

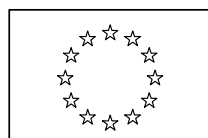
THIRTY- FIRST MEETING OF
THE STANDING COMMITTEE OF
CARIBBEAN STATISTICIANS

SCCS/2006/31/6

Port-of-Spain, Trinidad and Tobago

6-8 November 2006

16 October 2006



EUROPEAN COMMISSION

EuropeAid Co-operation Office

Africa, Caribbean, Pacific
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Brussels, 28 September 2006

FINANCING PROPOSAL

9 ACP RCA 12 & 13

Recipient Country		ACP Member States of CARIFORUM	
Requesting Authority		Regional Authorising Officer, CARIFORUM	
Project Title		Caribbean Integration Support Programme	
Aid Method		Contribution Agreement and project approach	
Total cost		€41,565 EDF contribution €40.5M CARICOM contribution €900,000 UNDP Contribution €165,000	
Sectoral Classification (according to Classifications)		33130 Regional Trade Agreement	
Identification No.	RCA/003/05 rev	Allocation RIP €7 million	71%
DAC code of Implementation	3130	Sector	Regional Trade Agreement

1. RATIONALE

1.1 EC aid policy objectives and priorities

The Cotonou Agreement attaches particular importance to regional economic integration and trade support. These areas are also among the priorities listed in the Statement of the Council of the EU and the European Commission on the European Community's Development Policy of 10 November 2000. The

Commission's Communication "EU Strategy for the Caribbean: An EU-Caribbean policy-based partnership for growth, stability and development" of 20.02.2006 states that regional unity in the Caribbean is an EU objective, as well as the development of wider links with Central and Latin America. The General Affairs Council of 10 April reaffirms the commitment of the EU to supporting the Caribbean Region and emphasizes that the EU-Caribbean partnership will, amongst other activities, support Regional integration and social cohesion, including combating "drugs through coherent development assistance." EC support, under this programme, therefore, contributes to all these objectives.

The overall objective of the Caribbean Regional Indicative Programme (CRIP) is the beneficial integration of the Caribbean Region into the world economy, through a global repositioning aimed at achieving sustainable economic growth, regional cohesion and stability, and continued improvements in living conditions. The CRIP specifies that CARIFORUM, the EC's implementing partner, will endeavour to establish a harmonised economic space for the generation of sustainable and equitable economic growth aimed at entry into the global economy and poverty reduction. The project is, therefore, fully coherent with the CARIFORUM Regional Strategy Paper and RIP. Furthermore, the mid-term review conclusions confirmed that the current RIP was adequate to meet the needs of the Millennium Development Goals and of Regional integration; and that it seemed to correspond to the main needs of the Region. The mid-term review also envisaged available funds being used for some additional small projects, among which are, Ogle Airport in Guyana and the CARICOM Institute of Translation and Interpretation, which is to be based in Suriname, and which are included in the present programme.

1.2 Lessons learnt

It has become clear that, with the globalisation of economies, the small Caribbean countries, which tend to be dependent on agriculture and are often mono-cultures, have to stand together to face and deal with their national economic difficulties; they need to band together to create larger markets, practising economies of scale, to increase intra-Regional trade and to make themselves more attractive to foreign investment. The physical, economic and social constraints of the Region, described below, make such integration particularly necessary. In addition, the Region can then offer more competitive products to other countries. The RIP for 9th EDF is more oriented than previous RIPs towards promoting integration within the Caribbean. Regional co-operation with the Commission is conducted through CARIFORUM, the Caribbean Forum, an organisation established specifically for this purpose. CARIFORUM consists of the 14 CARICOM (Caribbean Community) Member States¹, except for the British OCT (British Overseas Country and Territory) of Montserrat, plus the Dominican Republic and Cuba (which has not signed the Cotonou Agreement).

CARICOM was established in 1973 by the Treaty of Chaguaramas. In 1989, its Governments decided to advance towards the CARICOM Single Market and Economy (CSME) which aims to achieve a single market in which people, goods, services and capital could move freely. This is a major and costly Regional integration operation, which still requires much to be done before completion and which the present programme will support. The CARICOM Single Market (CSM) took effect from 1 January 2006 and six Member states have already signed on, namely, Barbados, Belize, Guyana, Jamaica, Suriname and Trinidad and Tobago. The other six Member States, the OECS countries became compliant on 30 June 2006. The Single Economy is due to take effect from 1 January 2008. There are a range of Regional institutions contributing to the CSME, such as the Caribbean Regional Organisation for Standards and Quality (CROSQ), the Caribbean Agricultural Health and Food Safety Agency (CAHFSA), the Caribbean Court of Justice (CCJ) and the proposed Institute of Translation and Interpretation.

An evaluation carried out on behalf of the Commission in 2004, whilst recognising the achievements of EC co-operation in the Region, also recognised that the allocation of resources in the past had broadly

¹ CARICOM consists of Antigua and Barbuda, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago.

focussed on countries, sectors and institutions rather than on real strategic issues. The present programme aims at addressing the strategic aspects by focussing on key aspects of Regional integration and by providing most of the funds through the principal agency for the co-ordination of Regional integration, namely the CARICOM Secretariat. Furthermore, with the merging of the CARIFORUM Secretariat function into the CARICOM Secretariat, the linkage between CARICOM and the Dominican Republic (DR), in the context of EDF programming, should be strengthened. It is hoped that this will also advance the links between the DR and the CARICOM countries. Such co-operation is particularly important in view of the size of the DR population and the fact that it is contiguous to Haiti, a CARICOM member. Ownership of EDF programmes, which has been somewhat weak in the past, will, be strengthened by the CARICOM Secretariat managing the EDF support through a contribution agreement.

Economic Partnership Agreements (EPA) were envisaged under the Cotonou Agreement in order to strengthen trade relations between the EU and, in this case the Caribbean, in a manner that is compatible with the World Trade Organisation rules but which also has a major development component so as to assist the Region to advance economically and socially to face the challenges of global trade liberalisation. Thus, much needed support to EPA negotiations will form a part of this programme. The programme will also support: improving expertise in ICT (Information and Communications Technology) for development; statistical work, the trade negotiations of the Organisation of Eastern Caribbean States (OECS)², and combating illegal drug trafficking, a serious problem in the Region. The major task of achieving the CSME will be facilitated by the provision of human, logistical and financial support and, indeed, this is the major component of the programme. Since the CARICOM Secretariat is now undertaking the technical functions of CARIFORUM, it will require capacity building and other institutional support, provided by the programme.

This programme will also support activities intended to more closely integrate Haiti into CARICOM and to deepen CARICOM/Dominican Republic relations. These initiatives, which are aimed at the broader CARIFORUM integration/co-operation, will be complemented by the work of the EPA, Regional Preparatory Task Force (RPTF), also supported under this programme. In addition, the programme will facilitate and promote closer CARIFORUM co-operation and interaction with the DOMs and OCTs as part of the widening of Caribbean regional co-operation.

1.3. Complementary actions

The tenor of ongoing RIP projects under 8th and 9th EDF is improving the economy of the Region and promoting greater integration. Regional Sustainable Tourism (€8 million), Caribbean Trade and Private Sector Development (€2,6 million), air access to Dominica (€1,95 million) and a programme of Haiti-Dominican Republic Trans-Border Economic Infrastructure (€45 million from RIP and NIP), all contribute to strengthening the Regional economy. There are also Regional integration projects in the Dominican Republic and in Suriname under preparation. A 9EDF €2 million Caribbean Knowledge Learning Network (CKLN) project was approved in May 2006 under the RIP, which should improve further education levels across the Region. Since CARICOM are involved in the management of the CKLN project, as well as with the ICT component of the present proposal, they will ensure complementarity and synergies between the two sets of activities. Under all-ACP EDF finance, the Caribbean at present benefits from a €57,000 grant agreement to the Caribbean Regional Negotiating Machinery (CRNM) (8 TPS 110 - Institutional Support and Capacity Building for External Trade and Economic Negotiations) up till the end of 2006 and the proposed new financial support to the RNM from this programme will only be granted to the RNM when other EDF support has ended. Two other major ongoing intra-ACP projects which are linked to Regional integration are Support to the Rum Industry (€70 million) and Support to the Rice Sector (€4 million).

² Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines.

The CSME, which is one component of the present programme, is also supported at the EU bilateral level, by DFID, who financed an extensive analysis entitled 'CARICOM Single Market and Economy: Assessment of the Region Support Needs' and currently has in place a 'Regional Assistance Plan for the Caribbean' up to 2007. At the multi-lateral level, assistance has been provided by the Inter-American Development Bank (IDB), the World Bank, UN Agencies, USAID and CIDA. Assistance is being provided by USAID for translation of some legal documents at the CARICOM Legal Drafting Facility. Statistical development in CARICOM has benefited from ad hoc support from CIDA, UNDP, the World Bank and UN/ECLAC although that support did not focus on economic statistics, which is intended in the present programme.

The macro-economic management component of the present project will be financed through the Caribbean Regional Technical Assistance Centre (CARTAC), which is also being financed by the Caribbean Development Bank (CDB), IMF, World Bank and UNDP under a cost sharing agreement.

Support for the Caribbean Court of Justice, which has as its primary mandate the interpretation of the provisions of the Revised Treaty of Chaguaramas, has been provided by the UNDP and the IADB; some €1.3 million is envisaged for the Court under the 9th EDF RIP

1.4. Donor co-ordination

Donor Co-ordination in the Region is currently being guided by the Paris Declaration in Aid Effectiveness which most of the Region's donor partners have adopted. This Declaration seeks more coherence, accountability, improved performance and harmonisation in the delivery of donor assisted programmes. At present, there is very little donor co-ordination, except in the field of HIV/AIDS and with the RNM. In the context of the CSME, the CARICOM Secretariat has agreed to play a lead role in the co-ordination of donor supported activity. The Secretariat is seeking to work with the donor community to ensure that the implementation, reporting and monitoring functions of Regional programmes are conducted in a similar fashion. This will lead to better information sharing on donor activity and reduced duplication of effort (should it currently exist) and should facilitate monitoring of progress with the CSME. This should also facilitate the EC's active participation in the programme approach for the implementation of the CSME. In the case of the present programme, the EC Delegation in Guyana organised a meeting in February 2006 with the CARICOM Secretariat, CARIFORUM and donor representatives in order to discover what activities other donors were funding or envisaged funding at the Regional level so that this programme would complement such activities. It is evident that there is relatively little donor finance at present for the CSME, including for donor co-ordination, since other donors are waiting to see how the EU funding is to be used before what activities to support themselves. Therefore, donor co-ordination is one activity which is to be supported under this programme.

2. REGIONAL CONTEXT

2.1. Economic and social situation

CARIFORUM countries are mostly small island states. The smallest island is St. Kitts and Nevis, which is 267 km² and has a population of approximately 41,000. At the other end of the scale, is the Dominican Republic with a population of some 9 million and Haiti with 7,6 million. The national economies consequently vary in size, capacity and performance, particularly given the limited resource endowment and small domestic markets. Most of the economies are mono-cultures with heavy dependence on commodities, including rice, sugar, bananas or rum. Following reforms of these commodity markets, the sugar industry are working on making their product more competitive, finding niche markets for value added products, and diversifying into ethanol and other production, as well as moving into areas outside

the sugar sector. In recent times, tourism has been assuming greater significance in a number of CARIFORUM countries and will continue to be a growth market in the foreseeable future.

The Caribbean Region is a Region blessed with the advantages of a good climate, a relatively educated population and, in most countries, established democratic systems. CARIFORUM countries have open economies and are thus vulnerable to external developments, such as the recent major increases in oil prices, and the loss of or reduction in preferential access to EU markets. Geographic and environmental vulnerabilities are pronounced and include an annual hurricane season (25 hurricanes in 2005 alone), floods and volcanic eruptions. Social vulnerabilities, related particularly to illegal drugs, arms trafficking and crime, place heavy burdens on the limited institutional and financial capacities of countries in the Region.

CARIFORUM countries are overwhelmingly Anglophone in terms of the number of members but, in terms of population numbers, they are dwarfed by the Hispanophone Dominican Republic and Francophone Haiti. Furthermore, Dutch is the language of Suriname. Thus, communications for integration and development can be a problem. An associated feature is the challenge faced in transportation for the movement of persons and goods both within and outside the Region given their geographic dispersal. These communications difficulties are compounded by capacity constraints related to development planning, a significant dearth of statistical and ICT capacity in particular, and a heavy brain drain. In addition, the capacity constraints extend to difficulties experienced in entering into the meaningful participation in the global economy.

2.2. Development Policies of the CARIFORUM Region

CARIFORUM countries have adopted an 'outward oriented' regional integration policy, which interprets regional integration as a mechanism for participation in the global economy. All CARIFORUM Member States, except Cuba and the Bahamas, are members of the WTO and CARIFORUM is committed to negotiate an EPA with the European Union as a single Region. As regards the 13 CARICOM members of CARIFORUM, the establishment of a CARICOM Single Market and Economy (CSME) is a central pillar of the Regional Integration Process. This was established by the Revised Treaty of Chaguaramas, open for signature to CARICOM member states in 2001, which deepens the economic integration process. However, the Dominican Republic and Cuba are not members of CARICOM although the DR has signed a Free Trade Agreement with CARICOM, as well as with the US. Nevertheless, there are close contacts between CARICOM and the Dominican Republic and discussions are ongoing for CARICOM countries to work more closely with that country. The Bahamas, Haiti and Montserrat are the three CARICOM Member States which are not yet participating in the CSME. The deadline for the establishment of the Single Market was January 2006 and the deadline for establishing the Single Economy is January 2008. Member States of the OECS received an extension to this deadline in view of the particular economic difficulties that they could face in honouring all CSME obligations but have now also signed up to the CSME. However, the OECS itself is a more advanced regionally integrated grouping with a common banking system and currency, the East Caribbean dollar. The Caribbean Development Bank is an important instrument for Regional integration and the modalities for a Regional Development Fund to provide assistance have just been agreed. Member States of CARICOM have already made pledges for capitalisation of the US\$ 250 million fund and are also seeking donor support.

A €75 million Work Programme to implement the CSME has been developed by CARICOM Secretariat. This is being financed through contributions from CARICOM Member States and with donor support. The Work Plan identifies major outstanding requirements/issues that need to be tackled for the full establishment of the CSME. Among those issues of major relevance with regard to the Region's objective to increase both intra- and extra-regional trade are: strengthening of the Regional Organisation providing services related to standardisation within the CSME and for export goods; as well as measures in favour

of enhancement of customs administration practices and procedures to facilitate trade and business. As regards the legal framework, a US\$100 million Trust Fund financed by CARICOM Member States, has been established and its proceeds will finance the recurrent operations of the Caribbean Court of Justice, which was formally opened in April 2005 is empowered to interpret the provisions of the Revised Treaty of Chaguaramas.

2.3. Sector context

The primary objectives of the CSME include the following: to improve living standards, to create full employment, to facilitate economic development convergence, to enhance international competitiveness, to increase levels of production and productivity, and to facilitate trade and economic expansion. Grenada, in particular, has since expressed doubts as to whether it can achieve this objective without receiving additional resources, in particular because of the amount of hurricane damage that it suffered in 2004. The Regional Development Fund may be able to assist countries such as Grenada, in the future. Furthermore, the various Regional institutions tend to compete with each other for scarce government and other resources. And CARICOM itself has to deal with the question of arrears in payments by its members. As for the DR, in many respects, it has closer links with Central American countries and the US. However, talks are taking place between CARICOM and the Dominican Republic authorities on working closer together. The fact that, after four years of discussions, the CARIFORUM Secretariat is no longer in a separate building but is now located in the CARICOM headquarters and that its function is due to be integrated into the CARICOM Secretariat, should bring the Dominican Republic and CARICOM countries closer.

As regards implementation of the provisions of the Single Market, progress has been made in respect of liberalisation of the main elements of the internal market, namely: goods; services; skills and establishment. Capital market liberalisation continues to be a challenge, as well as the building of institutions and strengthening, reform and modernisation of administration at national and community levels.

EPA negotiations with CARIFORUM are also ongoing and have reached phase 3, with the next step, a text of an Agreement to be drafted for Ministers due at the end of 2006. The many meetings both within the Region and, more particularly in Brussels, are a heavy charge in terms of manpower and cost on the Caribbean Regional Negotiating Machinery (CRNM), the body responsible for CARIFORUM trade negotiations. Furthermore, much work remains to be done to reach the stage where an EPA can be signed. Thus, additional financial support is proposed under the present programme for the EPA negotiations. Assistance is provided to the OECS to enable them to negotiate trade agreements with the WTO and other international bodies in Geneva. If the OECS is strengthened, this impacts on their ability to participate more effectively in CARICOM CSME activities. The Translation and Interpretation Institute has already been announced by CARICOM and the Suriname Government has undertaken to provide the building free of charge.

Support to CARTAC is included in the programme as a continuation of previous EDF support from the 8EDF RIP, along with other donor support, since the ad hoc technical support and training given to Governments in various macro-economic fields has proved very helpful for formulating policy at the national level. The funding for the extension of Ogle Airport is a continuation of works already carried out to lengthen the runway. Support should come from the RIP since its principal value will be to facilitate persons coming to CARICOM and CARIFORUM meetings as the headquarters of CARICOM is close by and the RAO has therefore been urgently requesting this.

To enable the CARICOM Secretariat to manage this package of aid according to their own procedures and thus to increase ownership, the Commission considered that a Contribution Agreement signed between the CARICOM Secretariat and the Commission would be the best way to proceed. In order to have such an agreement, the Commission needed to be assured of the sound financial management of the

CARICOM Secretariat. External auditors were therefore recruited to carry out an audit of the CARICOM Secretariat financial, procurement and recruitment procedures. The auditors concluded that the CARICOM Secretariat benefited "from a robust internal control environment, which is based on the principles of segregation of duties and good governance"; the auditors recommended some changes, of which the most important have been accepted by the two parties. Funding to meet some of the costs of implementing these changes is included in the institutional support to CARICOM component of the present project, as well as general institutional support.

Two feasibility studies were commissioned by the EC Delegation in Guyana to prepare for this major package of EDF support, namely, an "Organisational Audit – CARIFORUM/CARICOM Capacity Building/Institutional Support Study" and the "CARICOM/CARIFORUM Action Plan Support and Implementation of the CARICOM Single Market and Economy", in addition to the above-mentioned financial audit made of the CARICOM Secretariat. Feasibility studies were also carried out for the ICT, the statistics and the drug control components of this programme. EUROSTAT contributed to the statistical work. The CRNM component is based on the Strategic Plan of the CRNM and a related draft Financing Proposal, and CARTAC intervention is based on the CARTAC Programme Support Document (UNDP/IMF).

3. DESCRIPTION

3.1 Objectives

The overall objective is to contribute to the Region's integration and repositioning in the world economy. The project purpose is to address capacity constraints of CARIFORUM and its Member States so that they may effectively promote and deepen regional integration, co-operation and development.

3.2 Expected results and main activities

PROBLEMS TO BE ADDRESSED

The specific problems, in achieving effective economic integration and development within the Caribbean Region, which will be addressed by this programme include:

Policy, strategic, legal, institutional and capacity issues arising out of the Region's work to create a CSME. The programme will provide assistance to advance the CSME in certain priority areas. The CARICOM Secretariat itself needs more staff and capacity building, as well as more logistical resources. The programme will provide capacity building within CARICOM, including in the fields of ICT and statistics, and externally through its support to CARTAC. The programme will also put in place an enabling environment which will address constraints and seek to promote the Information Society and to standardise and harmonise statistical data. As mentioned above, the CRNM and OECS lack human and financial resources to carry out the EPA and other international trade negotiations. Support to the OECS Geneva office will also complement the Region's efforts to coordinate its position at the WTO which the OECS island economies are struggling to do at present because they are suffering from the effects of the sugar and banana market reforms. At present, the OECS Geneva office is being supported out of all-ACP funds. Civil society and, in particular the private sector, need to be more involved in the building of the CSME and in the EPA negotiations; this will be addressed in the present programme.

The challenges arising out of the language diversity of the Region will be addressed since the programme will contribute to the CARICOM Institute of Translation and Interpretation. This is particularly important as a means of better integrating Haiti into CARICOM and of bringing the Dominican Republic closer. Such services will also be useful for the public and private sector and the judiciary.

Deficiencies in regional transportation infrastructure are another hindrance to bringing about the CSME. This programme will make a limited intervention in the regional transport infrastructure through contributing to the upgrading of Ogle Airport in Guyana to becoming an international airport capable of handling medium size aircraft which will facilitate the movement of goods, services and public and private sector staff between CARICOM, CARIFORUM, and the rest of the Region.

There are many problems arising out of illegal drugs, crime and related activities and this programme will attempt to deal with some of these at the CARICOM level. Additional support to deal with these major problems will be considered in 10 EDF programmes.

RESULTS

1. Establishment and consolidation of the CSME.
2. Improved external trade negotiating capacities of CARIFORUM Member States, OECS and CRNM.
3. CARICOM Institute of Translation and Interpretation established and operational.
4. Improved and harmonised production of statistical data at national and regional levels.
5. Caribbean Information Society established.
6. Supply and Demand for illegal drugs reduced.
7. Improved macro-economic management (CARTAC).
8. Phase II Ogle Airport Development, Guyana, implemented.
9. Capacity to co-ordinate regional programmes, effectiveness of regional programmes and financial management in CARICOM Secretariat enhanced.

MAIN ACTIVITIES (see annexes for details)

1. (i) Establishing and consolidating the legal and institutional framework of the CSME;
(ii) Reviewing and improving mechanisms and regulations for national treatment and market access;
(iii) Developing and improving framework for macroeconomic and sectoral policy co-ordination;
(iv) Implementing business facilitation measures through improved operational effectiveness of CROSQ (Caribbean Regional Organisation for Standards and Quality)
(v) Enhancing institutional and management capabilities within customs administrations ; improving operational effectiveness of procedures affecting business transactions; increasing transparency of operations of customs services affecting cross-border transactions.
(vi) Promoting measures to protect stakeholders' interests and welfare, particularly labour and consumer protection;
(vii) Supporting CSME administrative capacities at national and regional levels;
(viii) Developing and implementing programme of education for public on benefits of CSME;
(ix) Providing institutional support to Work Programme management and administration;
(x) Providing support to disadvantaged countries in their integration into the wider CARICOM/CARIFORUM system;
(xi) Implementing measures to improve Civil Society participation in the CSME;
(xii) Establishing and improving measures for improving international donor coordination;
(xiii) Arranging for the sharing of EC experiences with Caribbean regional institutions; and
(xiv) Monitoring, evaluating and auditing programme implementation.
2. (i) Developing in house capacity of the CRNM;
(ii) Providing assistance to improve technical preparation of EPA negotiating positions and developing comprehensive regional negotiating positions, in particular through EPA-related studies;
(iii) Assisting civil society/non-state actors to fully participate in the negotiating process;
(iv) Technical and Operating Support to the OECS Representation in Geneva;
(v) Support to OECS participation in CARICOM co-ordination meetings, WTO Negotiating Groups,

UNCTAD and similar organisations.

3. Supporting the physical establishment of the CARICOM Institute of Translation and Interpretation and its operation by retaining translators, providing some services and training personnel.
4. (i) Harmonize interregional statistical infrastructures;
(ii) Assisting in the improvement of statistical programming, production and dissemination of key economic statistics;
(iii) Train staff and use economic statistics for monitoring of the regional integration process.
5. (i) Set up ICT development support mechanisms;
(ii) Develop and implement grant and seed capital mechanism for ICT development
(iii) Provide support to the activities of an extended CARICOM ICT Steering Committee.
6. Implement CARICOM drug demand reduction programme and support their work in building capacity for law enforcement agencies; institutional support for IMPACS (Implementation Agency for Crime and Security);
7. Provision of macro-economic support service by CARTAC
8. Support the extension of the runway of Ogle Airport (Guyana) and other improvements.
9. Revise and support the existing CARICOM Secretariat organization structure, as required. Provide financial support to enable the restructured Secretariat to co-ordinate and implement the present programme, including the recommendations of the audit carried out on behalf of the Commission.

3.3 Stakeholders

The principle stakeholders are the Member States of CARIFORUM since the project will contribute to the overall objective of Regional integration and development. Other stakeholders will be certain Regional organisations, such as, the CARICOM Secretariat, the CRNM, the Community Competition Commission, the Regional Accreditation Body, the Caribbean Organisation on Quality and Standards (CROSQ), the Caribbean Agricultural Health and Food Safety Agency (CAHFSA), the Caribbean Regional Technical Assistance Centre (CARTAC), economic operators and other non-state actors. The ultimate beneficiaries of the programme are the populations of the Member States of CARIFORUM since the programme will promote sustainable economic development and thus poverty reduction.

3.4 Risks and assumptions

The main risk is that the Member States of CARIFORUM and the various Regional institutions concerned do not have the capacity to absorb the resources made available through the programme and to achieve the results expected. Given the advanced status of preparation for the CSME and overall progress made in regional integration, this risk should be manageable. The main assumption is that political commitment to the implementation of the Single Market and Economy and Regional integration in general continue and that Caribbean counterpart financial contributions also continue, including the regularisation of arrears. The current policy environment and the traditional political stability of CARICOM will mitigate these risks and CARICOM is looking at systems of financing its activities, including the EU models.

Other risks which can affect the rate of implementation of the project relate to natural disasters, particularly hurricanes, in the Caribbean.

3.5 Conditionalities

The signature of the contribution agreement is conditional on the fulfilment of the conditions set out in this chapter.

(1) CARICOM will undertake to make a counterpart contribution to the contribution agreement component of the overall programme, equivalent to €900,000 over the life of the programme, subject to approval in the 2007 CARICOM budget exercise; furthermore, CARICOM undertakes to make at least €250,000 of this amount available in year one and, at least 50% of the balance in year 2 of the contribution agreement; the remainder will be provided in year 3;

(2) An effective merger of the function of the CARIFORUM Secretariat into the CARICOM Secretariat in order to optimise the efficient management of these EDF resources will have to be implemented. The merger will be evident in the CARICOM Secretariat organigramme and in the staff recruitment notices for this programme.

(3) Opening of a separate bank account used for the receipts and the payments related to the contribution agreement.

During the execution of the contribution agreement:

(1) The negotiation of an effective and robust framework for reclaiming sales taxes (or VAT if introduced in Guyana) is negotiated with the corresponding Government department in Guyana. (see recommendation 1 of the outcome of the institutional assessment of 2006).

(2) A review and amendment of CARICOM's Guidelines and Procedural Manual (see recommendations 15, 16 and 17 of the outcome of the institutional assessment).

(3) Implementation of those conditions and recommendations which were agreed to by both CARICOM and the EC, following the institutional assessment carried out by the auditors.

3.6 Cross-cutting issues

The programme addresses a wide range of cross-cutting issues all related to economic integration, namely co-operation and development, trade, ICT, statistics, the fight against illegal drugs, linguistic barriers, air transport infrastructure and macro-economic economic support. It is not gender specific but improvements in the standard of living tend to benefit women and children more since they suffer most from poor living conditions and insecurity.

4. IMPLEMENTATION ISSUES

4.1 Implementation Method

This regional project will be implemented through a mixture of decentralised and joint management. Overall responsibility for the programme will lie with the Regional Authorising Officer (RAO), the Secretary General of CARIFORUM. The RAO has appointed the NAO of Guyana as the Deputy Regional Authorising Officer (DRAO) for implementation of the Ogle Airport component of the programme. He has appointed the Permanent Secretary of the Ministry of National Security of Trinidad and Tobago as the DRAO for implementation of the IMPACS component of the programme. He has authorised the Commission to sign a contribution agreement with the UNDP for implementation of the CARTAC programme component and has also authorised the Commission to sign a contribution agreement with the CARICOM Secretariat for the rest of the programme.

Joint management

The main part of this regional project will be implemented through a contribution agreement of 36 million EUR, which will be signed between the Commission (Guyana delegation) and CARICOM Secretariat

(Secretary General); the implementing regional body. CARICOM will contribute €900,000 to the programme.

An institutional assessment of the CARICOM was carried out in to ensure that the conditions are in place for the Commission to sign a contribution agreement with the CARICOM Secretariat. This assessment has led to a set of 28 conditions and/or recommendations to further strengthen internal mechanisms and controls (taking into account the increase of resources in the coming months). Most of the recommendations will be incorporated in the contribution agreement to be signed.

Three conditions will have fulfilled before implementation of the contribution agreement and are detailed in point 3.5 above.

The above-mentioned contribution agreement will provide operational and logistical resources to carry out the activities described in the annexes to this programme, all of which contribute to Regional Integration. Furthermore, the Contribution Agreement will finance some short-term technical, administrative and other support staff to strengthen the capacity of the CARICOM Secretariat in general and to implement this particular programme. The staff responsible for these activities will be integrated into the appropriate CARICOM staff units for execution of these tasks in so far as possible. The contribution agreement will set out in detail the decision making process, and financial responsibilities of the integrated CARIFORUM Secretariat. The position of the Dominican Republic within the CARICOM framework, as a non-CARICOM country but a beneficiary of the present programme, will also be indicated in the contribution agreement. Overall responsibility for the contribution agreement will lie with the Regional Authorising Officer (RAO), the Secretary General of CARIFORUM. The responsibility for the implementation of the agreement will lie with the Deputy Secretary General/an Assistant Secretary General as DRAO.

The CARICOM Secretariat will be directly responsible for the implementation of all the activities in the contribution agreement, (including the launch of tenders in the case of subcontracting and authorising payments), for institutions such as the Caribbean Health and Food Safety Agency and the CRNM, as well as for CARICOM Secretariat activities.

The EC Delegation in Guyana will follow implementation of the Contribution Agreement closely. The contribution agreement will include the modalities for the preparation, on the basis of the description of the activities annexed to it, of annual workplans, which will act as the framework for all activities to be financed under the agreement. A programme co-ordinator will be appointed by CARICOM for the management of this project.

A Programme Steering Committee will be set up, which will include a maximum of 4 representatives of the CARIFORUM Council of Ministers, plus the Secretary-General of CARICOM. The Committee will give overall policy guidance and support to the project. Representatives of each institution benefiting from this programme will be represented on the Committee when a topic that specifically concerns them is to be discussed; the European Commission (Guyana Delegation) will attend as an observer. Overall supervision will be provided by the Council of Ministers of CARIFORUM which will meet at least once a year. At a later stage, if the CRNM obtains international legal status, as is under discussion, and subject to institutional assessments of both the CRNM and the OECS producing satisfactory results, the responsibility for management of these two components, including the financial responsibility, might be given to these two bodies.

The component related to the support to CARTAC (0.5 million EUR) will be implemented as a separate project outside the two contribution agreements following the principles of joint management. A

contribution agreement will be signed between the Commission (Barbados Delegation) and UNDP. UNDP will contribute €165,000 to the programme.

There will be co-financing from other donors such as DFID, CIDA and World Bank managed by UNDP and there is no earmarking of funds. The EC Delegation in Barbados will follow implementation of this component since CARTAC is based in that island.

Decentralised management (separate projects outside contribution agreements to be implemented by procurement and programme estimates)

The Ogle Airport component (1,5 million EUR) will be managed by the NAO of Guyana, as Deputy Regional Authorising Officer (DRAO), and the Delegation of Guyana. Implementation will be carried out through procurement contracts (works and supplies) in accordance with the applicable EDF procedures.

IMPACS is the Regional organisation mandated by CARICOM Governments to fight crime at the inter-Governmental level. It is therefore the appropriate body to implement this component of the programme. Institutional support for IMPACS (0,8 million EUR) will be managed by the Government of Trinidad and Tobago, with the Permanent Secretary in the Ministry of National Security as the DRAO for that programme component, and by the Delegation of Trinidad, working through annual programme estimates.

4.2 Budget and calendar

The Financing Agreement shall be signed by 31 December of the year following the year in which the global financial commitment was adopted. Failing this, the corresponding appropriations shall be cancelled.

The end of the operational implementation phase of the Financing Agreement is hereby set at 31 December 2010. The end of the period of execution of the Financing Agreement is set at 31 December 2012. Any balance of funds remaining available under the EC grant shall be automatically cancelled six months after the end of the period of execution of the Financing Agreement.

The contracts and programme estimates through which the financing agreement is implemented must be signed by both parties no later than three years from the date of the corresponding financial commitment. This deadline cannot be extended. This provision does not apply to contracts relating to audit or evaluation which may be signed later.

The operational duration for each component is estimated at 36 months, except for support to CARTAC, which is estimated at 24 months.

The estimated budget is as follows:

ACTIVITY	€	CARICOM CONTRIBUTION
A. Activities within contribution agreement with CARICOM		
1. Establish and consolidate CSME (result 1)	19,900,000	900,000
2. Develop CRNM and OECS capacity (result 2)	4,800,000	
3. Support to CRITI (result 3)	1,700,000	
4.. Statistical strengthening (result 4)	3,300,000	
5.. Development of ICT (result 5)	2,000,000	
6. CARICOM fight against illegal drugs (result 6)	1,200,000	
7. Reinforcement of CARICOM Secretariat (result 9)	3,100,000	
SUB-TOTAL	36,000,000	
B. Activities within contribution agreement with UNDP		
8. Support to CARTAC (result 7)	500,000	165,000

SUB-TOTAL	500,000	
C. Activities within financing proposal but outside contribution agreement to be implemented through procurement and programme estimates		
9. Improve Ogle Airport (result 8)	1,500,000	
10. Institutional support to IMPACS (result 6)	800,000	
11. Monitoring and evaluations	500,000	
12. Audits	200,000	
13. Contingencies (2,5%)	1,000,000	
SUB-TOTAL	4,500,000	
TOTAL A + B+C	40,500,000	1,065,000

4.3. Procurement and award of grants procedures

Article 10 of the general conditions annexed to the standard contribution agreements allow the application of the Organisation's rules and procedures for accounting, procurement, audit and internal control as far as these procedures correspond to the international standards set. For procurement of works, services and supply contracts and the award of grants, it was decided that, following the institutional assessment, the Commission's rules and procedures would apply in a first phase (Practical Guide to contract procedures for EC external actions), however without an ex-ante control by the Commission services. The recruitment of staff (employees) can be done in accordance with CARICOM's rules and procedures. On a yearly basis, an ex-post check will be carried out by an external auditor, appointed and contracted by the Commission, to assess/verify the application of the procurement and recruitment procedures.

Depending on (1) the outcome of the above-mentioned yearly check and (2) the review and amendments to be carried out to CARICOM's Guidelines and Procedures Manual, the decision concerning the applicable procurement procedures can be amended by the Commission and CARICOM's rules and procedures for procurement and award of grants could then be applied. As far as eligibility rules are concerned, the participation in procedures for the procurement of contracts and the award of grants financed from the EDF shall be open to all legal and natural persons eligible in accordance with the 9th EDF rules and in accordance with the eligibility rules of CARICOM.

Concerning the three other components outside the contribution agreement but within the overall financing agreement (Ogle Airport, IMPACS and CARTAC), all contracts implementing the Financing Agreement must be awarded and implemented in accordance with the General Regulations for works, supply and service contracts adopted by the ACP-EC Council of Ministers by Decision No. 2/2002 of 7 October 2002, supplemented by the General Conditions for contracts financed by the EDF and the procedures and standard documents laid down and published by the Commission for the implementation of external operations, which are in force at the time of the launch of the procedure in question. All programme estimates must respect the procedures and standard documents laid down by the Commission and in force at the time of the adoption of the programme estimates in question.

4.4 Performance monitoring

Indicators

The project's indicators are set out in the Logical Framework Matrix at Annex I. The available source of the verification will include CARICOM Secretariat reports, reports of meetings of Ministers of CARIFORUM, CARIFORUM Member States and CARICOM Secretariat publications and documents. The work programme that will accompany the contribution agreement will include a series of SMART (Specific, Measurable, Achievable, Realistic and Time-Bound) indicators and targets on progress with the CSME and with other activities to be financed under the contribution agreement. Details of the frequency of reporting on the Contribution Agreement component of this programme will also be set out in the contribution agreement with CARICOM. In any event, there will be at least six-monthly reports to the EC. Furthermore, the CARICOM Secretariat will set up a data base for their monitoring of

implementation of the contribution agreement and so that they can provide this information to the EC Delegation in Guyana within a short period of time if needed.

For the activities outside the two contribution agreements, the EC Delegation in Guyana will follow the works at Ogle Airport and the EC Delegation in Barbados will follow the activities of CARTAC. Quarterly reports will be requested in the case of the Ogle airport works and at least six-monthly for CARTAC activities. These reports will be circulated to all CARIFORUM member states, as well as the EC and other interested parties.

An external monitor will visit the Region every six months to follow progress and produce a concise report for CARIFORUM and the European Commission Delegation in Guyana.

4.5 Evaluation and audit

There will be annual evaluations and audits of the components of this programme which will be included in the Contribution Agreement. On a yearly basis, an ex-post check will be carried out by an external auditor, appointed and contracted by the Commission, to assess/verify the application of the procurement procedures and recruitment procedures.

A new institutional assessment will be carried out by the Commission within 24 months after the signature of the contribution agreement, as a follow-up on the results of the first institutional audit carried out during the first trimester of 2006. This assessment will be financed from the separate audit provision.

In addition, for the majority of this programme which will be covered by the Contribution Agreement with CARICOM, detailed monitoring provisions are set out in that agreement.

For the Ogle Airport works, IMPACS and CARTAC components, an end of project review is foreseen.

Audit, evaluation contracts and service contracts concluded through framework contracts are always concluded and executed by the Commission for and on behalf of the ACP States concerned..

ANNEXES

- I. Logical framework**
- II. Estimated implementation calendar**
- III. Detailed description of project components.**
- IV. List of Abbreviations**