

AID-FOR-TRADE: CASE STORY

THE CARIBBEAN EXPORT DEVELOPMENT AGENCY

Caribbean Export Development Agency –Aid for Trade Case Story

Date of Submission: January 31, 2011

Region: CARIFORUM

Type: Trade related Assistance Offered by Caribbean Export Development Agency

Author: Caribbean Export Development Agency

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Executive Summary

A. ISSUES ADDRESSED

This publication is Caribbean Export Development Agency's contribution to the WTO/OECD Aid for Trade Case Story project as set out in the Call for Case Stories in July 2010¹. It reflects on the contribution of the Agency to export development and trade promotion on behalf of CARIFORUM States during the period 2008-2010.

B. OBJECTIVES PURSUED

Caribbean Export is the only Regional Export Development and Trade Promotion Agency in the [Caribbean]. Its mission is to increase the competitiveness of Caribbean countries by providing quality trade and export development and investment support services through effective programme execution and strategic alliances. The Agency was established in 1996 by an Inter-Governmental Agreement between the 15 CARIFORUM States². Caribbean Export is governed by a Board of Directors appointed by the Member States from the public and private sectors. The Board is accountable to the CARIFORUM Council of Ministers.

The Agency's Head Office is located in Barbados and it also has a Sub-Regional Office in the Dominican Republic. The Agency's operations are financed through annual contributions from Member States, donor funds and revenue generated from the Agency's services.

¹ See WTO Document: WT/COMTD/AFT/W/22

² Antigua & Barbuda, The Bahamas, Barbados, Belize, Commonwealth of Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St. Lucia, St. Kitts & Nevis, St. Vincent & the Grenadines, Suriname, Trinidad & Tobago

With a focus on enhancing competitiveness and promoting trade and export development within the private sector, Caribbean Export has played and continues to play a major role to play in regional development and integration. This is reflected in the Agency's work to enhance trade within the CARIFORUM grouping. The Agency's contribution to regional development and integration is also seen in its cooperation programmes with the French Caribbean Outermost Regions (FCORs) and the English and Dutch Overseas Countries and Territories (OCTs) and with Cuba.

Key Result Areas and Goals

Enhancing Competitiveness of firms in CARIFORUM countries in priority sectors through investment, market expansion, product development, the promotion of innovation and export diversification. Promote the Caribbean region as a prime destination for intra and extra-regional investment.

Promoting Trade and Export Development within the region through regional integration, cooperation and advocacy initiatives designed to position the region more effectively in the global economy.

Improving Intra-Regional Trade and Investment Relations within the CARIFORUM grouping and with the FCORs and OCTs, especially in priority sectors, to support enhanced national and sub-regional private sector competitiveness and innovation.

Enhancing CARICOM-DR Linkages - enabling CARICOM SMEs and BSOs to collaborate with their DR counterparts in order to improve regional trade and investment.

The Agency has over fifteen (15) years of experience in efficiently and effectively promoting and implementing private sector development programmes in the Caribbean. The Agency has recently concluded Phase 2 of the 9th EDF CTPSDP which has played a significant role in the regional integration process. The activities of the Agency has resulted in: enhanced competitiveness of firms through the Direct Assistance Scheme; a greater appreciation of the CARIFORUM-EC EPA; improved relationships between CARIFORUM and the French Caribbean and OCTs; improved BSO networks and has assisted with the development of non-traditional exports (music, architecture, management consultants, specialty foods, audio-visual, fashion, health and wellness and alternative energy products). The efficiency and effectiveness of the Agency's approach has been captured in the Independent Monitoring Report by the EC on the Execution of Phase II of the 9th EDF CTPSDP, where it states that "*most of the expected outputs and results have been already achieved or even exceeded so it is reasonable to assess that the CEDA component will become an excellent 'value for money' programme.*"³ In addition the Report states that the "*Effectiveness to date is good and the final beneficiaries, SMEs and BSOs have benefitted highly from the programme services*".

Key Stakeholders and Partners

At the **National level** we collaborate with relevant government ministries and other public and private sector agencies which provide assistance for business, trade or investment development. These include the official trade and investment promotion agencies, sector associations, and other BSOs.

³ Independent monitoring report by the EU on the execution of the 2nd Phase of the 9th EDF CTPSDP, March 2010.

At the **Regional level**, we collaborate with agencies whose work, mandate and objectives complement ours. Our regional partners include the Caribbean Development Bank (CDB), the CDE regional office and CARICOM organisations, sub-regional agencies such as the OECS Export Development Unit (EDU) and inter-governmental agencies, as well as regional public and private sector agencies.

Our partners at the **International level** provide both technical assistance and financial support. The European Union, DFID, CIDA, GTZ, ITC, IDB, PROINVEST, the OAS, the World Bank and other multi-lateral and bi-lateral organisations provide funding for many of our project and programme initiatives. Through the establishment of private sector led Steering Committees we ensure the relevance of donor funded projects to clients and their successful implementation. We also partner with multilateral and international bodies in areas of mutual interest, while seeking to develop programmes which will contribute to our own sustainability.

C. (FOR PROJECTS AND PROGRAMMES: DESIGN AND IMPLEMENTATION)

Between the period 2008-2010, Caribbean Export has implemented a number of cooperation projects aimed at improving Regional trade and competitiveness. This section reviews Caribbean Export's experience with such projects – notably the 9th Caribbean Trade and Private Sector Development Programme as well as its CARTfund supported projects for the Health and Wellness and agro-processing sectors.

1. Implementation of 9th EDF Caribbean Trade and Private Sector development Programme

Strategic Programme Priorities:

Under the 9th EDF Caribbean Trade and Private Sector Development Programme, the Agency's priorities focused on enhancing competitiveness, promoting trade and export development, as well as improving regional trade and investment relations. It's main objective is to contribute to the gradual integration of CARIFORUM Countries into the World Economy and by doing so enhance regional economic growth and help to alleviate poverty. The project had a total value of €6.8M and PHASE II was implemented over a period of two and a half years.

There were five main result areas:

- Increased competitiveness of firms through market expansion and export diversification support
- A Vibrant Caribbean Business and Investment Support network with strengthened Business and Investment Support Organisations
- Greater Cooperation between the CARUIFORUM Business Sector and that of the French Caribbean Outermost Region and the EU OCTs
- Contribution of the CARIFORUM Business Sector to the Improvement of the Regulatory Environment in the Region
- Assistance with EPA Preparation and Implementation

The priority sectors covered by this Programme included: Creative Industries (i.e. Fashion, Music and Audio-visual); Health and Wellness; Professional services (incl Management Consultants,

Architects and Engineers); Agro Processing; Light Manufacturing; Speciality Foods; Specialized Tourism and Alternative Energy

The following is a brief overview of some of the projects implemented over the period:

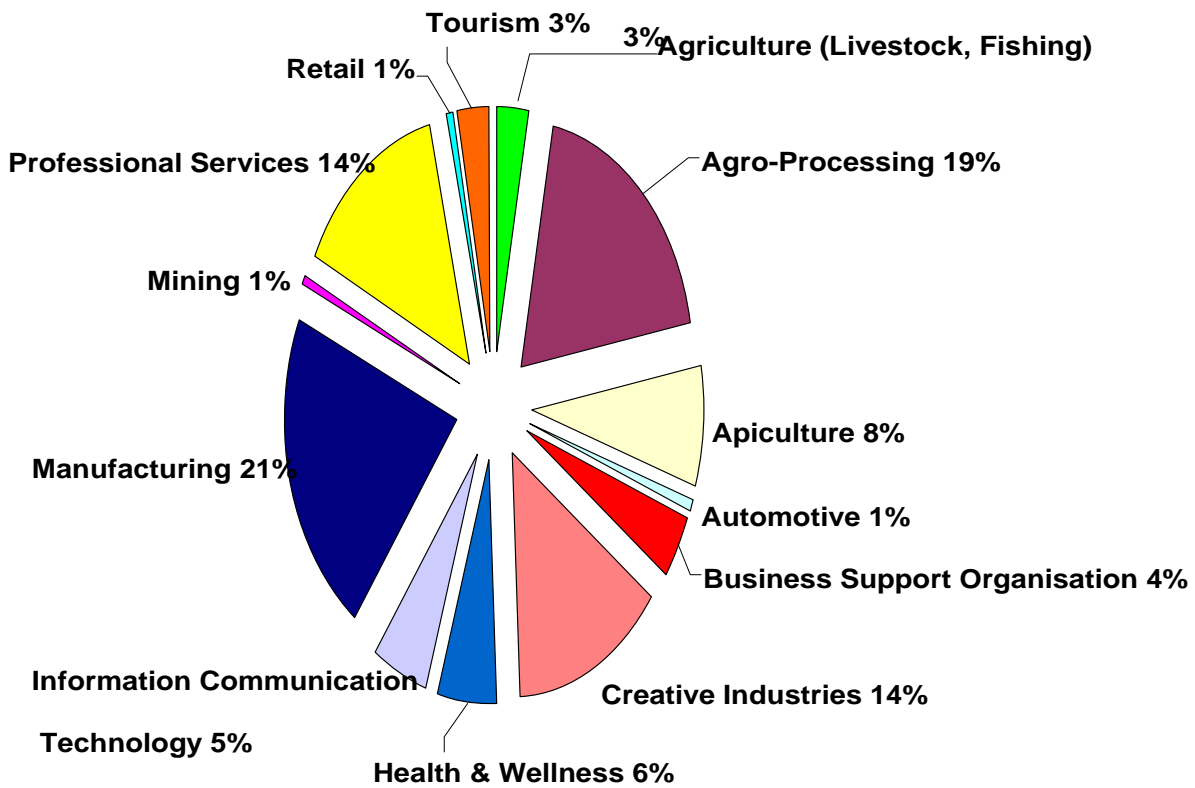
Enhancing Competitiveness, Market Expansion and Export Diversification

Under this component, Caribbean Export sought to increase the competitiveness of firms in CARIFORUM countries in priority sectors through activities geared towards: market expansion, product development, the promotion of innovation and export diversification.

Caribbean Export's strategy is to help companies address shortfalls in business processes that result in poor product and service quality, low productivity and high production and transport costs. One of the main aspects of this component was the implementation of the Direct Assistance Scheme. This Scheme provides resources to Firms and Business Support Organisations to assist the improvement of their competitiveness and ability to offer relevant services to clients respectively.

Under Phase 2 of the CTPSDP, Caribbean Export launched three (3) Calls for Proposals over the period September 2008 – April 2010 and as a result awarded grants to approximately 197 CARIFORUM organisations totaling EUR 2,649,953.62. The organisations receiving assistance operate within the following sectors / industries (See Figure 1):

FIGURE 1: Sector / Industry Assisted



Other Activities included:

- Provision of over 50 training modules and technical assistance to companies in high potential niche sectors so they can competitively produce and deliver selected goods and services for the export market. The areas covered included export marketing; Trade Agreements (particularly the CARIFORUM-EU EPA); Standards and Technical Barriers to Trade; Mutual Recognition and Co-production Agreements; Product Development and Grant Proposal Writing
- Exposure of competitive CARIFORUM goods and services producers in selected sectors to the regional and global marketplace through activities such as trade shows and trade missions.
- Building strategic alliances with hemispheric {national, regional and international} partners to strengthen links with SMEs which will foster leadership and management development, and also improve knowledge transfer in both technical and non-technical areas.
- The development of a strategy to support a regional enabling environment for private sector trade and export development throughout CARIFORUM.
- Building awareness and skills for utilizing intellectual property rights as a trade development tool by CARIFORUM governments and private sector.
- Building the knowledge and management capacities of the Business Support Organisations and Coalitions to enable them to support CARIFORUM companies in for CARIFORUM goods and services.
- Enabling CARIFORUM BSOs and TPOs to be more effective in meeting the needs of members and expanding market access through improving and expanding training and technical assistance, sharing of best practices and facilitating participation in promotional and study tours, matchmaking exercises and trade missions.
- Supporting the development and growth of sector networks in the selected areas of high market potential and assist budding networks to take advantage of emerging opportunities, to gain competitive advantage through the sharing of resources and services and to demonstrate early benefits to their membership.
- Facilitating the operation and expansion of the CARIFORUM - EU Business Forum as a mechanism for advocacy and capacity building within CARIFORUM, as well as between CARIFORUM and the EU.

Enhanced CARICOM/DR Linkages

As part of the CARIFORUM grouping, the Dominican Republic is a partner for CARICOM firms. Caribbean Export is committed to enabling CARICOM SMEs and BSOs to collaborate with their DR counterparts in order to improve regional trade and investment. Our support for stronger trade and investment relations between CARICOM and DR includes: Building awareness of trade

and investment laws and regulations between CARIFORUM companies; Expanding export opportunities between CARICOM and the DR and Continuing and expanding operations of the CARICOM /DR Forum.

Improving Regional Trade and Investment Relations between CARIFORUM, the FCORs and the OCTs.

Caribbean Export is committed to a regional approach to trade and investment relations, as a critical approach to supporting national and sub-regional private sector competitiveness and innovation. In this regard, we are committed to broadening our interactions outside the CARIFORUM grouping, paying attention to the Region's Bilateral and International Trade Agreements. In that regard, Key partners are the neighbouring FCORs and OCTs in light of the CARIFORUM-EU EPA and the new business opportunities that are inherent in that Agreement. These territories face many of the same challenges as CARIFORUM members and because of their location they are natural partners for CARIFORUM firms.

The joint CARIFORUM/FCORs/OCTs Task Force on Trade and Investment, facilitated by Caribbean Export, has already begun the work of identifying opportunities for deeper cooperation among the territories.

2. Implementation of CARTfund Health and Wellness (H&W) Project

The objective of this project is to contribute to the growth of the H&W segment of the tourism industry and by extension the economic growth of the CARIFORUM Countries.

The three major components of the project are as follows:

- (a) *Market Research and Strategy Development* to give strategic direction for improving the capability of the H&W sector in CARIFORUM countries, to highlight its Caribbean characteristics and to realize its potential in the fast-growing global market. This research will be a useful first step towards the ultimate goal of developing a Caribbean H&WT brand;⁴
- (b) *Marketing and Promotion* of the Region's H&W product with the aim of raising the Caribbean's international profile and reputation in relation to this sector, through *inter alia* the development of a website, exposure to best practice and participation in trade shows; and
- (c) *Standards development* for improved quality of goods and services in the industry and consumer protection in keeping with international benchmarks.

⁴ The specific objectives which are integral to development of a Caribbean Brand are as follows:

- (i) Market research and development of the Caribbean's H&W sector USP;
- (ii) Development of standards and regulations in products and services amongst CARIFORUM member countries and firms;
- (iii) Increased awareness of H&W services and products in CARIFORUM countries for the international market;
- (iv) Increased number of trained service providers, such as spa and H&W practitioners

These components are mutually reinforcing insofar as market research and strategy development will inform the marketing and promotion effort. Similarly, standards development will raise product quality thereby also facilitating marketing and promotion. Moreover, the development of a Caribbean USP is a cross-cutting undertaking linked to Components (a) and (b), insofar as research on the sector and website development are both required for establishing the USP, to which C-SWA providers will be linked, thereby highlighting the product and services range of individual countries but within a common Caribbean identity.

3. Implementation of CARTfund Agro processing Project: The Specialty Food Sector of the CARIFORUM Countries

Total amount: USD 1.0 million

Period: 2 years

Objective Pursued

To contribute to the strengthening of the Specialty Food segment of the agribusiness sector in CARIFORUM countries and to increased exports that will benefit enterprises of all sizes.

The project consists of 2 components:

- Specialty Food Diagnostic and Strategy Study to develop and obtain consensus on a strategic framework for development of the regional specialty food sector
- Promotion of CARIFORUM Specialty Food Products in the US and EU market through participation in trade shows and in-store promotions

Design and Implementation

Caribbean Export has received a grant from the Caribbean Aid for Trade and Regional Integration Trust Fund (CARTFund), administered by the Caribbean Development Bank (CDB), financed by the UK Department for International Development (DFID).

4. Implementation of INWENT Programme (Capacity Building to Support EPA-Implementation in the Caribbean - Export Marketing Training Programme)

During the period under review Caribbean Export also partnered with Capacity Building International Germany (InWent) on a project 'Capacity Building to Support EPA-Implementation in the Caribbean- Export Marketing Training Programme' designed to enhance the competitiveness of the private sector in CARIFORUM countries and to assist in the institutional strengthening of Business Support Organisations (BSOs). The Caribbean Export/InWent partnership is governed by a Letter of Agreement under which the Agency is paid for its services. The programme is funded by the German Federal Ministry for Economic Cooperation and Development.

The specific objectives of the programme are to enable small and medium sized enterprises (SMEs) to formulate and execute sound international business strategies, and to enhance the capacity of BSOs to offer training and other business advisory services to clients.

The target groups are SMEs from the specialty foods, beverages, furniture, handicraft and gifts and fashion/design sectors; and BSO staffers actively engaged in these sectors and who are

interested in participating in “training of trainer” activities. The programme comprises 4 Modules.

D. PROBLEMS ENCOUNTERED

- **TRANSPORTATION (LINKAGES, ACCESS, COST)**
- **INSUFFICIENT HR CAPACITY,**
- **NATURAL DISASTERS,**
- **PUBLIC RELATIONS PROFILE,**
- **LANGUAGES,**
- **STANDARDS)**
- **INSUFFICIENT COOPERATION BY FINANCIAL INSTITUTIONS**
- **INADEQUATE DOCUMENTATION OF FINANCIAL INFORMATION**

E. FACTORS FOR SUCCESS/FAILURE

(1) Factors for successful implementation of Caribbean Export Programmes

- Direct Contribution Agreement
- Direct engagement with Key Stakeholders
- Partnerships with Key Public and Private Sector Agencies
- A motivated, highly qualified staff committed to the regions long term development objectives
- Continued effective implementation of the

RESULTS ACHIEVED

- Provision of direct support to the private sector facilitate the increase of exports and enhance export readiness of firms
- Enhancing the regions market intelligence capability with respect to new markets and niche marketing
- Expanding and diversifying the economic base of small economies in the region to allow for adjustment to globalized trading environment

F. LESSONS LEARNT

Based on this experience and information obtained from the implementation of previous programmes the following lessons have been learnt:

- ***A Regional Approach is Important:*** CARIFORUM needs to continue to support private sector competitiveness at national and sub-regional levels and it is essential that actions addressing common needs be carried out through a regional approach thus giving greater coherence to CARIFORUM’s development initiatives.
- ***There is a need for Sector Strategies:*** In order to have a lasting impact on private sector development there is need to have a region wide sectoral approach that takes advantage of economies of scale and the exchange of best practices. The promotion of specific sectors by encouraging the creation/strengthening of regional working groups and/or associations are

necessary instruments to promote greater integration and to address the challenges of competitiveness.

- **There Remains a High Demand for Capacity Building at the Firm Level:** Direct assistance is a critical component of a private sector development programme given the challenges it addresses at the firm level. The significant demand for direct assistance to firms is illustrated under the 9th EDF CTPSDP, whereby Caribbean Export received in excess of 260 applications and to date has supported in excess of 90 firms. Additionally, there is also a need for training of national BSOs to support the capacity building assistance offered to firms. Such capacity building can be delivered through intermediaries such as business support organisations as well as directly to firms.
- **Awareness of Trade Agreements in the Region is Limited:** Widening and deepening the understanding of trade agreements is an important step to export development. Feedback from participants at the EPA sensitisation workshops held under the 9th EDF Programme confirms that many public and private sector organisations are still unaware of CARIFORUM States' bilateral, regional, and multilateral trade agreements. As such the utilisation these agreements have been low. This is reflected in the negative trade balance between most CARIFORUM States and their bilateral trading partners. There remains a great demand by public and private sector representative for training in understanding, utilising and implementing trade agreements. Experience has shown that Caribbean Export must continue to play an important role in sensitising CARIFORUM stakeholders on the benefits and the challenges arising from these agreements.
- **Many Firms Require Market Intelligence to Assist with Market Penetration:** Firms surveyed in the past expressed that market penetration and the identification of new markets is of high priority. Firms have also requested that Caribbean Export to introduce them to new markets and buyers while at the same time maintaining market share in existing markets. In addition there is no regional market intelligence system to assist to access new markets. With the provisional application of the EPA, this form of assistance is of great importance if CARIFORUM firms are to successfully export to the EU. Furthermore, the development cooperation priorities under Articles 8 and 121 justifies emphasis on this activity.
- **Continued Focus On The Services Is Very Important:** Under the 9th EDF CTPSDP, Caribbean Export through the CTPSDP the Agency has ❶ fostered the creation of region-wide associations for film & video and music, which have been actively addressing common regional challenges such as intellectual property rights, co-production and distribution; ❷ assisted region wide associations of architects and engineers to address challenges such mutual recognition agreements for professional qualifications; and ❸ promoted the creation of region wide working work on alternative energy.

In light of the recently signed CARIFORUM-EC EPA and the potential benefits to be derived from this agreement for CARIFORUM exports, a development assistance in this area will be of paramount importance, and support of this sector should build on the development corporation priorities under Article 121 of that agreement.

- **Champions Needed:** In this process the identification of champions is crucial. Special care should be given to the selection of reliable and recognised partners on a national and regional basis.

- **There is Need to Widen and Deepen the Integration of the Regional Private Sector through harnessing the full potential of ICT:** The signing of trade and/or economic development agreements does not immediately lead to enhanced trade and or human development. In order to be able to benefit from the various agreements (like the EPA) there is an urgent need for the widespread adoption of ICT by the regional private sector as a tool to improve productivity and thereby enhance competitiveness, penetrate the vast global market place in a cost effective way, as well as significantly increase access and utilization of information on market specificities of all countries in CARIFORUM and priority international markets (e.g. in Europe, including FCORs/OCTs). However, an overall regional ICT strategy is still important to those firms whose core business is in the area of ICT and could be of significant benefit to sector members.
- **The Private Sector Needs to Maximize the Potential Opportunities to be derived from the CARICOM/DR FTA:** Deepening levels of trade and investment between CARICOM and the Dominican Republic is anticipated under the CARIFORUM –EC EPA and the ‘Agreement Establishing the Free Trade Area Between CARICOM and the Dominican Republic’. Trade under the latter agreement has been less than desired due to a number of factors. Article 238 of the EPA anticipates deeper trade and economic integration between CARICOM and the DR. To improve the terms of trade between these parties, there is need for increased efforts to identify and engage the respective business communities in the framework of the CARICOM/DR Business Forum. The CARICOM-DR Business Forum can assist with the identification of bottlenecks and non-tariff barriers that are bound to limit the impact of trade between the respective parties.
- **Relations with FCORs and OCTs Require Continued Nurturing: The** CARIFORUM/FCOR/OCT Task Force on Trade and Investment has proven to be a good mechanism to promote dialogue, cooperation and business between the parties. However, more resources are required as there is insufficient appreciation of the use of the EPA and work is still needed to identify and develop sectors with export potential to these markets. Some of the challenges that affect trade and investment include: language barriers, visa restrictions, transportation, banking and limited knowledge of the French and Dutch markets.
- **Private/Public Partnership is Critical for Development:** The success of development actions is greatly dependant on the active participation and involvement of the private actors as well as public authorities in charge of promoting and regulating the sector. Therefore consultation with private/public sector actors should be ongoing to guarantee the success of the initiatives taken.
- **Preparation and Participation for ‘In-Market Activities’ Important to Export Development:** Participation at In-Market activities such as trade fairs, trade missions, promotions, exploratory visits etc remains an important instrument for promoting the goods and services of SMEs. In order to be successful in international fairs, BSOs need to prepare participants beforehand. This might include participating in various fairs as observers before incurring the expense of participating with a stand.
- **SMEs Encounter Difficulty in Accessing Financing:** In order to successfully take SMEs into the world market there is a need to work closely with national and regional financial institutions. The capacity to prepare professional business plans and feasibility studies would contribute greatly to SMEs. Moreover, specific training for banks on the needs of SME’s is required and although, CARIFORUM banks have excess liquidity they still are reluctant to fund SMEs specially in the service sector where collateral is often intangible (for example intellectual property rights).

- **Need for a Balanced Focus between the Promotion of Services and High Value Added Products:** This will ensure greater synergies throughout the value chain of the CARIFORUM economies, thus contributing to the overall economic development of the Region.
- **Greater Donor Coordination is Required:** In order to avoid duplication of efforts, international donors and regional bodies should enhance their collaboration and exchange of information. In this regard the proposed programme will include a permanent consultation mechanism
- With respect to the CART fund Project on speciality food, this project is in his first year of implementation but it is foreseen that it will enable Caribbean Export to renew its efforts to enable firms in the speciality foods industry in CARIFORUM states to boost their export performance. The project will assist in developing a strategy to place the industry on a more competitive footing, as well as through support for marketing to increase the international visibility and prominence of CARIFORUM specialty products.

G. CONCLUSION (APPLICABILITY TO OTHER PROGRAMMES)

It is envisioned that a strengthened Caribbean Export will contribute to economic diversification into higher value-added production, increase export readiness of firms in particular SMEs, increase the industry's attractiveness for investors, contribute to employment and foreign exchange earnings, and also foster linkages with primary agriculture and fisheries, the packaging industry, marketing and transportation, both nationally and regionally.