application under the scheme
3. Alternatively, the KTC pays attention to national and regional media for announcements of the coming into effect of the OECS MSME Credit Guarantee Facility and directs such information to the attention of KT MSMEs for their independent action and or;
  - a. based on how the PCGS implementing entity proposes the modus operandi for ongoing consultation be undertaken between the parties, the KT Council may opt to support the applications of KT MSMEs to the PCGS through:
    - i. Inter and intra community consultations in the manner described in Table 8 and at 8.2.1 b. above.
  - b. Actively support the establishment of a body or other entity that can give focused support to KT MSMEs seeking to access the PCGS.
4. Place the PCGS as a regular agenda item at its meetings so that it would not fade from view so that over time, MSMEs are reminded of a OECS MSME PCGS financing program that can further their business development aims and the help advance the development aims of the KT through entrepreneurial development.



## **9 Conclusions and Guidelines**

The conclusions and guidelines as far as possible takes a holistic view of the information gathered and the experience and insights gained from interactions in the territory.

### **9.1 Main Conclusion**

#### **9.1.1 Access to MSME finance**

Access to finance is necessary for MSME development in the KT. The inability to use land as collateral to increase access to finance for business development places limitations upon MSMEs especially where alternative options for collateral are limited. This is a critical finding and the proposed PCG project will be designed so that all applicants from the Community are evaluated fairly given this overarching Community constraint that cannot be overcome by any single individual. As such, the questionnaires and forms will flag if the applicant is from and resides in the Community so that loan applications can outweigh other factors (such as the cash flow analysis). Despite this, several from the Community have secured multiple small loans in the past while others were unsuccessful. That is, the expected land collateral requirements have been overcome in some cases in the KT while in other the constraint has been binding.

#### **9.1.2 The local KT economy, capacity development/technical assistance milieu**

Local economic activity in the territory is curtailed by variables affecting the rural and national economy, but also because of historical variables and on account of personal variables too. The combination of variables in turn creates uncertainty for MSMEs but like everywhere else across the OECS, survival requires that you press on nonetheless, while others are willing to take risks and start new businesses. The combination of these factors appears to run parallel to the business related capacity constraints of MSMEs in the territory. Some are of the view that MSME capacity is a bigger factor inhibiting success for even if there is economic vibrancy, access to finance or an enabling environment is available to access loan and grant finance but the mindset and deficits in the fundamentals of business and entrepreneurship are missing the capacity related factors will be a bigger hindrance to non-differentiated participation of Kalinago Territory MSMEs in the OECS PCGS. And where capacity is strengthened, it will be the impetus for successful participation in the PCGS. At the same time these macroeconomic effects are present in other OECS jurisdictions. However, it is clear that the Technical Assistance (TA) needs of the KT are more acute, and the TA component of the PCGS needs to flag this difference.

### **9.2 Guidelines/Plan**

This Plan is presented in the following interrelated parts:

- a. The loan application process from a participating financial institution will contain fields to capture the community land constraint of members of the Community that reside in the Territory. Such applicants will receive an evaluation that takes this institutional limitation (lack of individual land titles) into account by overweighing other factors – such as the strength of the business plan and the projected and current cash flows.
- b. Focused and concentrated capacity development of MSMEs in business and entrepreneurship.
- c. The PCGS is already designed to provide this through business plan development training but this will have to be designed to ensure that the KT have more access.

- d. The TA partner provider for Dominica will have to have a stronger footprint for the KT. Since the regional footprint has yet to be fully developed, at this stage it cannot be concluded what exactly a stronger footprint would entail. If the TA provider is travelling across the OECS – then the time spent with the KT should be higher.
- e. If the TA provider is resident in each OECS jurisdiction, then the person or organization should establish an entity within the KT or ongoing connection with the KT leadership.
- f. If the TA provider has an online presence, then this will need to be tailored so that members of the KT can access these online materials.
- g. It is noted from the consultation that a local entity is important; however the exact funding or modality of the TA partner arrangement has yet to be determined. During the OECS country consultations on establishing an OECS PCGS, the instructions from the country consultations were to work with existing TA providers in order to reduce redundant organization, and since these partners are still being determined – no clear modality can be established at this stage.

### **9.3 Specific Conclusions**

#### **9.3.1 Macro-economic variables**

Macro-economic variables will impact and influence decision and interest of KT MSMEs in the OECS PCGS as well as any non-differential access in the PCG Scheme. It will affect business survival and ability to service loans. This is also the case across the OECS for other communities – and hence the design to map the risks through the FI.

#### **9.3.2 Capacity Development**

Capacity development and technical support are the most widely proposed mitigation measures by all stakeholders engaged especially the MSMEs and members of the KT. Significant capacity development, technical support and other hand-holding support is necessary to mitigate against the potential adverse effects of the PCG scheme, with such adverse effects not situated in any physical project but in mitigating against the inherent deficiencies that accompany KT MSMEs and which if not implemented will leave the KT MSMEs in their state of deficiency with insufficient ability to secure non-differential access in the PCG scheme.

#### **9.3.3 Oversight body/entity located within the KT**

Due to capacity constraints apparent in the KTC to provide focused support to KT MSMEs to participate in the OECS MSME PCGF, an oversight body or entity located in the KT is seen as crucial towards helping KT MSMEs pursue loans under the PCGS. This is an undertaking that the KT leaders will have to spearhead, with any assistance toward that end that could be secured welcomed, including within the structure of the PCGS which would be ideal. However, assistance from the PCGS for this cannot be determined at this stage and would depend on the form the TA takes – it could be a combination of travelling persons across the OECS, online access or local persons. Hence, whatever the form of the TA, a focus will have to be placed on the KT. Work underway to establish the Kalinago Development Foundation by a respected team of persons in the territory if established by the implementation stage of the PCGS can draw upon the TA (based on the form such TA may take) towards assisting MSMEs in the KT with non-differentiated participation in the scheme.

## **9.4 Specific Recommendations**

### **9.4.1 Technical Assistance**

Undertake a focused and concentrated Capacity Development for MSMEs in the KT through tailored TA. It is necessary to engage MSMEs in the KT firstly through a focused program of capacity development covering among other critical topics:

- a. The basics/fundamentals of business and running a business.
- b. Book keeping and accounting practices and provide where needed the most basic of fundamentals in accounting and establishing and maintaining separate accounts and savings practices.
- c. The basics or fundamentals of record keeping and practical mechanisms for simple sustainable record keeping. In addition, it may be necessary to train a group in the KT to provide this service i.e., outsource record keeping and record management for KT MSMEs accessing loans under the PCGS. It may spawn a MSME start-up as well.

### **9.4.2 Collateral**

- a. Vary options for collateral when applications from the KT to the PCGS are received. With respect to collateral considerations, it should be proposed to participating FIs in the PCGS that they should have a box on the application form to be ticked if the MSME applicant is from the KT. This will then trigger more vigorous cash-flow analysis and the exploration of whether other collateral (see page 9) is available. This additional screening and less reliance on land as collateral is a way to ensure that MSMEs from the KT do not have differential access to the PCG scheme.
- b. The guarantee coverage for applications from the KT could also be raised provided it falls within the maximum mandated by regulations of the scheme. For example, if a regular OECS loan outside the KT has a guarantee from the PCGC with a coverage of 60%, that means that the FI will recover 60% of the outstanding loan amount if the MSME defaults. One option for ensuring non-differential access given the above findings is for this number to be raised for the KT, provided that it falls below the maximum guarantee coverage in the legislation. So for example, this could be raised to 65% or 70%. If the FI are aware of this higher coverage for the KT then they may not preclude the collateral constraints as much as a non-KT MSME applicant.

## **9.5 Implementation Measures and Arrangements**

The implementation measures and arrangements are to be finalized between the parties to this IPP but ideally, may include the following measures/characteristics:

- a. The effective date of the IPP should be communicated to the KTC in accordance with 8.4.1.1.
- b. The parties agree to discuss the IPP for common understanding of its contents. This may take the form of an exchange of letters of interpretation or visits by personnel from the implementation entity to the KT for this purpose.
- c. The parties agree on a proposed timetable for undertaking activities in the IPP where applicable and detail the roles, responsibilities and other requirements attendant therewith.

- d. An agreed IPP implementation plan/work plan is prepared arising from consultations between the parties including costs associated with any preparation and activation of the plan.
- e. The steps listed in section 9.2 shall be implemented as the Plan. Amendments may become necessary in the course of implementation of the PCGS and especially where inclusions and amendments may help facilitate non-differentiated access of KT MSMEs to the PCGS. The specific modality for undertaking these inclusions and amendments are to be finalized between the parties but may include:
  - i. either party to the IPP communicating to the other in writing the particular proposed inclusion and or amendment, its origins and what it seeks to fix or strengthen
  - ii. Agreement in writing by the other party to the proposed inclusion/amendment
  - iii. Updating of the document by the identified party and circulating the updated document in accordance with agreed channels
  - iv. Include the date when any update of the IPP occurs and affixing the signatures of the parties to the updated IPP, each retaining copies of all updated IPP.

## **9.6 Indicative Budget**

This indicative budget identifies sections of the IPP and possible line items that may incur costs but does not provide figures. The budget associated with this IPP is ideally best left to be finalized between the parties to the IPP including the party responsible for financing specific line items in the budget when finalized. This would finally depend on the exact online versus in person modality of the TA to MSMEs.

### **9.6.1 Budget related to the Integrated Consultation Strategy (ICS)**

#### **9.6.1.1 PCGS Implementing Entity ICS Role related costs:**

Possible Line items:

- a. Visits to the KT for discussions on IPP (if preferred to exchange of letters). This would entail:
  - transportation
  - snacks for participants at the meeting
  - accommodation and ground transportation if coming from outside Dominica
- b. Implementation of activities in the IPP implementation timetable schedule of activities (if applicable)

#### **9.6.1.2 KTC ICS Role related costs:**

Possible Line Items:

- a. Second community consultations (snacks)
- b. IPP printing of hard copy for circulation in the territory
- c. Mechanisms for maintaining the activation status of the IPP (if applicable)
- d. Inter and intra community consultations which the KTC may undertake or support
- e. Contribution towards establishment of oversight body (if applicable)

## 9.6.2 Budget related to Technical Assistance / Capacity Building

### 9.6.2.1 PCGS Implementing Entity related costs:

Possible Line Items:

- a. Detailed TA program budget for TA to KT MSMEs including contract sum for TA service provider

### 9.6.2.2 KTC borne costs:

Possible Line Items:

- a. Assistance to the MSMEs to participate in capacity building programs (where applicable)

The final details of the budget including what, when, who and line item costs will be drawn up by the PCGS implementing entity and finalized between the parties accordingly.

## 9.7 Grievance Redress Mechanism

A grievance redress mechanism for the project is necessary for addressing legitimate concerns of affected individuals and groups who may consider themselves deprived of appropriate treatment under the project. The mechanism, to be developed by the project implementing entity will include:

- a. a recording and reporting system, including grievances filed both verbally and in writing,
- b. designated staffs with responsibility and;
- c. a timeframe to address the filed grievances.

Proposed structure of the mechanism is detailed in the Table below. The functioning of the grievance redress mechanism will be regularly monitored and evaluated by the Project proponent during implementation.

<b>Grievance Redress Procedure</b>	
Access Point	For the Kalinago Territory, the project will have appropriate and various access point for filling grievances. The grievances submission can be made in any of the local languages and /or English. Any grievances may be submitted director the Chief Executive Officer.
Grievance Procedure	Once a grievance is received by the CEO, he/she will assign it to the Environmental Social, Health and Safety (ESHS) Specialist for investigation. As it is likely that some grievances will be in regard to a credit decision, the Credit Officer will also be assigned to assist in the grievance review. The ESHS Specialist will record the grievance in an electronic log. This log should constitute a data base containing the origin of the grievances and associated issues, number of complaints received, resolved, and gone to mediation. This log will be captured in quarterly project progress reports prepared by the Project proponent

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Investigation Procedure	<p>Within 10 days of receipt of the grievance, the ESHS Specialist will complete a preliminary review of the grievance and provide an estimate of the period necessary to address the grievance to the aggrieved person. The ESHS Specialist with the assistance of the Credit Officer will investigate the claim. This includes interviewing all involved parties and reviewing any documents associated with the grievance. After all information has been collected and analyzed, the ESHS Specialist will make a decision. If the aggrieved person does not receive a response within the agreed time or is not satisfied with the outcome, he/she can refer the matter to the second level of the Grievance Redress Mechanism Appeal for redress. The GRM Appeal should acknowledge within 10 working days, receipt of the letter of appeal and should include notification of the period necessary to address the appeal. If the aggrieved person is not satisfied with the outcome he/she can refer the matter to the Court of Law for redress.</p>
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## **APPENDICES**

### **Appendix A**

Attendance Register – Community Consultations in the Kalinago Territory

### **Appendix B**

Group Work Topics/Questions at the Community Consultations held in the Kalinago Territory

### **Appendix C**

Kalinago Community Written Comments on the Draft IPP

### **Appendix D**

Minutes of Community Consultation that reviewed the draft IPP

### **Appendix E**

Minutes of Second Community Consultations on Draft IPP, KT, August 3<sup>rd</sup>, 2017

### **Appendix F**

KT Council Approval of IPP on behalf of Community



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## APPENDIX A

### Attendance Register – Community Consultations held in the Kalinago Territory

ATTENDANCE REGISTER					
KALINAGO TERRITORY IPP COMMUNITY CONSULTATIONS					
TUESDAY MAY 2 <sup>ND</sup> - WEDNESDAY MAY 3 <sup>RD</sup> 2017					
No.	NAME	HAMLET	SME BUSINESS ACTIVITY	SIGNATURE	SIGNATURE
				PART 1 TUESDAY MAY 2 <sup>ND</sup>	PART 2 WEDNESDAY MAY 3 <sup>RD</sup>
1.	Mariona Stout-Sanford	St. Cyr	Start up Pottery	M. Sanford	
2.	Denique Valmond	St. Cyr	Easy - Side	A. Valmond	A. Valmond
3.	Bertrus Sanford	St. Cyr	Veritable entertainments	B. Sanford	B. Sanford
4.	Winsome Hazel John	Salybia	Nelly's home away bar	W. John	W. John
5.	Genette Lucien	Crayfish River	Genette Lucien craft shop	Genette Lucien	Genette Lucien
6.	Francine Paris	Salybia	Beta plants nursery	F. Paris	F. Paris
7.	Nobert Guffy	Black River	Di. Guffy, animal health services	N. Guffy	N. Guffy
8.	Rajan Carol	Bataca	Baking	R. Carol	R. Carol
9.	Orvil Benjamin	Bataca	Sewing shop	O. Benjamin	O. Benjamin
10.	Shulis Fredrick	Port Salybia	Start up Agriculture	S. Fredrick	S. Fredrick
11.	Miguel Auguste	St. Cyr	Start up E-commerce	M. Auguste	M. Auguste
12.	Coira Joseph	Crayfish River	Bodily work and print	C. Joseph	
13.	Montana Cardo	Bataca	Start up	M. Cardo	225 7908
14.	Meranda Burton	Sineku	Landscaping service	M. Burton	M. Burton
15.	Janet Williams	Bataca	Restaurant/Patisserie	J. Williams	
16.	Gertrude John	Bataca	Nursery	G. John	
17.	Sheridan Burton	Crayfish River	Getting started	S. Burton	
18.	Brenda Andrew	Crayfish River	Vending Katering	B. Andrew	B. Andrew
19.	Carvin G Gumbs	St. Cyr	Auto mechanics	C. Gumbs	C. Gumbs
20.	Arthurson Telecaraga	Salybia	Piggery	A. Telecaraga	A. Telecaraga
21.	N. Green	Salybia	Food	N. Green	N. Green
22.	Remy Auguste	Crayfish River	Start up	R. Auguste	R. Auguste
23.	Charles Williams	" "	Hotel	C. Williams	C. Williams
24.	Jamiso Thomas	Salybia	Food & Beverages	J. Thomas	J. Thomas
25.	Lorraine Belle	Salybia	Food & Beverages	L. Belle	L. Belle
26.	Meranda Burton	Sineku	Landscaping service	M. Burton	M. Burton
27.	Bertrus Sanford	St. Cyr	Entertainment	B. Sanford	B. Sanford
28.					



## **Appendix B**

### **Group Work Topics/Questions**

Each group is asked to discuss and determine the following:

**1. Potential Benefits and Challenges** of participating the MSME Partial Credit Guarantee (PCG):

- a. What benefits do you anticipate for the community from the MSME PCG?
- b. Do you foresee any challenges / difficulties for individual business or small businesses based in the Kalinago Territory participating and benefitting in culturally appropriate ways from the PCG scheme and if so what are these difficulties foreseen?

In looking at 1 b, you may wish to consider among other issues whether:

Lack of privately owned collateral such as land (related to communal ownership of land within the Kalinago Territory) will affect equal and fair access to the MSME PCG when compared to other MSME owners of private land (elsewhere) which can be used as collateral. In thinking about this, prepare ideas / solutions for inclusion under topic no. 2 below.

**2. Mitigation:**

- a. Based on potential challenges/difficulties foreseen and identified in question 1, what do you propose could be done to mitigate (alleviate, reduce, remove or compensate for) the difficulties or adverse effects anticipated to ensure small businesses in the territory benefit from the PCG scheme?

In looking at mitigation, you may wish to consider among other things:

- ways you think the OECS MSME Guarantee Facility can offer equal access to Kalinago community members
  - consideration of strategies for promoting gender equality in accessing loans through the PCG scheme
  - whether supporting documentation such as a community reference letter (what should it say and from who?) or a co-guarantee from Community institutions in supporting applications to the MSME PCG scheme could be considered (and look how feasible are such options...)
- b. Who (individual / group / agency) do you consider most important or most instrumental in mitigating/reducing/removing the difficulties or potential challenges to ensure small business in the territory participate in and benefit from the PCG scheme?

**3. Consultation Strategy:**

- a. Identify how as a community you will like to be involved and consulted before and during the OECS MSME PCG scheme in a way that is culturally relevant and appropriate and which satisfies the overall community interest and maximizes the most benefits of the PCG scheme for your community.
- b. Identify procedures or specific steps you will want to be included/established and followed in this community consultation framework

**DRAFT**  
**INDIGENOUS PEOPLES PLAN (IPP) - OECS MSME Guarantee Facility**  
**KALINAGO TERRITORY - COMMONWEALTH OF DOMINICA**

**Appendix C -Kalinago Community Written Comments on the Draft IPP**

KALINAGO COUNCIL RESPONSE  
TO  
THE DRAFT  
INDIGENOUS PEOPLES PLAN (IPP) - OECS SME Guarantee Facility  
KALINAGO TERRITORY - COMMONWEALTH OF DOMINICA

Wednesday 23<sup>rd</sup> August 2017

The Kalinago Council wish to sincerely thank the World Bank for contracting a consultant to undertake an IPP for Dominica as the institution seeks to develop the OECS SME Guarantee Facility. As the sole politically recognized indigenous community within the OECS this initiative is of paramount importance to the indigenous people especially in light of the UNDRIPS resolution of September 13, 2007 and ILO Convention 169. We were privileged to participate in the consultations with the consultant Mr. Larry Barrie where efforts were made to solidify indigenous issues as the Bank seeks to progressively develop a PCG for OECS. We have read his draft report and wish to make some pertinent observations.

We agree in large part with the report submitted and believe many recommendations made will help to address the fundamental disadvantage that the Kalinago people face at financial institutions because our land tenure circumstance. For instance, capacity development and technical support in specific areas is appreciated as the most widely proposed mitigation measures, along with the need for an oversight body or entity located in the Kalinago Territory. However, we believe that a special case be made to deal with the problem through a special strategy developed to address this prolonged fundamental challenge. This is based on the fact that the KT is the only community within the targeted group of countries with a communal land tenure issue; which has limited the indigenous people access to finance within the commercial financial institutions.

The Kalinago Council also wishes to draw attention to section 9.1.3 where the purpose of the IPP was reiterated as not being a Development Program for the Kalinago Territory. We are very much concerned that "this IPP is not and should not be seen as a vehicle to create expectations in the territory that a new 'program' for the KT is being launched that will provide a territory-wide TA and loans (backed by guarantees) to KT MSMEs". We are also apprehensive about the fact that the PCG

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scheme only works with existing FIs which are credit unions, development banks or commercial banks where they make the final loan decision and will be independent of any other agents.

Additionally, as a unique community we understand that the PCG scheme is regional across the OECS/ECCU with eight participating member states and that the objective is to increase sustainable access to SME finance. We nonetheless express dissatisfaction with the notion that “it is not to be seen as a program to promote economic development in the KT”. Moreover, the Kalinago Council is dissatisfied about the notion that economic development could be an “excellent by-product of the project if access to the PCGS in turn helps with improvement in the Kalinago Territory” because it indicates that the Banks primary purpose for the initiative views the community as an appendage within the wider scheme and therefore discounts the consequences of the facility on the indigenous community. All these tendencies appear to be in contradiction to the the purpose of the IPP in making sure that “participation of the KT is not unequal due to their cultural, legal or socioeconomic differences” and more especially as the OECS PCG project was designed for the OECS and not specifically for the Kalinago Territory.

The Kalinago Council would like to recommend that very specific consideration be given to the Kalinago Territory within the framework of initiatives encapsulating the indigenous people of Dominica. This is proposed based on the observation of the World Bank’s sensitivity to indigenous people access to tenure, capacity building, good resource governance, and other interventions that will aid in improving their condition. We are mindful that the Bank appreciates the need for “both widespread and sustainable economic growth and livelihoods, culturally appropriate conservation and development, as well as strategies to address multiple sources of disadvantage, taking into account their views and special needs of development.”

The Kalinago Council would like to reiterate that the Kalinago Territory is a culturally distinct community in the Region and that all development and the management of the natural resources are intimately connected to our identity, livelihood, and physical and spiritual well-being.

## **Appendix D**

### **Minutes of Third Community Consultations on Draft IPP, KT, August 30, 2017**

Minutes of the meeting with the Chief and Kalinago IPs on August 30, 2017

- **Attendance:** The consultation was held in the Kalinago Chief's Office and Community Center in the Kalinago Territory.
  - It was attended by the Chief and seven (7) community members, G. Kajubi World Bank Safeguards Specialist and Mr. Learrie, World Bank Consultant who led the discussions (remotely on phone).
  - **Objective of the meeting** was to receive comments from the Community on the revised draft IPP for the proposed Organization of Eastern Caribbean States (OECS) MSME Guarantee Facility project.
  - **Background:** The Bank had held one initial consultation with the community on August 4, 2017 where it was determined that more time was required for the community to read the document. The revised draft was shared with the community ahead of the meeting. Written comments were submitted by Mr. Hill, a community leader (attached). The chief affirmed that the draft IPP report had been reviewed by the Council Members and their comments were reflected in the submitted written comments.
  - **Two main messages from the Consultations:** two main messages emerged from the consultations.
    - **Call for a Financial Institution located in the Kalinago Territory dedicated to working specifically with the Kalinago Community.** While the Kalinago Community recognized and appreciated the benefits about technical assistance and capacity building it believed that more was required for the community to be able to overcome the barrier of a communal land tenure system which limited access to finance. The Bank affirmed that it heard the request for a dedicated credit facility. However, this was something that had not been agreed to by the participating states.
    - **The Community was dissatisfied with language in Section 9.1.3 which they believed was not in line with the principles or spirit of the OP 4.10.** The Bank would revisit the language to ensure it was conveyed this spirit and intent.
- A. **Conclusion and next Steps:** The Bank thanked the Chief and attendees for their candid feedback and time.
- a. The OECS Guarantee Corporation has approved the establishment of the Corporation and it will preside over the scheme to ensure it is implemented in accordance with the instruments and the agreements. The community should keep engaged with the OECS Guarantee Cooperation association to secure every opportunity is secured and derived.
  - b. The minutes from the meeting will be relayed to the Community through the Chief
  - c. Comments and concerns shared from this consultation will be reflected in the final IPP report
  - d. The report will be disclosed to the community, in country and on the Bank web site.
  - e. The Bank will identify and share other sources (trust fund windows) that could potentially be accessed by IP groups for piloting building capacity of IP MSMEs.

## **Appendix E**

### **Minutes of Second Community Consultations on Draft IPP, KT, August 3<sup>rd</sup>, 2017**

#### **Summary of Second Community Consultations, KT**

1. The second community consultation was convened for the purpose of reviewing the first draft of the IPP. The draft IPP was circulated to the community several weeks earlier in July for their review and familiarization and to make notes in preparation for the community review of the draft IPP. .

#### **Purpose of the Consultations**

##### **Attendance**

- Chief Williams, KT Council
  - Patrick Louis Hill, Councilor, KT Council
  - Prosper Paris, Cultural Officer/Community Leader
  - Learrie Barry, WB Consultant
  - 12 members of the community
2. The meeting was called to order by Chief Williams and did introductions. Following introductions, the meeting was chaired/facilitated by Councilor Patrick Louis Hill. Mr. Hill explained the purpose of the meeting but acknowledged several members of the community in attendance were not originally participants in the consultations on the draft IPP and was unfamiliar with its contents. As a result, Mr. Hill called on Consultant Mr. Barry to provide an overview of the draft IPP and respond to questions that the meeting may have.
  3. Following presentation of the overview of the draft IPP including a breakdown of chapters, key sections and an outline of the key conclusions and recommendations, Mr. Hill opened up the meeting for questions/concerns.
  4. The main concern raised was that the community expected to be given special consideration under the PCGS. The question was asked if the IPP is intended to ensure that their participation is not unequal due to their land tenure system and or other cultural/socio-economic differences, they said they could not see how the IPP does ensure their equal (non-differentiated) access/participation in the scheme (which harks back to the expectation that special consideration should be afforded MSMEs of the KT because of their collateral weaknesses, capacity deficits and related circumstances).

5. This question and comments about special consideration was further ventilated through discussions among participants and the consultant was asked to elaborate on the IPP in light of the questions and concerns raised.
6. After elaborating on the parts of the IPP that emphasizes the region-wide scope of the scheme, it was noted that no one community member present did a sufficient read of the draft IPP document to have picked up and follow the explanations provided or connect with the parts of the document that the consultant drew their attention to. It was at that point that the Chief, Councilor Hill and others asked for more time to review the document.
7. The meeting agreed that the community will have another 2/3 weeks to continue their review of the document.
8. Finally, because questions about special/differential treatment to the KT MSMEs under the scheme persisted (the community insisting the scheme should have included in its design special considerations for the Indigenous Peoples, based on their unique circumstances), the consultant suggested the community put together a small IPP review team for consultations with the bank team on the draft IPP. The community agreed to the suggestion. It was agreed also that the small review team will arrange to use the Ministry of Kalinago Affairs conference room (or some other conference room with adequate IT capabilities) so that the bank can make the call into the meeting and address their concerns. They agreed to finalize these arrangements including putting together a small team of 3/4 persons to further review the draft IPP and to have discussions with the bank team on their concerns.
9. The chairman indicated they would provide feedback on the status of the arrangements in 2 weeks about the date, time and place for follow-up discussions on the draft IPP and the bank team. The meeting ended on this note.

It is necessary to indicate that two members of the bank team attempted to participate in this community consultation but due to weak ICT connectivity in the KT, efforts to include the two members of the bank team in this meeting failed.

Learrie Barry  
Consultant

## **Appendix F**

### **KT Council Approval of IPP on behalf of Community**

**From:** Louis Patrick Hill <[louispatrickhill@gmail.com](mailto:louispatrickhill@gmail.com)>  
**To:** learrrie barry <[learrrie@yahoo.com](mailto:learrrie@yahoo.com)>  
**Sent:** Wednesday, November 22, 2017, 12:40:19 PM GMT-4  
**Subject:** Re: Revised IPP Following Community Consultations on August 30.

Dear Mr. Barry,

I am providing this communication on behalf of the Kalinago Chief and Council. First let me apologize for this long overdue response to your correspondence. As you know hurricane Maria has devastated the Kalinago Territory and has left us without electricity and telecommunication services. We have also been very busy dealing with all of the challenges of a community that has literally been destroyed.

We wish to thank you for your work and for the reports that you have provided for our review. We have reviewed your initial report, we have reviewed your updated report with our input and we have reviewed the minutes of the meeting with the World Bank representative Ms. Gibwa. We agree that the contents of the documents are an accurate representation of the process and we look forward to the implementation phase of the project.

We wish to thank the World Bank for it's compliance with the United Nations policy on indigenous peoples. It is our sincere hope and expectation that the Kalinago people will benefit from this initiative.

With gratitude  
Louis Patrick Hill  
Kalinago Councilor

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