

Strengthening Economic Management

The 1997-98 financial crisis in East Asia and in emerging markets has underlined the need for sound economic management based on market forces and a strong private sector. The Secretariat supports the efforts of member countries to strengthen this management through policy advice and assistance with implementation of policy in the areas of debt management, private sector development and exploitation of mineral, petroleum and marine resources.

Much of this advice is delivered by the Secretariat's in-house CFTC professional staff and CFTC-funded experts are also provided on a short- or long-term basis.

Debt Management

Demand for advisory services both in policy and training in debt management has continued to be high, especially in the areas of debt sustainability and strategy, monitoring of private debt, handling Euro conversions of loans and institutional reorganisation and strengthening. The Secretariat organised six regional workshops and one in London, some jointly with other international institutions. A compendium on effective domestic debt management was produced to assist countries whose financial markets are not fully developed and whose domestic debt is reaching unsustainable levels.

The Secretariat has been active in generating international support for debt relief for heavily indebted poor countries (see Chapter 4). In

the past two years, country specific missions to assist with debt management went to Barbados, The Gambia, Ghana, Guyana, India, Jamaica, Kenya, Lesotho, Maldives, Mauritius, Mozambique, Namibia, Papua New Guinea, Seychelles, Sierra Leone, South Africa, Tanzania and Tonga.

A new version 7.2 of the Commonwealth Secretariat Debt Recording and Management System (CS-DRMS), which includes integrated links to the World Bank's Debt Sustainability Model (DSM+), is being released to the 50 member countries, overseas/associated territories and non-Commonwealth countries who use the computer software. South Africa is the latest member country that has requested its usage and hotline support services are used frequently. Special missions have been undertaken to assist in introducing CS-DRMS in a networked hardware environment and about 150 staff members – about one-third of them women – were trained in usage in this review period.

Development has continued in the modernisation of CS-DRMS 2000+, scheduled for release in the latter half of 2000.

Debt Sustainability

A common theme underpinning the Secretariat's advisory programme in debt management is to assist countries to achieve and maintain debt sustainability – the ability to service all borrowing of both the public and private sectors. This applies to countries

Sound economic management creates growth and dispels poverty



that are saddled with a huge debt burden as well as those that are opening up their economies and may face a more volatile economic environment.

Maintaining sustainable debt levels allows countries to reap the benefits of productively using the proceeds from borrowing while at the same time ensuring that they are able to meet their debt service obligations without jeopardising economic development goals.

The Secretariat therefore lays great emphasis on strengthening the debt management framework in Ministries of Finance and Central Banks. It does this by helping to improve the institutional arrangements for debt contracting and monitoring, strengthening skills of local staff, building and maintaining databases on various types of debt, and guiding countries to develop sound debt strategies and policies.

While the Secretariat has taken the lead in the review of the Heavily Indebted Poor Countries

(HIPC) Initiative, at country-level, its advisory programme is assisting countries such as Malawi, Mozambique and Tanzania to learn the techniques of measuring debt sustainability to enable them not only to access debt relief but also to become an integral part of effective debt management operations.

In October 1998, the Commonwealth Secretariat, UNCTAD and the World Bank signed a Partnership Agreement to work jointly in the area of assisting countries in undertaking debt sustainability exercises. An integral element is to jointly develop, disseminate and train country staff in the special computer software introduced for this purpose called DSM+, which has links with the Commonwealth Secretariat Debt Recording and Management System (CS-DRMS).

Debt sustainability concerns were also triggered by the 1997-98 East Asian financial crisis which spread to other countries. The crisis

underlined the need for countries to have efficient debt information systems for monitoring their debt situation and ensuring that borrowing remains sustainable. It also raised questions on the traditional ways of measuring and achieving debt sustainability. The Secretariat has been making inputs to an Inter-Agency Task Force comprising, among others, the IMF, the World Bank, the Bank for International Settlements and the OECD to look into ways of producing better debt information standards.

A special focus is on improving the monitoring of private capital flows including short-term debt, as well as on improving domestic debt operations. In these areas, the Secretariat has worked jointly with the Macroeconomic and Financial Management Institute (MEFMI) for Eastern and Southern African Commonwealth countries as well as in Kenya, India and Guyana.

A country's ability to handle a variety of different portfolios in

New Plus for Managing Debt

In response to the changing economic and financial environment and advances in new technology, the Commonwealth Secretariat Debt Recording and Management System (CS-DRMS), currently being used by 50 countries – both within and outside the Commonwealth – is being redeveloped as part of a three-year modernisation plan.

Scheduled for release in the year 2000, the new CS-DRMS 2000+ software will be fully Windows-based and is being designed to work on popular platforms such as Oracle, Informix and Microsoft SQL. The new software will be easier to integrate in the existing IT environment of countries, making it more accessible to a wider range of users, including senior managers and policy-makers.

CS-DRMS 2000+ will build on the strengths of the existing debt management software and will enable countries to better meet their needs. The new software will allow countries, especially those that are gradually liberalising economically, to manage, in a more effective and integrated manner, various types of portfolios – external and domestic; public and private; short-term and long-term; as well as government on-lending.

More powerful analytical tools will be incorporated to enable managers to assess sustainability of various flows, evaluate risks faced by debt portfolios and develop strategies to ensure that debt levels remain sustainable. Improved linkages with other systems, including the World Bank's Debt Sustainability Model (DSM+) and Debtor Reporting System, will also be available in CS-DRMS 2000+.



More powerful analytical tools for the debt management software

an integrated manner is expected to improve with the introduction of CS-DRMS 2000+.

Private Sector, Capital and Financial Market Development

Since the 1980s, the Secretariat has provided support for privatisation programmes in member countries. This has been broadened over the years to include the development of the private sector and strengthening the state's ability to facilitate that development. An increasing number of member governments request advice on privatisation and for the facilitation of the mobilisation of private capital for development.

In the past two years, regional workshops have been held for senior officials in Africa and the Caribbean on privatisation issues, including the restructuring of public enterprises, the regulation of privatised utilities and issues relating to financial sector reform. Advice has also been

given on the privatisation of specific enterprises, such as the lake transport services of the Tanzanian Railway Corporation, and assistance has been given to member countries to develop their domestic financial and capital markets.

Regulatory legal frameworks for collective investment schemes were prepared for the Government of Uganda. Similar regulatory subsidiary legislation was also prepared for Ghana, and for Maldives (regulating the trading of securities and improving the regulatory framework for companies), Tanzania (for governing mergers and acquisitions) and Brunei Darussalam (insurance industry).

The Secretariat has assisted governments on aspects of financial sector reform and macroeconomic management. It has advised the Government of Zimbabwe on bank restructuring and the Eastern Caribbean Central Bank on improving the payments systems in its member



The successful development of mineral and petroleum resources is highly dependent on large amounts of capital and sophisticated technology

The CFTC: Development on Demand

The Commonwealth Fund for Technical Co-operation, which was established in 1971, has retained as its primary aim the promotion of economic and social development. Often called the developmental arm of the Commonwealth Secretariat, the CFTC provides technical assistance and support through Secretariat programmes which focus on accelerating economic growth and public sector reform, alleviating poverty, strengthening infrastructure and institutions, providing policy advice and building the skills base of member countries.

It does this through the provision of:

- ❖ experts – meeting long- and short-term needs in many fields;



The CFTC has helped industries, such as this rubber reclamation project in Kenya

countries. It organised a successful workshop in Kenya on bank restructuring for operators from the industry across Africa.

The Secretariat continues to assist governments in integrating gender concerns into national budgetary policies and procedures. South Africa, Sri Lanka, Barbados, Fiji Islands, and St Kitts and Nevis have been participating in the pilot phase of this initiative (see Chapter 14).

Mining and Petroleum

The successful development of mineral and petroleum resources is highly dependent on large amounts of capital and sophisticated technology, both of which are in short supply in most developing countries and must usually be obtained from multinational corporations. In the face of increasing international competition for investment, Commonwealth member governments must find ways of improving their invest-



Methane embedded in coal fields could provide a new source of energy

ment environment to attract foreign capital flows on terms that promote and protect their long-term national interests.

The Secretariat's in-house economic and legal advisers assist member governments in developing the relevant policies, legal, economic, fiscal and contractual frameworks to attract new private

- ❖ training – through workshops, seminars and other programmes; and
- ❖ in-house consultancy services – giving economic, legal and policy advice directly to governments, management advice to accelerate public service and public sector reform, and the provision of consultants to assist in various aspects of economic development.

Since mid-1997, CFTC support has included:

- ❖ more than 580 long- and short-term experts and consultancies assigned to 53 developing countries or overseas/associated territories and to regional organisations;
- ❖ more than 7,000 participants from 50 developing countries and 10 overseas/associated territories trained in courses, workshops and seminars;
- ❖ 14 member countries and 1 overseas territory assisted in the development of their mineral and petroleum resources;
- ❖ more than 100 public sector reform assignments undertaken in 36 Commonwealth countries; 5 countries and 1 regional organisation assisted in defining maritime boundaries;
- ❖ 57 projects in export, enterprise and agricultural development undertaken in 29 developing countries;
- ❖ 16 joint ventures established in export promotion programmes; and
- ❖ CS-DRMS debt management system in use in 38 Commonwealth countries, 5 overseas/associated territories and 7 non-Commonwealth countries.

About 60 per cent of the CFTC's technical assistance is channelled to

the 32 member countries classified as small states (see Chapter 5).

The CFTC's funds come from voluntary contributions from member governments, who in turn can draw upon the technical skills and assistance offered. In 1998/99, the contributions to the Fund stood at £20.5 million.

risk capital for the exploitation of their petroleum and mineral resources. They also offer impartial advice to governments on investment issues and negotiations and participate, as part of government negotiating teams, in talks with mining and petroleum companies.

Since 1997, they have assisted 17 member countries in this area, about half of them small states. New mining projects were initiated in The Gambia, Guyana, Mozambique and Namibia and new petroleum projects initiated in India, Pakistan, Tanzania and Uganda.

The Secretariat's activities reflect an increasing concentration on the development of known petroleum and mineral deposits (which hold the prospect of more immediate and certain economic and social benefits), including the development of gas-to-electricity projects. Thus, in Namibia, Tanzania and Zimbabwe assistance was provid-

ed to governments to negotiate major mineral and gas development arrangements with foreign investors. Advice was also offered in relation to the possible development of deep-sea mining and coal-bed methane operations in the Cook Islands and India respectively. Assistance was given to Trinidad and Tobago in the formulation of a licence for a major project involving the liquefaction and export of natural gas.

Workshops were conducted for senior government officials in Solomon Islands and Zimbabwe on enforcement of mining taxation provisions and implementation of mining legislation and investment agreements.

Gender concerns were addressed in mining and petroleum projects through the encouragement of the participation of women officials in policy discussions and workshops and through the drafting of gender neutral legislation and agreements.

Maritime Boundary Delimitation

The Secretariat runs a programme of assistance for Commonwealth states, especially small island states, seeking to maximise returns from their maritime resources within the areas over which they have sovereign rights. This assistance includes the preparation of hydrographic and technical reports, the updating of legislation in conformity with the United Nations Convention on the Law of the Sea, the preparation of negotiating briefs and assistance with the negotiations of bilateral maritime boundary agreements. Training of senior officials involved in the negotiation of national maritime boundaries is an essential part of such programmes. Barbados, Grenada, Jamaica, Samoa and Seychelles have received assistance under this programme since 1997.

A study is currently being undertaken on issues relating to

Gold Ridge Mine – Solomon Islands

With assistance from the Secretariat's in-house advisers, the Government of Solomon Islands has concluded a major investment agreement with a foreign mining company for the construction of the Gold Ridge Mine on Guadalcanal Island. Secretariat advisers reviewed the feasibility study prepared by Ross Mining, an Australian mining company, and advised the Government on the legal, financial/taxation, environmental and policy aspects of the project. A Secretariat lawyer and an economist participated as part of the Government's team in negotiations with the mining company to settle the terms for the development and operation of the project.

Following the successful conclusion of the negotiations, the Secretariat



Mining for gold



Officials from L'Agence de la Francophonie and the Secretariat discuss distribution and development of the French version of CS-DRMS

the extended continental shelf, and this will be followed by a high-level workshop for Commonwealth states identified in the study as potential extended shelf claimants.

advisers conducted a workshop to familiarise civil servants with the administrative and regulatory implications of the agreement for their departments. Construction of the mine was completed on schedule in July 1998 at a cost of US\$110 million and gold production started the next month.

Gold Ridge is the first such mine in Solomon Islands. It is producing gold at a rate of 100,000 fine ounces per year and will generate more than US\$100 million in government revenue over its life. It employs more than 600 Solomon Islanders – many of whom are women – who will benefit

from training programmes at home and abroad to upgrade their technical and managerial skills.

On a world scale, Gold Ridge ranks as medium-sized. Exploration nearby, however, has confirmed further gold deposits which will extend the mine's life. Plans to expand the mineral processing facilities at the mine are at an advanced stage. The Gold Ridge project is significant for the long-term development of the mining sector in Solomon Islands in so far as its successful execution has caught the attention of other investors looking to develop similar projects in the country.