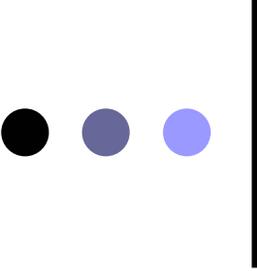


**Study on the Possible Structure of a
Regional Cooperation Fund
Taking into Account the
FTAA Hemispheric Cooperation
Program**

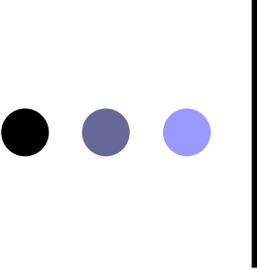
**Dr. William Arrocha
Monterey Institute of International Studies
Monterey, California.**

**Association of Caribbean States
Port of Spain, July 14/15, 2003**



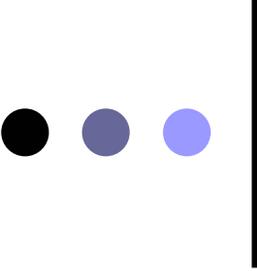
Economic growth is necessary but insufficient for human development. And the quality for growth, not just its quantity, is crucial for human well being. Growth can be jobless, rather than job creating; ruthless, rather than poverty reducing, rather than participatory; rootless, rather than culturally enshrined; and futureless, rather than environmentally friendly. Growth that is jobless, ruthless, voiceless, rootless and futureless is not conducive to human development.

UNDP, 2003 (Original source:
Jahan, 2000)



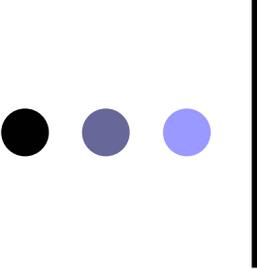
Social and Economic Conditions of the Greater Caribbean Countries (GCCs)

- **Unsustainable levels of poverty**
 - **43% of population in poverty**
 - **18.6% extreme poverty**



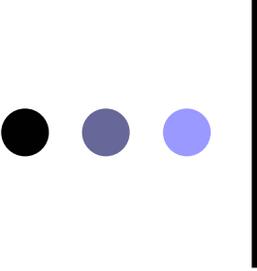
Social and Economic Conditions of the Greater Caribbean Countries (GCCs)

- Low economic growth (3.6% for the Caribbean)
- Decline in volume of exports (3% as whole)
- Weak terms of trade
 - i.e. Sugar dropped 26.5 %, coffee 8.8 %, bananas 7.4 %.
- Increasing fiscal constraints
- increase in public debt
- Steep Fall of bank credits for the private sector
- Sharp decline in FDI (From \$29,465.00b in 2001 to \$17,753b in 2002)



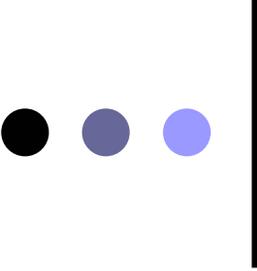
Highest HDI (2002)

HDI Rank	Human development index (HDI) value 2000
31 Barbados	0.871
41 Bahamas	0.826
43 Costa Rica	0.820
44 Saint Kitts and Nevis	0.814
50 Trinidad and Tobago	0.805
52 Antigua and Barbuda	0.800



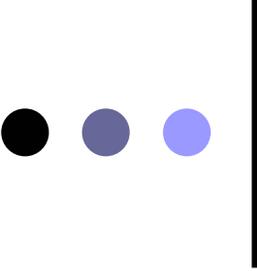
Medium & Low HDI (2002)

○ 54 Mexico	0.796
○ 55 Cuba	0.795
○ 56 Panama	0.787
○ 58 Belize	0.784
○ 61 Dominica	0.779
○ 66 Saint Lucia	0.772
○ 68 Colombia	0.772
○ 69 Venezuela	0.770
○ 74 Suriname	0.756
○ 83 Grenada	0.747
○ 86 Jamaica	0.742
○ 91 St.Vincent and the Grenadines	0.733
○ 94 Dominican Republic	0.727
○ 103 Guyana	0.708
○ 104 El Salvador	0.706
○ 116 Honduras	0.638
○ 118 Nicaragua	0.635
○ 120 Guatemala	0.631
○ 146 Haiti	



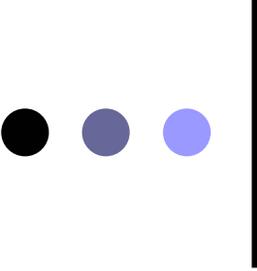
ACS Average HDI and Divergences with US and Canada

○ ACS AVERAGE	.747
○ ACS/US	.191
○ ACS/CANADA	.192



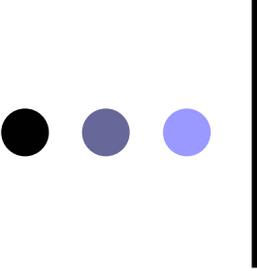
Human Development in the GCCs

- Very low HD (From position 31 (Barbados) to 146 (Haiti))
 - = Low Human capital
 - = Low productivity
 - = Low competitiveness
 - = Low Purchasing Power
 - = Low political and social stability
 - = Low FDI
 - = Depressed domestic and regional markets



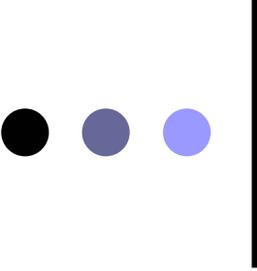
EPZ & the “Race to the Bottom”

- “Illusory competitiveness”
 - Low wages
 - Single market (US)
 - Total ore temporary Tax exemptions for:
 - Imports of components and exports of final product.
 - Income
 - Profit
 - Profit remittances taxes.



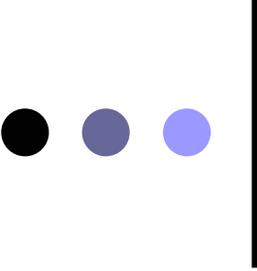
EPZ & the “Race to the Bottom”

- Results:
 - Low technological congruence,
 - low efficiencies in Production,
 - low national and regional competitiveness,
 - low purchasing power,
 - small and constrained domestic and regional markets,
 - low levels of economic infrastructure,
 - low levels of human capital,
 - weak institutional capacities and,
 - a high dependency on the North American market.



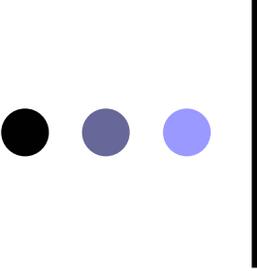
Strengthening the Capacities of the GCCs

- Implementation of *2001 Declaration of Margarita's principles*
 - Increase regional integration.
 - Promotion of human development.
 - Enhancement of a common identity.
 - Trade, based on sustainable development.
 - Respect for and promotion of human rights and fundamental freedoms.



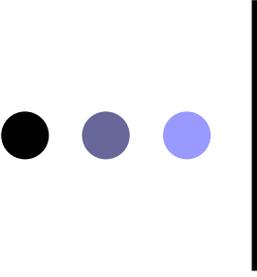
Construction of a more consolidated Greater Caribbean I (DM Plan of Action)

- Respect for the principles of sovereignty, territorial integrity and non-intervention, as well as the right of each people to build its own political system in peace, stability and justice.
- The importance of alternative development and its sustainability, permitting legal socio-economic alternatives and opportunities to generate income, improvement of the quality of life, environmental protection and the promotion of cultural values.
- A shared agreement that the fundamental causes of poverty and under-development is the unequal distribution of wealth and knowledge prevailing in the world.
- A need to coordinate and determine efforts to create an environment leading to sustainable economic and social development aimed at combating poverty and inequality.
- A reaffirmation of the principles of solidarity, consultation, cooperation and concerted action.



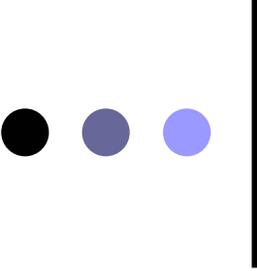
Construction of a more consolidated Greater Caribbean II (DM Plan of Action)

- A commitment to an international trading system based on rules that favor special and differential treatment for developing countries.
- To work towards concerted positions, including Civil Society in the decision making process.
- To continue to encourage the reduction of trade barriers in the Greater Caribbean.
- To cooperate in solving serious public health problems, especially those resulting from epidemics like HIV/AIDS, tuberculosis, malaria and others
- To promote integration and co-operation measures that can strengthen intra-regional trade and investment,
- To institutionalize the Business Forum of the Greater Caribbean.
- To support the creation of Regional Development Fund within the FTAA process.



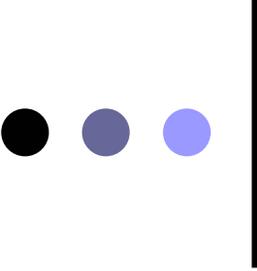
Construction of a more consolidated Greater Caribbean III (Third Summit of the Americas, Quebec City 2001)

- Enhancing democratic practices, transparency and good governance
 - Empowerment of:
 - Local governments
 - Civil Society
 - Women, children and adolescents
 - Local small and medium size business
 - Labor organizations
 - Government officials
 - Indigenous peoples
 - Regional cultures
- Securing the livelihood of farmers
- Securing the environment
- Securing political stability
- Securing economic stability



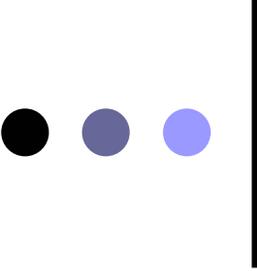
Modalities for a Regional Cooperation Fund: From Assistance to Partnership

- Structures based on partnership /ownership
- Two level structure:
 - Intergovernmental
 - Public-private-Civil Society.



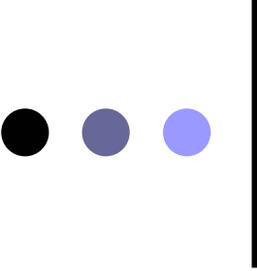
Why Partnership?

- shared responsibilities for:
 - Creating, directing and implementing the strategies for cooperation and development.
 - Policy efficiency
 - More transparency
 - Balance of power between donor and recipient
 - Increases mutual trust
 - creates new resources
 - stronger negotiation strategies
 - common regional positions



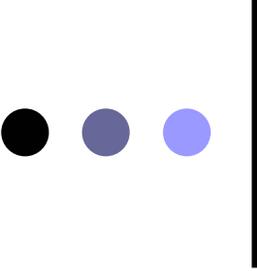
Collaborative advantages

- The will for actors to partner for four fundamental reasons:
 - To enhance efficiency and effectiveness through reliance on comparative advantages and rational division of labor.
 - To provide multi-actor, integrated solutions required by the scope and nature of the problems being addresses.
 - To move from a no-win situation among multiple actors to a compromise and potential win-win situation.
 - To open decision-making processes to promote a broader operationalization of the public good.



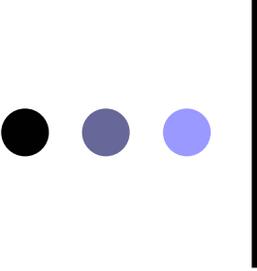
Organization Identity

- Common regional identity
- Recognition of similar economic and social needs
- Be unique
- Careful selection of its different organizational partners
- Identification of Stakeholders
- structured around core principles and values that reflect the needs of all regional actors
- values and principles and a broad constituency
- committed to :
 - Its constituencies
 - Core values
 - Good governance
 - Transparency
 - Accountability
 - Responsiveness
 - Its mission



RCF Identity Criteria's aim

- maintaining :
 - regional identity
 - commitment
 - sustainability
 - legitimacy

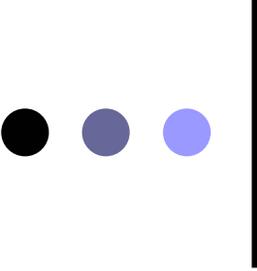


RCF operational conditions

○ Mutuality

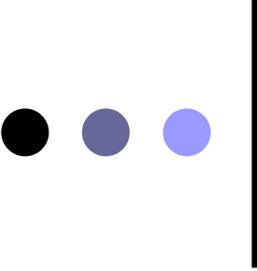
● Maintains and Implies:

- Uniqueness,
- Efficiency,
- Effectiveness,
- synergistic rewards of the partnership,
- Fairness,
- Equity,
- Legitimacy,
- minimize tensions.



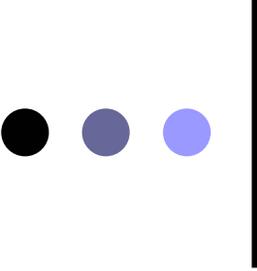
Institutional Frame for RCF I

- points be addressed :
 - An evaluation of the present structures and resources for regional cooperation and technical assistance.
 - An assessment on how well the current regional cooperation structures and technical assistance programs respond to the economic and social asymmetries in the Greater Caribbean.
 - An expansion and enhancement of structural and social cohesion funds.



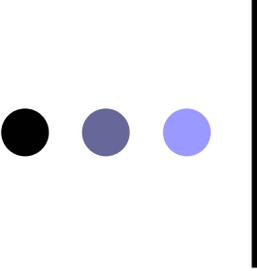
Institutional Frame for RCF II

- A RCF should insure the integration into its structure of the following key stakeholders:
 - ACS and its Staff
 - Representatives from IADB, ECLAC, CDB and the BCIE
 - Representatives from the Greater Caribbean Business Forum
 - Representatives from organized labor
 - Representatives from women organizations
 - Representatives from agricultural organizations
 - Representatives from indigenous peoples
 - Representatives from environmental groups
 - Other representatives from Non-Governmental Organizations.



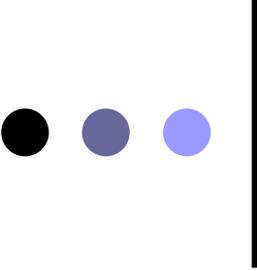
Institutional Frame for RCF III

- Regional Cooperation Fund Office should be a permanent office within the ACS siege
- Board of Trustees
 - Association of Caribbean States (ACS)
 - Organization of American States (OAS)
 - Economic Commission For Latin America and the Caribbean (ECLAC)
 - Inter-American Development Bank (IADB)
 - Caribbean Development Bank (CDB)
 - Banco Centroamericano de Integración Económica (BCIE)



Institutional Frame for RCF IV

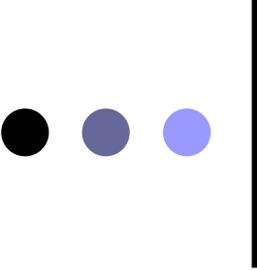
- Regional Cooperation Conference
 - In charge of adopting the budget of the RCF and elect the Governing Body
 - Member States of the ACS meeting once a year at:
 - ACS Siege or other rotating places
 - Two government delegates,
 - Two labor delegates,
 - two women's organization delegates ,
 - two indigenous peoples delegates.



Institutional Frame for RCF V

○ Governing Body

- Executive Council of RCF
- Evaluate establish and assess the working programs as well as the budget which are then submitted to the Conference for adoption.
- Could meet at least three times a year at the ACS siege.
- Composed of:
 - government members, business members, organized labor members, organized women groups, indigenous groups, environmental groups, other accredited NGOs. Representatives would be elected by their organizations and accredited to the RCF.



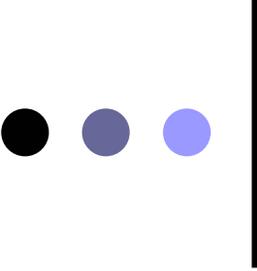
Institutional Frame for RCF VI

- **Board of Advisors**

- **Decentralized Board**

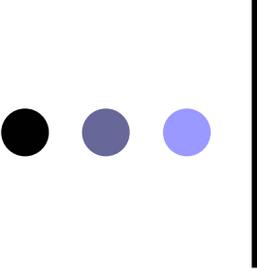
- **composed of :**

- **members of the Epistemic Community,**
 - **Non-Governmental Organizations,**
 - **Business Community and,**
 - **highly respected international figures.**



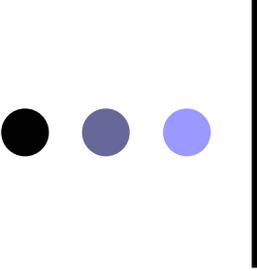
Challenges and recommendations for a future RCF I

- Seek a better integration and more definite role within regional macroeconomic policies and strategies for the reduction of structural poverty.
- Pay close attention to developing sustainable communities and local organizations and to building their capacities.
- Pay close attention to gender equity and indigenous peoples' social and economic needs.
- Add to the GDP per capita indicator the Human Development Indicator.
- Funds and capacity building assistance should always be focused on the least-developed regions of the Greater Caribbean. However, as Guerrero stresses, “assistance should not be abruptly reduced in regions that have not finished their economic convergence process”.(Guerrero 2003)
- Systematically mainstream its programs, operating principles, and technical support throughout the public sectors and other institutions of ACS members.



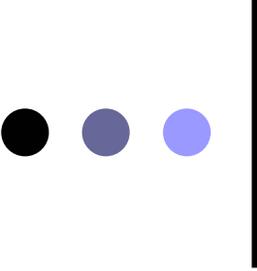
Challenges and recommendations for a future RCF II

- Increase its networking capacities through different instruments such as regional conferences, colloquia and an intensive use of the Information Technology
- Insure that the added value is clearly superior to what can be achieved on a national scale.
- Insure the creation of quality employment, social insertion, equality of opportunities and access to Information Society.
- Insure that Capacity Building programs are designed for the social and economic needs of the Greater Caribbean Countries.
- Insure efficient and transparent execution and development management as essential elements for a regional cohesion policy that is perceived as legitimate by most key stakeholders, and is operative and credible.



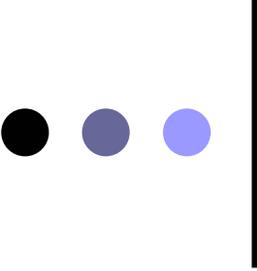
Financial Resources for a RCF

- determined and allocated by the RCF Conference, based on the Governing Body's assessment.
- The sources for structural and social funds should be as decentralized as possible and involve, depending on the projects, as many possible parties.
 - Based on similar standards and modalities as those existing within the European Union.
 - Direct involvement by the competent authorities at both the Federal/State and Municipal levels belonging to member States.
 - Main criteria for having access to structural funds could basically be to target regions or areas that have less than 75% of GCCs average GDP.



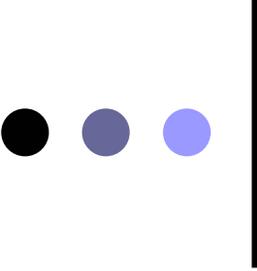
Aim of Structural Funds

- To promote the development and structural adjustments of the region's most lagging behind in development
- To support economic and social conversion of regions or economic sectors facing structural difficulties, such as agriculture, textiles and clothing, fisheries, tourism, industrial, rural and urban.
- To strengthen sectors protected by new international and regional rules for Special and Differential Treatment
- To push towards further economic diversification and investment (domestic and foreign



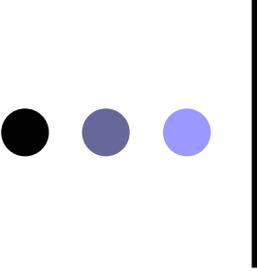
Aim of Social Funds

- To Assess the social and economic needs of the more depressed regions and evaluate, enhance and expand the Capacity Building processes that the FTAA Tripartite Committee has identified, particularly those pertaining to trade negotiations.
- To develop labor markets
- To develop human resources
- To assist businesses, workers and indigenous peoples and women to understand and adapt to new working conditions and so to compete more efficiently in regional and global labor markets.



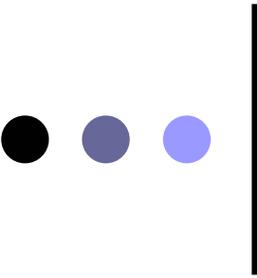
Criteria for social and capacity building funds

- Credit programs should be an element of social and capacity building funds as to facilitate the formation of a revolving pool of resources.
- As funds mature, resources should be mobilized from local institutions and donors and eventually borrow from commercial sources.
- Social and capacity building funds should be able to raise additional resources through financial participation from the constituencies of key stakeholders.
- Funds should allocate specific budgets for the participation of key stakeholders.
- Capacity building activities such as workshops and seminars should become a full-fledged component of the social fund list of options, instead of becoming only a part of administrative overhead costs.



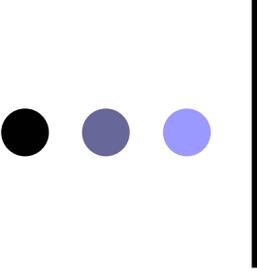
Capacity Building and Technical Assistance programs within the FTAA and WTO negotiations

- First and foremost critical programs for the possible RCF are to ensure that the countries form the Greater Caribbean have adequate levels of technical and capacity-building programs.
- Urgent Re-evaluation of the FTAA's Tripartite Committee Database of Technical Assistance Programs.
- Urgent Re-evaluation of the WTO Technical Assistance Programs *vis à vis* a renegotiation of SDT.
- programs include the full participation of key regional stakeholders.



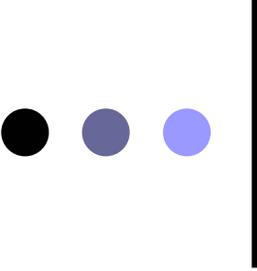
Who should be the first ACS member to receive the benefits of a potential RCF?

- **the poorest of the member countries (based on their HDI)**
- **indigenous peoples, agricultural workers and women from all ACS members.**



Final considerations I

- A RCF should ensure that social and economic asymmetries of the smaller and most vulnerable States in the Greater Caribbean are corrected as part of their integration process to the international economy, and in particular, to a possible FTAA.
- It also has to foster regional and local ownership in a context of asymmetric power relationships



Final considerations II

- A possible RCF requires a deep consideration of the following issues:
 - Who has been benefiting from trade liberalization?
 - What are the real developmental needs of key stakeholders?
 - Who controls the idea and the negotiations of multilateral and regional trade regimes?
 - Who should exercise ownership over the funds and determine their allocation?
 - Who sets the priorities and monitors progress in a transparent way?
 - Who will chose the best way for a Greater Caribbean where its people can expand their choices, live secure lives with full freedoms and rights?