

# AID-FOR-TRADE: CASE STORY

CARIBBEAN COMMUNITY (CARICOM)

**THE CARIBBEAN AID FOR TRADE AND REGIONAL INTEGRATION TRUST  
FUND: A MECHANISM FOR DELIVERING AID FOR TRADE SUPPORT TO  
CARICOM AND CARIFORUM STATES**



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TRUST FUND: A MECHANISM FOR DELIVERING AID FOR TRADE  
SUPPORT TO CARICOM AND CARIFORUM STATES**



## Annex 1

### Case Story

#### **Title: The Caribbean Aid for Trade and Regional Integration Trust Fund: A Mechanism for Delivering Aid for Trade Support to CARICOM AND CARIFORUM States**

**Date of Submission:** January, 2011

**Region:** Caribbean

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

**Type:** Approach to the delivery of Aid for Trade

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#### **Executive Summary:**

The Caribbean Aid for Trade and Regional Integration Trust Fund (CARTFund) was established on March 18<sup>th</sup>, 2009 to support Caribbean implementation of the Economic Partnership Agreement (EPA) with Europe and the CARICOM Single Market and Economy (CSME).

The Fund is a demand-driven mechanism endowed with a sum of approximately of £10M (approximately the equivalent of US\$13.5M) from the UK Department for International Development (DFID). It is administered regionally by the Caribbean Development Bank (CDB) and overseen by a Steering Committee comprising representatives from DFID, the Caribbean Community Secretariat (CARICOM) and the Caribbean Forum of African, Caribbean and Pacific States (CARIFORUM).

The response by the Member States to the Fund has been overwhelming with requests far in excess of the available resources. Eighteen (18) projects have been approved to date under the Fund - 5 regional projects and 13 national projects in eight (8) CARIFORUM States - and further project approvals are expected in 2011.

Although the CARTFund experience is new and evolving, the benefits and the potential for replication/expansion are already evident, particularly in respect of the demand-driven, regionally-owned governance structure and disbursement arrangements. This case story seeks to highlight the issues, objectives, approach, challenges, results and lessons learnt.

## 1. Issues Addressed

### *EPA Implementation*

Article 8:1 of the CARIFORUM-EU Economic Partnership Agreement (EPA) acknowledged the need for capacity to be built within CARIFORUM States if they were to honour their obligation and benefit from the provisions outlined in this Agreement. With this in view, when the EPA was signed in October 2008, the UK Government pledged £10M in new Aid for Trade funding to the Region (subject to having a viable vehicle) to, among other things, accelerate implementation of the CSME and the EPA so that anticipated benefits could be derived by the Region.

### *Aid Effectiveness*

The UK's pledged Aid for Trade support pledged was intended to support the region's own identified priorities in advancing regional integration through the CARICOM Single Market and Economy (CSME) and implementing the EPA. It therefore helped give practical expression to the objectives of the Caribbean Community which include accelerated, coordinated and sustained economic development and convergence, expansion of trade and economic relations with third States, and the enhancement of international competitiveness, which are the among the cornerstones of the CARICOM Single Market and Economy. It was also consistent with the UK's development approach in the Caribbean in support of poverty reduction, economic growth and increased resilience.

It is amidst this intermingling of interests that the Caribbean Regional Aid for Trade and Regional Development Trust Fund (CARTFund) was established by the UK through its Department for International Development (DFID) with the CDB as its Administrator.

## 2. Objectives Pursued

Established on March 18<sup>th</sup>, 2009 with an initial contribution of £5M, the CARTFund has as its stated objectives assisting CARIFORUM States "to generate momentum on the implementation of the Economic Partnership Agreement (EPA) signed between the CARIFORUM States and the European Union, and of the CARICOM Single Market and Economy (CSME)."

In this regard, it was agreed that the Fund should be used for the following broad range of activities:

- (i) supporting EPA implementation;
- (ii) deepening CARICOM economic integration and OECS sub-regional integration;
- (iii) assisting potential beneficiaries of the Fund with project preparation; and
- (iv) sharing lessons from the projects and activities.

### **3. Design and Implementation**

#### *Options for Delivery*

Originally, it was anticipated that the UK resources might have been administered through the CARICOM Development Fund (CDF). Heads of Government of CARICOM had established the CDF in July 2008, to provide a mechanism for support for disadvantaged sectors and regions under the CSME, and to ideally serve as a vehicle to channel receipts from the European Development Fund (EDF), Aid for Trade and other sources of development assistance to the Region. However, the development of a Trust Fund at the Caribbean Development Bank (CDB) was generally agreed upon as the most suitable modality for the delivery of this support given:

- (i) the fact that the CDF's governance structure and recruitment processes were not complete and the proposed CARIFORUM window for EPA implementation in the CDF had not yet been resolved;
- (ii) that DFID could not place grant funds into the existing grant instrument at the CDB since this had recently been replenished and a further infusion would violate its grant ratio;
- (iii) that there was limited scope for control over programming decision through the CDB grant mechanism;
- (iv) the difficulty in covering all of CARIFORUM in the mechanism, including the inclusion of non-CARICOM (Dominican Republic) and non-CDB (Suriname) Member States, given the CARIFORUM scope of the project.

#### *Governance and Management Arrangements*

Careful attention was given to the governance and management arrangements for the Fund, including clear separation of roles and strong involvement by the partner regional institutions.

A Steering Committee was constituted to approve proposals under the Fund, and to provide strategic oversight to the Fund. The Steering Committee is chaired by DFID and comprised two representatives each from DFID, CARICOM and CARIFORUM. Steering Committee decisions are generally made by consensus. If in the opinion of the Committee, an amount of the Trust Fund's resources allocated to any of the expenditure categories identified is insufficient, a reallocation can be made to that category from one that is not likely to utilize its provision.

Organizations that are members of the Committee are not precluded from accessing support from the Trust Fund. However, in such cases the member(s) concerned are precluded from the decision-making process and approval, if granted, is the decision of the other members of the Steering Committee.

The Caribbean Development Bank (CDB) in its role as Administrator of the Fund is tasked with, among other things, communicating to potential beneficiaries the objectives and procedures for accessing the resources of the Fund; receiving and appraising proposals for projects from the CARICOM Secretariat; preparing and concluding the Grant

Agreements between itself as Administrator and the resource recipients; and monitoring and evaluating the performance of the Fund during the period of disbursement.

#### *Project Process*

Prospective recipients of the Fund's resources, include CARICOM/CARIFORUM entities, whether governmental, registered Private Sector or other non-governmental. All are required to submit applications prepared using the "Proposal Submission Form". Only projects that meet the requirements, such as relevance to trade and/or regional integration, whose budgets are not less than US\$100,000 and whose duration does not exceed two and a half years, are eligible for consideration.

The project applications are screened by the CDB and once they meet the basic criteria are prepared by the applicant or consultant and appraised by the CDB prior to submission to the CARTFund Steering Committee for approval. CDB makes disbursements to approved projects and supervises project implementation.

#### *Flexibility and Responsiveness*

The provisions of the overarching administration arrangement for the Fund, between DFID and the CDB, have been designed to be responsive to the requests of the participating States. The Steering Committee mechanism gives flexibility in the funding decisions, and it is possible to deviate from standard CDB operating procedures where appropriate.

In addition to the responsiveness within the governance arrangements, DFID as the donor was also responsive to the high level of demand for, and good progress of the Fund. DFID therefore doubled the Fund in March 2010, approving an additional £5 million, and extending the end date (to December 2012).

Also, use of the CARTFund approach allowed participants to move more quickly and get projects approved

#### **4. Problems Encountered**

**Proposal quality** - The quality of the proposals received was not adequate for immediate financing decisions to be made. As a result, there were multiple exchanges between applicants and the CDB and technical assistance had to be procured to improve some submissions. These factors increased operating cost and lag time between application and grant approval with knock-on implementation delays.

**Readiness of recipients** - Further, most of those awarded grants were not immediately prepared to receive these awards. Their institutional structures, physical environment, counterpart responsibilities and procurement practices all militated against early and timely absorption of the grants made.

**Equity** - The need to ensure equity in the demand-driven regional fund, operating for the benefit of fifteen (15) countries; one (1) sub-regional grouping; and CARICOM and CARIFORUM regional institutions has added to the challenge of effectively operating such a facility.

**Monitoring design** - The fact that it is a demand-led basket mechanism meant that it was impossible to identify *ex ante* the specific mix of projects that would actually come through as applications and the consequent results. This has complicated the process of designing a coherent, results-based monitoring and evaluation framework for the Fund as a whole.

## 5. Factors for Success or Failure

The factors for success or failure of the CARTFund include:

**Availability of suitable personnel** - Many of the projects require specialist human resources. The skill sets, level of performance required and the short-term nature of the assignment are making it difficult to recruit Technical Experts as early as was hoped, to advance implementation of project activities.

**Implementation capacity within the executing agencies** – If implementers cannot show requisite progress and meet reporting requirements, they will miss their disbursement triggers and may run out of implementation time.

**Adequate time** - The finite, relatively short life of the Fund may influence its success given the fact that projects already approved are experiencing delays and the time for implementation of those projects not yet approved will be limited.

**Results Monitoring** – Effective identification and monitoring of interim and final results will be critical in ensuring that the projects meet their objectives, and allowing the CDB and the Steering Committee to identify and address issues.

**Catalytic Effect** – A crucial test for CARTFund success will be the extent to which the individual projects funded, even if successful in their own right, really do generate momentum and have a catalytic effect on the implementation of the EPA and CSME as a whole.

## **6. Results Achieved**

It is much too early to measure the results of the initiatives which have been supported by the Fund since all of the projects are in their implementation phase. However, there are some early success stories.

The first is the establishment of the Fund itself. The establishment of the CARTFund is reflective of the ingenuity of the partners - DFID, CARICOM, CARIFORUM and the CDB, to overcome the impediments and create a dynamic solution in the interest of advancing their common objectives.

Secondly, the experiences and lessons learnt from its administration can provide guidance to enhance the operations of other such funds or the expansion of the current one. In this regard specific reference is made to the application of a robust appraisal process; the provision of special conditions in the Model Grant Agreements to allow for the payment of advances on disbursements and role that this provision has played in catalyzing implementation; the detailed planning required prior to the commencement of implementation; and the resulting tools to guide project execution, monitoring and evaluation.

Thirdly, the overwhelming response of the beneficiaries in taking advantage of this offer signals the need for such flexible mechanisms for aid delivery and underscores the importance of synergies between the Region's priorities and the Regional Development Strategies and Programmes of its International Development Partners.

To date eighteen (18) projects have been approved by the Steering Committee. The total value of these eighteen (18) projects is US\$9,590,622 or approximately 70% of the resources available for disbursement. These projects have been designed to meet the objectives of the Fund while meeting the needs of the States and are currently being implemented in eight (8) States, namely Antigua and Barbuda, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, and Trinidad and Tobago by Government Agencies, Regional Institutions and Private Sector entities. These projects will likely not have been funded within this timeframe without the CARTFund mechanism.

The level of performance of the Fund in the relatively short timeframe of twenty-two (22) months is impressive but the overwhelming number of projects received by the Steering Committee tells their own stories. The second call for proposals issued in September, 2010 yielded a total of seventy-three new requests valued at approximately US\$37M, only a small fraction of which the Fund could have accommodated.

## **7. Lessons Learned**

Even as the experience is still evolving, there are some lessons that are immediately apparent. These include:

- (i) the need for clearer guidelines for project preparation;



- (ii) the need for an adequate complement of technical/appraisal staff at the Fund Manager, to speed up the appraisal process;
- (iii) the requirement for timely consultations with potential applicants prior to their submissions being made;
- (iv) the need to allocate more time to the planning phase of project implementation;
- (v) the reality that potential beneficiaries who are more efficient will secure greater access to the resources;
- (vi) the importance of addressing not only project preparation capacity, but also monitoring capacity with beneficiaries; and
- (vii) the acknowledgement of the need to document the lessons learnt and strengthen the results framework as the Fund and the projects evolve.

The last will be a significant resource in the project evaluation exercise. In particular, any consequential adjustments made and their impact on project implementation and results should be recorded.

## **8. Conclusion**

As stated earlier the CARTFund experience is one which is evolving. Early lessons and benefits are emerging, and the potential for replication has previously been elaborated, particularly in the demand-led approach, regional model for governance and management, and disbursement procedures. Its success will be judged largely by the results delivered by the sponsored projects and their alignment with the specific objectives of the Fund.

However, much can be gained by monitoring and evaluating the effectiveness of the Fund as an approach to aid delivery and comparing this with other modalities. The findings can be used to inform improvements to the processes, enhancing the value of this approach as a tool for delivery of development assistance.

## Annex 1: List of CARTFund Projects

No.	Country	Executing Agency	Project Title
1	Regional	CARICOM Secretariat	Support for the Establishment of a Unit to Facilitate Implementation of the CARIFORUM-EC Economic Partnership Agreement (EPA), in the Caribbean Community (CARICOM) Secretariat
2	Guyana	NCSU	Single Window Automated Processing System (SWAPS) for Trade Transactions in Guyana
3	Guyana	National Competitiveness Strategy Unit, Ministry of Tourism, Industry and Commerce	Establishment of the Competition and Consumer Protection Commission of Guyana
4	Regional	Caribbean Export Development Agency, Mutual Building, Hastings Main Road, Christ Church, Barbados	Processed Food Sector Development – The Specialty Food Industry of the CARIFORUM Member States
5	Regional	Caribbean Export Development Agency, Mutual Building, Hastings Main Road, Christ Church, Barbados	Development & Promotion of the Caribbean Health and Wellness Tourism Sector
6	Regional	CHTA, Barbados Post Office, 4th Avenue, Belleville, St. Michael, Barbados (in collaboration with the Caribbean Council, UK)	EPA Manual and Awareness Building Programme for the Caribbean Tourism Sector
7	Barbados	Barbados Private Sector Association	Barbados Private Sector Project Proposal Hub
8	Barbados	Barbados Private Sector Association	Barbados Private Sector Communications Enhancement Project
9	Antigua & Barbuda	Government of Antigua and Barbuda, Office of the National Authorising Officer, Dickenson Bay Street, St John's, Antigua	Support for the Establishment of A Unit to Facilitate Implementation of the CARIFORUM-EC Economic Partnership Agreement, Antigua and Barbuda
10	Grenada	Grenada Hotel and Tourism Association (GHTA), Ocean House, Morne Rouge, PO Box 440, St. George's, Grenada	CARIBCERT - Grenada
11	Dominica	Ministry of Employment, Trade, Industry and Diaspora Affairs	Implementation of the Dominica National Export Strategy
12	Dominica	Ministry of Employment, Trade, Industry and Diaspora Affairs	Dominica Coalition of Service Industries
13	Regional	CARICOM Development Fund	CARICOM Development Fund Capacity Development Project
14	Jamaica	The Private Sector Organisation of Jamaica (PSOJ)	Improving CARICOM Market Access for Jamaican Goods and Services
15	Trinidad & Tobago	Trinidad and Tobago Coalition of Services Industries	The European Union Market Access Documentaries
16	Belize	Directorate of Foreign Trade, Ministry of Foreign Affairs and Foreign Trade	Enhancing the Capacity of the Directorate of Foreign Trade, Ministry of Foreign Affairs and Foreign Trade to Promote the CARICOM Single Market Economy (CSME) and the Economic Partnership Agreement (EPA) and Facilitate their Implementation - Belize
3	Grenada	Ministry of Finance	Support for Grenada's EPA Unit to Facilitate Implementation of the CARIFORUM-EC Economic Partnership Agreement
18	Trinidad & Tobago	Business Development Company Ltd.	Development of Sustainable Exports to the European Union (EU) under the Economic Partnership Agreement (EPA)