



AID-FOR-TRADE CASE STORY

ORGANIZATION OF EASTERN CARIBBEAN STATES (OECS)

The Hub Spokes Project: Lessons in Best Practices for Donor Support for Trade Capacity Building

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Executive Summary:

The Hub & Spokes Project commenced in May 2005. It is a component of a larger facility called Trade.Com, an all ACP facility designed to help regional integration organisations and ACP member states to develop their capacity in trade policy, and trade negotiations. The total budget of the programme was €54.5 million, of which the European Commission provided €50 million under EDF resources¹. The Hub & Spokes component was managed by the Commonwealth Secretariat and l'Organisation de la Francophonie (OIF) and was intended to provide support for capacity building and trade negotiations.

Established in June 1981, the Organization of Eastern Caribbean States² (OECS) seeks to, *inter alia*, promote economic cooperation and the coordination, harmonization, and pursuit of joint economic policies among its Member States. The Trade Policy Unit of the Secretariat's Economic Affairs Division (EAD) has oversight over trade policy, but, like the Ministries in its Member States it is constrained financially in its ability to recruit sufficient staff to manage the ever-expanding trade policy agenda and has limited resources to engage Member States in intensive consultations when warranted by developments in trade policy and bilateral and multilateral negotiations.

Thanks to technical and financial support from the Hub & Spokes Project, the Trade Policy Unit and the Trade Ministries in the OECS Member States have benefitted from additional technical expertise in the person of one regional trade policy advisor and three trade policy analysts. With this additional support, the OECS has been assisted with its participation in trade negotiations and the implementation of trade agreements. The negotiations and implementation of the CARIFORUM-EPA has been the main focus of the project activities, followed by the WTO and CARICOM-Canada negotiations. The Hub & Spokes project has made a significant contribution to the work of the OECS, with its activities from 2005 – 2010 reaching over 1,500 trade officials and private sector representatives.

1. Issues Addressed

The regional and national institutions with responsibility for trade policy in the OECS continue to be constrained in their ability to manage trade policy – mainly because of budgetary constraints. The 2007 Trade Policy Review of the OECS-WTO Member States stated that the “OECS-WTO members continue to face significant resource and technical challenges that limit their responsiveness at the multilateral level and have an effect on the pace of implementation of their WTO obligations”. This statement also holds true for regional and bilateral obligations.

The deteriorating fiscal position of the OECS Member States and by extension the OECS Secretariat, have led to an increased reliance on donor funding for trade policy related activities including *inter alia* technical resources, meetings, workshops and seminars. By providing both human and financial

¹ 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.

² 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.

resources to the region, the Hub & Spokes project alleviated some of the constraints faced by the region in trade policy management such as:

- Small staff complement of Ministries with responsibility for trade and the Trade Policy Unit in the OECS Secretariat;
- Limited capacity nationally and regionally to conduct technical analyses of negotiating proposals and formulate negotiating positions;
- Limited resources to engage in sensitization and consultative activities required to ensure full participation of public and private sector in the formulation of trade policy and implementation of trade related commitments;
- Lack of capacity to implement trade agreements.

2. Objectives Pursued

The Hub & Spokes project was developed for the ACP region with the objective of enhancing the capacity of the ACP States to participate in the WTO and EPA negotiations and to implement trade policy. It was designed to provide immediate assistance for ongoing negotiations using a pool of ACP experts and to train ACP negotiators. The expected result of the project was an increase in the effective participation of ACP states in international trade negotiations by (1) providing technical assistance and training to national and regional trade negotiators and (2) mainstreaming trade policies in development strategies and negotiation agendas.

3. Design and Implementation

The decision to finance the Trade.Com Facility was taken by the EC in 2002. It is part of the shared trade related assistance agenda of DG Trade, DG Development, AIDCO and RELEX of the EC³. The facility was implemented by a Project Management Unit in collaboration with the Commonwealth Secretariat (Comsec) and l'Organisation de la Francophonie (OIF). It was designed to encourage inter-regional coherence, donor coordination and stakeholder consultation in the ACP.

The Hub & Spokes Project is Component 2 of the facility. It was fashioned after a programme run by the Overseas Development Institute (ODI) under which young recently graduated professionals would be sent out to ministries and other institutions in developing countries. The Comsec and the OIF together developed and implemented the Hub & Spokes project for the ACP regions, whereby Hubs would be sent to regional organizations and Spokes would be sent to national agencies/institutions. A Hub and a "Spoke" were placed in the OECS Secretariat and based on requests made by the region, two other "spokes" were recruited, one each based in Dominica and St. Vincent and the Grenadines respectively. The project's main focus was intended to be the WTO and EPA negotiations, with specific needs identified and formulated by the Hub & Spokes Project in needs assessment papers which were developed at the beginning of the project.

³ Together these directorates formulated *Guidelines for Trade Related Assistance* which states that trade is a cornerstone for economic growth, therefore trade related assistance is a necessary and useful tool of aid programming. More information on this can be found at http://ec.europa.eu/europeaid/where/acp/sector-cooperation/economic-growth/documents/eu_guidelines_trade_en.pdf

The project activities were planned in consultation with the OECS Secretariat and national institutions with input from the CARICOM Secretariat as required. Work plans were developed at six-month intervals and were mainly demand-driven. Technical support from the Hub & Spokes personnel was available on a daily basis as they were integrated into the work of the institutions where they were based.

4. Problems Encountered:

The Hub & Spokes project has generally been hailed as a success for the OECS. The Fourteenth Meeting of the OECS Trade Negotiating Group held in May 2010 “expressed appreciation for the support of the project, particularly its recognition of national constraints and ability to respond [to requests and constraints] in a practical way”. However, there have been challenges in implementation:

- **Low level of participation by the private sector:** this has been a shortcoming of several trade policy related initiatives in the region. While there was been some participation of the private sector in activities of the project, the level of engagement has not been extensive enough and participation has been reactive and not pro-active. This has been attributed to the absence of functional private sector organizations and the limited resources allocated to the secretariats serving the few private sector associations that exist. The project made attempts to address this through the national consultations and by supporting regional work to establish national Coalitions of Services Industries.
- **Lack of current and reliable economic data:** this has constrained the ability of the project to provide extensive technical analyses of trade issues and the use of evidenced-based approaches to developing negotiating positions. The project has attempted to address this by training Customs Officers and Statisticians to generate data on goods and have also developed data collection instruments to capture more detailed data on trade in services in collaboration with the Eastern Caribbean Central Bank. An OECS Agricultural Information System has also been designed to facilitate data compilation for the OECS to inform agricultural planning and negotiations. It is anticipated that these officials will be able to provide the requisite data to inform future work in trade policy.

5. Factors for success or failure

According to the findings of recent independent reviews of the Trade.Com Facility⁴ and based on feedback from officials in the OECS, the Hub & Spokes project has been a success.

The contributing factors include:

- **Provision of the right type of assistance at the right time in a targeted manner:** According to informal responses of trade officials, the Hub & Spokes project staff was familiar with the specific needs of the region and was able to address those appropriately and in a timely manner. The method of delivery was adapted to suit the identified need; therefore the assistance was tailor-made for the beneficiary. Also related to this is the satisfaction of the beneficiaries with the level of competence of the advisers (Hubs) and trade policy analysts (Spokes).

⁴ Several studies have been conducted which are listed in the references.

- **Flexible, demand-driven programming of activities:** Every six months, a work plan would be generated for the project based on a needs assessment and requests by the Member States or the OECS Secretariat. This allowed for the programming of activities that were responsive to the beneficiaries' priorities. The lack of externally imposed conditions with respect to scheduling of activities fostered joint decision-making based on the host/beneficiary's schedule.
- **Flexible working arrangements allowed for the integration of trade policy analysts (spokes) into beneficiaries' work plans and programmes:** The trade policy advisors and analysts were integrated into the institutions to which they were assigned allowing for the officials of the beneficiary institutions to engage with them on a daily basis, thereby fostering regular exchange of information and allowing for a the project personnel to gain better understanding of the region and its member states.
- **Establishment of consultative networks that allow for private sector input into trade policy development and priority setting:** The extensive programme of national consultations associated with the EPA process was undertaken in an attempt to engage the private sector in trade policy discussions. The response has varied across the OECS Member States as the level of participation of the private sector has also been impacted by the extent to which the public sector has been able to engage them.

6. Results Achieved:

Since the commencement of the project in 2005, the OECS Secretariat and its Member States have realized the following results:

- Forty six meetings (workshops, consultations, seminars) related to trade policy for CARIFORUM-EC EPA, WTO, OECS Economic Union and CARICOM-Canada negotiations that assisted with *inter alia*:
 - Implementation of WTO Commitments for the reform of Fiscal Incentive Programmes that function as *de facto* Export Subsidy programmes
 - Training in data extraction and manipulation to inform decision making
 - National consultations to prepare negotiating positions for the CARIFORUM-EC EPA negotiations
 - National sensitization activities on the CARIFORUM-EC EPA
 - Regional consultations on WTO negotiations
- 1,555 participants/beneficiaries of activities conducted between 2005 – 2010
- Analyses provided regularly to support CARIFORUM-EC EPA negotiations and implementation, WTO negotiations and implementation of agreements, OECS Economic Union implementation and CARICOM-Canada negotiations.
- Technical support provided for the participation of OECS trade officials in Special Meetings on External Trade Negotiations of the CARICOM Committee for Trade and Development (COTED) and Technical Working Groups convened by the CARICOM Office of Trade Negotiations

- Support for the following key pieces of work:
 - Harmonized offers for market access for goods
 - Harmonized offers for market access for services
 - Strategy & Approach to inform OECS participation in Bilateral Negotiations with Specific reference to Canada (intended to be a blue print for external trade negotiations)
 - Data collection instrument for the collection of detailed services data (to be launched by the ECCB)
 - Design of an OECS Agricultural Information System (to be used by planners and negotiators)

7. Lessons Learned

The lessons learnt over the project have been best captured by a report emanating from the end of assignment workshop held at the end of 2010 for the Hub & Spokes advisors and trade policy analysts. They are presented below, along with some of the best practices recommended to ensure the success of similar interventions in the future:

- **Capacity Building Activities should be designed in collaboration with the national and regional beneficiaries to ensure coherence:** Member States and the OECS Secretariat were invited to provide a list of priority activities using a simple template, at six-month intervals. This created an ongoing needs-assessment mechanism that ensured flexibility, relevance and coherence of the activities undertaken by the project. The demand-driven approach to the development of work plans also assured that there was buy-in from beneficiaries. Related to this is the duration of activities in the form of workshops and seminars. Keeping such activities to a maximum of two days were successful in ensuring private and public sector participation.
- **Budgetary support should be provided for establishing/managing Public-Private sector Networks:** With inadequate funding and human resources available for secretariats serving private sector associations and in ministries, the participation of the private sector has been hampered, therefore budgetary support should be provided for regular forums and for Trade Economist(s) to be assigned to work with the private sector. Working through Coalitions of Services Industries in facilitating national consultations on general and sector specific trade issues has been useful.
- **Involvement of key players in Trade Policy Formulation processes and analyses should be strategic:** Expert Groups were used to brainstorm and formulate draft harmonized negotiating positions which were subsequently reviewed by the OECS Trade Negotiations Group and then refined through a national consultative process. This was supported by technical expertise from the Hub & Spokes project, Trade Policy Unit and specific consultancies.
- **Extensive sensitization sessions on the provisions of trade agreements that the OECS Member States are party to assisted with the implementation of obligations and identification of new and enhanced opportunities for trade:** Sensitization sessions were held upon immediate conclusion of the CARIFORUM-EC EPA negotiations at the national level, pitched generally in the first instance, followed by small group sessions that were issue/sector specific.

8. Conclusion

The major constraints of the region in trade policy continue to be human and financial resources. Other important issues relate to making existing mechanisms operationally effective and sustainable. The Hub & Spokes project delivered to the OECS Secretariat and Member States targeted, specific and practical assistance for engagement in trade negotiations and the implementation of commitments undertaken at the regional, bilateral and multilateral level. It also provided useful guidelines for best practices for managing the processes associated with trade policy formulation and implementation.

The success of the Hub & Spokes project for the region was attributed to the flexibility and responsiveness of the programme to the needs of the Member States and officials and the trust built between the Hub & Spokes officials and the project's beneficiaries that allowed for easy exchange of information and generally harmonious working relationships. Also, the sustained interest and engagement in the programme was due to the adaptation of the project staff to the peculiarities of the region and using the lessons learnt during the implementation of the programme to improve the delivery of technical assistance. The lessons learned and documented by the project staff will inform best practices for designing future capacity building interventions.

The successes of the Hub & Spokes project, it is hoped, can be continued through other Aid-for-Trade capacity building programmes which take into account the good practices identified in the lessons learnt including the importance of the elements of flexibility, demand-driven design and strategic stakeholder engagement.

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