

## TC PROFILE

### REGIONAL

#### I. BASIC PROJECT DATA

**Country/Region:** CARICOM and the Dominican Republic

**Program Name/Number:** Support for the Implementation of Economic Partnership Agreements in the Caribbean (RG-T1598)

**Team Leader/Members:** Mario A. Umana (INT/INT), Paolo Giordano (INT/INT), Team Leaders; Matthew Shearer (INT/INT), Carolyn Robert (INT/INT), Lesley Cassar (INT/INT), Diego Buchara (LEG/SGO), and Martha Skinner (INT/INT), who assisted in the preparation of the document.

**Date of Request:** June 17, 2008

**Beneficiary countries:** CARICOM and the Dominican Republic

**Executing Agency:** The Inter-American Development Bank

**Amount and Source of Funding:** US\$400,000 Non-reimbursable (FSO -net income-)

**Technical and Basic Responsibility:** Integration and Trade Sector

**Included in Board approved Technical Cooperation Program:** Yes (Communication received from VPC/GCM on 6/25/08)

**Tentative Dates:**

TC Profile:	September 9, 2008
Plan of Operations:	September 15, 2008
Approval:	September 30, 2008

#### II. BACKGROUND AND PROBLEM STATEMENT

- 2.1 The Caribbean Community (CARICOM) was established in 1973 to foster economic integration, foreign policy coordination and functional cooperation among its member states. In the early years of CARICOM, economic integration efforts were largely limited to the liberalization of intra-regional merchandise trade. In 1989, however, member states agreed to move toward much deeper levels of integration through the creation of a CARICOM Single Market and Economy (CSME), thus embarking on a process of wide-ranging institutional, legal and administrative reforms at both the national and regional

level. In 2006, the single market entered into force among twelve of the Community's 15 member states.<sup>1</sup> It covers the free movement of goods, services, capital and persons across the region, the right of CARICOM nationals to establish a business presence anywhere in the region without restrictions, and the implementation of a common external tariff and trade policy.

- 2.2 CARICOM and the Dominican Republic, under CARIFORUM,<sup>2</sup> and the European Commission (EC) concluded Economic Partnership Agreement (EPA) negotiations on December 16, 2007. This comprehensive agreement covers such areas as market access in goods and services, investment, intellectual property, and development cooperation, *inter alia*. The negotiations were motivated by the need to replace the unilateral preferences provided under the Cotonou Agreement with reciprocal trade agreements compliant with Article XXIV of the General Agreement on Tariffs and Trade (GATT). Preparation for the signature of the final text and agreement is currently underway.
- 2.3 Implementation of the agreement raises a number of issues for Bank members in the Caribbean that are distinct from the demands of the negotiating process, among them, making the transition to liberalized goods imports, competing in a framework of eroding preferences in the EU market, and building comparative advantage in goods and services. Thus, there is an urgent need to develop a comprehensive strategy for the transition to freer trade in order to address the challenges and opportunities arising from the EPA. This requires a comprehensive approach that focuses simultaneously on the macroeconomic, microeconomic, institutional and social policy reforms that are required to make trade work for all levels of society.
- 2.4 EPA implementation demands a wide array of institutional reforms, and presents a generalized need for institutional strengthening of both public sector and private sector organizations in order to better implement the agreement, expand export opportunities in the new trade environment, and comply with the rigorous standards of the EU regulatory framework. This will necessitate extensive technical and financial support at the regional level, complemented by parallel support for national efforts to establish enabling legislation, regulations, and institutions.
- 2.5 The EPA implementation program is a prominent part of the Aid for Trade agenda for Caribbean countries. The Bank has been an active participant in the implementation of the WTO Aid for Trade initiative. At the Symposium on Aid for Trade for the Caribbean held in Kingston, Jamaica June 16-17, 2008, the issue of EPA implementation arose as one of the priority areas on the region's agenda.
- 2.6 This project is closely linked with the first area of strategic focus of the Bank's Regional Strategy for CARICOM (2007-2010), since it is designed in part to help align CARICOM's external liberalization efforts with full intra-regional market liberalization. The project is also consistent with the Strategy's second strategic area of enhancing

---

<sup>1</sup> The twelve CSME members are Antigua and Barbuda, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago. The Bahamas, Haiti and Montserrat are members of CARICOM but do not participate in the CSME.

<sup>2</sup> CARIFORUM consists of the 14 independent CARICOM member states and the Dominican Republic.

regional cooperation to improve CARICOM's social and economic infrastructure, with particular relevance to "management of the integration process".

- 2.7 More generally, the project is also linked to the Bank's Regional Integration institutional strategy. Specifically, the TC is consistent with the priority action area of strengthening integration institutions. Furthermore, within the priority action area of "consolidation of regional markets", it is stated that, "given the importance of some extraregional markets and the potential benefits of agreements to secure access to those outlets, the Bank will, on request, support countries' participation in North-South integration initiatives like the FTAA and agreements with the European Union and with Asian countries."
- 2.8 A CARIFORUM Regional Preparatory Task Force (RPTF) has been established with funding from the European Commission to determine support needed in order to implement the EPA commitments. The RPTF has commissioned a series of studies that should be completed in early 2009.

### **III. PROGRAM OBJECTIVE AND DESCRIPTION**

- 3.1 The project's purpose is to strengthen the capacity of the CARIFORUM countries to efficiently implement the EPA. The specific objectives are to: i) establish an operational roadmap for Bank support for the implementation of the EPA; ii) strengthen regional institutions providing support to EPA implementation; and iii) strengthen complementary national institutions with responsibility for EPA implementation.
- 3.2 In keeping with the objectives mentioned in paragraph 3.1, the project comprises the following three components: (1) design of a roadmap for Bank support for EPA implementation; (2) technical support for the strengthening of regional institutions and capacity to prepare projects; and (3) technical support for the strengthening of complementary national institutions.

#### **1. Component I: Roadmap for Bank support for EPA implementation (\$80,000)**

- 3.3 This component will finance:
- (i) Design of a strategic work plan for Bank support identifying short- and medium-term priorities, including the following activities, among others: consultations with countries, identification of available sources of funding and gaps, identification of institutional bottlenecks at regional and national levels. This work program will also draw upon the technical needs assessment being carried out by the RPTF; and
  - (ii) Consensus mobilization with different stakeholders, resource mobilization strategies, and other actions deemed necessary to support the work program design and otherwise move the project forward.

- 3.4 The work will be led by an international consultant, with support from additional local national consultants. A stakeholder validation forum will be organized as part of this component.

**2. Component II: Strengthening of regional institutions to facilitate EPA implementation (\$ 200,000)**

- 3.5 This component will finance the design and implementation of actions to support the region in implementing the EPA in the long-term, including providing enhanced capability to access financial resources that are currently available or that will be available in the future, specifically:

- (i) Technical support for the implementation of the roadmap recommendations at the regional level; and
- (ii) Support for the strengthening of regional institutions in charge of EPA implementation. This will also include the organization of an implementation unit to prepare specific implementation projects to be financed by international donors, design operational manuals, respond to funding and other requests by regional stakeholders, and coordinate with donors. The implementation unit will also provide a report on the first year of the EPA execution that will serve as a basis for evaluation and lessons learned.

- 3.6 Financial support will take place through two windows: i) direct support to regional institutions; and ii) a call-down fund for execution of urgent needs arising at the regional level. Activities to be financed include hiring international consultants, local national consultants as necessary, and investments in goods (e.g., computers, software, etc) in accordance with the Bank's TC rules.

**3. Component III: Strengthening of complementary national institutions (\$ 100,000)**

- 3.7 This component will finance:

- (i) The identification, design, execution, monitoring, and evaluation of EPA-related projects at the national level;
- (ii) Development of specific action plans for EPA implementation at the national level (e.g., drafting of new laws and regulations, technical workshops, training, etc), based on earlier assessments; and
- (iii) Strengthening of EPA implementation units at the national level, with a particular emphasis on ability of mobilize resources and implement projects.

- 3.8 These activities will be undertaken in close coordination with national points of contact.

- 3.9 Activities to be financed include procurement of consultancy services and investments in goods in accordance with the Bank's TC rules.

#### IV. BUDGET

- 4.1 The project's total cost is estimated at US\$400,000. The distribution of funds among the components is as follows (see Annex II for a detailed budget):

Budget (US\$)

Category	Total
Component I: Roadmap for Bank support for EPA implementation	80,000
Component II: Strengthening of regional institutions	200,000
Component III: Strengthening of complementary national institutions	100,000
Contingencies (5%)	20,000
<b>TOTAL</b>	<b>400,000</b>

- 4.2 The IDB contribution will be on a non-reimbursable basis, chargeable to the net income of the Fund for Special Operations (FSO).

#### V. EXECUTING AGENCY AND EXECUTION STRUCTURE

- 5.1 This Project will be executed by the Bank. In this regard, the Integration and Trade Sector (INT/INT) will have both technical and fiduciary responsibilities for the project. Given the special nature of the project, the Bank will need to work with several regional stakeholders from different but inter-related regional integration processes (e.g., CARICOM Secretariat, CARIFORUM, and CRNM). In order to ensure ownership of the project, the terms of reference for all the consultancies and the procurement of goods will be validated by a steering committee composed of representatives from major stakeholders. That Committee shall be installed immediately after project approval.

#### VI. MAJOR ISSUES

- 6.1 The project seeks to improve the ability of the region to take advantage of the economic benefits of an economic partnership with Europe. Regional integration institutions and national agencies with mandates related to EPA's implementation will be strengthened, while actual access to funding from international donors will be enhanced through the preparation of projects.
- 6.2 The political support in the region for the EPA process has been recently challenged by various sectors, particularly from civil society. Implementation of the agreement may be delayed or slowed down and this may in turn set back project execution. While these factors are beyond the control of the TC, the project aims at addressing some of the concerns in the region by enhancing the region's ability to attract donor funding for implementing the EPA, and in expediting the formulation and execution of projects designed to take advantage of opportunities and respond to challenges created by the

agreement. Another mitigating factor is the current Bank project ATN/MT-8694-RG, which is financing efforts to improve understanding of the agreement from regional stakeholders, including civil society.

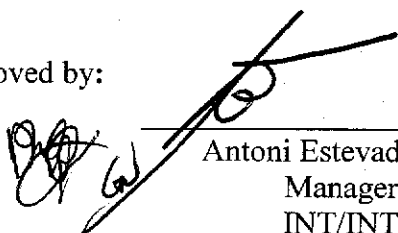
## VII. ACTION PLAN

- 7.1 The project team is in the process of drafting the Plan of Operations and relevant annexes. It is anticipated that the Plan of Operations will be sent for Quality and Risk Review by September 15, 2008, and that final approval will take place by September 30, 2008.

## VIII. ENVIRONMENTAL AND SOCIAL STRATEGY

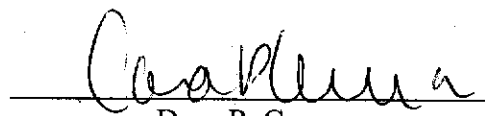
- 8.1 In view of the nature of the operation and that project activities will center on design of a work plan, resource mobilization, trade-related technical assistance and capacity building programs, the project team is of the view that there will be no negative environmental or social impact. The overall impact of the activities is expected to be positive as the outputs will focus on policy actions that support the implementation of the EPA. The project is classified as a category "C" operation and does not need environmental assessments or consultations (Assessment No. 2008-09055516-2).

Approved by:



Antoni Estevadeordal  
Manager  
INT/INT

Date: **SEP 9 2008**



Dora P. Currea  
General Manager  
CCB/CID

Date: **SEP 12 2008**