

MULTILATERAL INVESTMENT FUND PROJECT ABSTRACT

REGIONAL

BASIC PROJECT DATA

Country/Region:	Regional – Caribbean	
Program Name/Number:	Promoting SME Competitiveness Through Technical Standards - RG-M1022	
Team:	Team Leader: Santiago Soler (MIF/OPS); Winsome Leslie (MIF/PPU), Mario Berrios (INT/ITD); Juvenal Meza (MIF/DEU); (LEG)	
Date of Request:	February 6, 2004	
Beneficiaries:	SMEs in the Caribbean region	
Executing Agency:	The CARICOM Regional Organization for Standards and Quality (CROSQ)	
Financing Plan:	MIF (Window IIIa):	US\$1.19 million
	Local:	US\$510,000
	Total:	US\$1.7 million
Tentative Dates:	Donors Committee:	September 2004

I. BACKGROUND AND PROBLEM STATEMENT

A. Background

- 1.1 Like other developing countries, the small states of the Caribbean Community (CARICOM) are faced with growing competition in traditional markets for their exports in the current environment of trade liberalization. For the Caribbean, however diversification into new markets has become critical, given the end of preferential trading arrangements and the rather limited range of exports from the region. Increasingly however market access requires adherence to technical trade requirements, which can become major barriers to trade, as the WTO has acknowledged.
- 1.2 CARICOM, through its Committee on Trade and Economic Development (COTED) has recognized the importance of technical standards for trade facilitation, and has acknowledged the need for regional coordination in this area within the region. With the CARICOM now focused on the creation of a Single Market and Economy (CSME) among member states, harmonization of national standards has become even more important.
- 1.3 Accordingly, the CARICOM Regional Organization for Standards and Quality (CROSQ) was established in 2002, as required by the Industrial Protocol of the Revised Treaty of Chaguaramas establishing CARICOM, which commits countries to following

international standards, and to the establishment of a regional standards body. CROSQ is also a response to the WTO Agreement on Technical Barriers to Trade and is a successor to the Caribbean Common Market Standards Council, created in 1976 as part of the CARICOM, which was established in 1973. CROSQ seeks to promote the development and harmonization technical standards among the member states of CARICOM¹, in order to improve trade within CARICOM in view of the CSME, and with third states, and to facilitate environmental and consumer protection.

- 1.4 The main functions of the institution include: a) supporting the mutual recognition of conformity assessment procedures relating to goods and services produced or provided by companies in CARICOM states; and b) promoting an awareness of standards, and standards related matters in CARICOM governments among private sector companies and consumers.²
- 1.5 While the Caribbean Common Market Standards Council was only an advisory body to the COTED, CROSQ is a legal entity empowered to: a) increase the pace of standards development among relevant private and public sector stakeholders; b) monitor the implementation of standards among companies; and c) facilitate the resolution of those CARICOM trade disputes involving standards.

B. The Problem

- 1.6 The advancement of free trade has brought with it an increase in non-tariff barriers, which are primarily technical standards. SMEs in the Caribbean are finding themselves at a disadvantage in terms of international competitiveness.
- 1.7 CARICOM through the Caribbean Common Market Standards Council has done significant work in building consensus around the development of voluntary and mandatory regional standards for use in intra-regional trade. These standards have been developed based on international standards, and CROSQ is building on this achievement. Since 1978, 50 standards have been endorsed by COTED for implementation in the region, relating to textiles, agricultural products, rum, packaged water, brewery products, poultry etc. CROSQ has now begun to look at standards relating to services, in view of the FTAA and WTO discussions.
- 1.8 These regional standards are being formulated in a collaborative process which involves the national bureaus of standards, industry groups, and other private sector organizations, as well as companies they represent. However, in spite of this close collaboration with the private sector in the formulation of standards, implementation of these standards among firms is weak, more so among the SMEs closely involved in the process. This highlights a more general lack of awareness of the importance of technical regulations and standards as critical components in producing internationally competitive products and accessing markets overseas. More specifically, there is a need to educate the SMEs in the region about market access requirements in foreign countries concerning product quality and standard and the benefits of adhering to the existing and prospective regional standards endorsed by CARICOM, as well as strategies to take advantage of these benefits.

¹ CARICOM member states are the following: Antigua & Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, St. Kitts & Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad & Tobago.

² Agreement Establishing the CARICOM Regional Organization for Standards and Quality, Article 4.

- 1.9 The problem of low recognition in firms about product quality and technical requirements to access foreign markets is also accompanied by limited technical capability of officials from private sector entities that work on standards issues. An important constraint is also the problem of the limited financial and human resource capacity that small individual countries have in addressing technical regulation and standard issues and the need to build such capacity on regional basis.
- 1.10 CROSQ as a new organization, however, needs to be given the tools to effectively carry out its mandate to monitor standards implementation efforts throughout the region. Linked to this lack of awareness and technical capacity in the private sector, about the benefits of standardization, is a lack of common understanding about the importance of conformity assessment as a tool to determine whether technical standards have been met.
- 1.11 Finally there is the need to create an information system both for CARICOM standards and international standards. This web-based system must be accessible to all states and private sector stakeholders to strengthen CROSQ's dissemination efforts, and provide real-time access to the latest information on standards being developed.

C. Program Rationale and Additionality

- 1.12 This project is a priority for CARICOM governments, who recognize the link between the development and implementation of technical standards, and competitiveness of the region's private sector. Furthermore, the area of technical standards has been recognized as critical for the region, in view of ongoing efforts to create a CARICOM Single Market and Economy, developments in the FTAA negotiations and the ongoing discussions within the private and public sectors about the WTO Agreement on Technical Barriers to Trade.
- 1.13 The MIF is the most appropriate source of funding for the project, because it falls with the **Facilitation of International Trade and Investment** cluster. The regional approach being taken in this project will also result in important economies of scale in terms of project activities. The project complements the Bank's regional strategy for CARICOM, which stresses the importance of supporting ongoing trade liberalization efforts in the region. It also supports other MIF initiatives for the Caribbean region in the **Facilitation of International Trade and Investment** cluster for the Caribbean, namely, *Strengthening the Private Sector's Role in CARICOM's External Trade Negotiations* (RG-M1004) and complements similar MIF operations in MERCOSUR (MIF/AT-561), the Andean region (MIF/AT-562) and Central America (RG-M1020).
- 1.14 Other donors such as CIDA, have expressed an interest in providing assistance to CROSQ, in areas such as food safety standards. This project will coordinate where possible with these future activities in order to maximize results.

II. PROGRAM OBJECTIVES AND DESCRIPTION

A. Objectives

- 2.1 The goal of the project is to improve the competitiveness of SMEs in the CARICOM region, via the establishment and implementation of national, regional and international technical standards. The purpose of the project is to develop a sustainable "model" to

improve and strengthen the way in which technical standards are developed and implemented by SMEs.

B. Description

2.2 The project objectives will be achieved through the following components:

Component I: Awareness-raising activities. This component focuses on activities to sensitize the private and public sector in CARICOM countries to the importance and benefits of standards. These activities will include conferences and seminars at the regional and national level, and the development of national communications plans.

Component II: Development of standards and conformity assessment

Guidelines. The purpose of this component is to further strengthen current efforts to develop both national, regional and international technical standards, as well as conformity assessment guidelines, focusing on targeted sectors corresponding to CROSQs work plan.

Component III: Training. This component will provide training to personnel in SMEs, trade associations, national standards bureaus, throughout the region, in areas such as standards enforcement, technical requirements and conformity assessment procedures.

Component IV: Establishment of a Standards Information System for the CARICOM Region. This component will establish a web-based national and system, on international and regional technical standards, accessible to SMEs, as well as the public sector and NGOs.

2.3 The project will be executed over 48 months, with a disbursement period of 54 months, effective from the date of signature of the project agreement. Expected measurable outcomes include: a) improved knowledge and awareness of the benefits of technical standardization among SMEs and the public sector; b) increased levels of implementation of technical standards among SMEs; c) development of conformity assessment guidelines, and implementation of conformity assessment procedures, based on standards and assessment guidelines; d) training of specialists in SMEs, national standards bureaus, government and trade associations in standards enforcement, technical requirements, conformity assessment and cross-industry issues such as social and environmental responsibility; and e) a fully operational web-based information system accessible to all CARICOM states.

III. COST AND FINANCING

3.1 The project's total budget is estimated at US\$1.7 million. The MIF's contribution will be in the amount of US\$1.19 million and will finance consultant fees and travel expenses, training and communications equipment. Counterpart resources in the amount of US\$ 510,000 will be provided by CROSQ and the national standards bureaus, as well as the private sector to cover seminar participants' travel expenses and logistical costs associated with training workshops and consultations, as well as administrative costs.

IV. EXECUTING AGENCY AND EXECUTION STRUCTURE

- 4.1 CROSQ will serve as executing agency for the project and host the project execution unit (PEU). CROSQ is a legal entity with a mandate from CARICOM Heads of Government to serve as the regional standards body, complementing the work of the national standards bureaus, and representing the interests of the region in international or hemispheric standards work. CROSQ consists of a Council, Special Committees and a Secretariat. The Council makes recommendations to COTED on standards for use in intra-regional trade, based on work not just of Council Members (national standards bureaus), but industry interest groups as well. CROSQ has close links with the Caribbean Regional Negotiating Machinery), established by the Heads to coordinate and provide input into all the region's external trade negotiations. It also has a close relationship with the Pan American Standards Commission (COPANT). Eight states that are members of CROSQ are also members of COPANT.
- 4.2 The PEU will work through with the Bureau of Standards Jamaica, the Trinidad and Tobago Bureau of Standards, the Barbados National Standards Institution and the Guyana National Bureau of Standards to execute project activities. These are the largest standards institutions in the region, with the greatest capacity to conduct training and spearhead dissemination efforts. Sub-execution agreements will be signed with each of these national bureaus. Outreach activities with firms and private sector organizations will also be ensured through these national bureaus. The rest of the CARICOM countries, such as Belize, Haiti and Suriname, will participate in awareness activities and ultimately they will benefit from the standards being harmonized.

V. MAJOR ISSUES

- 5.1 **Executing Arrangements.** CROSQ is a new entity, and in addition, the CARICOM Heads of Government specifically conceived of it as a “lean” organization with minimal staff, which would work closely with the various national standards bodies in the region. Particular attention will be paid to establishing a strong, technically competent project unit within CROSQ, with the necessary linkages and outreach to the standards bureaus in CROSQ member states. Each sub-executing agency will contribute counterpart funding to the project.
- 5.2 **Role of the Caribbean Development Bank.** According to the MOU between the CDB and the MIF, the CDB must play an administrative role in projects where resources are specifically allocated to the countries in the Eastern Caribbean, which are not members of the IDB. The involvement of the CDB in this project will be determined early on in project design.

VI. ACTION PLAN

- 6.1 This project can be prepared for presentation to Donors in 6 months. Discussions have already taken place with CROSQ to define project activities.

VII. ENVIRONMENTAL AND SOCIAL STRATEGY

- 7.1 With respect to social impact of this project, CROSQ already has in place a consultative process for standard setting that includes government, the private sector and relevant interest groups. The standards that have been developed to date have been based on consensus, and the project will further strengthen this process. In terms of the environment, the project focuses on product and services standards, and a special effort will be made to ensure that standards developed under the project take into account environmental management considerations.