

**MULTILATERAL INVESTMENT FUND
PROJECT ABSTRACT**

REGIONAL

I. BASIC PROJECT DATA

Country/Region: Caribbean Community (CARICOM)

Program Name/Number: Strengthening the Private Sector's Role in the Caribbean Community's External Trade Negotiations

Team: Team Leader: Anneke Jessen (INT/ITD); Winsome Leslie (MIF), Santiago Soler (MIF); Sonia Decambre(COF/CBA); (LEG)

Date of Request: October 7, 2003

Beneficiary: CARICOM Member States

Executing Agency: Ministry of Finance of the Government of Barbados, acting on behalf of CARICOM Member States. The Caribbean Regional Negotiating Machinery (RNM) will be responsible for the day-to-day execution of program activities (see Section V).

Financing Plan:

MIF:	US\$	875,000
Local:	US\$	375,000
Total:	US\$	1,250,000

Tentative Dates: EVP: December 2003

II. BACKGROUND AND PROBLEM STATEMENT

A. Background

- 2.1 Because of their small size, Caribbean countries depend crucially on trade for their sustained growth and development. Successful international insertion is therefore a central aim of their development strategy and the underlying rationale for their participation in international trade negotiations. In parallel with their own integration process, CARICOM member states currently participate in the multilateral negotiations of the World Trade Organization (WTO); the establishment of the Free Trade Area of the Americas (FTAA); negotiations for an Economic Partnership Agreement with the European Union (EU); and a number of bilateral negotiations with individual countries or groups of countries aimed at the progressive liberalization of trade.
- 2.2 In order to pool their scarce resources and thus achieve the best possible results in these complex negotiations, CARICOM Member States in 1997 established the Caribbean Regional Negotiating Machinery (RNM) with a mandate to coordinate external trade negotiations on their behalf. More specifically, the mission of the RNM is "to assist Member States in maximizing the benefits of participation in global trade negotiations by providing sound, high-quality advice, facilitating the generation of national positions, coordinating the formulation of a unified negotiating strategy for the region and undertaking and/or leading negotiations where appropriate". In pursuit of these goals, the

RNM has worked closely with both public and private sector entities in the region. The latter's active involvement in the process is seen by CARICOM governments as particularly important given that it is firms, not governments, who trade, and that public/private sector policy dialogue is increasingly viewed as a fundamental element of modern-day governance.

B. The Problem

- 2.3 Private sector participation in the regional negotiating effort nevertheless remains extremely weak. This is a serious impediment to the process for two reasons. First, without an effective voice, the private sector cannot properly influence the negotiations and cannot, therefore, articulate and promote its own interests in a process whose outcome will have crucial consequences for the Caribbean economies. Second, without informed contributions from the private sector, the RNM often lacks the detailed sector, production and trade data that is necessary for analyzing, and choosing among, different negotiating options in the various subject areas of the negotiations.
- 2.4 Inadequate private sector participation is a result of the sector's weak organization. History, too, plays a role. In the Caribbean, trade negotiations have traditionally been viewed as the purview of governments, hence the private sector has little experience in this area. Lack of knowledge about trade issues, and their implications for business, is widespread among Caribbean firms and prevents them from effectively contributing towards the formulation of national or regional positions. In addition, many companies have shown little interest in current negotiations either because they think that they will continue to be protected from outside competition, or because they believe that they cannot affect the inevitable trend towards free trade.
- 2.5 Several steps have recently been taken to address this problem. The RNM itself has appointed a private sector liaison officer and is increasing its outreach and coordination activities vis-à-vis national and regional private sector associations. The Caribbean Association of Industry and Commerce (CAIC), a regional umbrella body for the private sector, has established working groups to develop regional private sector positions in the various FTAA negotiating areas; some national private sector associations have taken similar steps. The proposed program will support and build on these efforts through specific activities aimed at strengthening the private sector's role in the region's various trade negotiations.

C. Program Rationale and Additionality

- 2.6 Given the potentially huge impact of the negotiations, addressing the above problem is a high priority for the region, and specifically to the private sector itself. The MIF has been selected as the most appropriate source of funding for this operation because: (i) the program focuses on private sector development, which is the principal mission of the MIF; (ii) the program falls squarely within the MIF's International Trade and Investment project cluster and can thus benefit from, and contribute to, the dissemination of best practices and lessons learned within the cluster; (iii) it can serve as a pilot for similar regional initiatives in other sub-regions (demonstration effect); and (iv) unlike other donor agencies who are also active in the region, it can benefit from the Bank's and MIF's strong in-house expertise in the area of trade, which will enhance the process and outcome of project implementation.
- 2.7 The program is consistent with the Bank's regional strategy for CARICOM (GN-2035-1/2), which, among other issues, calls for support to the negotiation and implementation of new trade agreements. It compliments the Bank's existing support to the RNM, which focuses on building public sector capacity in trade negotiations, as well as the support of other donor agencies to the Caribbean regional negotiating efforts.

III. PROGRAM OBJECTIVES AND DESCRIPTION

A. Objectives

- 3.1 The general objective of this program is to integrate the private sector more fully into the region's external trade negotiation process, in order to maximize the benefits of resulting agreements for the region as a whole. The specific objectives are to: (i) increase the private sector's awareness of and interest in trade negotiation issues; (ii) strengthen the private sector's technical capacity to analyze and prepare specific positions on issues in the negotiations and (iii) improve consultation and coordination mechanisms among private sector organizations in the region and between these, the RNM, and CARICOM governments.

B. Description

- 3.2 In pursuit of the above objectives, the program will consist of the following three components:
- a. **Program to Build Awareness.** In order to increase private sector awareness of and interest in trade issues, this component will provide companies and associations with regular information on relevant developments in the negotiations, via tools such as a web-based chat room; a bi-monthly newsletter on trade negotiation issues, featuring industry-specific articles; presentations at industry workshops and annual meetings; and group briefing sessions.
 - b. **Sector/Industry Assessments.** The program will finance sector and industry-specific assessments aimed at providing the information necessary for developing, and defending, detailed negotiating positions. This component also includes public-private sector consultations to discuss the findings of the assessments and to agree on relevant negotiating positions. This process is also intended to facilitate the creation of regional private sector associations, or the strengthening of existing ones. The experience of the Caribbean Poultry Association, which recently used a similar approach, has demonstrated that the **process** of technical analysis and consultation is as important as the assessment itself. The Association has now emerged as one of the best-organized private sector lobby groups in the region.
 - c. **Capacity-building in Trade.** This component includes training workshops on trade issues that are specifically targeted towards the private sector. In order to understand and contribute effectively to the negotiations, the private sector has to gain an understanding not only of sector and industry-specific issues, but also of existing trade rules, provisions and remedies, including rules of origin, standards, competition policy, intellectual property, anti-dumping, subsidies and countervailing measures, among others. The choice of topics will be selected based on the negotiating agenda and consultations with the private sector.
- 3.3 The project will be executed over a period of 36 months with a disbursement period of 42 months effective from the date of signature of the agreement. Expected, measurable outcomes include (i) improved knowledge of trade issues within the private sector, as measured by pre- and post-training evaluations and surveys issued in relation to the new communications instruments; (ii) growing willingness among private sector entities to organize and work together in order to strengthen their influence, as measured by the

number of new groups established or increases in coordination meetings among existing groups; and (iii) an increase in the number of specific positions tabled by the private sector in the negotiations. Additional expected outcomes will be defined during project preparation. The program will require a log-frame.

IV. COST AND FINANCING

- 4.1 The project's total budget is estimated at US\$ 1,250,000. The MIF's contribution will be in the amount of US\$ 875,000 and will finance consultant fees and travel expenses, training and information materials, and communications equipment. Counterpart resources in the amount of US\$375,000 will be provided by the private sector and the RNM, to cover seminar participants' travel expenses and logistical costs associated with training workshops and consultations, as well as administrative costs.

V. EXECUTING AGENCY AND EXECUTION STRUCTURE

- 5.1 The RNM, which falls under the political direction of CARICOM's Prime Ministerial Sub-Committee on External Economic Negotiations, has a clear mandate to foster public/private sector coordination and greater private sector participation in the negotiations. Because of its technical resources and demonstrated implementation capacity, it is the best suited among all relevant public and private sector agencies to execute the planned project activities.
- 5.2 The RNM, however, does not have its own legal personality, so CARICOM Member States have asked the Government of Barbados to assume responsibility for the RNM's finances. The project will therefore be executed by the Government of Barbados, Ministry of Finance, on behalf of the CARICOM Member States. The RNM's Unit of Technical Cooperation and Partnership, will assume day-to-day responsibility for managing the implementation of project activities, because of its central role in public/private sector coordination related to the negotiations. This execution arrangement has been successfully employed in two previous Bank-financed operations with the RNM.

VI. MAJOR ISSUES

- 6.1 **Sustainability.** Project activities will lay the basis for a more active, long-term, involvement of the private sector in trade negotiations. During project preparations, the team will identify particular measures that could strengthen the sustainability of project results beyond the end of the execution period.
- 6.2 **Private Sector Ownership.** An Advisory Committee, comprising representatives of CAIC and other private sector associations, will be established to review work programs, activities and other specific issues during implementation, in order to secure the full involvement of the private sector in the project.
- 6.3 **Role of the Caribbean Development Bank (CDB).** The MIF is required, based on Bank rules, to work with the CDB in cases where the countries of the Eastern Caribbean, which are not IDB-members, are direct beneficiaries of Bank funds. The project team will have to decide on a proper approach, depending on the extent to which project activities will directly benefit these countries.

VII. ACTION PLAN

- 7.1 It is estimated that this operation can be prepared for presentation to Donors within three months. Preliminary discussions have already begun with the RNM on substantive issues such as the detailed budget and a further elaboration of project activities. Detailed discussions will be held with the RNM in Washington on October 16, 2003, and the Donors memorandum will be finalized on mission sometime in November.