

The Crossroads Fund: Reducing Transport and Logistics Costs

Along with enhanced security cooperation, the United States is committed to deepen economic cooperation with Central America. Faster growth, job creation, and poverty reduction are essential reinforcements for democratic institutions and stability. The United States supports the efforts of Central American countries to fulfill their potential as strategically located economies between two oceans and at the crossroads of the Hemisphere.

A central challenge for the region is to realize greater economic gains from open markets and geography. Currently, high transport and logistics costs are critical factors that constrain trade and damage competitiveness. Recent progress in integrating power infrastructure needs to be matched by progress in integrating transport infrastructure. More efficient roads, ports, and airports connecting the region will sharply reduce the costs of transporting traded goods, which now, in some cases, are as high as transport costs for goods from much more distant countries in Asia. In addition, more efficient and secure border crossings will shrink burdensome logistics costs.

Today the President announced a partnership with the Inter-American Development Bank (IDB) to create a new multilateral fund, the *Crossroads Fund*, focused on reducing transport and logistics costs. The Fund, to be housed at the IDB, is expected to reach an estimated size of \$20 million in grants. The U.S. contribution will be \$5 million. The Crossroads Fund is a targeted effort to attack key barriers to faster, more efficient, and more secure regional transport networks. The Fund will support high-impact cross-border infrastructure projects by addressing: (1) collective action problems in prioritizing key cross-border projects, and (2) weaknesses in legal and regulatory regimes and institutions that discourage investments in cross-border projects. The Crossroads Fund will include three complementary components: a mechanism for reaching agreement on priority projects, an innovative incentive-based financing vehicle, and technical assistance to support project development and greater efficiency and security at border crossings.

1. ***Agreement on priority projects*** – Under this initiative, the IDB will coordinate public and private sector agreement on a “top ten” list of priority projects.
2. ***An innovative financing vehicle*** – In order to realign incentives for countries to borrow from the multilateral development banks for regional integration and shared cross-border projects, a portion of the fund would be used to lower the cost of borrowing for coordinated cross-border infrastructure projects. This will incentivize cross-border cooperation in the design, execution and successful completion of such projects.

3. ***Technical assistance to support regulatory harmonization and increased efficiency and security at border crossings*** – Important gains in infrastructure hardware must be matched by cross-border regulatory “software” harmonization, requiring relevant institutional and public sector capacity building in order to maximize efficiency gained from each project. In addition, funds will be made available to build public sector capacity to structure viable projects and manage their construction and operation.

This small but potent U.S. contribution will help leverage the IDB’s own resources and support the institution’s commitment to increase its lending for regional integration to 15 percent of annual lending. The United States is working with partner countries to join us in expanding the Fund’s resources.

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