

MANAGING ECONOMIC CHANGE

Of the 51 Commonwealth members, 47 are developing countries, for the most part engaged in finding ways of developing their economies and reducing poverty. For them, progress in social and economic development is indispensable for the stability of their political institutions and continued adherence to the Commonwealth's fundamental values.

Policy-makers in many member countries have been implementing bold structural adjustment programmes with the support and encouragement of multilateral financial institutions. The short- and medium-term costs in socio-economic terms have sometimes been high. The Commonwealth can help them to implement economic reform programmes, to address their large debt problems and benefit from the new international trade agreements.

The Secretariat does this through promoting consensus and policy development on national and international economic issues, helping governments achieve sound economic management based on market forces and promoting private sector development and investment flows. In addition, it undertakes specific activities to support members' development efforts.

The main forum for building pan-Commonwealth agreement on economic policy is the Commonwealth



On the fast track for growth... here Singapore leads the way

Finance Ministers' Meeting, held just before the annual International Monetary Fund (IMF)/World Bank meetings. The ministers focus on special themes, often on economic reform and the effects of reform packages on national economies, and on debt. The special theme for 1994, the year marking the 50th anniversary of the Bretton Woods Conference, was 'The Bretton Woods Institutions and the Commonwealth Experience'. Among other issues, ministers discussed how vulnerable groups could be protected from the impact of economic policy reforms.

The Secretariat, meanwhile, continues to offer practical assistance to governments in managing economic change. In 1993/94, a new Management of Economic Policy Reforms Programme was initiated by the Secretariat at the Indian Institute of Management in Ahmedabad. This CFTC-funded programme is designed to develop a cadre of top civil servants responsible for administering complex economic reform programmes in their countries. The programme has since developed into a joint project with the University of Nairobi, Kenya, and in two years more than 50 top civil servants have been trained in Ahmedabad and 40 in Nairobi from 28 different Commonwealth countries. Workshops for policy-makers have also been held and research covering eight Commonwealth countries generated 11 case studies on economic management which are used both as teaching materials and as examples of policy formulation.

In response to requests from governments, the Secretariat has shifted emphasis in 1995 and is sponsoring, through the CFTC, regional policy workshops dealing with issues related to post-structural adjustment strategies for developing countries to manage the challenges of the global market.

The Problem of Debt

The debt burden of the poorest countries has been of special Commonwealth concern for many years.

British initiatives at the Commonwealth Finance Ministers' meetings in 1987 (resulting in the 'Toronto terms') and 1990 (the 'Trinidad and Tobago terms') have substantially assisted in influencing the Paris Club to increase debt relief. For a number of countries, however, even the full implementation of the Trinidad and Tobago terms would not be sufficient to ease their debt position.

At their meeting in Malta in September 1994, the Finance Ministers welcomed the proposal by the British Chancellor of the Exchequer that multilateral debt be further eased by offering easier repayment terms on concessional loans from the IMF's Enhanced Structural Adjustment Facility to the poorest, most indebted countries which have shown the greatest commitment to economic reform. He proposed that such a scheme be financed by the returns on investment from the phased sales of a small part of the IMF's gold reserves.

Since then, this proposal has been further elaborated with respect to the debt owed to the World Bank and the Secretary-General asked the Group of Seven (G-7) Heads of Government of industrialised countries to give serious consideration to the proposal at their summit in Halifax in June 1995. At the same time, the Secretariat began a review of the multilateral debt problem and the implications of the British Chancellor's proposal.

The Secretariat, meanwhile, continues to offer member countries a package of assistance in debt and aid management based on the Commonwealth Secretariat Debt Recording and Management System (CS-DRMS) software which it launched in 1985. In the past two years, four additional countries, Lesotho, Malawi, Namibia and Swaziland, have become recipients of this assistance and a request from South Africa is being assessed. Altogether, 35 member countries now participate in this programme.

The Secretariat seeks to add value to its work in debt and aid management by collaborating with other agencies. It has a joint project with the Asian Development Bank to provide technical assistance

to 10 South Pacific countries and is providing technical assistance to the Eastern and Southern African Initiative in Debt and Reserves Management (ESAIDARM) to enable it to improve the services which the Secretariat is now providing to countries in that region.

In the Caribbean, the Eastern Caribbean Central Bank is already functioning effectively as a resource centre, assisting the Secretariat in servicing debt and aid management projects in the region and responding to *ad hoc* requests. In the past two years, the Secretariat has also been working with the World Bank in Tanzania and Mozambique on debt management issues.

Increasing priority is being given to assistance in the management of development resources, including aid. A regional seminar on effective aid management, designed to enhance the capacity of governments to develop strategies to improve the efficiency and effectiveness with which they managed these resources, was held in 1994 in Accra, Ghana, with participants from five Commonwealth African countries and Mozambique. Subsequently, one of these countries obtained British Council funding for a similar country-level seminar which the Secretariat was asked to organise.

International Trading System

When Heads of Government met at the Cyprus CHOGM, the Uruguay Round of multilateral trade negotiations had still to be concluded. To press home the importance they placed on a successful outcome to the Round, the Heads sent a ministerial mission to major capitals of the world (Washington, Tokyo, London, Bonn, Paris, Geneva and Brussels) to urge key participants to negotiate positively and flexibly.

The eight-day mission in November 1993 comprised the Hon Branford Taitt, Minister of Foreign Affairs, Barbados; the Hon Dr Kwesi Botchwey, Minister for Finance and Economic Planning, Ghana; the Hon Dato' Seri Rafidah Aziz, Minister of International Trade and Industry, Malaysia; and the Hon Anil K Bachoo, Minister of Trade and

A Decade of Service

The Commonwealth marks a decade of assistance in debt and resource management in 1995. The programme was launched in response to the debt crisis which engulfed a number of countries in the early 1980s and focused attention on the critical need of debtor nations for maintaining up-to-date and accurate records of their debt stock.

In recognition of this need, the Secretariat developed a comprehensive package of advisory services centred around the Commonwealth Secretariat Debt Recording and Management System (CS-DRMS), a software package developed in-house with CFTC funding. The package is now in operation in 40 Commonwealth and nine non-Commonwealth countries across 75 sites.

The programme of advisory services itself has also matured and is now focused on providing assistance in the following areas: policy advice on the contracting and management of debt, including debt rescheduling; advice on establishing aid and debt management units and on the necessary institutional arrangements; capacity-building for operational senior staff through training and seminars; and provision of the CS-DRMS software along with related documentation and training.

In developing the debt programme, the Secretariat has built a wealth of in-house knowledge and expertise which continues to be recognised and valued by member governments and other international assistance organisations, such as the World Bank, Britain's Crown Agents and Canada's International Development Research Centre (IDRC). This expertise has enabled the Secretariat to establish long-term co-operative relationships with these organisations.

A number of activities have been organised jointly by the World Bank and the Commonwealth Secretariat, including the establishment of the

Eastern and Southern African Initiative in Debt and Reserves Management (ESAIARM) to which the Secretariat provides technical assistance. The Crown Agents and IDRC have both signed licensing agreements with the Secretariat for the supply of CS-DRMS to non-Commonwealth countries. Under these agreements, IDRC has already established debt projects in Bulgaria, Thailand and Laos. The Crown Agents is in the process of establishing a project in Nepal and other Eastern European countries have expressed a strong interest.

Secretariat collaboration with the IDRC has included IDRC funding of the development of a French-language version of the CS-DRMS software for use in Francophone countries. This version, which was released in 1994, has already been installed in Benin, Cameroon and Mali.

In the delivery of services, a strong emphasis continues to be placed on capacity-building. Regular training courses dealing with debt issues and the use of CS-DRMS for debt management continue to be organised. In the two years since mid-1993, two such courses were held in London in addition to regional courses in The Gambia and Namibia. Two executive-level programmes in debt management strategies and techniques were also held in India in collaboration with the Institute for Financial Management and Research.

In view of the continuing demand for Secretariat expertise in this area, the overall programme itself continues to evolve to reflect changing needs and developments in the debt situation. To mark the tenth anniversary of CS-DRMS, in June 1995 the Secretariat arranged a meeting of 25 advanced users of CS-DRMS representing 20 countries and other international organisations in London. This meeting took stock of experiences gained in the past decade, and 'brainstormed' future directions for the programme and the future development strategy of the CS-DRMS software.

Shipping, Mauritius. They were accompanied by the Commonwealth Deputy Secretary-General (Economic and Social Affairs). The mission ensured that the voice of the Commonwealth did not go by default.

The successful conclusion of the Round in December 1993 renewed confidence in the multilateral process among Commonwealth countries. It also gave an impetus to greater integration of the developing countries into the multilateral trading system, and heralded increased market liberalisation and a strengthened set of rules and institutional structures, including the transformation of the General Agreement on Tariffs and Trade (GATT) into the World Trade Organisation (WTO).

The Secretariat is seeking to promote consensus on most items on the post-Uruguay Round agenda by a series of analytical reports and consultations. It is examining the implications of the Uruguay Round for the economies of member countries and assisting them to formulate policies to take advantage of new trading opportunities. Policy advice and assistance were provided to seven member countries, Bahamas, Kiribati, Papua New Guinea, Seychelles, Solomon Islands, Tonga and Tuvalu, on the merits and procedures for acceding to the WTO. As a result, Papua New Guinea and Solomon Islands have decided to apply formally for WTO membership and the others have the matter under active consideration.

The Secretariat has also responded to requests from governments on new issues on the international trade agenda. Preliminary work was started on trade and environment, which is being examined by the WTO. Particular attention is being paid to the future of preferential trading arrangements benefiting developing countries. The Secretariat was instrumental in mobilising support among non-ACP (African, Caribbean and Pacific Group) Commonwealth countries for the EU-ACP request to obtain a GATT waiver for the Lomé Convention. The waiver would ensure the continuation of Lomé IV up to the year 2000 without being challenged in the WTO.

The Secretariat supported the ACP Secretariat

in the negotiations with the EU on a mid-term review of Lomé IV in the context of the Uruguay Round. Trade policy options for Caribbean member countries in the context of the North American Free Trade Agreement (NAFTA) and Free Trade for the Americas have also been examined.

Regional Co-operation

The lack of effective implementation of agreed protocols and decisions has been identified as one of the major problems hindering regional co-operation and integration in developing countries. Some of these agreements are too ambitious and do not take sufficient account of the political, economic and cultural realities of the member states.

At the request of the Economic Community of West African States (ECOWAS), the Secretariat is assessing the impediments to implementing the trade facilitation measures adopted by ECOWAS member states. Its recommendations will be presented to a meeting of senior government officials and private sector representatives.

In other regions, work is being undertaken to provide an assessment of the economic implications of intra-regional trade in the Southern African Development Community (SADC) countries. The findings of the assessment will be reviewed at a SADC expert group meeting in March 1996 and a SADC ministerial meeting two months later.

Monitoring International Development Policy Issues

The Secretariat helps small or poor Commonwealth countries which are unable to be represented at key fora by monitoring major developments in international discussions and negotiations on economic and development issues and reporting on them in its quarterly publication, *International Development Policies*. Through this journal, policy-makers in Commonwealth capitals, economic officials in major international institutions and other subscribers are kept up-to-date with the increasingly complex and numerous developments at UN bodies, the Bretton Woods institutions and the WTO.

Trade Policy and Promotion Assistance

In the aftermath of the Uruguay Round, the Secretariat has continued to support member governments' efforts to expand, diversify and make better use of their trading opportunities. Attention has focused particularly on three activities: pan-Commonwealth, regional and country-level assessments of the implications of the Uruguay Round; exploring ways of promoting greater involvement of the private sector in trade policy formulation and implementation; and identification and exploitation of new export markets.

Conscious of the technical complexity of the Uruguay Round agreements and of the human resource constraints faced by developing countries, the Secretariat has sought to help them with the interpretation and implementation of these agreements. It has prepared a number of analytical and policy-oriented reports and supported national workshops in Jamaica and Lesotho. It has also supported regional workshops in Zimbabwe for Commonwealth countries in Africa, organised in collaboration with UNCTAD,

and in Jamaica for Caribbean members. The private sector fully participated in the workshops.

Given that the full implications of the impact of the Uruguay Round agreements will become more evident with their implementation and that further negotiations in a number of areas have already been scheduled, the Secretariat has helped member governments to become more involved in the WTO process. Furthermore, the WTO has a much broader remit than the GATT and the requirements of its membership leave no room for choice in observing obligations.

For a number of developing member countries, Uruguay Round agreements will involve transitional costs of adjustment. The Secretariat is seeking to mitigate these costs, especially those associated with the erosion of preference margins and possible higher costs of food imports, by, for example, supporting efforts to improve the trade protocols of the Lomé IV Convention as part of the mid-term review of that agreement.

Some indications of the likely gains for Commonwealth developing countries as a result of the Uruguay Round are provided in the table below.

Some results of the Uruguay Round*

Sector	Tariff reduction (%)	Commonwealth developing countries with 'high export interest'**
Wood, pulp, furniture, paper	69	Ghana
Metals	62	Sierra Leone, Zimbabwe
Non-electrical machinery	60	Singapore
Mineral products	52	Sierra Leone, Zimbabwe
Electrical machinery	47	Malaysia, Singapore
Chemicals & photographic supplies	45	Jamaica, Namibia
Textiles & clothing	27	Bangladesh, India, Pakistan, Sri Lanka
Leather, rubber	18	Kenya, Nigeria

* Source: Adapted from GATT (1994) **'High export interest' denotes countries where exports of the products cited exceed 20 per cent of total exports