



Trade Hot Topics

The CARIFORUM Economic Partnership Agreement: Lessons from Implementation

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The CARIFORUM-EU Economic Partnership Agreement (EPA) remains the only comprehensive EPA signed with the African, Caribbean and Pacific (ACP) states. The Agreement covers trade in goods and services, investment, trade-related issues like competition, innovation and intellectual property, as well as links to development co-operation. Signed in October 2008, the EPA text is detailed in nature, containing 250 articles, three protocols, declarations or statements (joint and individual) and seven annexes. Provisionally coming into force two months after its signature, it combines trade provisions and development co-operation.

Most of the EPA signatory countries have ratified or begun to ratify the agreement; this includes nine of the 15 CARIFORUM member states (or 60%) and 16 of the 28 European Union partner countries (or 57%). More than half of the 15 CARIFORUM countries have effected agreed tariff reductions on EU imports. Since signature of the EPA, the EU has offered the CARIFORUM countries 100 per cent duty and quota free access for all goods and liberalised more than 90 per cent of its services sector to CARIFORUM. However, CARIFORUM exporters have yet to experience significant market penetration success into the EU. Goods exported from the Caribbean continue to face non-

tariff barriers in the EU market, especially technical and sanitary and phytosanitary (SPS) barriers. Furthermore, service providers confront similar barriers related to mutual recognition standard issues and difficulties in obtaining visas.

Institutions tasked with guiding implementation of the EPA have been established at both the national and regional levels. At the national level, each CARIFORUM country has appointed an EPA co-ordinator, many of which work within an existing national ministry. A regional EPA Implementation Unit (EIU) based in the Caribbean Community (CARICOM) Secretariat was also set up to co-ordinate implementation by the CARIFORUM parties. In addition, the EPA required the creation of five new institutions that have been established, namely, the Joint CARIFORUM-EU Council; the CARIFORUM-EU Trade and Development Committee; the Special Committee on Customs Co-operation and Trade Facilitation; the CARIFORUM-EU Parliamentary Committee; and the CARIFORUM-EU Consultative Committee.

This issue of *Commonwealth Trade Hot Topics* analyses the experience and challenges of implementing the CARIFORUM-EU EPA, and draws broad policy lessons for other trade agreements.

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Implementing the CARIFORUM EPA

Donor agencies have been active within the Caribbean region in the provision of trade and development co-operation projects and activities. The EU's 10th European Development Fund (EDF) Caribbean Regional Indicative Programme allocated up to €165 million to aid implementation of the CARIFORUM EPA. This was spread over half a dozen areas ranging from fiscal reform and technical barriers to trade, to institutional and implementing capacity.

Significant support has also been provided under the £10 million CARTFund Trust Fund, financed by the UK's Department for International Development (DFID) and administered by the Caribbean Development Bank (CDB). With the overall aim of enhancing growth, reducing poverty and promoting regional integration, up to 57 per cent of the CARTFund was specifically attributed towards supporting the EPA's implementation. It is noteworthy that the most funding requests by CARIFORUM member states have been to establish national EIU's to manage and co-ordinate the EPA implementation process.¹

In 2012 the national EIU of the Dominican Republic supported by the German International Cooperation (GIZ) developed an EPA Country Implementation Matrix (CIM) in Spanish, which was later translated into English. This CIM has served as a best practice template for other EIUs within the region and been replicated and used by at least four other CARIFORUM countries. The Dominican Republic has already conducted three EPA reviews and thus represents a leading EIU in terms of using a standardised framework for guiding implementation. However, it should be noted that the Dominican Republic already has experience with implementing a complex agreement, namely the 2004 Dominican Republic-Central America Free Trade Agreement.

CARIFORUM remains the only region to have comprehensively addressed the full range of negotiating issues within the EPAs. Overall, the smaller CARIFORUM countries with fewer resources have faced the greatest challenges when implementing the EPA. As such, an important aspect in CARIFORUM's implementation experience has been building strategic partnerships between implementation

stakeholders. Another significant feature has been CARIFORUM's access to much needed financial and technical external resources, to help implement commitments.

The implementing actors for the CARIFORUM EPA

A number of actors and stakeholders at the national, regional and international levels act in various roles to implement the CARIFORUM EPA. For implementation purposes, it is useful to distinguish between 'key' and 'primary' stakeholders. Key actors possess significant knowledge, decision-making power or other influence over the implementation process. By contrast, primary stakeholders are directly affected, either positively or negatively, by the EPA's implementation.

The EPA's general co-ordination within CARIFORUM has largely fallen under the scope of national ministries of trade supported by their EIUs. However other key stakeholders may be identified below, mainly engaged by member state requests under business development and trade facilitation or Aid for Trade (Aft) projects.

Work of national actors

The national EIUs were established to manage and co-ordinate the EPA's implementation. With donor requested support, up to six 'fully functional' EIUs have been created. Supported by government and donor funding, their work has largely entailed:

- Enhancing public awareness on the EPA and its opportunities (hosting stakeholder workshops/public-private dialogue consultations, general publications/sector-specific booklets and guides, website development).
- Legislative and policy reform partnered with relevant public institutions (national staff training, consultancy projects executed by regional and international technical experts).
- Network building and creation of the CARIFORUM-EU EPA Implementation Network (CAFEIN – online platform for sharing of best practices and experiences between EIUs).
- Management, co-ordination and development of the CIM and communications strategy templates.

¹ Gill, H. Caribbean Aid for Trade and Regional Integration Trust Fund (CARTFund). Geneva: International Centre for Trade and Sustainable Development, 2010.

In executing their duties, more than half of the national EIUs have experienced sustainability issues (i.e. human and financial capacity constraints). While the above instruments have been supported or developed, use of these tools is generally limited due to long-term constraints beyond external financing and ineffective communication with other relevant stakeholders. A GIZ 2014 report also found other setbacks included lack of monitoring for benchmarking results and the need for a more strategic approach in tackling the agreement's comprehensive obligations.

Local trade promotion organisations and business support organisations (BSOs) have also been key partners, providing business development and export promotion services to the private sector to understand and take advantage of the EPA. BSOs play a critical role as they are more focused on services that facilitate enterprise development. To date, the main implementation issues BSOs face include:

- Absence of clear benchmarks and targets for monitoring achievements.
- Absence of a strategic framework to link AFT initiatives to wider national and regional development agendas.
- Weak donor co-ordination leading to duplicated efforts.
- Absence of success stories for sharing and replication from the private sector.²

National BSOs can also play an important role in ensuring private sector benefits from the EPA, through strategic partnerships with actors within the AFT allocation and distribution system. These entities often provide a direct linkage to these intended main beneficiaries of market access commitments under the agreement. However, given the challenge of scale of the agreement and thus implementation projects to be undertaken, it is important for capacity to be built at the regional level through clusters and other sector-wide initiatives. This may prove critical in order for the effective and sustainable execution of projects. While not specifically linked to EPA projects, examples of such may be observed in the World Bank-funded 'Accelerate Caribbean' training programme, focused on creating incubation hubs that promote innovation and entrepreneurship with BSO trained trainers.

Work of regional actors

The CARICOM Secretariat and its regional EIU represent a key EPA implementation actor responsible for its management and co-ordination. Also significant has been the work of the Caribbean Export Development Agency, largely responsible for implementing private sector work supported by the EU's 9th and 10th EDFs. The Agency has engaged in support projects concerning public-private dialogue, training, awareness building, trade missions, business to business matchmaking and access to SME finance. The CDB's work in private sector development may also be noteworthy as a primary stakeholder in the implementation process.

Also noteworthy have been the activities of regional networks, such as the CAFEIN. Within this network of EIUs, EPA specific work groups were established concerning relevant key implementation areas (SPS and TBT, implementation planning, development co-operation, legislative frameworks, communication, market intelligence and monitoring). With the intention of eventually including other regional actors, this represented an effort to establish a platform through which key stakeholders could actively co-ordinate and engage in the EPA implementation process. Another such network focused on the private sector is the Caribbean Network of Service Coalitions (CNSC), composed of ten CARIFORUM national coalitions of service industries aimed at driving development of the region's services sector.

Such networks are important in overcoming capacity constraints of individual state entities, allowing for sharing and replication of best practices, while working towards the creation of enabling policies and advocating for any necessary legal reforms.

Work of international actors

Within the past decade, donor agencies such as the EU institutions, DFID, GIZ, Inter-American Development Bank and the United Nations have engaged in activities related to facilitating the implementation of the EPA. Relevant activities were largely AFT programmes aimed at addressing CARICOM's supply-side issues, but have also included technical support for needed legislative reform. Other technical support areas have included

² Nurse, K. and Greene, G. 'Aid for Trade and export diversification: the case of Barbados'. In Jansen, M., Jallab, M. S. and M. Smeets (eds) Connecting to global markets: Challenges and opportunities. Geneva: WTO, 2014.

training, proposal writing, project management support, market intelligence, stakeholder matchmaking, awareness building and public-private dialogue facilitation. Additionally, development co-operation instruments such as the EDF have been utilised to provide much needed financial resources.

Administered by the CDB, the CARTFund programme funded 18 projects in its first two years of operation. The projects were mainly focused on the establishment of national EIUs. However other projects included support to the services sector, BSO strengthening for the CNSC network and export strategies developed for the tourism sector.³ Lessons learned revealed the need to undertake capacity-building in project planning at various levels throughout the region, as well as other concerns, namely:

- limited monitoring and evaluation practices;
- weak institutional capacity among government agencies, BSOs and regional organisations;
- limited sustainability of programmes beyond donor funding; and
- an absence of alignment with broader country and governmental development strategies.⁴

The role of AfT in filling implementation resource gaps has proven critical in providing crucial services needed for leveraging benefits of the agreement. However, often times a lack of alignment of AfT with government development strategy may lead to minimal political will in implementation projects. Such lack of serious government commitment may stem from not being able to see the EPA's direct welfare advantages, an issue which more effective monitoring and evaluation mechanisms could help resolve.

Consequently, in the planning process it may be integral to consider national priorities in the execution of AfT initiatives, which may in turn boost implementation effectiveness and further spur political will for action.

Impact of the CARIFORUM EPA

Official declarations and objectives made by the EU and ACP counterparts have collectively

demonstrated the desire for an EPA agreement that also pursues the ACP goal of sustainable development. Approximately six years after its signing, it is possible to benchmark progress in three areas: market access and fair trade; policy space; and resources for development.⁵

Market access and fair trade

This entails enhanced competitiveness, addressing supply side constraints, strengthened capacity of the domestic sector and addressing equity issues related to poverty and gender. In an effort to achieve this, donors such as the EU have provided funding towards addressing technical, non-tariff barriers and SPS issues that may adversely impact on Caribbean exports to the EU.

However, EPA trade flows were also significantly affected by the global recession where virtually all CARIFORUM states saw a steep decline in the value of their exports to the EU by one-third. In terms of intra-regional trade, the post-EPA period showed significant increases in some CARICOM member states' exports to the Dominican Republic, particularly from Trinidad and Tobago (energy products, fertiliser inputs, iron/steel, car batteries and processed foods), Barbados (paper labels) and Belize (fruit juices). Similarly, exports from the Dominican Republic to CARICOM almost doubled in value during 2007 to 2013 (US\$76 million to US\$142 million). Despite such observations, overall the EPA's influence for this indicator has yet to be examined.

Policy space

This encompasses enabling sustainable development and asymmetrical liberalisation between the EU and its ACP partner countries, while acknowledging the potential contribution that trade liberalisation can have on development. Policy space here can entail the ability to manage the liberalisation process in a phased approach. This would involve building long run capacity and may be examined in conjunction with good governance and institution-building efforts necessary within developing countries (e.g. AfT activities that focus on facilitating trade reforms and institutional development such as training and the ability to meet regulatory standards⁶). In this regard, CARIFORUM countries,

³ Gill, op. cit.

⁴ Nurse and Greene, op. cit.

⁵ Corrales-Leal, W. The EPAs and Sustainable Development: Benchmarks for Pro-development Monitoring of the Negotiations. Geneva and Brussels: ICTSD and APRODEV, 2005.

⁶ Agboghoroma, A. et al. Aid for Trade: Making trade effective for development – Case studies for Kenya, Tanzania and Uganda. Hamburg: PricewaterhouseCoopers and Hamburg Institute of International Economics, 2009.

with the support of AfT, have started to implement their liberalisation commitments. Highlighted outcomes of AfT activities have included human and institutional capacity-building, as well as improved processes in the CARIFORUM region. Consequently, the reported impacts of AfT initiatives include increased regional integration or regional trade, the mobilisation of domestic investment, export growth and enhanced mobilisation of foreign direct investment. Results-based management (RBM) has been used by some AfT actors to help track the progress of beneficiary support such as within the CARIFORUM states. This has assisted in capturing relevant implementation impacts and to help highlight valuable lessons learned.

Resources for development

This entails effective access to financial inflows to overcome supply side constraints, institutional adjustment, technical assistance and capacity-building. Development co-operation and the role of AfT have played a significant role. Overall, as much as US\$445 million of CARIFORUM's gross official development assistance (ODA) disbursements were attributed to AfT activities in the areas of 'economic infrastructure and services', 'multisector/cross-cutting' and 'production sectors'.⁷ The EU institutions over the past five years have been the leading donors of ODA to the Caribbean region, disbursing up to US\$508.67 million in funds, of which US\$188 million was provided under the 9th and 10th EDFs. UK and German funded projects have also dedicated US\$11.4 million and US\$5.7 million respectively.

Based upon one ex-ante estimate,⁸ the CARIFORUM's EPA adjustment cost would be US\$1.030 billion. Despite aid inflows, there is currently a financing gap between AfT inflows and the total cost of EPA related adjustments. In this regard AfT disbursements, needed to help fill resource gaps in implementation, fall short by as much as 57 per cent or US\$585 million of the estimated adjustment revenue needed (based upon total ODA US\$ value received). Furthermore, AfT activities to date have focused largely on the area of 'skills/productivity adjustment', while the majority of foreseen costs estimated by Bilal and

Stevens related to 'fiscal adjustment' (US\$418 million). Consequently, despite noteworthy progress observed under past and ongoing AfT interventions, this demonstrates the still existing resource deficit that continues to exist within CARIFORUM's EPA implementation process.

Tracking overall EPA progress

A significant shortcoming of the CARIFORUM EPA has been the lack of any harmonised overarching monitoring and evaluation (M&E) system to track implementation progress. However, a critical first step has been achieved through insights ascertained from studies conducted, the EU-funded five-year review (2008–2013), and experiences recorded by key stakeholders. Some of the main results reported under the EU's five-year review indicated:

- A lack of implementation and impact strongly linked to capacity issues.
- Delays in starting EPA-related projects 'on-the-ground', which significantly reduced their potential impact. Most key CARIFORUM-EU EPA programmes began only within the latter half of the review period (2008–2013), implying that measurable aggregate impacts are still well into the future.
- The global recession has led EPA implementation to become a second priority. Therefore, as more co-operation projects are implemented, there is a potential for additional traction on the CARICOM side of the benefits under the agreement.
- Limitations in the agreement itself. For example, local private sector constraints were not considered in the EPA and its corresponding role on limiting their ability to leverage opportunities in the agreement – such as high energy costs, access to financing, etc.
- The importance of an agreed monitoring mechanism going forward.⁹

Monitoring mechanisms used under AfT

Although no harmonised M&E mechanisms are currently in place, AfT has proven to be a useful means through which the EPA's impacts could be

⁷ OECD/DAC. Aidflows Beneficiary View: Official Development Assistance. OECD/DAC Database. 2013. <http://www.aidflows.org> (accessed 7 July 2015).

⁸ Bilal, S. and Stevens, C. (eds) *The Interim Economic Partnership Agreements between the EU and African States: Contents, challenges and prospects*. Policy Management Report, No. 17. Maastricht: ECDPM, 2009.

⁹ Singh, R. et al. *Monitoring the Implementation & Results of the CARIFORUM-EC EPA Agreement: Final Report*. EUROPAID/129783/C/SER/multi, European Union, 2014.

No.	Lesson Learned	Recommendation
1	<p>Importance of leveraging external resources such as AfT:</p> <p>This can address capacity constraints and fill resource gaps. In CARIFORUM, AfT actors have especially done this under various internationally financed development co-operation projects. International actors have provided key tools as well as crucial services that would have otherwise been unavailable to both public and private sector stakeholders. However, greater need still exists to link projects to key national trade and development priorities and thus enhance political buy-in. Sustainability issues can arise when donor funding ends, financially and in terms of skills deficits.</p>	<p>The building of strategic partnerships:</p> <p>Build strategic partnerships with key stakeholders to address capacity constraints via available AfT resources. It is important to start planning very early as implementation of projects can be delayed by years. AfT can be used to strengthen or create national institutions that are necessary for successful EPA implementation. The sustainability of AfT should always be considered in the planning process, with the strong involvement and building of local actors for continuation beyond the conclusion of external support. Donor and stakeholder co-ordination should also be encouraged to ensure efficiency through harmonised efforts.</p>
2	<p>Balancing economic commitments with sustainable development:</p> <p>Fears of adverse economic impacts and capacity constraints to implement the EPA can influence the implementation process leading to a lack of policy measures enacted. However, pre- and post-EPA economic analysis helped to provide better guidance for CARIFORUM.</p>	<p>Gain a clear understanding of varying socio-economic and cultural contexts:</p> <p>Research should be undertaken before and after EPA signing to support policy-makers and implementers, and should highlight the effects on national development from EPA implementation. This helps with political buy-in from all stakeholders. It also assists external development co-operation actors to better understand local socio-economic conditions and the implementation capacity of respective partner countries – that is, business culture, needed policy changes, bureaucratic and administrative structures, etc. Such factors should guide the implementation planning process, with stakeholder analysis conducted. Programmes should be able to adapt to accommodate the realities of local actors.</p>
3	<p>The importance of monitoring and evaluation (M&E):</p> <p>There is a need for a harmonised M&E system to comprehensively track EPA implementation progress. Existing studies and the work of AfT activities have provided some insight here, where the CARICOM Secretariat has an ongoing 2015 project to establish the first harmonised EPA M&E system. The output of such a system could ultimately strengthen government buy-in, with tangible results of the implementation process to back it up. To date AfT activities have indirectly captured results of the implementation process.</p>	<p>Early establishment of a harmonised M&E system:</p> <p>From the outset of EPA implementation, benchmarking and identification of overarching progress indicators with key partners should be undertaken. This may assist in detecting shortcomings and should include mechanisms for reform where necessary. M&E framework should have accompanying tools for data capturing, analysis and reporting of all implementation work conducted with key partners. Such mechanisms should be sustainable, easy to use and cheap due to limited capacities and resources of developing country partners, where free online platforms may be useful.</p>

analysed to date. Responsible entities tend to be international agencies where M&E mechanisms are mandatory. The CARICOM Secretariat has also been a key political partner and Caribbean Export (the only regional trade and development agency, charged with executing EDF funds for trade facilitation related to the EPA)¹⁰ a likewise partner for the private sector. GIZ and Caribbean Export have attempted to harmonise their monitoring mechanisms employed, where information has been gathered via online surveys, interviews, external assessments and end of workshop evaluations.

In terms of the national mechanisms to capture such data, a GIZ 2014 EIU assessment revealed that so far only four countries have a monitoring implementation matrix, of which only two include progress indicators. While two of these countries assessed their existing monitoring plan as 'adequate', they lacked progress indicators to more effectively keep track of successes achieved and obstacles which may arise. All other national EIU respondents perceived their monitoring tool as 'inadequate'. However, an ongoing 2015 CARICOM

Secretariat and GIZ initiative plans to help establish the much needed M&E system for the EPA. Such an M&E system can help enhance transparency and accountability in matters of trade regime reform, and serve thereby as a tool for advocacy.¹¹

Conclusion

The EPA, its regulatory challenges and market opportunities remain a fairly muted topic both within the Caribbean and the EU. Due to its comprehensive nature, there remains a significantly unfinished implementation agenda to complete before the CARIFORUM-EU EPA can lead to noteworthy impacts upon the CARIFORUM states' trade and development. However, through Aft assessment one can determine that at least in the area of building productive capacities, some headway has been made. Nonetheless, additional progress has yet to be further built upon, where the introduction of monitoring and evaluation mechanisms has been a vast shortcoming identified, with ongoing steps made to address this issue.

¹⁰ Caribbean Export Development Agency. Caribbean Export: About us. 2015. www.carib-export.com (accessed 7 July 2015).

¹¹ Bennett, J. Results-based monitoring and evaluation for trade facilitation: Practical guidelines. Bridgetown, Barbados: Caribbean Export Development Agency and GIZ, 2012.

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