



CENTRAL BANK OF  
TRINIDAD & TOBAGO

# Considerations in Developing a Regional Financial Arrangement in the Caribbean

Remarks at Seminar on “Regional Financial Arrangements: Their Role in the International Financial Architecture and Cooperation with the IMF”

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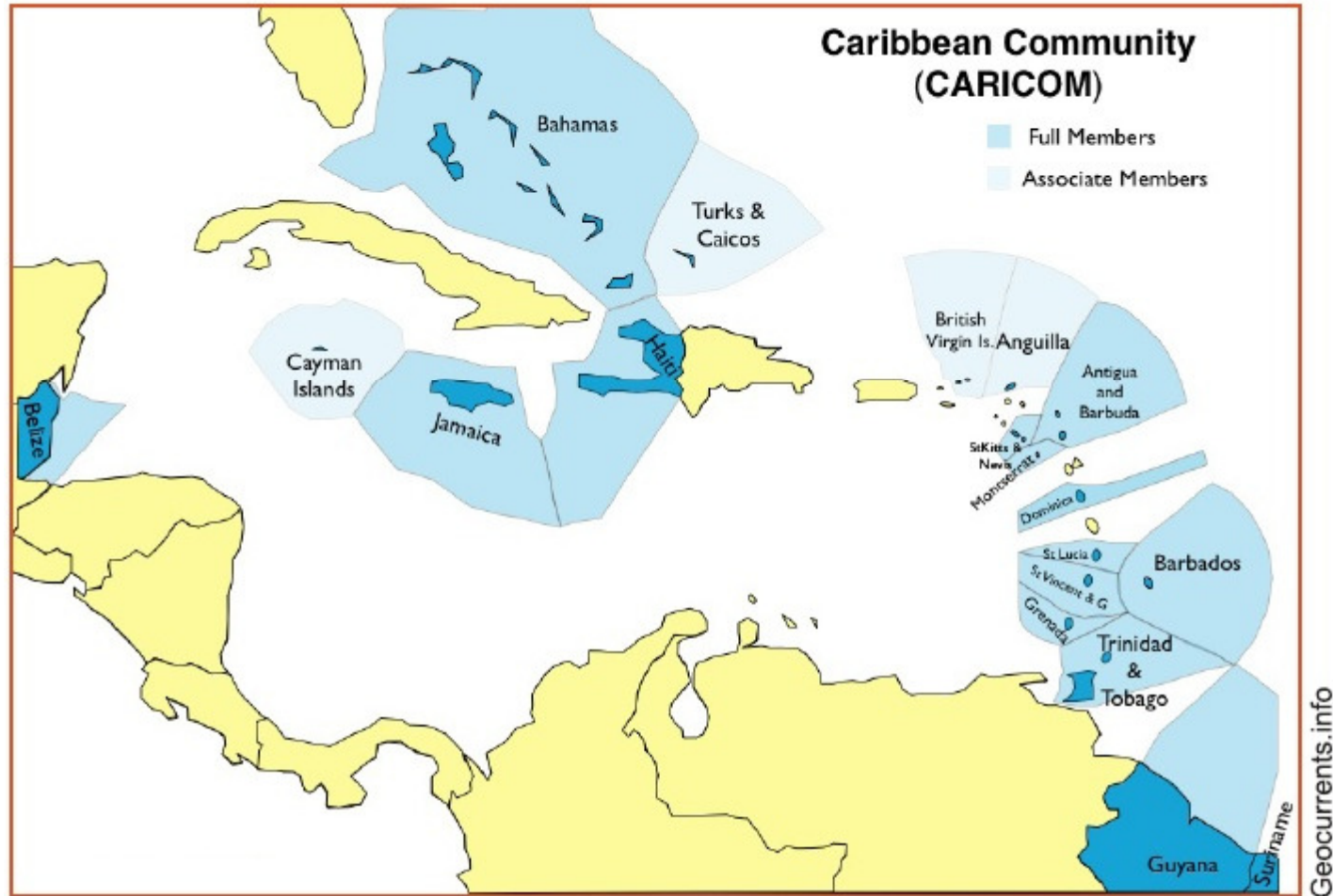


## Key Questions

1. Where is the Caribbean economically?
2. What are the existing financial support arrangements?
3. Can a new regional financial arrangement help?
4. How could this Caribbean-style RFA look?
5. What are some of the wider implications of this analysis for small states in general?

# 1. Where is the Caribbean economically?

*Let's start by looking at the geography...*



*...CARICOM includes several states in the Caribbean sea*

## *There are similarities but important differences within CARICOM*

Country	Pop. (mil)	GDP per capita (\$US)	IMF votes (% of total)	Exchange Arrangt.	Key activities/resources	Debt/GDP (%)
<b>Antigua &amp; Barbuda</b>	0.09	13,401	0.03	CB	Tourism	97.8
<b>The Bahamas</b>	0.35	23,417	0.08	Peg	Tourism	52.6
<b>Barbados</b>	0.28	16,307	0.06	Peg	Tourism	70.4
<b>Belize</b>	0.35	4,386	0.04	Peg	Agriculture	81.0
<b>Dominica</b>	0.07	7,022	0.03	CB	Agriculture	72.3
<b>Grenada</b>	0.11	8,133	0.03	CB	Agriculture	105.4
<b>Guyana</b>	0.78	3,596	0.07	SA	Mining/agric.	60.4
<b>Haiti</b>	10.16	777	0.06	CLA	Agriculture	16.6
<b>Jamaica</b>	2.76	5,526	0.14	CLA	Tourism/mining	143.3
<b>St. Lucia</b>	0.17	7,509	0.04	CB	Tourism	78.7
<b>St. Kitts &amp; Nevis</b>	0.06	12,869	0.03	CB	Tourism	144.9
<b>St. Vincent &amp; Grenadines</b>	0.11	6,537	0.03	CB	Tourism/ Agriculture	68.3
<b>Suriname</b>	0.55	9,339	0.07	SA	Mining/agric.	18.6
<b>Trinidad &amp; Tobago</b>	1.33	17,935	0.16	SA	Oil/natural gas	35.7



***Key characteristics exhibited by Caribbean economies:***

- a. Small size individually & collectively, with acute vulnerabilities to natural and other shocks.
- b. Broadly similar economic philosophies, but resource endowments and some policies differ.
- c. History and commitment to regional integration.
- d. Heterogeneity in terms of current economic performance.



## **2. What are/were some of the main available sources of financial support?**

- Specific bilateral/regional facilities e.g. Caribbean Development Fund, Caribbean Petroleum Fund, Petrocaribe etc.
- Caribbean Development Bank.
- Reserves pooling under the Eastern Caribbean Central Bank.
- External donor grants or loans.
- Multilateral project financing (World Bank, Inter-American Development Bank etc.).
- Multilateral balance of payments financing (IMF etc.).

***Many Caribbean countries have accessed IMF arrangements***

<b>Country</b>	<b>Any IMF arrangement?</b>	<b>Existing Arrangement?</b>
<b>Antigua &amp; Barbuda</b>	<b>Y</b>	<b>Y</b>
<b>The Bahamas</b>	<b>N</b>	<b>N</b>
<b>Barbados</b>	<b>Y</b>	<b>N</b>
<b>Belize</b>	<b>Y</b>	<b>N</b>
<b>Dominica</b>	<b>Y</b>	<b>N</b>
<b>Grenada</b>	<b>Y</b>	<b>Y</b>
<b>Guyana</b>	<b>Y</b>	<b>N</b>
<b>Haiti</b>	<b>Y</b>	<b>Y</b>
<b>Jamaica</b>	<b>Y</b>	<b>N</b>
<b>St. Lucia</b>	<b>Y</b>	<b>N</b>
<b>St. Kitts &amp; Nevis</b>	<b>Y</b>	<b>Y</b>
<b>St. Vincent &amp; Grenadines</b>	<b>N</b>	<b>N</b>
<b>Suriname</b>	<b>N</b>	<b>N</b>
<b>Trinidad &amp; Tobago</b>	<b>Y</b>	<b>N</b>

### **3. Can a new regional financial arrangement help?**

A CARICOM-specific RFA can potentially bring certain benefits:

- i. More expeditious decision-making on providing financing and quicker access to deal with immediate problems.
- ii. Greater sensitivity to region's needs when deciding on the pace and size of support.
- iii. Greater commitment by recipients to implementing reforms designed within the region (as against "externally imposed cookie cutter" adjustment measures).
- iv. Net additional financing.
- v. A boost to regional integration through tangible support to other members.



## 4. How could this Caribbean-style RFA look?

*The objectives and financing could be along the following lines....*

Issues	FLAR	CMIM	CARICOM
Aim of Fund	Balance of payments, debt restructuring, contingency, liquidity	Crisis stability, crisis prevention	Balance of payments
Source of financing	Members of FLAR	Members of ASEAN+3	Members of CARICOM + other bilateral partners
Method of financing	Paid-in capital	Promissory note	Promissory note
Size of contribution	Variable	Variable	Variable

***For practical purposes, access should likely be linked to IMF assessment***

<b>Issues</b>	<b>FLAR</b>	<b>CMIM</b>	<b>CARICOM</b>
Size of Fund	US\$3 billion (end of 2012)	US\$240 billion	US\$2.7 billion–US\$7.1 billion (3 months of import cover)
Cost of Financing	LIBOR + premium	LIBOR + premium	LIBOR + premium
IMF Link	No	Yes	Yes (utilize existing surveillance by IMF, CDB, central banks as much as possible).
Amount of Loan	Variable by line of credit and paid in capital	Variable by type of economy	Variable by type of economy and size of contribution

## 5. What are some wider implications of this analysis for small states?

- i. Like regional trade arrangements, RFAs are a fact of life with important economic and geopolitical implications for members as well as non-members.
- ii. Small countries need to continuously be aware of RFA developments particularly as they affect multilateral arrangements (one can compare the effect of RTAs on the WTO with the effect of the RFAs on the IMF).
- iii. Given the potentially high operational cost of setting up and managing an effective RFA (in the context of capacity constraints faced by small states), the design of the RFA should be as simple as possible and supported by existing regional institutions.
- iv. An RFA of a meaningful scale would likely require extra-regional support.



**Thank you for your attention.**