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Integration and Regional Programs Department  
Inter-American Development Bank

# **The CSME: Status, Issues and Priorities Regional Seminar: 40 years since the creation of INTAL**

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**The Regional Development Fund (RDF) and the Implementation of  
the CSME**

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# Regional Development Fund - CSME

- Introduction: Purpose & Objectives
- Suggested Criteria for an Effective Fund
- Eligibility
- Size, Funding & Sustainability
- Location, Governance & Management
- Conclusion

# Introduction: Purpose & Objectives

- Single economic space to achieve collectively, sustained development in competitive global economy
- But ineffective participation of some Members in benefits, because of adverse effects of:
  - Poor resource endowment
  - Size
  - Low levels of economic development
  - Underdeveloped economic structures
  - Economic vulnerability
- Integration process could bring about economic dislocation
- Special regime for disadvantaged countries (& Less Developed Countries - LDC's)
- *Development fund to provide financial & technical assistance*

# Suggested Criteria for an Effective Fund

- Clear eligibility criteria for receiving assistance
- Independence/autonomy
- Long-term sustainability
- CARICOM ownership
- Flexibility/ease of access
- Clear criteria for changing status re: eligibility
- Sufficiency of resources
- Grant or loan fund?
- Strong, effective management
- Cost effectiveness in operations

# Eligibility

## Disadvantaged Countries:

- LDC's
- Member States in need of temporary support because of natural disasters, adverse impact of CSME, temporary low levels of economic development or being a HIPC

Disadvantaged Regions & Sectors also defined

Eligible Sectors?

Eligible Operations/Activities – any development activity

# Eligibility

Key points:

- LDC's automatically named as disadvantaged (p7)
- CSME itself may cause temporary dislocation & place countries at a disadvantage
- The status of countries can be changed. Countries are expected to overcome their disadvantaged state (with help & support)
- *But* criteria for changing their status to be determined
- Should the Fund provide resources to individual enterprises operating in the commercial sector?

# Size, Funding & Sustainability

Size related to

- functions of Fund
- critical mass-sufficient resources
- method of financing (public, private, grant/loan, etc.)
- cost
- fiscal constraints



# Size, Funding & Sustainability

## Sustainability

- Grants, loans, or both
- Need for automatic mechanism for providing resources to Fund - levy
- Financing options
  - Levy, form of levy, legal ownership of proceeds
  - Voluntary contributions by Member States
  - Private sector contributions
  - Contributions by multi-lateral institutions
  - Concessionary loans from multi-lateral institutions

# Size, Funding & Sustainability

- Concessionary loans from private sector within and beyond the Community
- Concessionary loans from donor governments
- Grants by donor governments, including those under new collaborative arrangements – e.g. the European Union
- Market borrowing
- Possible contributions by Caribbean Development Bank (CDB) from its concessionary resources

	(2002) GDP Current US \$m	0.1% or 0.5% of GDP US \$m	Fiscal Revenue US \$m	Fund Contribution To Fiscal Revenue (%)
1	2	3	4	
Disadvantaged States (0.1%)	3,740	3.740	925	0.4
Antigua & Barbuda	721	0.721	141	0.5
Belize	928	0.928	209	0.4
Dominica	258	0.258	73	0.4
Grenada	401	0.401	103	0.4
Montserrat	38	0.038	11	0.3
St Kitts & Nevis	356	0.356	109	0.3
St Lucia	677	0.677	166	0.4
St Vincent & the Grenadines	361	0.361	113	0.3
Other States (0.5%)	29,063	145.315	7,116	2.0
<i>Grand Total</i>	32	149.055	8,041	1.9

# Location, Governance & Management

- Locate Fund in an appropriate existing institution – special window
- Locate Fund in an appropriate existing institution – separate legal entity managed by the institution
- Locate Fund entirely on its own as a separate legal entity
- Issue of duplication of functions
- CARICOM ownership of Fund – this principle has implications for design of governance structures

# Conclusion

- The fund must be large enough to make an impact on the financing of adjustment in the disadvantaged countries, its own resources must be sustainable, the Region must have real ownership of the Fund which in turn must be governed/operated to achieve the objectives set out in the Revised Treaty