



## Commonwealth Secretariat Framework<sup>1</sup>

1. With 32 small states within its 54-country membership, the Commonwealth has a long-held interest and program of action in support of small developing countries. In recent years, the Commonwealth Secretariat has maintained a strong focus on these countries, with some 60 per cent of total program expenditure under the Commonwealth Fund for Technical Cooperation disbursed through projects which benefited small states. This level of support was sustained despite falling levels of funding for the organization's work.
2. The Secretariat has provided advocacy, policy advice and technical assistance. In particular, pioneering work has been carried out on the vulnerability of small states - the most recent being reported in, *A Future for Small States; Overcoming Vulnerability*. It has also developed a Commonwealth Vulnerability Index for developing countries, showing that small states are more vulnerable than their larger counterparts, and produces a unique, annual report, *Small States Economic Review and Basic Statistics*, drawing from the Commonwealth database and the organization's work on small states' issues.
3. In response to the Task Force report, the Commonwealth Secretariat is committed to maintaining and where possible expanding present, overall levels of support for small states development, in terms of both its advocacy and provision of technical assistance. In so doing, a sharper focus will direct efforts towards the following areas:
4. *Tackling Volatility, Vulnerability and Natural Disasters*. As in its other areas of assistance to small states, the Secretariat will sharpen its advocacy role on vulnerability. Attention will be placed on obtaining commitments from the UN system and the IFIs to define predictable guidelines and criteria for the graduation of countries from least developed (LDC) status. While the World Bank already follows a flexible approach to graduation, some countries (and small states, in particular) feel that there remains considerable uncertainty, which may affect development strategies and foreign investment. On the other hand, there appear to be strong grounds for some small states, presently excluded from access to IBRD funds, to regain their eligibility to borrow from that source. In both cases, justification might be drawn, in part, from consideration of an additional criterion for eligibility, namely, vulnerability. In this regard, use can be made of the Commonwealth vulnerability index.
5. Services will be provided to assist in the establishment of national and regional capital markets, stock exchanges and commodity risk management mechanisms. The

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<sup>1</sup> This text is extracted from *Small States: Meeting Challenges in the Global Economy*, Report of the Commonwealth Secretariat/World Bank Joint Task Force on Small States, Washington DC and London, April 2000.

latter focus follows from the Secretariat's participation in the World Bank's International Task Force on Commodity Risk Management and will contribute to the program of action to implement the recommendations of that group. This is likely to include designation of an international intermediary, identification and training of national entities, development of transmission mechanisms to ensure that benefits from price risk management flow through to small-scale producers, and facilitating the development of commodity price risk insurance markets, involving international development agencies and the private sector. The Secretariat has already provided assistance of this nature in supporting the establishment of local stock exchanges in developing Commonwealth member countries. It is especially appropriate that a number of small states are among those included in the proposed pilot testing of the commodity risk management program.

6. On the environment, assistance is available for the development of regional programs for water resource management (in association with partner organizations), and to develop or strengthen programs on the management of Exclusive Economic Zones (EEZs), coastal zones, fisheries and other environmental resources.
7. *Transition to the Changing Global Trade Regime.* The Secretariat is ready to take the lead in strengthening the existing Commonwealth facility in Geneva, which presently provides support to small member countries in their relations with WTO on notifications, negotiations and use of the Dispute Settlement Mechanism. It is intended that the facility be expanded so as to provide advisory services on new issues in WTO, back-stopping small states during the forthcoming new Round of Multilateral Trade Negotiations. This will best be achieved through a multilateral initiative, perhaps involving the Secretariat, the World Bank, WTO UNCTAD and other partner organizations or donors, with whom discussions can be held in order to carry this forward.
8. The Secretariat will continue to provide support to small states as they negotiate trade agreements and other relations with the EU under the recently agreed successor to the Lomé IV Convention. This will be in close collaboration with member governments, the ACP Secretariat and the administrators of the EU's assistance facilities.
9. *Strengthening Capacity.* The Commonwealth Secretariat will strengthen its support to regional organizations dealing predominantly with small states - e.g. the Secretariats of the Caribbean Community (CARICOM), the Indian Ocean Commission (IOC) and the South Pacific Forum (SPF). This is already in train, in terms of assistance in preparations for the next WTO Ministerial Meeting. It will be extended to other areas of Secretariat competence, where the regional organizations have a particular focus. For example, in the in the areas of government, finance and regulation, this might include matters relating to governance, anti-money laundering measures, investment codes, common taxation regimes, arrangements relating to international financial centers, customs rules and labor mobility.
10. The Commonwealth Secretariat is co-operating with the World Bank and others in the implementation of the Comprehensive Development Framework (CDF). At present, all pilot projects are to take place in large developing countries. Given the problems faced by small states in aid absorption and the institutional constraints in these

countries vis-à-vis traditionally inflexible modes of aid delivery, it seems especially appropriate that some small states should be included in the CDF pilot.

11. *New Opportunities and Challenges from Globalization.* The Commonwealth Trade and Investment Access Facility (TIAF) was set up by Heads of Government at their 1997 meeting in Edinburgh in order to assist developing member countries, particularly small states and least developed ones, to adjust to, and take advantage of, the opportunities presented by globalization and the rapidly increasing flows of world trade and investment.
12. Under the Facility, projects are funded which provide either: (i) policy advice and technical assistance to help countries identify and manage the potential economic and social impacts of trade and investment liberalization, including restructuring strategies, and the identification of new sources of revenue, and new market opportunities; (ii) technical assistance and training in helping to put in place legal and regulatory frameworks to promote trade and investment flows; or (iii) assistance to countries to increase their capacity to participate in WTO negotiations and to meet requirements or standards of WTO agreements and other international trade and investment agreements.
13. It is intended that TIAF be broadened to accommodate an enlarged, specific focus on small states. Attention will be directed toward providing policy advice, technical assistance and promoting trade-related investment, as outlined above, as well as facilitating the development of small and medium-sized enterprises. For this purpose, the funding base of TIAF needs to be expanded to include other donor countries, and its operations extended for a further three years. The Secretariat is ready to take a lead in expanding the TIAF.
14. Through the Commonwealth Private Investment Initiative (CPII), initiated in partnership with the Commonwealth Development Corporation (CDC), the Secretariat has already played a lead role in the launch of four venture capital-type funds - in particular, for small states in the Caribbean (the Tiona Fund) and the Pacific (the Kula Fund). The Commonwealth will explore ways to further expand these private capital flows and to develop new instruments to mobilize such financial flows to the benefit of small countries. The Secretariat also stands ready to provide assistance in support of work on disaster preparedness and mitigation. In particular, help can be provided in designing national and regional building codes, which are acceptable to insurers, as a means of opening the way for greater private sector participation in disaster insurance.
15. Finally, following endorsement by Commonwealth Heads of Government, the Secretariat will seek agreement on a mechanism to track the implementation of commitments made by all Task Force partners. Such a mechanism will be designed to review the progress of programs, in close consultation with the partner organizations involved in their delivery. The aim is to ensure that benefits are indeed accruing to small states.