

# AID-FOR-TRADE CASE STORY

## ORGANIZATION OF EASTERN CARIBBEAN STATES (OECS)

### Institutional Capacity Building for Trade Policy – Lessons in Sustainability

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## Executive Summary:

Established in June 1981, the Organization of Eastern Caribbean States<sup>1</sup> (OECS) seeks to, *inter alia*, promote economic cooperation and the coordination, harmonization, and pursuit of joint economic policies among its Member States. The Secretariat's Economic Affairs Division (EAD) had oversight over trade policy, yet it lacked the resources to focus on trade affairs exclusively. Nevertheless, the OECS has worked towards mainstreaming trade into its regional development strategy. This new approach along with the technical demands of an ever-expanding and more complex trade policy agenda made it clear that improved institutional capacity was necessary.

Thanks to technical and financial support from the Canadian International Development Agency (CIDA) that ran from 2000 to 2006, the OECS was able to implement a new institutional structure for trade policy formulation. This structure comprises a regional coordinating mechanism and a unit dedicated to trade policy. A joint technical mission was also established in Geneva with funding from the Commonwealth Secretariat and the EU through the ACP PMU and the 9<sup>th</sup> EDF CISP. The OECS staff dedicated to trade policy went from less than one person (as trade was only a component of a single officer's work plan), to a staff of six, including three staff dedicated to the WTO negotiations, and a supporting regional mechanism for coordination. As a result, the OECS negotiating skills and positions have been strengthening, which has in turn contributed to improving the way it meets its multilateral trade commitments.

### 1. Issues Addressed

The 2000 OECS Development Strategy<sup>2</sup> noted that there had been a sea change in focus of external relations and that trade relations had now become a central element of foreign policy. The OECS region was unprepared to respond to these developments, a fact that was underscored by an assessment of the critical capacity development needs at the national and regional level (conducted under the OECS Trade Policy Project). This assessment found that, *inter alia*, the OECS private sector needed to be more meaningfully involved in the trade policy development process; that there is a need for heightened and improved prioritization, cohesiveness and management of OECS Secretariat trade-related support functions; and the management skills of Trade Ministry personnel needed to be strengthened.

The interventions identified in this case story have addressed several issues, including:

- Lack of capacity to participate in trade agreements and negotiations at the regional, national and international levels;
- Absence of coordination or a coordinating mechanism for managing trade affairs;
- Limited to non-existent capacity of OECS Member States to meet obligations in regional and international agreements;
- Lack of a regional trade policy framework;

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<sup>1</sup> Of its nine (9) Member States, six (6) are independent and members of the World Trade Organisation (WTO), namely, Antigua & Barbuda, Dominica, Grenada, St. Kitts & Nevis and Saint Lucia, St. Vincent & the Grenadines.

<sup>2</sup> This document can be downloaded at [http://www.oecs.org/doc-lib/doc\\_details/405-towards-an-oecs-development-strategy?fontstyle=f-larger](http://www.oecs.org/doc-lib/doc_details/405-towards-an-oecs-development-strategy?fontstyle=f-larger)

- Lack of representation and promotion of OECS interests in multilateral negotiations at the WTO and UN trade-related bodies.

## 2. Objectives Pursued

The interventions in institutional capacity-building have been implemented with the following objectives in mind:

- To facilitate the development and maintenance of an OECS international trade strategy;
- To strengthen OECS capacity to meet obligations under regional and international trade agreements;
- To strengthen OECS capacity to participate effectively in international trade negotiations;
- To effectively manage and promote the OECS trade, economic and development interests in multilateral trade negotiations and in the regular bodies of the WTO and at the UN trade-related organizations in Geneva.

## 3. Design and Implementation

A turning point for the OECS came with the CIDA-funded intervention in trade policy called the Trade Policy Project (TPP) which ran from 1999 to 2005.<sup>3</sup> The TPP was developed in response to a request from the OECS Heads of Government to CIDA. Implementation of the project began in early 2000. The design of TPP went through a six-month detailed design phase at its inception, which generated a project implementation plan that had input from both donors and potential beneficiaries. The project emphasized having a strong coordination presence at the OECS Secretariat that would be supported operationally by another mechanism that engaged key stakeholders in Member States.

All in all, this CIDA project amounted to a comprehensive capacity-building program for the OECS in order to respond to priority areas. The TPP was instrumental in recommending activities and interventions to address the lack of capacity to manage trade policy issues in the organization, as well as in assisting with the implementation of these same recommendations. The elements of the action plan were, *inter alia*:

- Training and capacity-building activities targeting public and private sector officials;
- Technical studies including sector-specific studies, legal analysis, development of policy frameworks and negotiating proposals;
- Compliance with multilateral commitments;
- Enhanced participation in negotiations in regional at multilateral forums by supporting the presence of negotiators at key meetings, e.g. Free Trade Area of the Americas (FTAA) and WTO Ministerials.

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<sup>3</sup> The 2001 WTO Trade Policy Review of the OECS WTO Member States noted that this project was a significant intervention towards building capacity in trade policy in the OECS.

The institutions set up for the management of trade policy have mainly emanated from TPP recommendations. These institutions include:

- ❖ **Trade Policy Unit (TPU):** Created in 2003 within the EAD, the TPU assists Member States to formulate and implement trade policies and negotiate trade rules and arrangements which will facilitate sustainable development.
- ❖ **Trade Negotiations Group (TNG):** The TNG comprises trade officials and private sector representatives of the OECS who meet regularly to provide guidance to the region on trade policy matters. Their decisions inform the work of the TPU and negotiating positions in the WTO, bilateral and other trade engagements.
- ❖ **Geneva Technical Mission (GTM):** Launched in 2005, the GTM is not a product of the TPP, but rather was established based on a decision of OECS heads of government to enhance OECS engagement in multilateral discussions.

#### 4. Problems Encountered:

The story of the building of institutional capacity in the OECS is generally hailed as a flagship for success; however, it has not been without its challenges:

- **Private sector involvement:** One perennial problem has been the failure to engage and sustain the interest and involvement of the private sector in trade policy matters, even when funding for their representation has been secured (as was the case under the TPP). The private sector has generally viewed the lengthy processes that are involved in data collection and analysis and consensus-building that precedes the tabling of recommendations, negotiating proposals and policy reform to be inefficient in the use of time, expertise and financial resources.
- **Lack of sufficient national budget funds:** The deteriorating fiscal position of the OECS Member States has led to the reduced ability of the Secretariat to support trade policy work such as maintaining a presence in Geneva beyond the expiry of existing arrangements with development partners, participation in negotiations and the production/generation of information. At present the joint technical mission is 90 percent funded under the 9<sup>th</sup> European Development Fund (EDF)<sup>4</sup> and the future of the mission is uncertain due to the difficulty in sourcing alternative funding to sustain its operations.

#### 5. Factors for success or failure

Some of the factors that are attributable to the successful implementation of this program of progressive and sustained capacity building have included:

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<sup>4</sup> The European Development Fund (EDF) is the main instrument for providing EU aid for development cooperation in the African, Caribbean, and Pacific (ACP) States and Overseas Countries and Territories (OCT). Each EDF is concluded for a period of around five years. The 9<sup>th</sup> EDF allocated EUR 13.5 billion for the 2000-2007 period and was part of the Cotonou Agreement.

- **Political endorsement at the highest level:** Support for these reforms has come from the OECS Authority, which comprises OECS Heads of Government. This level of endorsement engendered a high level of confidence at the donor level by signaling a level of commitment to implementation of the interventions that would translate to a high probability of success. It also anchored the project in the regional secretariat as a partner in implementation, allowing for the linking of the project to an organizational structure that was better resourced and networked to manage and coordinate implementing activities.
- **Ownership by the beneficiaries:** Internally, project design and implementation were executed in partnership with stakeholders, including public and private sector officials in the Member States, potentially benefiting from the interventions. This ownership has led the OECS staff to internalize these intervention's goals and priorities and to regard them as pivotal to the organization's work and mission.
- **Improvements in internal procedures:** Institutional capacity-building has led the Secretariat to adopt a results-based management approach (RBM) to implementation across the organization and across all projects and programs.
- **Flexibility in responding to changes in priorities:** In its implementation, the TPP was responsive to changing priorities driven by the changing trade agenda. These changes were effected internally in terms of the reassignment of resources to address immediate and urgent trade policy priorities, such as assistance with the OECS-WTO Member States' first Trade Policy Review in 2001.
- **Self-sustainability of capacity-building activities:** The Trade Policy Unit and the Geneva Technical Mission (GTM) have been able through their focused interactions with development partners to attract additional support from donors for specific and general trade policy-related work. Through these offices the OECS has also been able to secure additional funding for targeted specific technical assistance for trade policy in areas such as intellectual property, trade facilitation, agriculture and non-agricultural market access.

## 6. Results Achieved:

The main achievements of these successive interventions have been to transform the OECS Secretariat's human resource complement in trade policy from zero to six officers, three of whom are based in the OECS Technical Mission in Geneva. Other achievements include:

- Creation of a regional coordinating mechanism through the establishment of the OECS TNG in 2002 comprising trade officials and private sector representatives;
- Establishment of the Trade Policy Unit in 2003, in the EAD of the OECS Secretariat;
- Establishment of the OECS Technical Mission in Geneva in 2005;
- Development of the OECS Trade Policy Framework in 2005;
- Proposals submitted in the WTO negotiations in areas of priority for the OECS region.

For more details on how trade policy is now developed in the OECS, please see Annex 1.

In general, these reforms have improved awareness of trade policy matters throughout the OECS region. Likewise, they have significantly raised the awareness, visibility and profile of the OECS as individual Member States and as a region in Geneva, in the multilateral trading system, and in the UN Specialized Agencies such as the World Intellectual Property Organization (WIPO), the UN Conference on Trade and Development (UNCTAD), and the International Trade Centre (ITC). The overall impact of these interventions at the multilateral level can be aptly summarized by comments made at the highest level during the 2007 Trade Policy Review of the OECS, that described the member states as “punching above their weight” regarding the level of influence and role they had played in the DDA.

Some of the key achievements of the OECS Trade Policy Unit and the Geneva Technical Mission are highlighted in Annexes 2 and 3; however some key outcomes of these interventions have been:

- **Strengthened regional capacity to maintain a coordinated strategy for managing trade matters**, exemplified by regional submissions on services, agriculture and NAMA issues in the WTO negotiations (through the ACP and SVE groupings) and in the development of harmonized offers in services and goods in bilateral negotiations (see Annex 3). It should be noted that the TPU has been able to continue convening meetings of the OECS TNG (at least once per year), supported by engagements via videoconference and teleconference.
- **Enhanced capacity of OECS Member States to meet obligations in trade agreements**, exemplified by joint collaboration in implementing obligations in the WTO on intellectual property and export subsidies.
- **Strengthened OECS negotiating positions**, which are developed by the TPU with support of expert group meetings and/or consultants, and reviewed for endorsement by the OECS Trade Negotiations Group and political endorsement by Ministers. The ability of officials to review negotiating positions is supported by capacity-building activities (including training and support for attendance of negotiating meetings) to enable them to assess technical proposals from an informed position.

## 7. Lessons Learned

In the 11-year period over which the OECS has been engaged in capacity-building in trade policy, the successes and challenges encountered along the way have yielded lessons in best practices (or rather “good practices”) in project design, donor-recipient coordination and trade policy coordination. Some of the lessons learned include:

- **Resources should be concentrated in developing practical responses that build on successes/achievements.** The GTM, for example, is supported by the structures established as a result of the TPP intervention (namely the TPU and the TNG). In addition, some of the mission officials have themselves benefited from the capacity-building activities of the TPP.
- **Interventions must concentrate on recipient priority issues as time and resources are limited.** The extensive detailed design phase that took place over the six months preceding implementation established a project implementation plan based on recipient priorities. The built-in flexibility of the project also allowed for changes based on external and internal developments that impacted on the level of priority attributed to issues.

- **Flexibility should be built in to the project design to allow for reallocation of resources in response to shifts in priorities.** The TPP's built-in flexibility helped to minimize duplication and focus efforts where they would have the greater impact.
- **Donor coordination is important.** Beneficiaries can lead coordination in partnership with donors. With the capacity to understand the trade issues and domestic priorities, the OECS has been able to identify priorities for technical assistance and capacity-building and approach donors for support for specific initiatives. The establishment of the Geneva Mission and its continued operation has been effected through three interventions (Commonwealth Secretariat, ACP Program Management Unit (EU), 9<sup>th</sup> EDF (CISP)).

## 8. Conclusion

The OECS Secretariat and its Member States have effectively used resources from several donor interventions and channeled these into its focused efforts to build its institutional capacity in trade policy. Central to the success and sustainability of the new institutional structure has been political endorsement and buy-in from the beneficiaries and the linking of a structured consultative and coordinating process with a unit in the formal organizational structure of the OECS Secretariat. As a beneficiary, the OECS has been able to coordinate trade-related interventions to build on the work which identified what the OECS priorities are in terms of productive sectors and capacity gaps.

To continue the work of the OECS and build on its successes, Aid-for-Trade capacity-building support could be directed, both in the Member States and at the Secretariat, in a similar manner to the TPP. This further work could include a focus on building capacity in the private sector, for example, by assigning a trade specialist to work with the private sector on a regional basis. Key to the success of future interventions would be donor coordination, beneficiary buy-in, focus on beneficiary and donor-agreed priorities and flexibility in the project implementation to allow for response to changing priorities.

### References:

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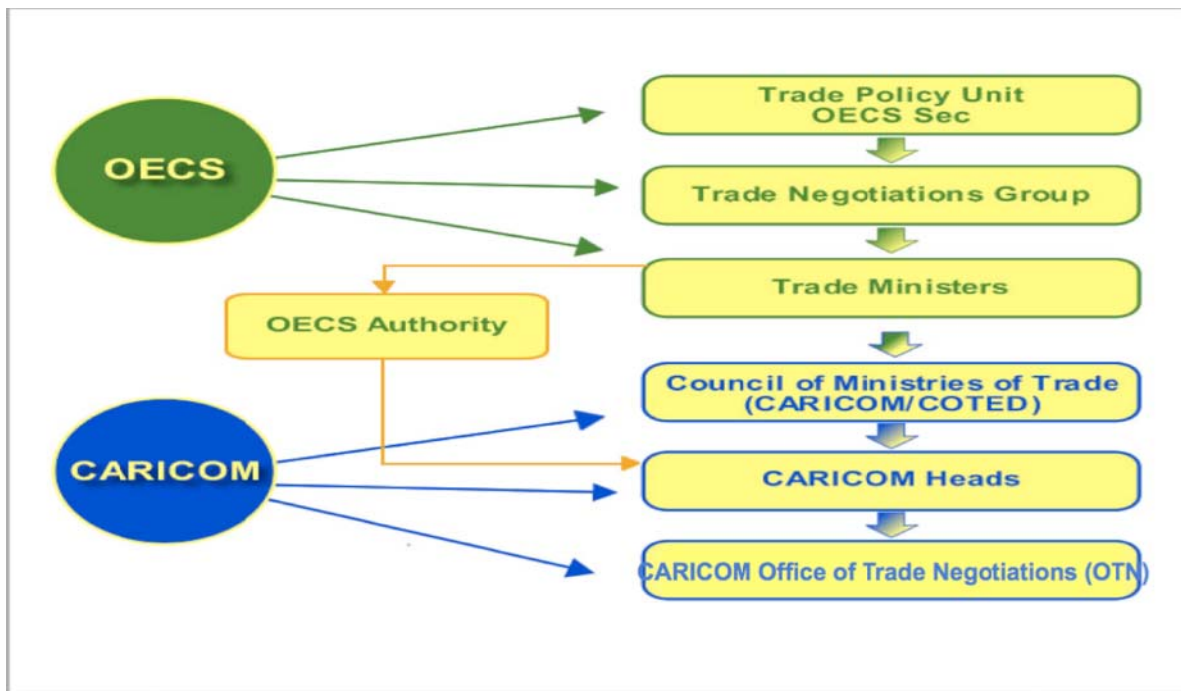
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ANNEXES

Annex 1: How Trade Policy is developed in the OECS





**Annex 2: Key Achievements of the Trade Policy Unit, OECS**

<b>Research/Technical Advice</b>	<b>Capacity Building</b>	<b>Negotiations</b>	<b>Public Outreach</b>
<p>Trade Policy Framework</p> <p>Cost/benefit Study in order to inform OECS participation in the CSME.</p> <p>Impact Study to inform negotiating strategy for the EPA.</p> <p>Strategy &amp; Approach to inform participation in bilateral negotiations</p> <p>Study to rationalize customs charges &amp; levies to reform border tax regimes.</p>	<p>Training of officials in services trade policy, marketing, data collection intellectual property,</p> <p>Technical support to Coalition of Service Industries</p> <p>Trade Facilitation initiatives</p>	<p>Simulation model for negotiating tariff liberalization.</p> <p>Harmonized services &amp; goods market access offers</p> <p>Regional consultations on WTO negotiations</p>	<p>“Understanding International Trade” A reader providing information on the evolution of OECS trade policy.</p> <p>“Trade Update” A monthly bulletin providing updates on trade issues</p>

### **Annex 3: Specific Outcomes of the Mission's Work in Geneva**

- The latest draft modalities text in agriculture and NAMA contains flexibilities for OECS Member States in the area of tariff liberalisation and which are settled and stabilised;
- OECS interests and concerns are reflected in positions and proposals submitted by the ACP, SVEs, and G33 in the WTO;
- OECS granted permanent observer status at UNCTAD and WIPO;
- WTO Ministers and the General Council approves procedures for granting extensions of the transition period to enable the OECS to continue providing export subsidies;
- The Committee on Subsidies and Countervailing Measures grants annual extension of the transition period for the elimination of export subsidies from December 2002 – 2010 for each OECS Member State;
- Committee on Trade and Development in Dedicated Session recommends to the General Council that SVEs be allowed to use regional bodies to assist them in implementing their obligations under the TRIPS, TBT and SPS Agreements;
- Funding from UNCTAD to enable the participation of OECS officials in meetings of the Negotiating Group on Trade Facilitation, and in three workshops;
- The Second WTO Trade Policy Review of the OECS successfully concluded;
- The Summary of the Chair of the 7<sup>th</sup> WTO Ministerial Conference reflects OECS interests and concerns as articulated during the Ministerial;
- The ACP-EU TradeCom Facility approves funding for an OECS study on trade facilitation.