

Terms of Reference

Monitoring the implementation and results of the CARIFORUM-EU EPA

1. Background

1.1 The CARIFORUM-EU EPA

The CARIFORUM-EU Economic Partnership Agreement (EPA) was signed in October 2008 and entered into provisional application between both parties¹ on 29 December 2008.

The EPA aims to promote trade and investment between the two groupings – and as a result to enhance sustainable growth, employment and development. The Agreement sets out to help CARIFORUM States to consolidate their regional integration and to increase their participation in world trade, in order to share in the opportunities stemming from globalisation.

EPAs are foreseen in the Cotonou Agreement signed between all ACP States and the EU in 2000. The EU's previous autonomous unilateral preferences had become unsustainable under the WTO system. Following a joint evaluation of the achievements of the relevant trade regime, both sides agreed to replace this regime by regional and comprehensive free trade agreements by the end of 2007.

The CARIFORUM-EU EPA is a tailor-made partnership to suit specific regional circumstances. It takes account of socio-economic circumstances in the Caribbean, by offering asymmetric rights and obligations, specific safeguards, as well as long transition periods for taking on commitments.

Under the EPA, the EU opened up its markets fully and immediately, but allowed CARIFORUM up to 15 (and for some products even up to 25) years to open up to EU imports. At the same time, the CARIFORUM region was able to protect indefinitely about 13% of its imports from the EU. The EPA also improved the rules of origin in areas such as garments (which can now be produced from non-originating material).

Export capacity depends not only on market access. Non-tariff barriers have come to play an ever more important role, so the Agreement includes commitments, dialogue and co-operation in areas such as trade facilitation; technical, sanitary and phyto-sanitary standards; competition policy; and other trade-related areas.

The CARIFORUM-EU EPA also includes market opening in the services sectors, *inter alia* in creative and entertainment industries.

Among its stated objectives, the EPA refers to: promoting regional integration, economic co-operation sustainable development and good governance thus establishing and implementing an effective, predictable and transparent regulatory framework for trade and investment between the parties; gradual integration of the CARIFORUM States into the world economy; improving the CARIFORUM States' capacity in trade policy and trade-related issues; supporting the conditions for

¹ All 27 EU countries and all CARIFORUM countries, except Haiti.

increasing investment and private sector initiative and enhancing supply capacity, competitiveness and economic growth in the region.

Finally, the Agreement recognises that development cooperation is a crucial element of the Partnership. Areas of co-operation are set out in the Agreement. Aid for Trade (provided under the EU's budget, the European Development Fund -EDF- and Member States' programmes) is helping to build institutional and productive capacity. The EPA also provides scope for wide-ranging trade co-operation in areas such as services and standards.

The 10th EDF makes €143 million available for Caribbean economic integration (supporting CARICOM's CSME, the OECS and relations between Haiti and the Dominican Republic), EPA implementation and private sector competitiveness.

1.2 Significance of economic relations

Trade in goods with the European Union is significant for CARIFORUM States. The EU is CARIFORUM's second biggest trade partner after the US, accounting for almost 12% of trade flows. In 2011, Caribbean exports to the EU amounted to €3.7 billion, and imports from the EU to €3.4 billion. Caribbean exports to the EU are not diversified, and have traditionally been dominated by bauxite and alumina, rum, sugar, fuels and bananas. With a third of the population and the biggest GDP of the 15 Caribbean ACP countries, the Dominican Republic is the main EU trading partner in the region (2011 EU imports from the DR were €0.7 billion), followed by the Bahamas, Jamaica and Trinidad & Tobago.

Given the specific nature of the CARIFORUM region, services represent a major part of their economies (between 60 and 80% of their GDP) and their exports. 60% of Caribbean services exports stem from tourism and travel-related services. Again, the EU is the second biggest market for the Caribbean region, with between 20-25% market share.

1.3 EPA Implementation 2008-2013

At the end of 2013, the parties will have completed the fifth full year of EPA implementation. The EU opened its market for goods in 2008, with the exception of short transition periods for rice and sugar which have meanwhile expired. Many of the CARIFORUM commitments kick in gradually, allowing for a preparatory period during which capacity and institutions are being built or strengthened, and adjustment could be accomplished.

Some of the parties' more visible achievements include the setting up of the institutions under the agreement, the adoption of rules of procedures, and the identification of contact points. In terms of development co-operation, the amount of the "regional economic integration" focal sector in the 10th EDF Caribbean Regional Programme had been increased to €143 million, in order to be able to address EPA needs and implementation. The funds were allocated to the different regional integration processes (CSME, OECS, CARIFORUM EPA, bi-national programme for Hispaniola) and programmes were prepared and adopted.

However, some shortcomings are also apparent. Some CARIFORUM countries have confronted more difficulties than originally expected to comply with tariff reductions

that were due to be implemented by 1st January 2011². The awareness of non-state actors, on both sides, in particular the private sector, about the opportunities offered under the EPA is still limited. Even within government and administrations, there are knowledge gaps which can lead to implementation deficits or misunderstanding. And the parties have not yet discussed or agreed on a monitoring system to oversee implementation and to assess the results of the Agreement.

Moreover, the economic and financial crisis starting in 2008 has overshadowed the implementation to date. This may explain a certain lack of focus of both state and non-state actors on the EPA. Concerns about loss of employment and loss of tariff revenue have been exacerbated by overall economic decline or stagnation. Any assessment needs to take account of the global context and developments. Any assessment of the results and development impact will also have to take into account the fact that implementation has barely started.

2. Description of the Assignment

Global objective

The present study will serve to provide a basis for discussions between the parties during the first review of the agreement. A procedure for periodic review was agreed when the Agreement was signed (see Declaration attached in annex); and the reviews should take place every five years (with the first coming five years after signature).

Specific objective

The study is therefore intended to enable decision-makers on both sides to:

- review objective data related to the EPA,
- review the implementation of the EPA by both parties (compliance),
- take stock of economic results in the key categories relevant to the Agreement and its achievement of development objectives,
- compare the actual results achieved to date – both favourable and unfavourable – to those that were expected *ex ante*, where possible,
- identify and analyse any unintended effects of the EPA, (i.e. those that were not anticipated *ex ante*),
- assess the extent to which the economic developments identified may be attributed (i.e. associated in a cause-effect relation) to implementation of the EPA (or its gaps), or to the overall context,
- identify remedial actions in order to improve compliance with and the effectiveness of the Agreement.

² CARIFORUM States' initial tariff cuts, as at 1 Jan. 2013

Made (8)		Not yet made (6)		Not Applying or Ratified
Belize	Guyana	Antigua & Barbuda	Saint Lucia	Haiti
Dominica	Jamaica	Bahamas	St Vincent &	
Dominican Rep.	St Kitts & Nevis	Barbados	the Grenadines	
Grenada	Suriname		Trinidad & Tobago	

- identify economic (and social and institutional) results in key categories relevant to the Agreement and its achievement of development objectives.

The upcoming review should be conducted on the basis of objective data which the present study must collect, in order to enable the parties involved to properly analyse the situation and to take appropriate decisions about adapting the EPA or its implementation to new developments, if so required.

A general problem in the CARIFORUM region is the weakness in gathering of statistical data and the unreliability of existing data. In addition, the present study is being undertaken in the absence of an agreed, joint monitoring system, which might have been used to draw on regularly collected data and to develop a joint interpretation of this information.

The study should inform the discussions in the forthcoming CARIFORUM-EU Joint Council and other meetings that will review and take stock of the EPA implementation process and consider the results of the Agreement so far.

Requested services

The study is:

- to make a preliminary assessment of the real impact of the Agreement in terms of trade and investment flows, sustainable growth, development and environmental protection (e.g. impact of the Agreement on GDP, employment, wages, household income, working conditions, poverty reduction etc.), regional integration, strengthening of institutional and productive capacity, and the position of the CARIFORUM region as a location to invest and do business in/with;
- to envisage CARIFORUM-EU trade relations after 2008 in the absence of an EPA (i.e. on the basis of standard GSP market access for all CARIFORUM countries except Haiti) and compare this scenario with real trade flows in the same period; in other words, to:
 - establish a counterfactual hypothesis in which CARIFORUM States – instead of concluding an EPA with the EU – chooses to maintain its tariffs on imports from the EU and to export to the EU under the terms of the GSP;
 - compare the current situation with the counterfactual ("the non EPA case");
- to this end, to evaluate trade impacts by using a state of the art Partial Equilibrium Model, taking into account tariff lines at the 6-digit-level of the Harmonised System (HS). This evaluation should be undertaken for both imports from and exports to CARIFORUM States since 2008. Available trade flow data should be used to undertake a comparison between ex-ante simulations of both EPA and non-EPA cases;
- to collect and assess data regarding the implementation of and compliance with the EPA by the EU Party (the study would also have to identify developments

specifically for the outermost regions in the Caribbean³) and the 14 CARIFORUM signatory countries that apply its terms, in the following areas:

- Trade in goods
- Trade in services
- Investment
- Regional Integration
- Development co-operation
- General institutional and procedural provisions
- Any trade-related areas where there are commitments prior to 2013.

This would include evaluation of “best endeavour” commitments. Where analysis points to a lack of change, the study should also examine the reasons for changes not having occurred. The study should also assess the reaction of importers and exporters to the price effects produced by the tariff changes, and their possible repercussions for demand (trade volumes).

Methodology

- Given the difficulty of obtaining reliable data, the consultant will need to undertake a fact-finding mission to the Caribbean region and visit, at least, the following countries:
 - Barbados,
 - the Dominican Republic,
 - Guyana,
 - Jamaica,
 - Trinidad and Tobago,
 - St Lucia,
 - one other OECS country.
- The experts should have meetings with officials from or representatives of:
 - the CARICOM Secretariat, including its CARIFORUM Directorate;
 - the OECS Secretariat;
 - other regional organisations, such as the Caribbean Export Development Agency, the Caribbean Development Bank, and the Caribbean Tourism Organisation
 - EPA implementation units in the CARICOM Secretariat and in the countries visited;
 - national governments (trade, finance and development co-operation officials, NAO offices);
 - statistical offices;
 - the business community, including representatives of business support organisations
 - significant sections of the local labour force;

³ The EU's outermost regions, which are covered by the EPA, as part of France, are French Guiana, Guadeloupe, Martinique, Réunion and Saint Martin. Of these, the French Outermost Regions of French Guyana, Guadeloupe and Martinique should receive special attention. Where relevant, the study may also refer to the Overseas Countries and Territories (OCTs) associated with the EU and located in the Caribbean, which are not directly covered by the Agreement. These comprise: Anguilla, Aruba, the British Virgin Islands, the Cayman Islands, Montserrat, St. Martin, the former Netherlands Antilles, and the Turks & Caicos Islands.

- NGOs;
- relevant academic institutions;
- international organisations (IMF, WB, ECLAC);
- the European Commission (DGs TRADE and DEVCO) and EEAS HQ services
- EU Delegations in CARIFORUM States.

3. Experts profile or Expertise

The following categories of experts are required for the assignment:

1) **Category I (Team Leader Trade Economist)**

Qualifications and skills

- PhD in International Economic Development and Trade;

General professional experience

- At least 15 years' professional experience as Trade Economist;

Specific professional experience

- Expertise and experience in International Trade, Economic Analysis, Trade Policies and Regional Economic Integration in developing countries
- Experience in the field of monitoring and evaluation
- Experience in field research, data collection and report writing
- Experience in interaction with government, donors and other stakeholders
- Good knowledge of English*
- Knowledge of trade negotiations and Economic Partnership Agreements would be an advantage.

2) **Category I (Senior Expert, Economic Modelling & Statistics)**

Qualification and skills

- PHD in Macroeconomics, Econometrics or Statistics

General professional experience

- At least ten years' professional experience in Macroeconomics, Econometrics and Economic Statistical Modelling

Specific professional experience

- Experience in the field of partial equilibrium modelling and trade flows
- Experience on Economic Modelling in Developing Countries
- Experience in field research, data collection and report writing
- Good knowledge of English*

3) **Category I (Senior Expert, Development Economist)**

Qualifications and skills

- Education to at least Master's Degree level in Economic International Development;

General professional experience

- At least ten years' professional experience as a development economist;

Specific professional experience

- Expertise and experience in International Trade, Economic Analysis, Trade Policies and Regional Economic Integration in developing countries
- Experience in the field of social and environmental analysis
- Experience in the field of monitoring and evaluation
- Experience in field research, data collection and report writing
- Experience in interaction with government, donors and other stakeholders
- Good knowledge of English*

4) Category II (Junior Expert, Investment and Services Specialist)

Qualifications and skills

- Education to at least Master's Degree level in Economics or Law;

General professional experience

- At least five years' professional experience as a specialist in international trade in services and investment and their treatment in bilateral trade agreements

Specific professional experience

- Expertise and experience on Economic Analysis, Trade Policies and Regional Economic Integration in developing countries
- Experience in the field of monitoring and evaluation
- Experience in field research, data collection and report writing
- Experience in interaction with government, donors and other stakeholders
- Good knowledge of English*

NOTES:

- The team leader or one of the senior experts must have in-depth knowledge and understanding of the specific Caribbean trade and development conditions and vulnerabilities, based on previous professional experience in the region.
- *The team leader or one of the senior experts must have good knowledge of Spanish.
- At least two references including phone number and email address shall be supplied for each proposed expert. Suitable candidates may be required to take part in a brief telephone interview.

➤ **Number of requested experts per category:**

- Three Category I expert and one Category II expert.
- 90 man-days for Team Leader, 95 man-days for the other two senior experts and 70 man-days for the junior expert
- Over a period of six months.

➤ **Working language:** English

4. Location and Duration

The assignment will include a field visit to the above-mentioned countries, as well as meetings with EU institutions in Brussels, including three meetings with the Steering Committee. The Team Leader would be able to travel again to the region, as appropriate, to fill in any remaining information gaps and to discuss the preliminary analysis with selected stakeholders, before the draft report is submitted.

The work is expected to start in September 2013, subject to the signature of a contract for this study. The kick-off meeting with the Steering Committee to clarify any outstanding issues should be held not later than two weeks after the signature of the contract.

5. Reporting

An inception report of approximately 15 pages should be submitted to the EC one month after the kick-off meeting with the Steering Committee in Brussels. A first draft of the report should be presented by 31 January 2014 at the latest. The report and all communications with the Contracting Authority should be in the English language. The final report of approximately 50 pages should be delivered six months after the signature of the contract, by 31 March 2014 at the latest.

The study should contain, *inter alia*, the following elements.

- An executive summary
- A general introduction to the study, giving an overview of trade flows and production structures (goods, services, investment) in CARIFORUM countries, including the development over time, and a description of tariff and non-tariff barriers affecting the flow of trade and investment between the two parties
- An overview of EPA compliance of the parties in the period 2008-13
- An economic assessment of CARIFORUM-EU trade relations since 2008 of the EPA and non-EPA cases using a Partial Equilibrium Model, taking account of tariff changes at 6-digit level, including a comparison with actual trade flows
- An assessment of the EPA-related or -induced changes, on trade in goods and services, investment, the business environment, economic development, sustainable growth, employment, regional integration and development, and poverty reduction

The report will be provided in three paper copies and in electronic copy to the Contracting Authority.

All electronic files, data, and databases which are produced during the course of the work and which are necessary for replicating the results of the study should be made available to the Commission and to the CARIFORUM Directorate of the CARICOM Secretariat.

6. Administrative Information

Steering and monitoring

The European Commission will set up a Steering Committee to oversee the implementation of the project. This will include a representative of the CARIFORUM States, who may be associated by video-link.

The experts will also participate in steering committee meetings, either in person or by video-link.

Budget and payment procedures

The maximum budget for the assignment will be 350,000 EURO.

The contract will be a global price contract. Payments will be made in accordance with Article 29.1 of the General Conditions (Option 2).

Submission of offers

The Framework Contractors shall have 30 calendar days to submit their offers, from the date of dispatch of the request.