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## **REGIONAL**

### **OECS TRADE CAPACITY BUILDING**

**(RG-T1427)**

#### **PLAN OF OPERATIONS**

This document was prepared by Mario A. Umaña (INT), Project Team Leader; Svante Persson (MIF); Lesley Cassar (INT); Desmond Thomas (CCB); Janette Archer-Headley (CCB/CBA); Diego Buchara and Virginia Franzini (LEG/SGO). Martha Skinner (INT) assisted in the preparation of the document.

## CONTENT

I.	EXECUTIVE SUMMARY.....	1
II.	BACKGROUND AND JUSTIFICATION.....	2
	A. Problem Definition .....	2
	B. Relation with Bank Regional and Sector Strategies.....	3
	C. Coordination with Other Official Development Institutions.....	3
	D. Value Added .....	3
III.	DESCRIPTION .....	3
	A. Objective.....	3
	B. Components.....	4
IV.	COST, FINANCING AND DISBURSEMENTS .....	6
	A. Cost.....	6
	B. Financing .....	6
V.	EXECUTING AGENCY AND EXECUTION STRUCTURE .....	7
	A. Executing Agency.....	7
	B. Role of the CDB .....	7
	C. Execution and Disbursement Periods.....	8
	D. Procurement.....	8
VI.	MONITORING, REPORTS AND EVALUATION.....	8
	A. Monitoring .....	8
	B. Technical and basic responsibility.....	8
	C. Progress and final reports. ....	8
VII.	BENEFITS AND RISKS .....	8
	A. Benefits.....	8
	B. Risks .....	9
VIII.	ENVIRONMENTAL AND SOCIAL REVIEW .....	9
IX.	CERTIFICATION .....	9

## **ANNEXES**

ANNEX I	Results Framework
ANNEX II	Detailed Budget
ANNEX III	Procurement Plan

## **BASIC SOCIOECONOMIC DATA**

For basic socioeconomic data, including public debt information, please refer to the following address:

<http://www.iadb.org/RES/index.cfm?fuseaction=externallinks.countrydata>

## ABBREVIATIONS

CARICOM	Caribbean Community
CDB	Caribbean Development Bank
CIDA	Canadian International Development Agency
CRNM	Caribbean Regional Negotiating Machinery
ESR	Environmental and Social Review
INT	Integration and Trade Sector of the Inter-American Development Bank
OECS	Organization of Eastern Caribbean States
PCR	Project Completion Report
PPMR	Project Performance Monitoring Report
TC	Technical Cooperation

## I. EXECUTIVE SUMMARY

<b>Beneficiary:</b>	Organisation of Eastern Caribbean States			
<b>Team Leader</b>	Mario A. Umana (INT), Project Team Leader; Svante Persson (MIF);			
<b>/Members:</b>	Lesley Cassar (INT); Desmond Thomas (CCB); Janette Archer-Headley (CCB/CBA); Diego Buchara and Virginia Franzini (LEG/SGO). Martha Skinner (INT) assisted in the preparation of the document.			
<b>Executing Agency:</b>	The OECS Secretariat			
<b>Target</b>	Organisation of Eastern Caribbean States (OECS) Member States			
<b>Beneficiaries:</b>				
<b>Source of Funding:</b>	IDB-Canada Trade Fund:	CAD\$	376,800	(≈ US\$299,309,)
	(non-reimbursable)			
	Counterpart Funds:	CAD\$	9,600	(≈ US\$ 7,626)
	TOTAL:	CAD\$	386,400	(≈ US\$306,935)
<b>Objectives:</b>	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. 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.			
<b>Execution</b>	Execution Period:		24	months
<b>Timetable:</b>	Disbursement Period:		30	months
<b>Special Contractual Conditions:</b>	<u>Conditions prior to first disbursement:</u> The Bank and the CDB have signed the Financial Agent Agreement pursuant to the terms and conditions previously agreed between the parties.			
<b>Exceptions to Bank Policies and Procedures:</b>	None.			
<b>Environmental and Social Review:</b>	The operation was cleared by the ESR team on December 1, 2008. No further action is required in the ESR process.			
<b>Coordination with other Official Development Finance Institutions:</b>	The Caribbean Development Bank will serve as financial agent for this project.			

## **II. BACKGROUND AND JUSTIFICATION**

### **A. Problem Definition**

- 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 include possible negotiations with Central America, the US and Canada. 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 is a priority area in the Strategy document.

**B. Relation with Bank Regional and Sector Strategies**

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.

**C. Coordination with Other Official Development Institutions**

- 2.7 The IDB Charter requires the Bank to work with the Caribbean Development Bank (CDB) in cases where the OECS countries, which are non-Bank members, are direct beneficiaries of Bank funds. The CDB will serve as financial agent for this project under the framework of a customary agreement. The project's executing agency will also coordinate with the Caribbean Regional Negotiating Machinery (CRNM) to ensure that the support planned through the activities contemplated in the project, is aligned with the regional process of trade policy formulation.

**D. Value Added**

- 2.8 The value added of the TC consists of the provision of institutional support to the Trade Unit of the OECS and the formulation of trade policy. Additionally, it is expected to obtain the basis for the development of a market intelligence system in the region that could be subsequently financed by the MIF.

### **III. DESCRIPTION**

**A. Objectives**

- 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. As borrowing member countries of the Caribbean Development Bank, the OECS states may benefit from 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.

## **B. Components**

3.3 In keeping with the objectives mentioned in paragraph 3.1, the project comprises the following six components: (1) design of a market intelligence system; (2) technical studies; (3) private sector consultations and capacity building; (4) working group consultations of the OECS trade negotiating group; (5) preparation of market access offers; and (6) institutional strengthening of the TPU.

### **1. Component I: Designing a Market Intelligence System (CAD\$37,900)**

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, compliance with international market requirements and norms, including ISO and HACCP<sup>1</sup> 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.

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<sup>1</sup> 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.



**2. Component II: Technical Studies (CAD\$76,000)**

- 3.6 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 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. Component III: Private Sector Consultations and Capacity Building (CAD\$57,500)**

- 3.7 Resources allocated to this component will be used to enhance the capacity of the private sector of the OECS member states to take advantage of market access opportunities from trade agreements. Specifically, a quick assessment of current market access opportunities, including a concrete proposal for enhancing the capacity of the private sector to dialogue with the government in trade-related issues, will be done for the countries to be shared in a regional workshop where outputs from Components I and II will also be presented. Additionally, the Bank will invite the CRNM to participate and present the conclusions from a regional project that has financed activities to increase the awareness and technical knowledge of the private sector in the framework of EPA negotiations. INT will work closely with the TPU in order to conduct the regional workshop.

**4. Component IV: Working Group Consultations of the OECS Trade Negotiating Group (CAD\$56,200)**

- 3.8 Component IV 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.

**5. Component V: Preparation of Market Access Offers (CAD\$15,200)**

- 3.9 Resources allocated to this component will support the preparation of market access offers and text for bilateral and multilateral negotiations by officials from Member States and the OECS Trade Policy Unit. For this purpose, the component will finance the technical meeting of the officials involved.

**6. Component VI: Institutional Strengthening of the TPU (CAD\$96,000)**

- 3.10 To address institutional strengthening of the OECS Trade Policy Unit, this component will finance a consultant who will undertake an institutional assessment of the TPU and prepare a strategic plan, which will help facilitate the Bank's future work with the TPU. The consultant will also support the TPU with execution of this TC and will assist with project reporting.
- 3.11 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.
- 3.12 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. COST, FINANCING AND DISBURSEMENTS**

**A. Cost**

- 4.1 The estimated costs in Canadian Dollars are presented below, by category and component.

**Consolidated Budget (in Canadian dollars)**

Activity / Description	IDB-Canada Trade Fund	Local Counterpart (in-kind)	Total
<b>Component I:</b> Designing a market intelligence system	37,900	-	37,900
<b>Component II:</b> Technical Studies	76,000	-	76,000
<b>Component III:</b> Regional Private Sector Consultation and Capacity Building	57,500	1,900	59,400
<b>Component IV:</b> Working Group Consultations of the OECS Trade Negotiating Group (2 activities)	56,200	3,400	59,600
<b>Component V:</b> Preparation of Market Access Offers	15,200	1,900	17,100
<b>Component VI: Institutional Strengthening of the TPU</b>	96,000	2,400	98,400
<b>Audit</b>	10,000	-	10,000
<b>Financial agency contract fee (2.5%)</b>	10,000	-	10,000
<b>Contingencies (5%)</b>	18,000	-	18,000
<b>Total</b>	<b>376,800</b>	<b>9,600</b>	<b>386,400</b>

Exchange rate: CAD\$1.258900 on 12/10/2008 = USD\$1

**B. Financing**

- 4.2 The total estimated budget of the project is CAD\$386,400, of which the IDB-Canada Trade Fund contribution is CAD\$376,800 and an in kind counterpart

contribution from the OECS Secretariat is CAD\$9,600. A detailed budget is attached as Annex II of this document.

## **V. EXECUTING AGENCY AND EXECUTION STRUCTURE**

### **A. Executing Agency**

- 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. 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.

### **B. Execution Mechanism**

- 5.2 Disbursements will be made to the Executing Agency via the CDB through a revolving fund of up to 25% of the total IDB contribution. The Executing Agency will establish a separate bank account or sub-account for the funds it will manage under this project. When the agreement between the Bank and the CDB is signed and the project is ready for first disbursement, the Bank will transfer 25% (CAD\$94,200) of the total IDB-Canada Trade Fund contribution to the CDB.
- 5.3 In its capacity as Executing Agency, the TPU will submit a written progress report to the Integration and Trade Sector twice a year, on June 1 and December 1, explaining the status of the project, the degree of completion of the aforementioned activities and the progress made in fulfilling the stated objectives. The report will also include a disaggregated account of expenses. Upon completion of all project activities, the Executing Agency will submit a final project report to INT, in accordance with the general Bank guidelines regarding the structure and content of those reports.
- 5.4 Upon completion of the project, the Executing Agency will hire an independent accounting firm to audit the project. The accounting firm that undertakes the audit will be selected by way of a competitive process, in line with Bank rules on Technical Cooperation Projects.
- 5.5 To the maximum extent possible, the consultants will work with counterpart staff in a manner that will ensure a transfer of knowledge and technology.
- 5.6 All air tickets financed by this project will be in economy class, and travel will be undertaken via the most direct and economical route.

**C. Execution and Disbursement Periods**

- 5.7 The project will be executed over a period of 24 months with a disbursement period of 30 months effective from the date of the signature of the agreement between the Bank and the Executing Agency.

**D. Procurement**

- 5.8 The procurement of goods and contracting of consultant services necessary to execute the project will be in accordance with IDB and CDB procedures. The member countries of the CDB shall also be eligible for procurement from the project.

**VI. MONITORING, REPORTS AND EVALUATION**

**A. Monitoring**

- 6.1 INT will prepare a Project Performance Monitoring Report (PPMR) every six months during execution and a Project Completion Report (PCR) within 90 days of the last disbursement date.

**B. Technical and basic responsibility.**

- 6.2 Technical and basic responsibility for the implementation of the TC rests in the project team. Specifically, the Integration and Trade Sector (INT) will have technical responsibility for the project. INT will work closely with the Multilateral Investment Fund where applicable. The Country Office in Barbados will be the unit with disbursement responsibilities, and will support the Project Team Leader with the fiduciary functions of project administration.

**C. Progress and final reports.**

- 6.3 The monitoring of the project's progress will be made through the bi-annual PPMR updates. The final report will be the PCR. Because the project consists exclusively of technical assistance in the form of consultancy services and workshops, an independent evaluation is not deemed necessary. Instead, the PCR should include an assessment of how successful the operation has been in meeting its stated objectives and goals.

**VII. BENEFITS AND RISKS**

**A. Benefits**

- 7.1 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. In keeping with the Bank's strategy

in the region, GN-2035-4, technical and financial support is extended to OECS countries that are borrowing members of the CDB. This TC will focus on the six independent countries of the OECS, namely, Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines.

**B. Risks**

- 7.2 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.

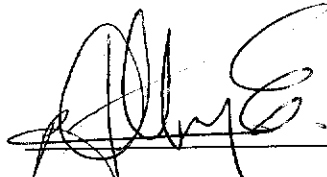
**VIII. ENVIRONMENTAL AND SOCIAL REVIEW**

- 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). VPS/ESG cleared this operation on December 1, 2008.

**IX. RECOMMENDATION**

- 9.1 Mario Umaña, designated team leader for this project, recommends the approval of this operation and the use of resources from the IDB-Canada Trade Fund for a total of up to CAD\$376,800 in order to finance this technical cooperation project.

**X. APPROVAL**

  
**Antoni Estevadeordal**  
**Manager**  
**Integration and Trade Sector**  
**INT**

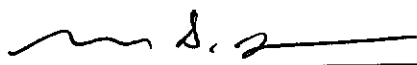
12/17/08  
**Date**

## OECS TRADE CAPACITY BUILDING

(RG-T1427)

### CERTIFICATION

I hereby certify that this operation was approved for financing under the IDB-Canada Trade Fund (CCT) through an electronic mail message dated December 2, 2008 and signed by Luis Barnola, Development Officer at the Canadian International Development Agency. Also, I certify that resources from the IDB-Canada Trade Fund (CCT) are available for up to CAD\$299,309 in order to finance the activities described and budgeted in this document. This certification reserves resources for the referenced project for a period of eleven (11) calendar months counted from the date of signature below. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted. The commitment and disbursement of these resources shall be made only by the Bank in Canadian dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this Plan of Operations. Amounts greater than the certified amount may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, for which the Fund is not at risk.

  
\_\_\_\_\_  
Marguerite S. Berger, Chief  
Grants and Co-Financing Management Unit  
VPC/GCM

12/16/08  
\_\_\_\_\_  
Date