

WORKSHOP-SEMINAR
"THE GREATER CARIBBEAN IN INTERNATIONAL TRADE
NEGOTIATIONS"

Session IV

"Regional Co-operation Fund in the Greater Caribbean. Structure and mechanisms to effectively provide the assistance required by the countries of the Greater Caribbean"

Comments by Compton Bourne, President of the Caribbean Development Bank

- *Santiago Apunte Franco* and *William Arrocha* have presented two highly informative papers on the Hemispheric Cooperation Programme and on the possible structure of a Regional Cooperation Fund. Both presentations highlight inequalities in the economic and social development status, as well as inequalities of trade capacity among countries in the hemisphere.

Apunte is very clear on the point that on Free Trade Agreement of the Americas (FTAA) agreement should not be seen as an endpoint but instead be viewed as an instrument for promoting sustainable growth in all economies, especially the more vulnerable. He says "gradual growth"; I say, "accelerated growth".

Arrocha emphasizes the need to correct asymmetries. To quote him, "there can simply be no partnership with such social and economic asymmetries". The problem of human development is the main concern.

- As *Apunte* indicates the Hemispheric Cooperation Programme (HCP) must include national and multilateral strategies for
 1. Strengthening production capabilities and competitiveness of economies;
 2. Technological transfer and innovation;
 3. Institutional strengthening;
 4. Mechanisms for responding to economic shocks
- Any meaningful attempt to deal with unequal starting conditions and accelerated polarization must include provisions for financing development and for minimizing the development drag of existing external debt commitments.
- *Arrocha*, of course, focuses on the RCF as a particular institutional response. He deals fulsomely with issues of institutional design and the underlying philosophy.

- I certainly agree with him that “partnership” should be a key modality for the operation of a Regional Cooperation Fund (RCF). Partnership, as he puts it is sharing of responsibilities in creating, directing and implementing strategies for development. The benefits are: better understanding of development problems, policy efficiency, transparency, and balancing of power between donor and recipient. As we know from decades of experience with donor assistance, partnership has been largely absent. However, there does seem to be an emerging tendency on the part of major donors to seek ways of building partnership among themselves which could be a plus by reducing transactions costs incurred by recipients of development assistance. There are also signs of a willingness to explore ways of partnership with recipient countries. These tendencies should be encouraged.

Although *Arrocha* details the proposed governance structure of an RCF, before he addresses the question of funding on which he does not elaborate, I wonder if this is not a case of inappropriate sequencing.

- I think that the issue of funding is central to the design of governance structures. It is also a very important issue in its own right.

Arrocha suggests that an RCF could be funded by existing Multilateral Financial Institutions (MFI), Multilateral Development Banks (MDB) and national Development Banks (DB). Several points need to be considered more fully if we are to pursue this proposal.

1. **Additionality**, an RCF must bring additional financial resources to the development challenge. Funding from the MFI’s, MDB’s and DB’s would not be doing so. They would be engaged in financial resource reallocation.
2. **Financing through MFI’s and MDB’s** would not be equivalent to a scheme for ensuring that they are financial transfers from countries, which derive the greatest gains from the FTAA to the less advantaged countries. The RCF must a mechanism for resource transfer, as are the Structural Funds and Social Cohesion Funds in the European Union (EU). It is worth noting that in the EU budgetary transfers from member states finance such funds.
3. **Cost of funding**. Funding from MFI’s and MDB’s would be more costly since their resources are market-based. Remember that they borrow their loanable funds from the international capital market.

- **Quantum of Resources Required.** This is an issue that cannot be avoided even though it is technically difficult, as well as politically contentious.

- **Operating Rules.**
Arrocha identifies criteria or approaches towards criteria for allocation. His treatment is a useful start. There are several aspects that have to be dealt with. These include:
 1. **The Disbursement Process.** Experience with the EU speaks volumes about how unnecessarily complicated and protracted procedures for disbursement can impede actual access to financial resources already negotiated and agreed upon. Disbursement rules should not be taken lightly.
 2. **Procurement Policies.** This too is a problematic and often contentious matter. The RCF should adopt a policy of open procurement in contrast to the restricted procurement of tied aid that is common. The UK is setting a good example in this region.
 3. **Eligibility.** The less than or equal to 75% average GNP rule for access, as in the EU.
 4. **Sectoral Priorities**
 5. **Project-based vs. Programme-based, or Both.**

- **New Fund, New Institution?**
The discussion seems to be premised on the assumption of the creation of a new institution to finance structural change and regional cohesion. We need to think about this. Another possibility is a dedicated window in existing institutions. There is also a question of comparative costs and comparative focus on the objectives.