

TC PROFILE

REGIONAL

I. BASIC PROJECT DATA

Country/Region:	Organisation of Eastern Caribbean States			
Program Name/Number:	OECS Trade Capacity Building (RG-T1427)			
Team Leader/Members:	Mario A. Umana (INT), Project Team Leader; Svante Persson (MIF); Lesley Cassar (INT); Desmond Thomas (CCB); Diego Buchara and Virginia Franzini (LEG/SGO). Martha Skinner (INT) assisted in the preparation of the document.			
Date of Request:	May 25, 2008			
Beneficiary countries:	Organisation of Eastern Caribbean States (OECS) Member States			
Executing Agency:	The OECS Secretariat			
Amount and Source of Funding:	IDB-Canada Trade Fund:	CAD\$	222,000	(≈ US\$179,372)
	(non-reimbursable)			
	Counterpart Funds:	CAD\$	10,100	(≈ US\$ 8,160)
	TOTAL:	CAD\$	232,100	(≈ US\$187,532)
Technical and Basic Responsibility:	Integration and Trade Sector			
Included in Board Approved Technical Cooperation Program:	No. It should be noted that the project fits into the scope of the Bank's current regional strategy for the CARICOM, GN-2035-4, complementing previous work on Improving the Regulatory and Policy Framework of OECS Countries.			
Tentative Dates:	TC Profile:		November 24, 2008	
	Plan of Operations:		December 1, 2008	
	Approval:		December 16, 2008	

II. BACKGROUND AND PROBLEM STATEMENT

- 2.1 International trade has developed significantly over the past decade as demonstrated by a proliferation of trade agreements and arrangements on the multilateral and bilateral spheres. Since 1990, Latin American and Caribbean countries have been pursuing a multipolar strategy to integrate with the world economy through unilateral liberalization policies, active participation in the

multilateral trading system, subregional integration initiatives and reciprocal bilateral trade agreements. Many of these agreements, particularly the North-South agreements, are very comprehensive undertakings with challenging obligations. As a result, the impact of a trade agreement on growth and poverty reduction depends on how each country sets up its national policies and institutions to implement the agreements. Given high openness, strong export performance is vital to economic growth and stability. Fragile macroeconomic conditions reflected in high fiscal imbalances, stagnant exports and slow growth highlight the need to raise competitiveness and trade performance.

- 2.2 The OECS Trade Policy Unit (TPU) of the OECS Secretariat was established in 2003 to assist the nine Member States to formulate and implement trade policy and to negotiate trade rules and arrangements. Since its establishment, the TPU has undertaken several initiatives to advance the trade and development interests of its members including the development of trade policy frameworks for agriculture, manufacturing and services. It is also engaged in ongoing activities aimed at: (a) promoting cooperation and harmonization of trade policy among Member States; (b) assisting Member States to adopt, as far as possible, a common trade policy in their relations with third states or groups of third states; and (c) assisting Member States in the realization of their obligations and responsibilities under international trade arrangements.
- 2.3 OECS members are making concerted efforts to insert their economies into the global economy. The countries pool resources and negotiate as a group in external trade fora. OECS Member States are at present contending with a very active negotiation agenda. The Doha Round of the WTO negotiations has yet to reach a conclusion and as part of CARICOM, the OECS is scheduled to participate in no less than three bilateral negotiations over the next three years, which includes negotiations with Canada which are due to commence later this year. Additionally, work is also underway on various economic integration efforts, including CARICOM, CSME-related obligations, and implementation of the EPA with the EU. The task of simultaneously coordinating separate negotiation and implementation efforts is onerous.
- 2.4 Small and medium producers are not always able to take advantage of the market opportunities that new agreements bring. Market intelligence for regional products is not usually developed, leaving SMEs blind with respect to needs of markets.
- 2.5 There are no assessments of current intelligence, in the region, analysis of best practices, and proposals for a permanent system for the OECS countries.
- 2.6 The activities outlined in this plan are compatible with broader trade and integration activities programmed in the Bank's strategy for the Caribbean Community (2007-2010). In fact, support for the OECS to address challenges to and maximize the benefits of regional integration are priority areas in the Strategy document.

III. PROGRAM OBJECTIVE AND DESCRIPTION

- 3.1 The general objective of the project is to contribute to the improvement of the benefits of international trade for small producers in the OECS region while strengthening the region's ability to negotiate and implement trade agreements. The OECS states are beneficiaries of the IDB-Canada Trade Fund.
- 3.2 Specifically, the project will: (a) assess current market intelligence efforts, study best international practices and the viability for implementing them in the region; (b) design a MIF Pilot Project aimed at the strengthening of market intelligence for small producers inside the OECS; (c) enhance the capacity of officials to formulate and implement trade policy; (d) promote harmonization of trade policy among OECS states through the Trade Negotiations Group; (e) support and facilitate participation in negotiations on trade in goods, services agriculture and trade related areas within the multilateral process through technical studies and consultative activities geared towards the articulation and inclusion of modalities that will support OECS trade policy objectives.
- 3.3 In keeping with the objectives mentioned in paragraphs 3.1 and 3.2, the project comprises the following five components: (1) design of a market intelligence system; (2) working group consultations of the OECS trade negotiating group; (3) private sector consultations and capacity building; (4) technical consultations for market access negotiations; and (5) technical studies.

1. Component I: Designing a Market Intelligence System (CAD\$30,100)

- 3.4 This component will finance the following activities:
- (i) An assessment of the OECS producers' market intelligence, strategies and information and how they impact production in the region.
 - (ii) An analysis of the best international practices supporting the development of market intelligence and the viability of those practices within the Caribbean context. It includes a review of other finalized and ongoing projects, as well as established market intelligence entities within developing countries.
 - (iii) Design of a MIF Pilot Project aimed at *Developing and Strengthening Market Intelligence for Small and Medium Producers in the Caribbean*. This activity will take into consideration the main conclusions drawn from the completion of activities i) and ii). The design of the MIF pilot project will include, inter alia: capacity building in analyzing markets and adapting to trends and developments; institutional support to producer capacity and developing corresponding exports, identifying new export products, including non-traditional exports, complying with international

market requirements and norms, including ISO and HACCP¹ compliance; creation of information channels supporting market intelligence; promotion of networking activities; identification of possible executing agency of the project, and identification of project performance indicators.

- 3.5 With the resources allocated to this component, it is estimated that two consultants may be needed to undertake the activities.

2. Component II: Working Group Consultations of the OECS Trade Negotiating Group (CAD\$54,800)

- 3.6 Component II will support the formulation of harmonized negotiating positions for bilateral and multilateral negotiations through stakeholder consultations. The outputs will be incorporated into CARICOM's negotiating brief prepared by the Caribbean Regional Negotiating Machinery. The working group comprises public and private sector representatives from each independent Member State and staff of the Trade Policy Unit. Outputs from the OECS Trade Negotiations Group facilitates dialogue with the OECS Private Sector.

3. Component III: Private Sector Consultations and Capacity Building (CAD\$21,900)

- 3.7 Resources allocated to this component will be used to enhance the capacity of the private sector to understand and implement trade agreements through specific technical studies and dialogue. Two-day workshops at the national and regional levels will include advocacy work such as research and technical studies specific to sectors or issues related to regional, bilateral and multilateral negotiations. The consultations will address sector-specific issues such as services and agriculture, or assess the impact of existing or future agreements.

4. Component IV: Technical Consultations for Market Access Negotiations (CAD\$13,500)

- 3.8 Resources allocated to this component will support the preparation of market access offers and text for bilateral and multilateral negotiations by national experts in the subject areas under consideration.

5. Component V: Technical Studies (CAD\$75,000)

- 3.9 The resources allocated to this component will be used to hire consultants to undertake technical studies that will inform the participation of the OECS in bilateral trade negotiations. These studies would form part of the preparatory work for CARICOM-Central America, CARICOM-Canada and CARICOM-US bilateral negotiations. Topics could include the following: (i) an Impact

¹ Hazard Analysis and Critical Control Points (HACCP) is a systematic preventative approach to food safety and pharmaceutical safety that addresses physical, chemical, and biological hazards as a means of prevention rather than finished product inspection.

Assessment of a Bilateral Trade Agreement with Central America on the OECS Member States; (ii) an Impact Assessment of Bilateral Trade Agreements with Canada and the US on the OECS Member States; and (iii) a Strategy and Approach for OECS Participation in Bilateral Trade Negotiations with Canada and the US. The Bank in coordination with the TPU will make the final reports available to relevant stakeholders within the OECS/CARICOM to facilitate work in the various negotiating theatres.

- 3.10 In keeping with the performance indicators of the IDB-Canada Trade Fund, information on the total number of workshop attendees will be reported as follows: (a) number from government; (b) number from the private sector; (c) number from civil society; and (d) number of women.
- 3.11 Counterpart contribution: To support implementation of the project, the OECS Secretariat will provide a counterpart contribution in kind, from existing resources, as follows:
- (a) Staff to aid the consultants in carrying out the project's components; and
 - (b) Logistical support and/or meeting facilities as required.

IV. BUDGET

- 4.1 The total estimated budget of the project is CAD\$232,100; of which the IDB-Canada Trade Fund contribution is CAD\$222,000; and an in kind counterpart contribution from the OECS Secretariat is CAD\$10,100. A detailed budget follows.

Estimated Budget (in Canadian dollars)

Activity / Description	IDB-Canada Trade Fund	Local Counterpart (in-kind)	Total
Component I: Designing a market intelligence system	30,100		30,100
Component II: Working Group Consultations of the OECS Trade Negotiating Group (2 activities)	54,800	3,400	58,200
Component III: Private Sector Consultations and Capacity Building			
A) National Consultation	8,400	2,900	11,300
B) Regional Consultation	13,500	1,900	15,400
Component IV: Technical Consultations for Market Access Negotiations	13,500	1,900	15,400
Component V: Technical Studies	75,000	-	75,000
Audit	10,000		10,000
Financial agency contract fee (2.5%)	6,000		6,000
Contingencies (5%)	10,700	-	10,700
Total	222,000	10,100	232,100

Exchange rate: CAD\$1.237650 on 11/12/2008 = USD\$1

V. EXECUTING AGENCY AND EXECUTION STRUCTURE

- 5.1 The project will be executed by the OECS Trade Policy Unit (TPU) within the Economic Affairs Division of the OECS Secretariat in St Lucia. In that context, the Caribbean Development Bank will serve as financial agent on behalf of the OECS General Secretariat. The TPU in close coordination with the Integration and Trade Sector (INT) will be responsible for the day-to-day supervision of the consultants, coordination of workshop activities and general execution of activities. INT will work closely with the Multilateral Investment Fund where applicable. The TPU will appoint a contact person responsible for overseeing the implementation of the project and ensuring the fulfillment of the TPU's responsibilities in this regard.

VI. MAJOR ISSUES

- 6.1 Benefits. The project seeks to improve the ability of OECS member states to participate in and negotiate trade agreements in the framework of the regional integration process. At the same time, the project will establish the basis for the construction of a market intelligence system that will benefit the private sector, especially small and medium-sized firms in the region.
- 6.2 Risks. The activities financed by the project have been selected for their low implementation risk. As any regional initiative in this region, the project faces limited institutional trade capacity both at the regional and national levels. The project in itself is an effort to strengthen this institution.

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 December 5, 2008, and that final approval will take place by December 16, 2008.

VIII. ENVIRONMENTAL AND SOCIAL STRATEGY

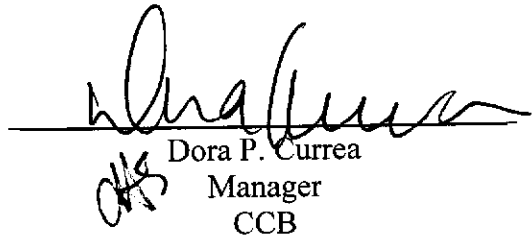
- 8.1 In view of the nature of the operation and that project activities will focus on training and technical assistance to build capacity to deal with the ongoing trade agenda of OECS Member States, the project team is of the view that there will be no negative environmental or social impact. The overall impact of the activities is expected to be positive as the outputs will focus on policy actions that support the participation of OECS member states both in the CARICOM process as well as in the international trade arena. The project is classified as a category "C" operation and does not need environmental assessments or consultations (Assessment No. 2008-11243338-2).

Approved by:



Antoni Esteveadeordal
Manager
INT

Date: DEC 2 2008



Dora P. Currea
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Date: Dec/3/2008

