

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

REGIONAL

**STRENGTHENING THE PRIVATE SECTOR'S ROLE IN THE
CARIBBEAN COMMUNITY'S EXTERNAL TRADE NEGOTIATIONS**

(RG-M1004)

DONORS MEMORANDUM

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INFORMATION AVAILABLE IN THE FILES OF INT/ITD

PREPARATION:

CRNM Strategic Plan and Work Program

Profile of the CRNM

EXECUTION:

Detailed Budget

Draft Terms of Reference for CRNM Project Team, PSAG, Evaluation Consultant and Sector/ Industry Assessments

First PPMR

Draft Implementation Timetable

ABBREVIATIONS

| | |
|---------|---|
| ACP | African, Caribbean and Pacific states |
| CARICOM | Caribbean Community |
| CDB | Caribbean Development Bank |
| CIDA | Canadian International Development Agency |
| CPA | Caribbean Poultry Association |
| CRNM | Caribbean Regional Negotiating Machinery |
| CSME | CARICOM Single Market and Economy |
| DFID | United Kingdom's Department for International Development |
| EU | European Union |
| FTAA | Free Trade Area of the Americas |
| ICT | Information and Communications Technology |
| OECS | Organization of Eastern Caribbean States |
| PCR | Project Completion Report |
| PPMR | Project Progress Monitoring Report |
| PSAG | Private Sector Advisory Group |
| REPA | Regional Economic Partnership Agreement (EU – CARICOM) |
| USAID | United States Agency for International Development |
| WTO | World Trade Organization |

I. EXECUTIVE SUMMARY

| | | | | | | | |
|---|--|-------------------------------|----------------|----------------------|--------------|--------|----------------|
| Beneficiary: | Barbados | | | | | | |
| Executing Agency: | Ministry of Finance, Barbados | | | | | | |
| Target Beneficiaries: | Private sector firms and associations in the member countries of the Caribbean Community (CARICOM). | | | | | | |
| Financing: | <table> <tr> <td>MIF (Window I)¹:</td><td>US\$ 1,060,500</td></tr> <tr> <td>Local:</td><td>US\$ 455,000</td></tr> <tr> <td>TOTAL:</td><td>US\$ 1,515,500</td></tr> </table> | MIF (Window I) ¹ : | US\$ 1,060,500 | Local: | US\$ 455,000 | TOTAL: | US\$ 1,515,500 |
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| Local: | US\$ 455,000 | | | | | | |
| TOTAL: | US\$ 1,515,500 | | | | | | |
| Objectives: | The general objective of this project 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 objective is to increase the private sector's awareness of, interest in and capacity to contribute to the region's external trade negotiations. To achieve these objectives, the project will include three components: a Program to Build Awareness; Sector/Industry Assessments and Consultations; and Capacity-building in Trade. | | | | | | |
| Execution Timetable: | <table> <tr> <td>Execution Period:</td><td>36 months</td></tr> <tr> <td>Disbursement Period:</td><td>42 months</td></tr> </table> | Execution Period: | 36 months | Disbursement Period: | 42 months | | |
| Execution Period: | 36 months | | | | | | |
| Disbursement Period: | 42 months | | | | | | |
| Special Contractual Conditions: | <p><u>Conditions prior to first disbursement:</u> (i) the Project Coordinator has been hired and the Communications Assistant has been selected (§5.2); (ii) the Private Sector Advisory Group (PSAG) has been appointed, and the first CRNM/PSAG coordination meeting (§5.3) has taken place; and (iii) the work plan for the first six months of execution has been presented (§6.1.a). In addition to these conditions, the CDB and the Bank will have signed a financial agency agreement (§5.4).</p> <p><u>Special disbursement:</u> After the TC Agreement has been signed and the conditions prior to first disbursement set forth in the Agreement's General Conditions have been complied with, up to US\$50,000 may be disbursed in order to hire the Project Coordinator of the Program (§5.2).</p> | | | | | | |
| Exceptions to Bank Policies/ Procedures: | None. | | | | | | |
| Environmental and Social Review: | CESI approved the TC Profile on October 31, 2003 (TRG 40-03). The environment could become an important agenda item in future trade negotiations. To support the process of awareness building on trade-related environmental issues in the region, such issues will be addressed wherever relevant in the various project activities (see §3.4 and 3.11). | | | | | | |
| Donor Coordination: | Bank/MIF support to the regional negotiating effort will be closely coordinated with that of other funding agencies (see §2.10). The trade-related projects of these agencies focus mainly on strengthening public sector capacity. Private sector oriented projects are mostly targeted towards market access issues, while lacking the awareness-building aspect and link with trade negotiations that the MIF project would provide. | | | | | | |

¹ The MIF contribution includes US\$15,000 for Trade and Investment Cluster coordination activities.

II. BACKGROUND AND JUSTIFICATION

- 2.1 **Caribbean International Trade Negotiations.** 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 strategies and the underlying rationale for their participation in international trade negotiations. In parallel with their own regional integration process, CARICOM member states currently participate in the multilateral negotiations of the World Trade Organization (WTO), Western Hemisphere negotiations aimed at establishing a Free Trade Area of the Americas (FTAA), negotiations for a Regional Economic Partnership Agreement (REPA) with the European Union, 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 (CRNM) with a mandate to coordinate external trade negotiations on their behalf. More specifically, the mission of the CRNM 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 CRNM 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, that trade, and that public/private sector policy dialogue is increasingly viewed as a fundamental element of modern-day governance.
- 2.3 **The Problem: Weak Private Sector Involvement.** Private sector involvement in the regional negotiating effort nevertheless remains extremely weak. This is a serious impediment to the process for two reasons. First, without informed contributions from the private sector, the CRNM 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. Second, 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 far-reaching consequences for Caribbean economies in general and for business performance in particular. Market access, investment rules and other trade negotiation issues (including the complex areas of rules of origin, standards and intellectual property rights) play a crucial role in determining the ability of Caribbean firms to compete both in local and international markets. Hence the importance of their active involvement in defining regional positions on the scope and timing of trade liberalization.
- 2.4 Inadequate private sector involvement is partly a result of the sector’s weak organization. History, too, plays a role. Trade negotiations have traditionally been

- viewed as the purview of governments. Hence the private sector has had 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 enjoy protection from outside competition, or because of a defeatist attitude that says they cannot affect the inevitable global trend towards trade liberalization.
- 2.5 Several steps have recently been taken to address this problem. The CRNM has appointed a Private Sector Liaison Officer to increase its outreach activities vis-à-vis national and regional private sector associations. The private sector's regional umbrella body, the Caribbean Association of Industry and Commerce (CAIC), has established working groups to develop regional private sector positions in FTAA negotiations; some national private sector associations have taken similar steps. Business representatives from Trinidad and Tobago already attend some FTAA negotiating meetings, and the country's Chamber of Commerce, with Canadian assistance, has set up an International Trade Negotiations Unit with a focus on services. Barbados, with encouragement from the CRNM, has created a Private Sector Trade Team and, in Jamaica, efforts have been made to consolidate and rationalize private sector associations under the Private Sector Organization of Jamaica (PSOJ). Overall, however, progress has been slow and concentrated in just a few countries, and funding has been very limited. In most CARICOM countries, large sections of the private sector continue to be uninvolved in trade negotiations. The proposed project, building on ongoing initiatives, will seek to address this problem through specific activities aimed at building awareness, knowledge and public/private sector cooperation on trade.
- 2.6 **Project Rationale and Additionality**. Given the potentially huge impact of the negotiations on future economic and market conditions in the region (and beyond), addressing the above problem is a high priority both for CARICOM governments and for the region's private sector.
- 2.7 MIF support would provide the CRNM with the necessary funding to consolidate and expand existing outreach and training efforts vis-à-vis the private sector. The MIF has been selected as the most appropriate source of funding for this operation because: (i) the project focuses on private sector development, which is the MIF's principal mission; (ii) it is fully consistent with the objectives of the MIF's *Trade and Investment* Project Cluster in that it supports trade negotiation processes aimed at improving market access and fostering economic integration; project beneficiaries can thus profit from, and contribute to, the dissemination of best practices and lessons learned within the cluster; (iii) the project can serve as a pilot for similar regional initiatives in other sub-regions (demonstration effect); and (iv) it can benefit from the Bank's and MIF's strong in-house expertise on trade, which will enhance the process and outcome of project implementation.
- 2.8 A concerted *regional* effort to strengthen the private sector's participation in trade negotiations is important because: (i) the establishment of the CARICOM Single

- Market and Economy (CSME) requires increased harmonization of business practices across the region and a common voice vis-à-vis external trade partners; (ii) CARICOM member countries are negotiating as a group in the various external trade fora, and thus need a “regional” private sector counterpart in the negotiating process; this, in turn, requires greater coordination and consultation among firms across the region, which would be facilitated by a regional program such as the one proposed; and (iii) because Caribbean countries are small and their private sectors exhibit common weaknesses and needs, a regional approach to technical assistance and capacity-building is more cost-effective.
- 2.9 Of the four priority areas for Bank action, this operation falls within the two areas of Competitiveness and Economic Integration. The project is consistent with the Bank’s regional strategy for CARICOM (GN-2035-1/2), which calls for support to the negotiation and implementation of new trade agreements as a means of fostering internal competition and expanding market access opportunities for the region’s private sector. It complements the Bank’s existing support to the CRNM, which focuses on building public sector capacity in trade negotiations, as well as other Bank/MIF operations in the region (see Annex III).
- 2.10 MIF’s support to the regional negotiating effort will be closely coordinated with that of other funding agencies, including the Canadian International Development Agency (CIDA), Caribbean Development Bank (CDB), UK Department for International Development (DFID), US Agency for International Development (USAID) and the European Commission. Most trade-related projects funded by these agencies target the public sector. Private sector-oriented projects focus mainly on market access/implementation issues (for example, the EU’s support to the Caribbean Export Development Agency), but lack the awareness-building aspect and link with negotiations that the MIF project would provide and that would enhance the effectiveness of interventions targeted at implementation of, and adjustment to, new trade rules. It is worth noting that agencies supporting trade-related capacity building in the region have created an informal “donors trade group” and hold regular meetings to identify and coordinate responses to emerging needs in the region. Inter-agency coordination has greatly improved as a result, with positive results in terms of development effectiveness.

III. PROJECT DESCRIPTION

- 3.1 **Project goal and purpose.** The general objective of this project 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 objective is to increase the private sector’s awareness of, interest in and capacity to contribute to the region’s external trade negotiations. Expected outcomes include greater private sector participation in preparatory meetings and consultations related to negotiations; improved technical quality of their

contributions; a broadening of sectors/ industries involved in the negotiations; and an increased number of private sector negotiating positions presented.

- 3.2 To achieve the above objectives, the project will include three components: (i) a program to build awareness; (ii) sector/industry assessments and consultations and (iii) capacity-building in trade.
- 3.3 **Component 1: Program to Build Awareness (US\$523,400).** In order to increase private sector awareness of and interest in trade issues, this component will provide firms and business associations with regular information on relevant developments in the negotiations, using the following tools:
- a. Electronic Briefs/Newsletters. The CRNM will produce 36 monthly trade briefs for Caribbean businesses offering information on general or sector-specific developments in negotiations, including proposals presented and agreements reached in the various negotiations, and an assessment of their implications for the region's private sector. These briefs will complement existing newsletters such as *Tradewatch* and the *CRNM Update*, which target a more general readership and are less detailed in nature. Each brief will be distributed electronically to a wide section of the region's private sector. Activities include developing a format and production plan, updating the CRNM's private sector mailing list to include suppliers of trade and industry-related publications, monthly production, distribution and follow-up.
 - b. In-country Briefings. The CRNM, supported by external consultants and private sector associations, will organize such briefing sessions to sensitize the private sector to developments in international trade negotiations and to receive feedback on private sector views and positions. A total of 18 one- or two-day briefings will be organized in at least six Caribbean countries, with a minimum of 50 participants per session. The briefings will mostly be held in those countries where there is the greatest need for awareness-building.²
 - c. Weekly Radio Broadcasts. The CRNM will contract a radio production consultant and a writer to assist it in producing weekly radio programs focusing on current developments in international trade negotiations, with a specific focus on private-sector interests. Identical programs will be broadcast in each CARICOM country. For members of the Organization of Eastern Caribbean States (OECS), the program will be aired on a sub-regional radio station. A total of 20 programs will be produced in year one of execution, with 40 programs in each of the following two years (allowing time to launch the production and a three-month recess per year). Programs for Haiti and Suriname will be produced in French and Dutch, respectively.

² The CRNM has identified Haiti, Suriname, Guyana, St. Kitts and Nevis, Dominica and Grenada as priority destinations for such assistance.

- d. Trade Articles/Columns in Printed Media. Based on the radio programs, the CRNM and the above writer will produce bi-weekly articles/columns on trade for the region's printed media. A total of 10 pieces will be produced in year one of execution, with 20 pieces in each of the following two years (allowing time to launch the production and a two-month recess per year). Distribution will gradually increase throughout project execution, with articles appearing in at least one newspaper in four countries during the first year, six countries in the second year and eight countries in the third year of the project. Articles will appear in the native language of each country.
- 3.4 To facilitate the execution of the various communications-related tasks of this project component, CRNM, with MIF funding, will hire a Communications Assistant for the first two years of the project. It is expected that, after two years, the communications program would be running smoothly enough for the CRNM to continue most of it without further outside assistance. The program should seek to include, where relevant and in line with negotiating priorities, activities directly related to building awareness on trade-related environmental issues.
- 3.5 **Component 2: Sector/Industry Assessments and Consultations (US\$209,000).** This includes the preparation of sector and industry-specific assessments aimed at providing the detailed production and competitiveness data, market intelligence and other information needed by the private sector to influence on-going trade liberalization processes and to craft medium- and long-term business strategies. This component also includes public-private sector consultations to prepare the detailed terms of reference of the assessments, discuss their findings and agree on further technical work and, where possible, negotiating positions. The process of bringing together industry representatives from across the region to discuss the assessments should facilitate the creation of regional private sector associations, or the strengthening of existing ones. The recent experience of the Caribbean Poultry Association (CPA) has demonstrated that the *process* of technical analysis and consultation is as important as the *output* of the assessment. The CPA has emerged as one of the best-organized private sector lobbies in the region, capable of developing and defending its positions in regional and international trade fora.
- 3.6 The CRNM has recently undertaken sector assessments in tourism and financial services. Under the current project, a further four assessments are planned, for the following sectors/industries:
- a. Culture and Entertainment. A 2001 study on Entertainment Services commissioned by the CRNM found that the region should purposefully exploit the openings that are available in the international market for the distinctive "product" that it has brought to the entertainment sector. The sector complements the region's premier industry, resort tourism, and allows the Caribbean to differentiate itself from other parts of the world offering sun, sea and sand, but fewer creative entertainers. More in-depth assessments and consultations in this area would facilitate the adoption of a regional strategy

for the development of entertainment services, including lobbying for enhanced market access through active participation in trade negotiations.

- b. Information and Communications Technology (ICT) is a sector of growing interest to CARICOM, especially with the increase in internet providers and call centers in the region and the continued need to liberalize the sector. Recent research has shown that the liberalization process globally and in the region presents opportunities for the indigenous private sector to participate in the provision of ICT and related services.
 - c. Professional Services. As the region moves towards a services-driven economy, professional services are increasingly viewed as a sector with significant growth potential. The regional business sector has a particular interest in Mode 4 (movement of natural persons) in the trade negotiations and so a focused inventory of the sector is clearly needed (particularly the areas of accountancy, insurance, health professionals and education).
 - d. Distribution Sector. This sector is well entrenched and continues to account for a fair share of employment across the region. There is a pressing need to examine the size and structure of the distributive trade in the region, particularly in light of the relative openness of the sector and the likely third market penetration occasioned by liberalization.
- 3.7 The above sectors were chosen based on CRNM consultations with the regional private sector and with trade experts in the region. The sectors are significant to the region in economic terms, contributing substantially to employment creation, exports and foreign exchange. The first three have been identified as potential growth sectors for the region, with good possibilities for developing international competitiveness. Market access conditions will play a crucial role in fostering or hindering such competitiveness, which is why private sector involvement in trade negotiations for these sectors is so crucial. They thus merit closer analysis. In the case of the distribution sector, the need for an assessment stems from the fact that the sector is already being affected by trade liberalization and is likely to undergo significant restructuring with the entry into force of the FTAA.
- 3.8 The CRNM will hire external consultants to prepare the sector/industry assessments. In order to launch the assessments, the CRNM will convene a series of preparatory meetings with a view to identifying the major players in the industry and to elicit their views regarding the preparation of the assessments. These meetings will be followed by stakeholder workshops to present the findings of the assessments and to prepare relevant trade policy and negotiating positions. Local consultants and private sector organizations will assist with the organization of these events.
- 3.9 **Component 3: Capacity-Building in Trade (US\$341,700)**. This component includes training seminars and 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 general trade rules, provisions and remedies. Priority training needs/topics identified by the private sector include the WTO Sanitary and Phytosanitary (SPS) Agreement and other relevant agreements on phytosanitary protection; Technical Barriers to Trade (TBT); Intellectual Property Rights; Anti-dumping and Subsidies; Competition Policy in the FTAA context; and Rules of Origin.³ The CRNM will select additional topics based on the evolving negotiating agenda and in consultation with the regional private sector.

- 3.10 A total of 18 different training events of up to two days of duration are planned under this component:
- a. 12 country-specific training events: (i) six general trade policy seminars, to be held in countries identified as having the greatest need for capacity-building in trade and (ii) six workshops on specific trade policy issues, in countries where the private sector is already more actively involved in trade policy issues.⁴ At least 50 participants will be targeted per seminar.
 - b. 6 regional seminars/workshops, covering specific trade policy issues and aimed at both strengthening trade capacity among the private sector and fostering intra-regional networking and coordination. The locations of these events will be chosen based on cost and logistical considerations and in accordance with the objective of securing broad regional coverage of the program. At least 30 participants will be targeted per training event.
- 3.11 The training seminars and workshops will be organized by the CRNM in close collaboration with national private sector associations. Both CRNM staff and external consultants will provide the training. Where appropriate (for example, in courses related to SPS), training sessions will incorporate trade-related environmental issues that are of direct relevance to the private sector.
- 3.12 **Project Results.** The Logical Framework (Annex I) lists in detail the various activities to be performed under each project component; their outputs and expected results; and corresponding indicators and means of verification.

IV. COST AND FINANCING

- 4.1 The project's cost is US\$ 1,515,500, of which the MIF will contribute US\$ 1,060,500 from Window I (Technical Cooperation Facility). CARICOM member

³ The MIF has received proposals from both the PSOJ and the Trinidad and Tobago Manufacturers Association that draw attention to the private sector's lack of adequate information on these issues, which are crucial for understanding – and preparing for – the new rules of the international trading system, particularly as they relate to market access.

⁴ The first group includes Haiti, Suriname, Guyana, St. Kitts and Nevis, Dominica and Grenada. The second group includes the remaining countries, particularly Barbados, Jamaica and Trinidad and Tobago.

states, through the CRNM, will provide US\$ 455,000 in counterpart resources, of which 83% is in cash and 17% in kind. The consolidated budget is presented below (see Annex II for an itemized budget).

Project Budget and Financing (in US\$)

| Components | MIF | CRNM | Total |
|--|------------------|----------------|------------------|
| I. Program to Build Awareness | 337,400 | 186,000 | 523,400 |
| II. Sector/Industry Assessments | 148,000 | 61,000 | 209,000 |
| III. Capacity-Building in Trade | 244,500 | 97,200 | 341,700 |
| Administration | 175,600 | 97,500 | 273,100 |
| Evaluation, Audit and Impact Assessment | 78,000 | - | 78,000 |
| Contingencies | 36,500 | 13,300 | 49,800 |
| Sub-total | 1,020,000 | 455,000 | 1,475,000 |
| CDB Administration Fee (2.5%) | 25,500 | - | 25,500 |
| TOTAL PROJECT BUDGET | 1,045,500 | 455,000 | 1,500,500 |
| Cluster Coordination Activities ⁵ | 15,000 | | 15,000 |
| GRAND TOTAL | 1,060,500 | 455,000 | 1,515,500 |
| Percentage (excluding cluster coordination) | 70% | 30% | 100% |

- 4.2 The MIF contribution will finance: (i) consultant fees and travel; (ii) acquisition of equipment and supplies; and (iii) part of the project's administrative costs. The CRNM will contribute: (i) staff time and travel; (ii) meeting and workshop logistics; and (iii) communications. It is important to note that the regional private sector will make important in-kind contributions to the project through assistance with the organization of, and participation in, the various briefings, consultations and training workshops, review of sector/industry assessments, and preparation of semi-annual work programs for the operation. Private sector representatives participating in the project will finance their own travel costs associated with the various consultation meetings and training events.
- 4.3 **Sustainability**. The assistance provided under this project will facilitate greater private sector involvement in the negotiations not only in the short term (during project implementation), but also in the longer term (after the operation comes to an end). This will be achieved in three ways. First, the various outreach and awareness-building tools used in Component I are designed to reach a large section of the private sector, through multiple media, on a continuous basis over a period of three years. This comprehensive "campaign" should result in a much greater awareness, among the private sector, of the importance of its involvement in negotiations. This will create a virtuous cycle: as businesses become more aware, they become more interested and more involved, which, in turn, raises their interest further. At the same time, the CRNM will establish mechanisms for

⁵ This amount will be deducted from the total MIF contribution going to the beneficiary at the time of signing of the TC Agreement, and will be used by the Bank for Cluster Coordination Activities.

consultation with the private sector that, after project completion, will be sufficiently “automated” so as to ensure continuation without outside support.

- 4.4 Second, the regular consultation process established between the CRNM and the private sector during project implementation is expected to continue into the future as a result of the private sector’s growing awareness of, and the public sector’s continued belief in, the importance of public/private sector collaboration on trade negotiations. The process will involve costs for both parties. This cost-sharing is natural given that technical positions drafted for trade negotiations are in the nature of public goods, and it is therefore hard to conceive of the private sector bearing the full costs of a process engendering a public good; at the same time, the private sector will recognize that, in its own interest, it needs to support the process through active participation.
- 4.5 Third, project information, consultation and training activities and tangible outcomes from sector/industry assessments (technical position papers, negotiating strategies) should create an interest and increased capacity among private sector entities to build on and further develop the activities included in the project. The expected formation and/or strengthening of private sector groups and/or associations in the region would facilitate this process, through greater possibilities of cost sharing and pooling of resources among what are mostly small and medium-sized firms in the region. To support this process of continued private sector engagement and thus the long-term sustainability of project results, the CRNM will hire a consultant in the final year of the project who will prepare an assessment of necessary follow-up activities, an action plan and recommendations for public/private sector cost sharing in its implementation.

V. EXECUTING AGENCY AND MECHANISM

- 5.1 **Executing Agency.** Because the CRNM does not have its own legal personality, CARICOM Member States have asked the Government of Barbados to assume responsibility for the CRNM’s finances. The project will therefore be executed by the Government of Barbados, Ministry of Finance, on behalf of the CARICOM Member States. The CRNM, however, will assume day-to-day responsibility for managing the implementation of project activities, and the executing unit will be placed in this agency. The CRNM has been identified as the most suitable entity for managing the proposed project, given its clear mandate to coordinate regional positions in the negotiations, its established network of contacts with the region’s private sector, its technical expertise in the area of trade, and its superior organizational capacity as demonstrated by a good track record of managing trade capacity-building programs in the region. The proposed execution arrangement has been successfully employed in two previous Bank-financed projects with the CRNM, in which the agency has demonstrated good project management skills.

- 5.2 **Execution Mechanism.** The CRNM will establish a Project Team consisting of a (MIF-financed) Project Coordinator, the CRNM Private Sector Liaison Officer, the CRNM Communications Officer, the Communications Assistant hired under Component I and the CRNM Project Officer, all of whom will report to the Director of the agency's Technical Cooperation Unit. The Project Coordinator will assume overall responsibility for project execution and will be the Bank's main contact point during execution. The Communications Officer, assisted by the Communications Assistant, will assume lead responsibility for production and dissemination activities under Component I, whereas the Private Sector Liaison (Technical Advisor) will have overall technical responsibility for all components. The Project Officer will assist with general project administration, including financing and accounting. The Project Team will hold monthly coordination meetings to discuss progress, assign new tasks and resolve any emerging difficulties.
- 5.3 The following mechanisms will be established to foster, sustain and ensure the private sector's active participation in project activities. First, the CRNM will establish a Private Sector Advisory Group (PSAG), consisting of 5 members drawn from its existing Private Sector Advisory Council (Group membership will be on a rotating basis, so that all Council members, and representatives from all CARICOM member states, will participate during the lifetime of the project). The PSAG will participate in semi-annual planning meetings to determine a work plan and provide feedback on the project's specific activities. Prior to first disbursement, the CRNM, with the assistance of the Project Coordinator, will convene a meeting with the PSAG to prepare a work plan for the first six months of the project. Second, country briefings, consultations and training workshops/seminars will be co-organized by local private sector associations.
- 5.4 As regards the role of the Caribbean Development Bank (CDB) in this operation, the Financial Agent approach is proposed as the most suitable option. The MIF Charter requires the MIF to work with and through the CDB in cases where the OECS countries, which are not IDB-members, are direct beneficiaries of MIF funds. The CDB has agreed to act as the Financial Agent for the project, and will receive 2.5% of the total MIF contribution for its services.
- 5.5 The project will be executed over 36 months with a disbursement period of 42 months effective from the date of signature of the agreement. Disbursements will be made through a revolving fund of 20% of the total MIF contribution. The procurement of all consulting services under the project will be carried out in accordance with Bank/MIF policies and procedures.
- 5.6 **Implementation readiness.** First, the Barbados Ministry of Finance, via an official communication to the Bank, has agreed to act as Executing Agency for the project. Second, the CRNM is committed to providing the necessary counterpart resources – both cash and in-kind - for the operation, and has informed the Bank of this in writing. The CRNM receives regular contributions from member states to cover its administrative expenses and is therefore ready to

implement the project.⁶ Third, detailed terms of reference for each member of the CRNM Project Team are available in the technical files of the project. These files also contain draft terms of reference for the sector/industry assessments in Component II, as well as a draft implementation timetable. Finally, the PSAG is in the process of being appointed.

VI. MONITORING AND EVALUATION

- 6.1 **Monitoring.** The Barbados Ministry of Finance, through the CRNM, will submit the following reports to the Bank:
- a. A work plan for the first six months of the operation, including all activities planned for this period and an estimate of resource requirements (MIF and Counterpart). This will be presented prior to first disbursement as mentioned in paragraph 5.3.
 - b. Progress reports every six months, containing, among other items to be agreed between the CRNM and the Bank: (i) information on the activities completed to date, indicating both achievements and problems encountered, with proposed solutions; (ii) the execution of the budget by category and source of financing; (iii) an assessment of progress achieved with regard to expected project outputs and outcomes; and (iv) a work plan and estimated resource requirements for the next six months of execution.
 - c. A final report, within 30 days after the execution period ends, summarizing and evaluating all activities carried out under the project and detailing the application of funds contributed by the Bank and Counterpart resources. The report should describe how the various project activities have contributed to achieving the project's objectives. The project's log frame should be used as guidance for preparing this report.
 - d. Upon completion of the project, the Executing Agency will arrange for a financial audit to be conducted by an independent auditing firm in accordance with Bank/MIF rules.
- 6.2 A midterm review of the project will be held during the second year of execution to evaluate the progress of activities and discuss possible changes to expedite implementation. This meeting will be attended by the CRNM Project Team, a designated member of the PSAG, MIF, INT/ITD and COF/CBA.
- 6.3 The Bank's Country Office in Barbados (COF/CBA) will be responsible for project administration and general supervision and will prepare a PCR within 90

⁶ As regards the agency's funding, it is worth noting that CARICOM Heads of Government have approved the RNM's Five Year Strategic Plan for the period 2003-2008, which represents a commitment at the highest political level to continue funding the operations of the RNM in the coming years.

days of the last disbursement date. COF/CBA will consult closely with INT/ITD on all technical matters, and will keep MIF regularly informed of project developments in support of MIF's Trade Cluster activities.

- 6.4 **Evaluation.** The Bank, in collaboration with the CRNM, will hire an evaluation consultant prior to commencement of project activities to develop benchmarks and a monitoring system for evaluating project outcomes. The consultant will subsequently conduct both the midterm (after 18 months) and final evaluations of the project to determine the extent to which its expected results have been achieved. The final evaluation will be conducted upon completion of all project activities. The project's Logframe (see Annex I) should serve as a reference for this evaluation.
- 6.5 **Cluster Coordination.** The project's monitoring and evaluation activities will be coordinated with those of the MIF's *Trade and Investment* Cluster. The indicators developed by the evaluation consultant to measure project effectiveness and efficiency, and results at the beneficiary level, will be monitored by the Cluster Coordinator to ensure that they take advantage of and complement the MIF's ongoing work in the Cluster. Annual Cluster workshops will be conducted with relevant MIF project coordinators to ensure cross-fertilization between this and other Cluster projects. Finally, project evaluations will take into account MIF Cluster evaluation experiences.

VII. PROJECT BENEFITS AND RISKS

- 7.1 **Benefits.** The project will enable the private sector to participate more effectively in the FTAA, WTO and REPA negotiations, as well as in ongoing and planned bilateral trade talks, through greater awareness of, interest in, and capacity to contribute to those processes. By facilitating private sector consultation and coordination, sector/industry-specific and across the region, the project will moreover facilitate the establishment of new private sector associations, and the strengthening of existing ones both nationally and at the regional level. Public/private sector coordination on trade policy and negotiating issues will be enhanced, thus raising the prospect of maximizing the economic benefits of resulting trade agreements for the region as a whole.
- 7.2 **Risks.** There are two main risks to this operation. The first is associated with the CRNM's capacity to implement the large number of activities contemplated in this project, given its limited staff and their dispersion among offices in both Barbados and Jamaica. To mitigate this risk, MIF will finance a Project Coordinator to oversee the day-to-day management of the operation, and a Communications Assistant to assist with implementation of Component I. In addition, the CRNM Project Team will hold monthly coordination meetings to discuss progress, assign new tasks and resolve any emerging difficulties.

- 7.3 Another risk is insufficient interest among the private sector to participate in project activities. Several private sector associations have shown strong support for the project and have expressed this in writing to the CRNM, but given the lack of awareness regarding trade issues among large sections of the private sector, the challenge will be to broaden that support and strengthen it along the way. To mitigate the risk of non-involvement, the CRNM will establish the PSAG and will make sure – through annual rotation - that all Caribbean countries are represented in that Group. The CRNM will co-organize all meetings/workshops with private sector organizations in the region. In addition, the Awareness-Building Program (Component I) was specifically designed to raise interest among the private sector and thus mitigate the risk of non-involvement. Close attention will, moreover, be given to the proper sequencing of project activities throughout implementation in order to ensure maximum impact in this respect.

VIII. ENVIRONMENTAL AND SOCIAL ASPECTS

- 8.1 Because the project consists exclusively of outreach, coordination and training efforts aimed at integrating the private sector more fully into the region's trade negotiating process, there are no direct social or environmental effects.
- 8.2 With respect to indirect social effects, one of the goals of the project is to strengthen the technical capacity of the private sector to analyze issues related to market access, investment rules, standards and other trade negotiation areas. This should ultimately empower firms to take better advantage of the benefits of free trade, resulting in increased exports and foreign investment, leading to important social benefits for the region as a whole. In terms of the environment, measuring the overall link between trade liberalization and environmental conditions in the Caribbean falls outside the scope of this project. It is worth noting, however, that private sector firms in the region are becoming increasingly aware of the need to integrate environmental concerns in production processes and to adhere to international environmental standards in production for export. In this regard, several private sector associations in the Caribbean have approached the MIF for support in the area of environmental management systems. While these issues are being addressed in other operations, the project will contribute to awareness building in this area by addressing trade-related environmental issues wherever relevant in the various activities contemplated under each component.

ANNEX I
LOGICAL FRAMEWORK
RG-M1004

| Program | Indicators | Means of Verification | Assumptions |
|--|--|--|--|
| Goal | | | |
| To integrate the private sector more fully into the region's external trade negotiation process, in order to maximise the economic benefits of resulting agreements for the region as a whole. | Private sector organisations participate more effectively in the FTAA, WTO and REPA negotiation processes, as measured by an increased number of CARICOM positions reflecting private sector views, and a growing number of national or regional industry groups establishing their own trade units or teams. <i>*Baseline, intermediate indicators and projected targets to be defined by the evaluation consultant, who will be hired prior to initiation of project activities.</i> | Ex-post evaluation | Sustained interest by CARICOM countries to reach agreements leading to the formation of the FTAA and the REPA, the conclusion of the WTO Doha round and other such trade agreements; and continued economic stability in the region. |
| Purpose | | | |
| To increase the private sector's awareness of, interest in and capacity to contribute to the region's external trade negotiations. | <ul style="list-style-type: none"> Improved knowledge of trade issues covered in country briefings and training workshops, as measured by an 80% increase in technical knowledge acquired on these issues. Increased private sector participation in prep meetings/consultations, as measured by a 100% increase in the number of private sector participants at those meetings. Improved technical quality of private sector contributions, as measured by the availability of sector, production and trade data to substantiate private sector positions. A broadening of sectors participating in these consultations, as measured by contributions from at least three new sectors/industries by year three of the project. Increased number of private sector positions presented, as measured by CRNM obtaining such positions in at least 80% of cases where it requests them. <i>*Baseline, intermediate indicators and more detailed projected targets to be defined by the evaluation consultant.</i> | <ul style="list-style-type: none"> Project monitoring and evaluation mechanism developed by evaluation consultant Participants evaluation through interviews and questionnaires, and pre- and post-training surveys Participants' lists of prep meetings and consultations Mid-term and final evaluation Progress and final reports PPMRs PCR | The private sector sees the negotiations as being relevant to its business interests and is willing to invest resources in the process. |

| Program | Indicators | Means of Verification | Assumptions |
|--|---|--|---|
| Components | | | |
| Component 1: Awareness Building Provide private sector with regular information on relevant developments in negotiations. It consists of the following subcomponents: <i>1.1 Monthly trade briefs</i> <i>1.2 In-country Briefings</i> <i>1.3 Radio broadcasts</i> <i>1.4 Print media</i> | Private sector representatives and organizations throughout the region, informed through: 1.1 Monthly briefs (36 briefs, 12 per year reaching 2,000 private sector representatives per brief). 1.2 18 briefing sessions, 6 per year with an average of 50 participants per session. 1.3 One weekly radio outreach program per country with OECS counting as one program (total of 100 programs). 1.4 Bi-weekly article published in one national newspaper in 4 countries in the first year, 6 countries in the second year, and 8 countries in the third year (total of 50 articles). | <ul style="list-style-type: none"> • Mid-term and final evaluation • Progress and final reports • PPMRs and PCR | CRNM continues to have the support of CARICOM member states to pursue its mandate The private sector has adequate access to all the media used in this communications plan |
| Component 2: Sector/Industry Assessments and consultation Provide relevant information and effective discussion fora (<i>process</i>), to develop and defend negotiation positions. | <ul style="list-style-type: none"> • 4 sector/industry assessments completed. • 8 public/private sector consultations conducted. • 4 draft recommendation papers for PS negotiation positions prepared. (Half of these outputs to be completed by end of year 2, the rest by end of year 3 of the project.) | <ul style="list-style-type: none"> • Assessment reports • Workshop minutes • Mid-term and final evaluation • Progress and final reports • PPMRs and PCR | The private sector is willing to participate in the conception, implementation and discussion of the assessments and draft recommendations. |
| Component 3. Capacity Building in Trade Coordinate selected national and regional seminars/workshops on general and specific trade policy issues. | <ul style="list-style-type: none"> • At least 6 general trade policy seminars at national level, reaching at least 50 private sector representatives per seminar. • At least 6 sector-specific workshops at national level, reaching 25 private sector reps per workshop. • At least 6 sector-specific workshops at regional level, reaching 30 private sector reps per workshop. • At least four workshops to be concluded in year 1, at least 10 by year 2 and all 18 by end of year 3. • Improved knowledge of trade policy issues among private sector representatives, by the end of the project. | <ul style="list-style-type: none"> • Progress and final reports • Participants' pre and post evaluation/testing and surveys • Increase in collaboration among regional private sector organizations • PPMR and PCR | The private sector is willing to participate in the training events and apply the knowledge gained. |

| Program | Indicators | Means of Verification | Assumptions |
|---|---|--|--|
| Activities | | | |
| <u>Component 1</u> <i>1. General</i> 1.0.1 Contract Communications Assistant 1.0.2 Purchase Equipment and Supplies <i>1.1 Monthly trade briefs</i> 1.1.1. Design brief format 1.1.2. Select topics 1.1.3. Draft and edit briefs 1.1.4. Distribute to private sector 1.1.5. Receive feedback 1.1.6. Follow up on feedback <i>1.2 In-country Briefings</i> 1.2.1 Organization 1.2.2 Execution <i>1.3 Radio broadcasts</i> 1.3.1 Finalize TOR for production 1.3.2 Contract production consultant 1.3.3 Contract writing consultant 1.3.4 Translation into French and Dutch 1.3.5 Execute the radio outreach program <i>1.4 Print media</i> 1.4.1 Formalize contacts with print media 1.4.2 Write the piece for print media 1.4.3 Distribute it to print media | <ul style="list-style-type: none"> Budget performance \$76,400 \$59,300 \$182,700 \$182,500 \$22,500 | <ul style="list-style-type: none"> Financial records of the Program | The CRNM has the capacity to implement the large number of activities contemplated in this project |
| <u>Component 2</u> 2.1 Prepare TORs for consultants 2.2 Contract consultant 2.3 Initial consultation with private sector 2.4 Conduct assessments 2.5 Draft recommendations 2.6 Final consultation with private sector 2.7 Refine assessment/ recommendations 2.8 Distribution of documents | \$209,000 | <ul style="list-style-type: none"> Financial records of the Program | Same as for Component I |
| <u>Component 3</u> 3.1 General policy seminars at national level 3.2 Sector workshops at national level 3.3 Sector workshops at the regional level 3.4 Action plan for sustainability | \$341,700 | <ul style="list-style-type: none"> Financial records of the Program | Same as for Component I |

ANNEX II: BUDGET SUMMARY FOR RG-M1004 (US\$)

| | MIF | CRNM | TOTAL | SHARE |
|---|------------------|----------------|------------------|-------------|
| I. Build Awareness | 337,400 | 186,000 | 523,400 | 35% |
| General | 76,400 | - | 76,400 | |
| Communications Assistant | 74,400 | - | 74,400 | |
| Equipment and Supplies | 2,000 | - | 2,000 | |
| I.1. Trade Briefs (36) | 500 | 58,800 | 59,300 | |
| Staff (CO, PSL) | | 58,800 | 58,800 | |
| Equipment and Supplies | 500 | - | 500 | |
| I.2. Briefing Sessions (18) | 85,500 | 97,200 | 182,700 | |
| Consultant Fees - Organization | 22,500 | - | 22,500 | |
| Logistics | | 18,000 | 18,000 | |
| Consultant Fees - Presenters | 63,000 | - | 63,000 | |
| Staff - Organization (PSL) | | 14,400 | 14,400 | |
| Staff - Execution (PSL, TS) | | 64,800 | 64,800 | |
| I.3. Radio Broadcasts (100) | 162,500 | 20,000 | 182,500 | |
| Consultant Fees - Media Production | 82,500 | - | 82,500 | |
| Consultant Fees - Program Writer | 40,000 | - | 40,000 | |
| Translation into Dutch and French | 40,000 | - | 40,000 | |
| Staff (CO, PSL) | | 20,000 | 20,000 | |
| I.4. Print Media (50) | 12,500 | 10,000 | 22,500 | |
| Consultant Fees - Article Writer | 12,500 | - | 12,500 | |
| Staff (CO, PSL) | | 10,000 | 10,000 | |
| II. Sector/Industry Assessments & Consultation | 148,000 | 61,000 | 209,000 | 14% |
| Consultant Fees - Assessments (4) | 148,000 | - | 148,000 | |
| Prep Meeting (4) - Logistics | | 8,000 | 8,000 | |
| Final Workshop (4) - Logistics | | 13,000 | 13,000 | |
| Staff - Assessment review (PSL, TS) | | 6,400 | 6,400 | |
| Staff - Meeting Organization (PSL) | | 4,800 | 4,800 | |
| Staff - Meeting Execution (PSL, TS) | | 28,800 | 28,800 | |
| III. Capacity-Building in Trade (18 events) | 244,500 | 97,200 | 341,700 | 23% |
| III.1 Workshops | | | | |
| Organization of 6 nat'l workshops (Consultants) | 12,000 | - | 12,000 | |
| Organization of 6 nat'l workshops (CRNM - Private Sector) | | 18,000 | 18,000 | |
| Organization of 6 reg'l workshops (CRNM - Private Sector) | | 18,000 | 18,000 | |
| Consultant Fees - Trainers | 216,000 | - | 216,000 | |
| Staff - Organization (PSL) | | 18,000 | 18,000 | |
| Staff - Execution (PSL, TS) | | 43,200 | 43,200 | |
| III.2 Action Plan for sustainability (Consultant) | 16,500 | - | 16,500 | |
| IV. Administration | 175,600 | 97,500 | 273,100 | 18% |
| IV.1 Personnel | 173,600 | 52,500 | 226,100 | 15% |
| Project Coordinator | 173,600 | - | 173,600 | |
| Staff - Project Assistant | | 52,500 | 52,500 | |
| IV.2 Equipment, Supplies and Communications | 2,000 | 45,000 | 47,000 | 3% |
| Equipment and Supplies | 2,000 | - | 2,000 | |
| Communications | | 45,000 | 45,000 | |
| V. Evaluation (Consultant Fees) | 63,000 | - | 63,000 | 4% |
| VI. Auditing | 15,000 | - | 15,000 | 1% |
| VII. Contingencies (3%) | 36,500 | 13,300 | 49,800 | 3% |
| SUB-TOTAL | 1,020,000 | 455,000 | 1,475,000 | 98% |
| VIII. CDB Admin Fee (2.5% of MIF Contribution) | 25,500 | - | 25,500 | |
| TOTAL PROJECT BUDGET | 1,045,500 | 455,000 | 1,500,500 | 100% |
| IX. Trade and Investment Cluster Coordination Activities | 15,000 | | 15,000 | |
| GRAND TOTAL | 1,060,500 | 455,000 | 1,515,500 | |
| Percentage (excluding Cluster Coordination) | 70% | 30% | 100% | |

NB. Consultant fees include travel, which is often a substantial part of the total due to the fact that the project covers 15 countries.

ANNEX III
Strengthening the Private Sector's Role in the Caribbean Community's External Trade Negotiations (RG-M1004)
Overview of Related Projects

A. Similar or Related MIF Projects

None

B. Similar or Related Bank Projects

| Project No. / Approval Date | Project Title, Sector, Executing Agency, Amount | Effective Date [sig. or leg. ratification], Disbursement Period | Percent Disbursed | Comments: Satisfactory or problematic execution, including delays, extensions, reformulations, changes in execution, etc. |
|--|--|--|------------------------------|--|
| ATN/SF-8640-RG 02/04 | Support to the Caribbean Regional Negotiating Machinery (CRNM) in Preparing for and Undertaking the Caribbean Community's External Trade Negotiations. | 03/30/04 24 months | 0% | Project has only just been signed |
| ATN/SF-8016-RG 05/15/02 | Regional Negotiating Machinery II, Barbados Ministry of Finance, \$250,000 | 10/01/02 12 months | 100% | Executed efficiently and on time. |
| ATN/JF/SF-6158- RG 09/1998 | RNM I: Support RNM in Preparing for and Undertaking CARICOM External Trade Negotiations, Barbados Ministry of Finance, \$1,175,000 | 10/03/98 30 months | 100% | Initial delay in getting the project started, due to difficulties related to the hiring of the Project Manager. Once Project Manager was on board, execution was efficient and on time. |

C. Related Projects by Sector or Beneficiary

| Project No. / Approval Date | Project Title, Sector, Executing Agency, Amount | Effective Date [sig. or leg. ratification], Disbursement Period | Percent Disbursed | Comments: Satisfactory or problematic execution, including delays, extensions, reformulations, changes in execution, etc. |
|-----------------------------|---|---|-------------------|--|
| ATN/MT-7957-RG 07/24/02 | Awareness and Application of Sanitary and Phyto-sanitary Measures (PPP), International Regional Organization for Plant and Animal Health (OIRSA), \$1,510,000 | 10/22/02 36 months | 10% | Project in preliminary stages. Favorable prospects (Products and Results). |
| ATN/MT-8047-BL 10/04/02 | Capacity Building for Trade and Investment Promotion, Belize Trade and Investment, \$490,000 | 11/13/02 24 months | 17% | Favorable development prospects (Products and Results) |
| ATN/MT-5353-RG 09/25/96 | Private Sector Development in OECS Countries, Eastern Caribbean Central Bank (ECCB), \$1,123,000 | 10/28/96 24 months | 100% | Satisfactory completion. |
| ATN/MT-7080-RG 07/11/00 | Customs-Related Business Facilitation Measures, Inter-American Center of Tax Administration, \$3,000,000 | 09/25/00 36 months | 10% | Favorable development prospects (Products and Results) |
| ATN/MT-7123-RG 09/06/00 | Investment Frameworks in the Caribbean Community, CARICOM Secretariat, \$410,000 | 10/27/00 18 months | 0% | In preliminary stages. Delays present in signature and start of activities. |
| ATN/SF-7075-RG 08/02/00 | Implementation of WTO Commitments in the Caribbean Community, CARICOM Secretariat, \$550,000 | 10/27/00 24 months | 74% | Substantial delays caused mainly by organizational problems within the Executing Agency; project outputs, however, have been of high quality. Component II is currently being implemented and project is expected to conclude within two months. |
| ATN/SF-7680-RG 05/09/01 | Government Procurement Frameworks in CARICOM, CARICOM Secretariat, \$260,000 (IDB); plus C\$ 250,000 (CIDA) | 01/18/02 30 months | 47% (IDB) | Substantial delays caused mainly by organizational problems within the Executing Agency; project is about half-way completed, should conclude in 2004. |
| 1454/OC-TT | Trinidad and Tobago: Trade Sector Support Program, | 05/21/03 | 0% | Still awaiting fulfillment of conditions prior to first disbursement. |

| | | | | |
|----------|---|-----------|--|--|
| 03/14/03 | Trinidad and Tobago Ministry of Trade and Industry, \$5,000,000 (IDB); \$2,100,000 (Local Counterpart) | 54 months | | |
|----------|---|-----------|--|--|