

Annex

1. IDENTIFICATION

Title/Number	CARIFORUM Regional Private Sector Development Programme CRIS n° FED/2009/022056		
Total cost	32 089 000 EUR - A-Envelope 10th EDF Contribution – 28 300 000 EUR Caribbean Export Development Agency – 3 789 000 EUR		
Aid method / Method of implementation	Joint Management – Project Approach		
DAC-code	32130	Sector SME Development	

2. RATIONALE

2.1 Sector context

Exports of goods and services from CARIFORUM, the Caribbean Forum of African, Caribbean and Pacific States¹, averaged 5.2% in 2000-2005 and are lagging behind world growth rates of 10.4% over the same period. In terms of merchandise exports and services exports CARIFORUM economies experienced lower growth rates than the Latin American Region². The CARIFORUM private sector is characterised by outdated equipment and production methods, challenges in supply capacity and value chain management, limited economies of scale, limited access to affordable finance, lack of market knowledge, including awareness of trade agreements. These factors coupled with limited national and human resources endowments push production costs above regional and globally competitive levels.

In terms of the environment for doing business, many public and private agencies are not equipped to efficiently cater to the needs of the private sector. Most policy regimes and regulatory frameworks are either outdated or under-developed. Regional and national business support organizations and industry associations are poorly resourced (financial and human) and are therefore unable to deliver adequate services. There is also need for better coordination and collaboration between all the relevant stakeholders including government, private sector, national and regional business support organizations, regional implementing agencies, and universities. Insufficient, irregular and costly air and sea transport and inadequate support related services, as well as unreliable and costly telecommunications services contribute to high production costs and limit the prospects for business growth and expansion.

Within this context, the Caribbean Regional Strategy Paper (CRSP) and Caribbean Regional Indicative Programme (CRIP), 2008-2013, seeks to, among others, '*frame the assistance to CARIFORUM countries in their economic diversification efforts*'. The Caribbean Integration and Cooperation Roadmap gives some specific and strategic orientations of the regional policy agenda and indications of measures and actions taken to secure progress in the Caribbean Single Market Economy (CSME), Economic Partnership Agreements (EPA) and other Caribbean Forum of African, Caribbean and Pacific States (CARIFORUM) integration initiatives. One such action is to assign Caribbean Export a major responsibility in implementing several areas

¹ Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago

² Center for Development of Enterprises/United Nations International Development Organisation (CDE/UNIDO) Competitiveness and Innovation Programme draft final report, 2008.

of interventions in the roadmap. The Regional Private Sector Development Programme (RPSDP), 2010-2015 sets out the parameters for achieving this objective.

2.2 Lessons Learnt

Caribbean Export Development Agency has over fifteen years (15) years of experience in efficiently and effectively promoting and implementing private sector development programmes in the Caribbean. The Agency is currently implementing Phase 2 of the 9th EDF Caribbean Trade and Private Sector Development Programme (CTPSDP), €6.885 million. Based on experience and information obtained from the implementation of previous initiatives, the Agency has learnt that while CARIFORUM countries must of necessity continue to support private sector competitiveness at national and sub-regional levels it is essential that some actions be carried out through a regional approach. Direct assistance must be a critical component of any private sector development programme in the region, given the challenges faced at the level of private firms as well as the weak institutional capacity of business support organizations. In addition, widening and deepening the understanding of trade agreements is an important step to export development.

2.3 Complementary actions

The proposed 10th EDF Regional Private Sector Development Programme is complemented by (among others) EU funded Budget Support Programmes in Dominica (€17.0 million) and Grenada (€17.5 million) with a focus on improving the business environment and investment climate, as well as Programmes and Projects being implemented in Jamaica (€17.5 million) involving the empowerment of private sector organizations and, Suriname (€2.4 million) which establishes an operational platform for public and private dialogue. In addition, there are two other regional private sector related interventions presently being formulated, which are to be funded from the 10th EDF CRIP, namely, 'Support to CARIFORUM States in the implementation of the EPA' (€17.1 million) and 'Economic Integration and trade of the Organisation of Eastern Caribbean States' (OECS)' (€12.6 million)'.

Caribbean Export itself will be simultaneously implementing several other donor funded initiatives in private sector development funded by the Interreg Community Initiative (INTERREG), the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), Caribbean Aid for Trade and Regional Integration Trust Fund (CARTfund), etc. Another complementary donor funded initiative is the US\$42 million Compete Caribbean Programme, 2010-2015 jointly funded by the Inter American Development Bank (IADB), the Canadian International Development Agency (CIDA) and the Department for International Development (DFID).

2.4 Donor coordination

In light of the breadth of interventions and quantum of resources for private sector development presently available to CARIFORUM states, private sector firms, industry associations, as well as national and regional institutions donor coordination will be critical to the overall successful implementation of these interventions to avoid overlap and duplication and maximize potential synergies and results. Caribbean Export entertains a very good working relationship with the EU institutions such as ACP Business Climate Facility (BIZCLIM), PRO-INVEST and INTERREG and EU Delegations, and the Agency intends to organize annual or bi-annual donor coordination meetings with all the donor agencies providing funding for its various programmes and projects.

This donor coordination effort by Caribbean Export will be complemented by the efforts of a Private Sector Donor Group comprised of the EU, IADB, CIDA, DFID, GTZ and the Caribbean

Development Bank (CDB). This donor group meets several times throughout the year to discuss their respective regional and national portfolios and considers various ways in which to coordinate and collaborate for more successful outcomes.

3. DESCRIPTION

3.1 Objectives

Overall objectives

The overall objective of the 10th EDF Regional Private Sector Development Programme is to contribute to the gradual integration of CARIFORUM countries into the World economy, enhancing regional economic growth and by extension alleviate poverty.

Specific objectives

10th EDF Regional Private Sector Development Programme has four (4) specific objectives: a) Enhancing Competitiveness and Promoting Innovation among CARIFORUM's private sector; b) Promoting Trade and Export Development among CARIFORUM States; c) Promoting stronger trade and investment relations among CARIFORUM and the French Caribbean Outermost regions as well as the EU Overseas Countries and Territories (OCTs) in the Caribbean; and, d) Promoting stronger trade and investment cooperation between CARICOM and the Dominican Republic. There is also a complementary objective of strengthening the institutional capacity of Caribbean Export to implement the trade and investment promotion programmes in the region.

3.2 Expected Results and main activities

Specific Objective A - Expected Results: 1) Regional Investment Strategy developed, promoted and implementation initiated; 2) Investment Promotion Agencies (IPAs), relevant Government Ministries and the Caribbean Association of Investment Promotion Agencies (CAIPA) strengthened to attract FDI; 3) Export ready firms provided with financial assistance in areas of product innovation, consumer safety, export diversification and operational efficiency; 4) High potential niche sectors³ identified by the region strengthened to benefit from the provisions of the EPA; and, 5) Links between educational/training institutions and small and medium-sized enterprises (SMEs) strengthened. ***Main activities:*** Calls for Proposals-Direct Assistance Scheme to companies, technical assistance, training, studies, workshops/seminars, and public relations campaigns.

Specific Objective B - Expected Results: 1) Regional Trade and Market Intelligence system developed and piloted; 2) Regional Export Strategy drafted and promoted; 3) Knowledge of bilateral, regional, and international trade agreements by the private sector increased; 4) Increased understanding and utilization of intellectual property rights as a trade development tool by governments and private sector; 5) Capacity of Business Support Organizations to provide wider range and quality of services strengthened; 6) Formal establishment and operationalisation of the CARIFORUM-EU Forum. ***Main activities:*** market research studies, user surveys, software development, technical working groups, technical assistance, seminars and training.

³ Agro-processing, light manufacturing, fashion and garment, creative industries, professional services, specialized tourism, and alternative energy.

Specific Objective C - Expected Results: 1) Knowledge of respective trade and investment laws and regulations increased; 2) Export opportunities among CARIFORUM/French Caribbean Outermost Regions/OCTs identified and exploited; and 3) Continued operations of the Joint Task Force of CARIFORUM/French Caribbean Outermost Regions/OCTs on Trade and Investment. *Main activities:* training, studies, technical assistance, workshop and seminars.

Specific Objective D - Expected Results: 1) Knowledge of respective trade and investment laws and regulations increased; 2) Export opportunities between CARICOM/Dominican Republic identified and exploited; and 3) Operations of the CARICOM/Dominican Republic Forum continued. *Main activities:* training, studies, technical assistance, workshop and seminars.

Specific Objective E - Expected results 1) Strategic Plan developed; 2) Organisational and institutional restructuring of Caribbean Export completed, in line with the Strategic Plan; 3) Capacity for donor coordination strengthened. *Main activities:* technical assistance, workshops and seminars, purchase of equipment and materials and leasehold improvements.

3.3 Risks and assumptions

The Programme assumes that individual States and the CARIFORUM/CARICOM Group as a whole adopt, at a reasonable pace, the necessary institutional reforms in the framework of their commitments under the EPA, CSME and other international trade and development agreements, as this will influence the ability of the private sector to successfully take advantage of the provisions of these trade agreements supported by the various activities to be implemented under the programme.

The capacity of the human resources, organizational and institutional structures of Caribbean Export to successfully execute its burgeoning portfolio constitutes a risk. This risk is mitigated by an ongoing Strategic Planning exercise being conducted with the relevant stakeholders, which included plans to restructure the Agency into the discrete operational areas where the majority of its focus and efforts are extended, namely, Operations; Export Development; Competiveness & Innovation and Special Projects. The new structure of the agency must be finalised and the job descriptions provided before the start of the programme, i.e. before the signature of the Contribution Agreement..

Caribbean Export will work with the CARIFORUM Directorate to facilitate continuity between the conclusion of the 9th EDF and the commencement of the 10th EDF. The CARIFORUM Directorate has advised of its support and commitment to this process.

3.4 Crosscutting Issues

The proposed project will be carried out according to international best practices of environmental sustainability, gender equality, good governance and human rights, while no actions against liberalization of trade, industrial safety and labour laws will be supported. Caribbean Export will take great care in promoting corporate social responsibility in the framework of this programme. Furthermore, special attention will be paid to gender and small and medium size enterprises. It should be noted that most of the Caribbean companies operating in the sectors targeted by this programme are small and medium-sized enterprises and are predominately owned and/or operated by women.

3.5 Stakeholders

All fifteen CARIFORUM states are signatory to the Agreement establishing Caribbean Export and are represented on the Board of Directors. The CARIFORUM Directorate will continue to maintain close relationship with Caribbean Export at the operational level and assist in ensuring improved coordination with other CARIFORUM wide initiatives targeting the private sector. The European Union and its Members States will continue to directly and indirectly support the regional integration and development strategy and agenda. National and Regional Business Support Organisations will continue to be involved in the formulation and implementation of sector specific strategies. Companies in selected productive and service sectors are Caribbean Export's primary implementing partners and will continue to provide invaluable direction to the Agency. CARIFORUM Investment and/or Trade Promotion Agencies and/or Related Ministries will continue to guide and support the actions carried out by the programme. Regional Bodies/Institutions such as CARICOM Office for Trade Negotiations (OTN), CARICOM Regional Organisation for Standards and Quality (CROSQ), the University of the West Indies (UWI), the Caribbean Association of Industry and Commerce (CAIC) and the Association of Caribbean States (ACS) will be involved in the execution of this programme.

4. IMPLEMENTATION ISSUES

4.1 Method of Implementation

A Financing Agreement will be signed between the European Union and the Regional Authorising Officer, CARIFORUM. With the signature of the Financing Agreement, the RAO gives full mandate for its execution to the European Commission. The project will be implemented by the European Commission, through its delegation in the beneficiary country under Joint Management through the signature of a Contribution Agreement with Caribbean Export Development Agency. Contractual model to be used: Standard Contribution Agreement.

Caribbean Export Development Agency had undergone a successful compliance assessment (4 pillars assessment) carried out by the EU in 2006. The Caribbean Export Development Agency's rules and procedures are currently being subject to a new 4 pillars assessment, and based on draft report the auditors state that this assessment "*provides reasonable assurance that there are mechanisms and controls in place to ensure the implementation of tasks in the joint management mode*".

A specific assessment on grant award procedures is planned to be carried out by the EU in the last quarter 2010. Until a successful compliance assessment is carried out, Grants are awarded and implemented in accordance with the procedures and standard documents laid down and published by the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

Once the Caribbean Export Development Agency (CEDA) has undergone a successful compliance assessment on grant award procedures, an addendum to the Contribution Agreement will be signed with the CEDA), allowing it to use its own grants award procedures.

A steering committee (SC) shall be set up to oversee and validate the overall direction and policy of the programme. The SC will be chaired by the Chairman of the Board of Caribbean Export and will meet twice annually. The SC will include representatives from: CARICOM Secretariat/CARIFORUM Directorate; the EU Delegation in Barbados with observer status; Caribbean Export's Board and Management; the OECS Secretariat; Private Sector Representatives and Representative from the private sector development (PSD) Donor Coordination Group.

4.2 Procurement and Grant Award Procedures

All contracts implementing the action are awarded and implemented in accordance with the procedures and standard documents laid down and published by the International Organisation concerned.

Specific rules for grants

The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EU external actions. They are established in accordance with the principles set out in Title VII 'Grants' of the Financial Regulation applicable to the 10th European Development Fund]. When derogations to these principles are applied, they shall be justified, in particular in the following cases:

- Financing in full (derogation to the principle of co-financing): the maximum possible rate of co-financing for grants is 70%. Full financing may only be applied in the cases provided for in Article 253 of the Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of the Financial Regulation applicable to the general budget of the European Communities and in Article 109 of the Council Regulation on the Financial Regulation applicable to the 10th European Development Fund.
- Derogation to the principle of non-retroactivity: a grant may be awarded for an action which has already begun only if the applicant can demonstrate the need to start the action before the grant is awarded, in accordance with Article 108 of the Financial Regulation applicable to the 10th EDF.
- Contracts relating to monitoring, external evaluation, audit and the framework contract procedure if applicable shall be concluded by the Commission on behalf of the Beneficiary.

4.3 Budget and Calendar

The total project cost is estimated at EUR 32,089,000, of which EUR 28,300,000 shall be financed from the 10th EDF CRIP, and EUR 3,789,000 by the Caribbean Export Development Agency.

The Contribution Agreement will be amounted to EUR 28,125,000 including EUR 40,000 for visibility and EUR 1,132,000 for contingency and not including the allocation for audit and evaluation.

The foreseen operational duration is sixty (60) months as from signature of the Financing Agreement.

	COMPONENTS	BUDGET (EUR)
1	Contribution Agreement with Caribbean Export	28,125,000
2	Audit/Evaluation	175,000
	TOTAL	28,300,000

4.4 Performance Monitoring

Day-to-day technical and financial monitoring will be a continuous process as part of the Beneficiary responsibilities. Independent consultants recruited directly by the Commission on

specifically established terms of reference will carry out external monitoring results-oriented monitoring (ROM) system.

4.5 Evaluation and Audit

Independent consultants recruited directly by the Commission on specifically established terms of reference will carry out external evaluations, as follows: a mid-term evaluation mission; a final evaluation, at the beginning of the closing phase; and possibly, an ex-post evaluation. The appropriate department of Caribbean Export will ensure internal control of management operations.

4.6 Communication and Visibility

Caribbean Export will implement a Public Relations and Communications Plan. The visibility guidelines of the European Union with regard to EU-funded programmes will be respected.

Anexo

1. IDENTIFICACIÓN

Título / número	Programa Regional para el Desarrollo del Sector Privado del CARIFORUM CRIS n° FED /2009/022056		
Coste total	32 089 000 EUR - Dotación A Contribución del Décimo FED: 28 300 000 EUR Agencia Caribeña para el Desarrollo de la Exportación: 3 789 000 EUR		
Método de ayuda / método de aplicación	Gestión conjunta; planteamiento por proyectos		
Código CAD	32130	Sector de Desarrollo de las PYME	

2. ANÁLISIS RAZONADO

2.1 Contexto sectorial

La exportación de bienes y servicios del CARIFORUM (el Foro del Caribe del Grupo de los Estados de África, del Caribe y del Pacífico¹) ascendió a un promedio del 5,2 % en 2000-2005, por lo que se sitúa por detrás del índice de crecimiento mundial del 10,4 % correspondiente al mismo periodo. En términos de exportaciones de mercancías y servicios, las economías del CARIFORUM experimentaron índices de crecimiento más bajos que los de la región de América Latina². El sector privado del CARIFORUM se caracteriza por equipos y métodos de producción anticuados, deficiencias en capacidad de suministro y gestión de la cadena de valor, economías de escala limitadas, acceso restringido a una financiación asequible y falta de conocimiento de los mercados, incluso del conocimiento de los acuerdos comerciales. Estos factores, junto con la existencia de recursos nacionales y humanos limitados, disparan los costes de producción por encima de niveles competitivos a nivel regional y mundial.

En lo que respecta al entorno para la actividad empresarial, muchas agencias públicas y privadas no están dotadas para satisfacer eficientemente las necesidades del sector privado. La mayor parte de regímenes y marcos reglamentarios está anticuado o subdesarrollado. Las organizaciones regionales y nacionales de apoyo empresarial y las asociaciones industriales cuentan con escasos recursos (financieros y humanos) y, por tanto, son incapaces de proporcionar servicios adecuados. También es necesario contar con una mejor coordinación y colaboración entre todas las partes interesadas pertinentes, incluidos el gobierno, el sector privado, las organizaciones nacionales y regionales de apoyo empresarial, las agencias regionales de ejecución y las universidades. El transporte aéreo y marítimo insuficiente, irregular y caro y los servicios de apoyo relacionados con él que son inadecuados, así como los servicios de telecomunicaciones onerosos y poco fiables, contribuyen a incrementar los costes de producción y limitar las perspectivas de crecimiento y expansión empresariales.

¹ Antigua y Barbuda, Bahamas, Barbados, Belice, Dominica, República Dominicana, Granada, Guyana, Haití, Jamaica, San Cristóbal y Nieves, Santa Lucía, San Vicente y las Granadinas, Surinam, y Trinidad y Tobago.

² Centro para el Desarrollo de las Empresas/Organización de las Naciones Unidas para el Desarrollo Industrial (CDE/ONUUDI): *Competitiveness and Innovation Programme draft final report*, 2008.

