Issue 40, December 2009

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HIPC CBP ACHIEVEMENTS AND NEXT STEPS

Since 1991, Debt Relief International has been helping low-income countries in Africa and Latin America to design national debt reduction strategies and negotiate maximum debt relief, thereby saving billions of dollars in debt service, and allowing governments to spend more on health, education and other development priorities. In 1994-95, it cooperated with MEFMI to train its Eastern and Southern African member states to design their own debt strategies. So when the HIPC Initiative was launched in 1996, DRI was well placed to provide assistance to HIPCs to ensure maximum relief under the initiative. The CBP donors felt strongly that assistance should be provided by sources independent of the BWIs, to avoid any conflict of interest with their roles as creditors.

Making Debt Sustainable
The primary goal of the HIPC CBP was to make HIPCs’ debt more sustainable in order to free budget resources for spending on national development, and remove the debt overhang which was hindering public and private investment. In the early years of the HIPC Initiative (and the first phase of the CBP from 1997), most of support focussed on helping countries to understand potential benefits of HIPC relief for their development, and to advocate their eligibility for the Initiative. For almost all countries declared eligible for the original HIPC Initiative, the CBP was essential in helping national authorities and the BWIs to improve debt data or to calculate debt sustainability accurately. This picture was repeated for a wider range of countries, after the criteria for eligibility were made more flexible under the Enhanced HIPC Initiative.

In addition, the CBP played a key role in helping HIPCs to achieve more than US$1 billion of “topping up” (extra relief if their economic circumstances deteriorated between initial and final assessments of their needs), as well as in accelerating decision and completion point dates for more than 15 HIPCs (through advocacy or by helping them meet debt-related conditionalities). Finally, the CBP played a key role in supporting many countries in preparing or conducting negotiations with the Paris Club and non-OECD bilateral creditors, and in helping countries to pre-empt or defend lawsuits by creditors.

One key means for increasing flexibility in the design and implementation of HIPC and MDRI relief was advocacy. HIPC Finance Ministers through a CBP Network created in 1998. This proved crucial in influencing the design and implementation of HIPC II and MDRI. As Professor Gerald Helleiner says, this “demand-driven, focused and flexibly structured network… successfully strengthened the voice of previously marginalised unheard actors on the global financial stage”.

Building Capacity
However, the HIPC CBP was established not just to increase debt sustainability, but also to build capacity for countries to design and implement their own debt strategies. As described in issues 38 and 39 of this newsletter, independent reviewers and the countries themselves have assessed that the HIPC CBP has achieved a dramatic improvement in country capacity, attaining 90% of the target levels established in programme documents, and in particular training more than 200 officials to the stage where they could themselves train capacity and reform institutions in their own countries and beyond. The fact that countries assessed their own capacity levels (rather than this being done by donors or international organisations) also dramatically increased their ownership and ability to design programmes to fulfil their own needs.

Nevertheless, building capacity has been a constant learning process for countries, implementing partners and donors. At the beginning, all underestimated the need for political leadership, and legal or institutional reinforcement, to make sure that enhanced technical capacity would be used by policymakers giving national teams a mandate to present strategies regularly for approval. By 2000, these factors had been fully incorporated into the programme, leading to more institutional support missions, and policymaker seminars for approval of strategies. These resulted in a large majority of participating countries producing annual analyses, and approval by national economic policymakers, but it continued to prove difficult to have annual strategies included in the budget document and formally approved by Cabinet and parliament.

Training methodologies also developed constantly, again at country demand. They expanded from debt relief issues to encompass macroeconomic forecasting, projections of MDG progress and spending, domestic debt sustainability and market development, and assessment of the quality and effectiveness of external financing. More recently, they have widened to encompass non-concessional external financing, including bonds, export credits and PPPs. They have also developed with new softwares and templates adopted by the international community, including versions of CS-DRMS and DMFAS, Debt Pro, and more recently the LIC-DSF and MTDS – as well as designing templates to enable these different softwares to talk to one another or adapt them to country needs.

On the training side, the most original and successful training was provided by the distance learning programme, which allowed almost 100 students to develop much more in-depth and sustainable capacity to analyse debt strategies and train colleagues. The programme also produced many influential analytical outputs, reflected in a series of publications, newsletters, e-newsletters and on the www.hipc-cbp.org website.

Equally, from the start of the CBP, donors and participating HIPCs, together with DRI, were determined to decentralise functions to organisations owned and run by the countries themselves, to make their capacity-building services more sustainable (because decentralised assistance is more likely to be demand-driven by the countries, and lower cost. One of the proudest CBP achievements has been this successful decentralisation – including to organisations with did not exist (Pôle-Dette) or had not been helped countries with in-country debt strategy support (CMLA, WAIFEM) pre-1999.

Future Challenges
As of the end of 2009, most participating countries have moved beyond the HIPC process. They now require new types of assistance – on less concessional external borrowing, domestic debt, and managing aid – if they are to keep their debts sustainable. They also need genuinely capacity-building assistance to ensure that they can use for themselves the tools developed by the Bretton Woods Institutions such as the LIC-DSF and MTDS, rather than depending

See N. Woods and L. Martinez-Diaz, ‘Networks of Influence’ (OUP 2009), Chapter 7.

(Continued on page 14)
T he FPC CBP began in 2001, and ended in September 2009. It sprung from strong demand by developing country governments, and its goal was to improve their ability to design policies to increase and stabilise foreign private capital inflows, and maximise their contribution to development and poverty reduction. It aimed to achieve this in two ways:

- By increasing country capacity to monitor, analyse and design policies relating to foreign private capital; and
- By enhancing capacity in regional organisations to provide institutional, training and hands-on technical support to member countries.

Progress by Phase

The pilot phase (2001-02) assisted 8 Anglophone African and Caribbean countries. According to the independent review for donors, it yielded striking improvements in monitoring and analytical capacity, by enhancing cooperation among public sector agencies; executing much more user-friendly enterprise surveys; enhancing public sector dialogue with and analytical feedback to the private sector; and thereby increasing private sector response to surveys and policy dialogue with governments.

Phase 2 (2003-06) aimed to enhance non-survey data, accelerate transfer to countries and ROs, and ensure that data and analysis were used for policy formulation. It supported 9 countries, including Francophone and Hispanophone pilot countries. The review concluded that the programme had met almost all its goals, including:

- A dramatic improvement in BOP/IIP data (although data timeliness was a problem)
- Much deeper and higher quality analysis, and higher take-up of recommendations
- Strong reinforcement of institutions, and therefore transfer to participating countries
- Accelerated transfer to 2 of 4 ROs (others had only pilot country experiences).

Phase 3 (2007-09) aimed to cement country and RO capacity, increase implementation of policy recommendations, and raise global awareness of programme achievements. It supported 21 countries in the BCEAO/BEAC, CEMLA, MEMF and WAIFEM regions. Its evaluation is still in progress, but Steering Committee reports show:

- Capacity embedded in existing countries, and considerably enhanced in new ones, including enhanced timeliness, and improved data quality assessment/validation.
- Improved dissemination of findings with the private sector, leading to increased and more stable inflows and more dialogue on FPC’s contribution development.

There was less progress in developing formal policy action plans (a goal introduced only in phase 3); using non-survey reporting mechanisms (because countries have found that they cannot be used to produce FPC data); making data outputs more timely (because countries have been reluctant to move to sample surveys); or ensuring each country has a team of trainers to train new staff (owing to high staff turnover in some countries).

Analytical Outputs

In addition to the capacity-building achievements of the programme, it has also produced vital and original analytical findings which have influenced policymakers and other stakeholders in the participating countries and worldwide, notably that:

- FPC was much higher than previously thought, with higher debt-to-equity ratios, and unanticipated exposure to short-term instruments (particularly intra-company borrowing), and large amounts coming from non-OECD sources.
- Investor perceptions of policies (and intentions to increase flows) were surprisingly positive, with the main concerns being cost and availability of local credit, cost and quality of infrastructure, and the need to train skilled staff and combat diseases.

For the latest analytical results, see the forthcoming FPC CBP Publication.

Future Challenges

In spite of these achievements, the global financial crisis shows that developing country capacity is only one determinant of the stability and development contribution of FPC. Countries need to enhance their capacity further, by developing early warning systems to track and respond to global shocks, but the international community must also pay more attention to promoting global stability and a development focus of FPC.

In addition, many countries, notably in the CFA Franc Zone, have joined the programme only in 2008 and therefore require further assistance to consolidate their capacity. Forthcoming revisions to global data codes and standards require updating of CBP methodology to ensure that capacity is cemented. There is also a need to provide ongoing future regional training to combat staff rotation, as well as to ensure that countries shift to faster “sample” surveys to improve timeliness, and to link policy recommendations more formally to action plans (without implying conditionality).

Another consistent challenge has been insufficient core donor funding. This resulted in phases 1-2 in a 33% shortfall in country coverage, and undermined progress in some countries due to delays in disbursements of donor cofinancing. Participating countries and regional organisations have contributed rapidly growing funding themselves, but this commitment together with that of donors will need to be enhanced if regional organisations are to take over control of the programme, ensure sustainable capacity and maximise the contribution of foreign private capital to development.
Since 2001, CEMLA has been helping its member states to improve debt management and monitor private capital flows in line with best international practices through the HIPC-CBP and FPC-CBP. Donor reviews of these programmes demonstrate that they have had a high level of success. The different activities implemented allowed CEMLA to develop a global reputation for building capacity in these areas. As a result, it is working increasingly in partnership with other providers of capacity-building support to its member states, including the Commonwealth Secretariat (COMSEC), Inter-American Development Bank (IADB), International Monetary Fund (IMF), United Nations Conference on Trade and Development (UNCTAD) and World Bank (WB). Most recently it has become a partner in the World Bank’s Debt Management Facility (DMF), for which the manager of the CBPs at CEMLA chairs the Technical Advisory Group.

The current financial crisis has dramatically increased debt-related vulnerabilities and rollover risks, for a wide range of CEMLA’s member states. Furthermore, at the same time as countries need to borrow more to finance their development plans and the MDGs, new borrowing availability and terms in international markets have become much more problematic, and grant flows have not risen as hoped. In a seminar hosted by CEMLA in March 2009, its member states stressed that – although they are better prepared than in the past due to their higher capacity – the crisis is having a dramatically negative impact on their economies through declining FDI, trade credit, access to capital markets and remittances.

In response to their demand, CEMLA has designed two enhanced medium term regional programmes to assist its member states to:

- Promote sustainable private capital flows, foresee and respond more effectively to financial crises, and meet the latest global codes and standards (Enhanced Private Capital Management Programme).
- Design and execute their own debt and new financing strategies, in order to maintain their debt sustainability while responding more effectively to the effect of financial crises. (Public Debt Management Capacity Building Programme).

The main features of these programmes being proposed to Donors are explained below.

Public Debt Management Capacity Building Programme (PDM-CBP)

Building on past experience, programme activities will be entirely demand-driven. Countries will define the content of support received, and CEMLA will consult them regularly to refine priorities, to ensure activities lead to results and sustainable capacity.

Countries have identified the following Debt Strategy Formulation and Implementation components as priorities: overall debt strategies, including external borrowing and renegotiations, domestic debt financing, debt sustainability analysis at Central and Sub-national Government level, and legal and institutional frameworks to support debt strategy. Cost and risk analysis will also be implemented with the IMF and World Bank.

The programme will coordinate activities among all interested member states of CEMLA, through a network to exchange and develop best practices, in order to maximize ownership and encourage support among countries. In terms of providing in-depth support, it will target lower-middle and low-income countries, based on their demand and readiness to enter the programme.

The main capacity building activities will be country interventions (workshops and missions) to enhance the ability of countries to design and implement debt strategies and regional workshops to test new methodologies or to exchange technical experiences and best practices.

Enhanced Private Capital Management Programme (PCMP)

To build on the successes of the FPC CBP and ensure regional sustainability, the proposed Programme will focus on:

- Encouraging sustainable capacity and institutional structures at the national level;
- Widening the number and increasing the skills of the regional pool of experts; and
- Raising awareness of programme outputs at regional and international levels while coordinating with related initiatives, to maximise value added in a non-duplicative way; and
- Gradually phasing out DFI and any other external support.

A particular effort will be made in this programme to mobilise new methodological contributions from more advanced Latin American economies, as well as to cover more complex financial products which have played a key role in transmitting the financial crisis, and to establish data-based early warning systems for financial crises.

The methodology envisages 4 broad capacity building components: improving legal and institutional frameworks; enhancing the scope and quality of surveys of private investment flows and stocks, investor perception and corporate social responsibility; providing enhanced analysis tools; and lending support for the design of policy recommendations and their implementation via policy action plans.

Due to extremely high demand for assistance, it will be necessary to prioritize those countries that have been receiving support from the Programme already, and those that have expressed a strong desire to join the Programme.

Support will be delivered via annual regional workshops and country project cycles as well as individual technical support missions, as well as through enhanced information products and technical methodological tools.

Overall Governance, Management and DFI Support

Each Programme is designed based upon a logical framework that provides a clear and concise summary of the programme and the results to be achieved for all stakeholders. It will be managed by CEMLA, with the support of a Stakeholder Advisory Council (SAC) comprising CEMLA, donors, senior officials from beneficiary countries and DFI. DFI will provide technical support to the programmes through inter-regional methodology development, a website and electronic mailings, and a debt distance learning programme. CEMLA will continue to manage the Programmes with high quality and transparency using the latest tools and procedures defined with Donors, as well as to coordinate activities with other TA providers in order to avoid duplication of efforts.
MEFMI PLANS FOR THE FUTURE

Debt Management
MEFMI is committed to continue to address capacity building needs of member states in sovereign debt management, in line with the Phase Three MEFMI Project Document and the strategic plan for 2007-2011, in areas including but not limited to database management, institutional and legal aspects, policy and strategies.

Institutionally, MEFMI will build on its existing good procedures for human and financial resource management. The existing MEFMI secretariat structures will accommodate demands: the Debt Management Programme at MEFMI has 3 professional staff headed by a programme director.

Technically, though recent institutional changes and staff movements have reduced capacities in some member states, regionally expertise is available in all areas of debt strategy formulation and MEFMI has the capacity to facilitate any activity. This has been facilitated by MEFMI's Fellows Development Programme which has trained 10 fellows on debt strategy, as well as training for trainers’ events and the CBP Distance Learning Programme.

MEFMI uses a number of products to disseminate information to its stakeholders, including a newsletter and website. The institute is currently improving the website to make it more easily accessible, and absorb information previously handled by HiPC-CBP website.

MEFMI member states have committed to continue to support the institution, by paying their contributions in time and co-financing country events, including through local donors who finance capacity building in debt management. The current financial partners of MEFMI have all committed to fund the institute up to 2011 and the institution is working towards diversifying funding sources to ensure sustainability in the future.

MEFMI faces a number of future challenges. At the country level, these include changing debt management needs in the region:

- Mobilising more appropriate financing for national development plans by developing deeper understanding of donors’ policies and procedures, and formulating policies on new financing and aid as well as debt.
- Strengthening debt strategies and analysis of creditor financing offers, to avoid relapses into unsustainable debt positions.
- Developing capacity to manage domestic public debt, including developing domestic debt markets.

At the global level, there are new initiatives to consider. MEFMI will need to coordinate closely with the World Bank and the IMF in building capacity for conducting DSA using DSF, and using the DeMPA and MTDS tools. It will endeavour to ensure that there is effective skills transfer and country adoption, as well as to develop capacities at the secretariat and regional level in the use of the new tools.

The focus of work will be on country level intervention for maximum impact, with regional workshops limited to disseminating new tools/methodologies. Three regional workshops in 2010-11 will target officials and regional trainers to integrate DSF, DeMPA and MTDS tools with the HiPC-CBP methodology. In addition, MEFMI will train 2 Fellows, 3 Trainers and 8 Distance Learning students in debt strategy. It will also conduct country follow-up missions to review institutional frameworks; implement reforms; and conduct country specific MTDS and DSA analyses.

Foreign Private Capital
MEFMI has fully institutionalised FPC-CBP activities as part of its overall capacity building programme in the region, within its 5 year strategic plan (2007-11). During phase 3 of the FPC CBP, MEFMI has been increasingly running regional and in-country activities using regional human and financial resources.

MEFMI member countries have made considerable progress in monitoring and analyzing private capital but significant challenges to attain regionally harmonized, timely and reliable statistics. The medium term focus is to improve methodology for collecting, analyzing and sharing data within and among member countries. Key areas include:

- Dialogue with member countries to design regional solutions on PC data and methodology. This would include common concepts and benchmarks in measuring investment, as well as harmonised collection instruments and methodology.
- Encouraging member countries to better understand data collection processes and the needs for improving their collecting systems.
- Recognizing the different levels of capacity development in the region and the need for more advanced countries to provide assistance to others.
- Adhering to international standards: BPM6; ISIC 4; GDDS/SDDS; IMF CDIS.
- Identifying opportunities for incorporating non-survey sources more extensively.
- Using advanced Information and Communication Technology (ICT) methods to implement best practice in data recording and management.

MEFMI intends to collaborate with all key partners, in order to adopt best international practices. It is already working with the IMF in other programmes including GDDS and CDIS, and will spearhead new partnerships with COMESA and UNCTAD.

Some member countries have attained financial sustainability by conducting enterprise surveys using locally mobilised funds. MEFMI management will continue to sensitize countries to the need to sustain data collection and analysis using locally mobilised funds.

For technical sustainability, one staff member is employed specifically for FPC activities at MEFMI Secretariat in Harare, while two other staff members can backstop. MEFMI has since 2007 planned and executed all activities using increasingly regional technical and financial resources. At regional level, MEFMI has already built up a cadre of experts to conduct technical missions. To improve future capability, MEFMI has recruited 4 fellows who will be trained to master the area of private capital monitoring and analysis, over 18 months. Regional training on methodology is also planned for 2009-11.

The MEFMI Secretariat decided in 2007 to develop a Private Capital Monitoring System (MEFMI-PCMS). It aimed to design an IT solution that would facilitate timely and efficient capture and processing of FPC data, also allowing data-sharing at country and MEFMI regional levels. Significant progress has been made in finalising the MEFMI-PCMS with complete handover of the system planned for end 2009. The software is already operational and member countries are now accessing it at www.mefmipcis.org.
PÔLE DETTE AND BCEAO/BEAC PLANS FOR THE FUTURE

Debt Strategy

Within the framework of the joint BCEAO/BEAC programme to build capacities in Central and Western Africa, the debt management project executed by Pôle-Dette since 2000 will finish its second phase at end-2009. All evaluations of the project have indicated strong ownership by national debt management agencies, as well as a major impact on most of the beneficiary countries, including: improved debt management laws and institutional structures in many states, improved debt data recording, and the regular execution of debt strategy analyses by almost all members. The adoption in 2007 by CEMAC and UEMOA and in 2008 by the Union of Comoros, of new public debt management framework regulations, marked a major step forward, and showed the determination of member states to adopt international best practices.

Nevertheless, in spite of strong regional progress, individual country performance varies: 1 country has reached international standards and 6 are close, but 8 have some way to go. It is therefore essential to continue the project, to cement capacity in more advanced countries, and accelerate progress in others. This will include legal and institutional reforms, increased coordination of debt management with macroeconomic policy, and debt database improvements. It will also be vital to reinforce a culture of responsible debt management, to maintain long-term sustainability of debt and public finances. To pursue these goals, a longer period of 5 years (2010-2014) is proposed.

The main challenges in the next phase will be to reinforce expertise in formulating and implementing public debt strategies, as well as wider debt management; and transparency and governance of debt management. The project will take into account the specific needs of countries which have fiscal surpluses, as well as 3 new non-Franc zone member countries (Burundi, Democratic Republic of Congo, and Guinea).

The goal of phase 3 will be for all countries to reach international best practice, so that:

1) Each country will adapt to its own circumstances, best international practices on the institutional, strategic and operational management of public debt;

2) The project will allow each country to develop a core team of national specialists who can formulate and implement strategies, as well as training other staff;

3) The project will supply to member states a complete range of high-quality products and services to support their capacity development.

The capacity-building activities will be grouped in three areas: training, follow-up support and training of trainers. The main quantitative objectives of phase 3 will be to:

- train 2100 officials in regional and national workshops, provide 135 in-country assistance missions; organise 5 high-level symposia to exchange experiences.

There will also be strong efforts to increase information-sharing through more than 60 reports, studies and bulletins.

The Project will continue to maximise collaboration with all technical and financial partners, including Debt Relief International through methodology development, website and e-newsletter communications, the debt strategy distance learning programme, and participation as necessary in regional and national training and assistance.

Private Foreign Capital

The member countries of the Franc Zone have a pressing need to analyse the flows of private capital going in and out of their economies, and to design appropriate policies making sure they contribute the maximum to sustainable development. For this reason, they need reliable data on the flows. They also need to comply with international codes and standards on data dissemination in this area.

As a result, the UEMOA and CEMAC regions have benefited from the FPC CBP support, expanded to cover all the member states in 2008. This has enabled major improvements in quality of data and analysis, as well as in country institutional capacity. However, because they joined the CBP somewhat late, UEMAO and CEMAC member states need further support to realize all the benefits of the programme.

An emphasis on post-CBP support, managed by the two central banks (but with DFI technical support) is therefore envisaged, with the aim of consolidating and sustaining the results already achieved. The financial crisis is also having negative effects on the regional economies, and this continuing support will help them to reply more effectively to the crisis.

In the new phase, the countries envisage making more use of non-survey data, integrating FPC surveys more closely with others, and incorporating new balance of payments methodology developments. They have also suggested improvements in analytical methods, especially going into more detail on corporate responsibility and designing development financing scenarios, comparing programme results with international data sources, more support in designing and implementing policy recommendations, and more systematic results dissemination.

The countries have also expressed their wish to continue to benefit from key CBP technical aspects such as:

- Supporting the improvement of institutional and legal frameworks;
- Training on the technical aspects of monitoring FPC, investor perceptions and CSR;
- Training and support in conducting survey fieldwork;
- Analysis and presentation of results on FPC, investor perceptions and intentions, and CSR, according to international best practice.

The new programme aims to make permanent the successes of the earlier FPC CBP phases. Its main aims are therefore to:

- Consolidate national and regional capacity, and make policymakers more aware of their officials’ achievements through sensitisation activities;
- Create permanent institutional and technical arrangements for monitoring and analysing FPC, investor perceptions and CSR.

At the end of this next programme, enhanced national and regional expertise should be able to pursue monitoring and analysis independently, without the need for external assistance. •
WAIFEM’s mission is to develop on a sustainable basis, expertise needed in economic, debt and financial sector management among the staff of central banks, ministries of finance and economic planning and other public sector bodies with core economic management responsibilities. The target audience also includes national parliaments, the mass media and private sector institutions.

In this regard, the Institute goes beyond human resource development, to play a part in developing institutional structures, systems and procedures for policy formulation and execution. The tools used include national and regional training events; advisory, follow-up and institutional support missions, fellows development programmes, training for trainers and attachments, distance learning and best practice studies.

To ensure that its programmes have a competitive edge, WAIFEM has established collaborative technical partnerships with best practice institutions involved in capacity building for economic and financial management. These include the IMF, World Bank, African Development Bank, Bank of England, Debt Relief International / Development Finance International, UNITAR and the Commonwealth Secretariat.

Debt Strategy
Debt management activities will remain a central part of WAIFEM’s programme, and HIPC-CBP follow-up is fully integrated within this work. Based on HIPC-CBP lessons learned, a recent needs assessment by WAIFEM, and feedback from its member countries and other clients on the quality and needs of its debt strategy services, the Board of WAIFEM in August 2009 approved a medium-term capacity building programme for implementation over 2010-14.

The overall objective of this plan is to consolidate earlier achievements, while accommodating new initiatives. It aims to strengthen capacity for:

- debt strategy, sustainability analysis and risk management policy formulation and implementation, using the LIC-DSF, MTDS and HIPC-CBP toolkits
- mobilising external financing, including where appropriate non-concessional financing and international bonds
- public domestic debt management particularly in bond market development, issuance and pricing strategy, and on contingent liabilities
- sub-national debt management, where sub-national entities have borrowing ability
- improved governance of debt management through a high quality institutional and legal framework, as assessed using the DeMPA framework, using institutional support missions
- maintaining high quality data recording for debt reporting and analysis.

The programme will strengthen awareness of debt management policy issues among senior government officials, legislators, and opinion leaders, through senior policy seminars and workshops. It will share best practice among countries through studies, and develop skills by training a pool of regional experts through training of trainers, attachments and distance learning. It will also provide particularly intensive support to Liberia, as a post conflict country which demands support on all aspects of debt management.

The work programme for 2010-14 envisages 10 regional workshops, of which two will be devoted to training trainers; 9 national workshops; 5 advisory or institutional support missions; 5 attachments; and 3 senior policy seminars. The national and regional events will be supported by continuing technical partnerships with all agencies building capacity on debt management, including Debt Relief International on debt strategy information-sharing, attachments, methodology development and distance learning.

Foreign Private Capital
WAIFEM has integrated FPC activities into the Institute’s core programmes. FPC activities are situated in the Macroeconomic Management Department. The Institute is fully committed to assisting its member countries to improve monitoring and analysis of FPC on a sustainable basis. This is complemented by the strong commitment of each member country to promote and monitor FPC, which implies that FPC activities are going to increase in future years. WAIFEM also collaborates with the IMF Statistics Department on GDDS and monitoring private capital flows.

In terms of technical sustainability, at the regional level, a number of experts have been trained and could be tapped when necessary. At the national level, trained officials are members of the NTFs in The Gambia and Ghana. They constitute a critical mass of potential experts in FPC activities working in central banks, statistics office and national investment promotion centres. For instance, in the Central Bank of The Gambia, five staff in the BOP Unit and an ICT manager have been trained in FPC-CBP activities. In Ghana, all staff in the balance of payments office of the research department of the Bank of Ghana, as well as 3 from the Ghana Statistical Service and 2 from the Ministry of Finance and Economic Planning played an active role in the just concluded FPC survey.

Funding for the Institute’s programmes come from constituent countries, the donor community such as the African Capacity Building Foundation (ACBF), and collaborative partners including the Commonwealth Secretariat, IMF, Bank of England and UNITAR. Constituent countries have expressed strong willingness to devote funding to FPC activity, and donors interested in foreign private capital flows and investment promotion will have to be solicited to maximize cofinancing for future FPC activities.

Summary
WAIFEM’s Foreign Private Capital and Debt Management programmes and services are well placed for a sustainable institutional base. The activities of the two CBPs have been fully integrated within the relevant macroeconomic and debt management programmes, which are two of the three core programmes of the Institute. WAIFEM will continue to take steps to maintain the institutional, technical and financial sustainability and effectiveness of its programmes. It will also continue to make changes to the content of the programmes, to respond to changes taking place in the external environment, as well as the diversity in national needs (including a growing need for more sophisticated support within some member countries), and potential to provide more training via distance learning courses.

All of these measures are expected to take WAIFEM’s work in these areas forward sustainably beyond the end of the CBPs.
### HIPC Progress and Debt Sustainability Status

#### SEPTEMBER 2009

**Sources:**
- HIPC Governments
- IMF and World Bank

#### World Bank IDA Resource Allocation Index (IRAI) for 2008, formerly Country Policy and Institutional Assessment (CPIA), which is used to assess countries’ institutional strength and policy performance (Strong ≥ 3.75, medium 3.25-3.75, weak ≤ 3.25).

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<th>Countries</th>
<th>HIPC II Dates</th>
<th>PRSP Dates</th>
<th>HIPC Initiative</th>
<th>IRAI ranking of policies and institutions ¹</th>
<th>Latest risk of debt distress ²</th>
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<td>02/2010</td>
<td>...</td>
<td>05/06</td>
<td>2010</td>
<td>NA</td>
</tr>
<tr>
<td>Congo, Dem. Rep. of Africa</td>
<td>7/03</td>
<td>2010</td>
<td>6/02</td>
<td>7/06</td>
<td>93%</td>
</tr>
<tr>
<td>Congo, Rep. of</td>
<td>03/06</td>
<td>2010</td>
<td>12/04</td>
<td>4/08</td>
<td>60%</td>
</tr>
<tr>
<td>Côte d’Ivoire</td>
<td>03/09</td>
<td>2010</td>
<td>3/02</td>
<td>5/09</td>
<td>NA</td>
</tr>
<tr>
<td>Eritrea</td>
<td>uncertain</td>
<td>6/03</td>
<td>...</td>
<td>NA</td>
<td>Weak</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>11/01</td>
<td>4/04</td>
<td>3/01</td>
<td>9/02</td>
<td>92%</td>
</tr>
<tr>
<td>Gambia</td>
<td>12/00</td>
<td>12/07</td>
<td>12/00</td>
<td>7/02</td>
<td>81%</td>
</tr>
<tr>
<td>Ghana</td>
<td>2/02</td>
<td>7/04</td>
<td>8/00</td>
<td>4/03</td>
<td>90%</td>
</tr>
<tr>
<td>Guinea</td>
<td>12/00</td>
<td>unclear</td>
<td>12/00</td>
<td>3/07</td>
<td>85%</td>
</tr>
<tr>
<td>Guinea-Bissau</td>
<td>12/00</td>
<td>2010</td>
<td>12/00</td>
<td>11/06</td>
<td>81%</td>
</tr>
<tr>
<td>Guyana</td>
<td>11/00</td>
<td>12/03</td>
<td>11/00</td>
<td>9/02</td>
<td>81%</td>
</tr>
<tr>
<td>Haiti</td>
<td>11/06</td>
<td>06/09</td>
<td>11/06</td>
<td>8/09</td>
<td>96%</td>
</tr>
<tr>
<td>Honduras</td>
<td>06/00</td>
<td>4/05</td>
<td>7/00</td>
<td>10/01</td>
<td>93%</td>
</tr>
<tr>
<td>Kenya</td>
<td>no longer eligible</td>
<td>8/00</td>
<td>2/04</td>
<td>NA</td>
<td>Medium</td>
</tr>
<tr>
<td>Kyrgyz Republic</td>
<td>Decided not to apply for HIPC</td>
<td>...</td>
<td>02/03</td>
<td>NA</td>
<td>Medium</td>
</tr>
<tr>
<td>Laos PDR</td>
<td>no current timetable</td>
<td>4/01</td>
<td>12/04</td>
<td>NA</td>
<td>Medium</td>
</tr>
<tr>
<td>Liberia</td>
<td>03/08</td>
<td>01/2010</td>
<td>1/07</td>
<td>03/08</td>
<td>NA</td>
</tr>
<tr>
<td>Madagascar</td>
<td>12/00</td>
<td>10/04</td>
<td>12/00</td>
<td>11/03</td>
<td>91%</td>
</tr>
<tr>
<td>Malawi</td>
<td>12/00</td>
<td>08/06</td>
<td>12/00</td>
<td>8/02</td>
<td>97%</td>
</tr>
<tr>
<td>Mali</td>
<td>9/00</td>
<td>3/03</td>
<td>9/00</td>
<td>3/03</td>
<td>85%</td>
</tr>
<tr>
<td>Mauritania</td>
<td>2/00</td>
<td>6/02</td>
<td>NA</td>
<td>1/01</td>
<td>90%</td>
</tr>
<tr>
<td>Mozambique</td>
<td>4/00</td>
<td>9/01</td>
<td>4/00</td>
<td>9/01</td>
<td>88%</td>
</tr>
<tr>
<td>Myanmar</td>
<td>no current timetable</td>
<td>no PRSP process</td>
<td>NA</td>
<td>Weak</td>
<td>High</td>
</tr>
<tr>
<td>Nepal</td>
<td>Decided not to apply for HIPC</td>
<td>11/03</td>
<td>NA</td>
<td>Medium</td>
<td>Moderate</td>
</tr>
<tr>
<td>Nicaragua</td>
<td>12/00</td>
<td>1/04</td>
<td>12/00</td>
<td>9/01</td>
<td>87%</td>
</tr>
<tr>
<td>Niger</td>
<td>12/00</td>
<td>4/04</td>
<td>12/00</td>
<td>2/02</td>
<td>86%</td>
</tr>
<tr>
<td>Rwanda</td>
<td>12/00</td>
<td>4/05</td>
<td>12/00</td>
<td>8/02</td>
<td>95%</td>
</tr>
<tr>
<td>São Tomé &amp; Príncipe</td>
<td>12/00</td>
<td>3/07</td>
<td>4/00</td>
<td>8/05</td>
<td>85%</td>
</tr>
<tr>
<td>Senegal</td>
<td>6/00</td>
<td>4/04</td>
<td>6/00</td>
<td>12/02</td>
<td>81%</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>3/02</td>
<td>12/06</td>
<td>9/01</td>
<td>7/05</td>
<td>87%</td>
</tr>
<tr>
<td>Somalia</td>
<td>no current timetable</td>
<td>no PRSP process</td>
<td>NA</td>
<td>Weak</td>
<td>High</td>
</tr>
<tr>
<td>Sudan</td>
<td>no current timetable</td>
<td>2007</td>
<td>2010</td>
<td>NA</td>
<td>Weak</td>
</tr>
<tr>
<td>Tanzania</td>
<td>4/00</td>
<td>11/01</td>
<td>3/00</td>
<td>12/00</td>
<td>90%</td>
</tr>
<tr>
<td>Togo</td>
<td>11/08</td>
<td>04/2010</td>
<td>03/08</td>
<td>2009</td>
<td>90%</td>
</tr>
<tr>
<td>Uganda</td>
<td>2/00</td>
<td>5/00</td>
<td>NA</td>
<td>5/00</td>
<td>96%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>no longer eligible</td>
<td>4/01</td>
<td>6/02</td>
<td>NA</td>
<td>Strong</td>
</tr>
<tr>
<td>Yemen</td>
<td>no longer eligible</td>
<td>2/01</td>
<td>8/02</td>
<td>NA</td>
<td>Weak</td>
</tr>
<tr>
<td>Zambia</td>
<td>12/00</td>
<td>4/05</td>
<td>7/00</td>
<td>5/02</td>
<td>97%</td>
</tr>
</tbody>
</table>

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¹ World Bank (IDA Resource Allocation Index (IRAI) for 2008, formerly Country Policy and Institutional Assessment (CPIA), which is used to assess countries’ institutional strength and policy performance (Strong ≥ 3.75, medium 3.25-3.75, weak ≤ 3.25).

² This is based on latest DSF DSA done jointly by BWI.

³ Blend and gap countries are not eligible for IDA grants.
<table>
<thead>
<tr>
<th>IDA-15 grant allocation for FY09</th>
<th>Key Debt Relief and New Financing Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>100%</td>
<td>CP triggers for debt management, governance, PFM completed; social sector &amp; structural reforms to be achieved.</td>
</tr>
<tr>
<td>0% 2</td>
<td>Reclassified as a ‘gap’ country, no longer eligible for IDA grants. Extensive Chinese infrastructure loans.</td>
</tr>
<tr>
<td>50%</td>
<td>Progress in institutional management of debt with functioning of committee and strategy.</td>
</tr>
<tr>
<td>0% 3</td>
<td>Received further debt relief from Spain.</td>
</tr>
<tr>
<td>50%</td>
<td>High PV/exports due to crisis impact on cotton prices. Planning regional market bond issues. Debt strategy.</td>
</tr>
<tr>
<td>100%</td>
<td>MDRI relief received. Problems with non-Paris Club bilateral participation. Finalising new debt law.</td>
</tr>
<tr>
<td>0%</td>
<td>Facing continued lawsuits.</td>
</tr>
<tr>
<td>100%</td>
<td>Completion point reached.</td>
</tr>
<tr>
<td>100%</td>
<td>Slow progress on CP triggers. Currently on SMP.</td>
</tr>
<tr>
<td>100%</td>
<td>Resolution of political crisis. PRGF approved but PRSP and decision point still pending.</td>
</tr>
<tr>
<td>100%</td>
<td>Good progress on some CP triggers. New PRGF pending on resolution of issues re large nonconcessional borrowing.</td>
</tr>
<tr>
<td>100%</td>
<td>Good progress on most CP triggers, CP possible in first half of 2010.</td>
</tr>
<tr>
<td>100%</td>
<td>Mixed progress on CP triggers, CP possible in 2010.</td>
</tr>
<tr>
<td>100%</td>
<td>No ongoing discussions for Fund programme.</td>
</tr>
<tr>
<td>50%</td>
<td>Public enterprises borrowing externally to finance infrastructure investment, high domestic debt.</td>
</tr>
<tr>
<td>100%</td>
<td>High post-MDRI debt due to multilateral and non-Paris Club borrowings, high domestic debt.</td>
</tr>
<tr>
<td>0%</td>
<td>US$750m 10-year bond at 8.5% issued on international markets, new IMF programme</td>
</tr>
<tr>
<td>100%</td>
<td>No BWI discussions due to coup. Mixed progress on CP triggers.</td>
</tr>
<tr>
<td>100%</td>
<td>Mixed progress on CP triggers. Completion point possible 2010.</td>
</tr>
<tr>
<td>50%</td>
<td>Sustainability highly vulnerable to exports, fiscal soundness and continued access to concessional financing.</td>
</tr>
<tr>
<td>100%</td>
<td>Reached completion point; MDRI relief provided, earthquake will make debt less sustainable.</td>
</tr>
<tr>
<td>0% 4</td>
<td>Several multilateral creditors have paused assistance pending clarification of legal status of new government.</td>
</tr>
<tr>
<td>0%</td>
<td>Ratios under HIPC thresholds. PC Houston terms relief. Raising local bonds and PPPs to fund infrastructure.</td>
</tr>
<tr>
<td>100%</td>
<td>Indicated an interest in MDRI relief, but income levels exceed threshold. Russian loans for infrastructure.</td>
</tr>
<tr>
<td>100%</td>
<td>Mainly concessional new borrowings; some nonconcessional borrowing for power project.</td>
</tr>
<tr>
<td>100%</td>
<td>Good progress on CP triggers, lawsuit cost &gt;$30 million, planning future concessional borrowings.</td>
</tr>
<tr>
<td>0%</td>
<td>Debt levels sensitive to export shocks.</td>
</tr>
<tr>
<td>50%</td>
<td>Kuwait relief has been negotiated, Taiwan demanding payment since Malawi severed relations.</td>
</tr>
<tr>
<td>0%</td>
<td>Difficulties with non-PC creditors.</td>
</tr>
<tr>
<td>50%</td>
<td>Unsustainable due to lack of relief from Arab creditors.</td>
</tr>
<tr>
<td>0%</td>
<td>Agreements with China, Kuwait and South Africa. New debt strategy due for approval shortly.</td>
</tr>
<tr>
<td>100%</td>
<td>No WB lending since 1987.</td>
</tr>
<tr>
<td>50%</td>
<td>Authorities decided against HIPC participation.</td>
</tr>
<tr>
<td>50%</td>
<td>Fiscal sustainability vulnerable, due to domestic debt, non-Paris Club. Debt strategy and ceilings.</td>
</tr>
<tr>
<td>50%</td>
<td>No agreement with non-Paris Club creditors. Taiwan won lawsuit. Considerable domestic debt.</td>
</tr>
<tr>
<td>100%</td>
<td>New debt policy document established strategy, ceilings in MTEF and budget.</td>
</tr>
<tr>
<td>100%</td>
<td>Sustainability vulnerable due to drop in exports and delay in start of oil production. Finalising new debt law.</td>
</tr>
<tr>
<td>0%</td>
<td>Benefited from non-PC creditors relief.</td>
</tr>
<tr>
<td>50%</td>
<td>Lawsuits for US$9 m settled. Debt strategy approved and implemented.</td>
</tr>
<tr>
<td>100%</td>
<td>Accumulating large arrears to creditors. No IMF arrangements since 1987.</td>
</tr>
<tr>
<td>100%</td>
<td>IMF urged to minimise non-concessional borrowings. SMP started in July 2009.</td>
</tr>
<tr>
<td>0%</td>
<td>Relief from Algeria, Angola, Brazil, Iran and Zambia still being negotiated.</td>
</tr>
<tr>
<td>100%</td>
<td>Mixed progress on CP triggers.</td>
</tr>
<tr>
<td>0%</td>
<td>Ceiling on new borrowings, some nonconcessional borrowing for infrastructure.</td>
</tr>
<tr>
<td>0%</td>
<td>Mainly concessional new borrowings. Risk of potential contingent liabilities to be considered.</td>
</tr>
<tr>
<td>50%</td>
<td>Declining oil production increases risk to future debt sustainability.</td>
</tr>
<tr>
<td>0%</td>
<td>Donegal lawsuit has resulted in payment to be made.</td>
</tr>
</tbody>
</table>

Dates for HIPC decision and completion points and PRSPs are those of final BWI Boards’ approval.
Most governments have published PRSPs several months before BWI approval.
1) Global Financial Crisis and Governance

Ministers welcomed the major response from the international community in terms of new lending to mitigate the effects of the global financial crisis on their economies, and the stimulus of the global economy which has reduced the negative impact of the crisis. However, they noted that the financing is very insufficient to meet their needs to confront the crisis; and that more of it (including IMF SDRs) should be used for supporting their fiscal and investment needs (as well as boosting their reserves).

Ministers also welcomed the reinforcement of the G20 as the key global governance structure for the global economy. However, they regretted strongly that G20 has no low-income country membership and therefore, in spite of efforts to consult low-income countries, does not always consider issues of key importance to LICs when it considerations adequately their financing needs. Above all, they urged a renewed focus on financing their long-term development, with additional grants and concessional and non-concessional loans, without compromising their debt sustainability.

2) Debt Relief and Debt Sustainability

2.1 Multilateral Debt Relief Initiative

Ministers again congratulated the international community on implementing the Multilateral Debt Relief Initiative (MDRI), but:

- Urged donors to begin negotiations immediately on a substantial replenishment of the FSO, as well as to provide higher aid levels for poverty reduction in Latin America, so that MDRI funding does not considerably reduce concessional flows in Latin America,
- Indicated that it would be desirable to extend the MDRI to cover the Asian Development Bank, Caribbean Development Bank and other sub-regional institutions,
- Urged the international community to redesign formulas for allocating concessional finance from the Multilateral Development Banks, to take more account of country financing needs for the MDGs.

2.2 HIPC Debt Relief

Ministers indicated once again that stronger efforts should be made to accelerate progress to decision and completion points for remaining HICPs. As delays appear to be due to problems maintaining an IMF track record, they urged the international community to link HIPC progress to PRSPs and only a 6-month IMF programme track record.

Ministers also noted that there has been little progress on increasing creditor participation in HIPC, and lawsuits by rogue creditors remain a key problem. However, they:

- welcomed the legal technical assistance provided by the African Development Bank, the Commonwealth Secretariat, and the IDA Commercial Debt Reduction Facility, and urged that these initiatives should be fully coordinated,
- strongly welcomed the efforts in Belgium, the UK and the US to pass laws to restrict the possibilities for lawsuits and urged their early conclusion.

Nevertheless, they urged the international community to go beyond such assistance by:

- Establishing a small fund to relieve debts owed between severely indebted and low-income countries, which cannot afford to provide debt relief to one another
- Intensifying efforts to convince non-Paris Club governments to participate through summit-level discussions between G20 and other creditor leaders
- Convincing a maximum number of creditors not to sell debts to third parties.

2.3 Long-Term Debt Sustainability and the Debt Sustainability Framework

Ministers reiterated that they are determined to maintain their debt sustainability by maximising the concessionality of their new financing, and its effectiveness in promoting development. To this end, they also undertook to implement all the necessary legal and institutional reforms, and to adopt debt strategies through their national parliaments, to make sure that their borrowing is most effective in supporting development.

Ministers welcomed the review of the LIC-Debt Sustainability Framework by the Bretton Woods Institutions. However, they regretted that so far this has not involved any formal consultation of LICs, and urged that this consultation must be conducted immediately. They also urged that the review should place much more focus on increasing flexibility to take more account of the impact of shocks on individual countries and allow temporary counter-cyclical borrowing to offset them; base borrowing needs on fully funding national development programmes and the MDGs; design and use clear thresholds for domestic debt and overall fiscal burdens of debt; and ensure greater borrowing space for the maximum number of LICs.

To help them maintain their debt sustainability, they also urged that there should be a sharp increase in grants and concessional loans, especially for infrastructure and agriculture, and for fragile states which can least afford to borrow.

3) Financing Development

3.1 Domestic Resource Mobilisation

Once again, Ministers reiterated their strong commitment to maximise their own national tax receipts (including from foreign investors) and savings, to increase the value added and earnings from their exports, and to use all resources mobilised to make maximum contributions to development. They noted that in almost all countries, targets set for mobilizing domestic resource had been met or exceeded in the pre-crisis period.

3.2 Aid Quantity

On the other hand, Ministers expressed strong disappointment that some members of the international community continue not to deliver on their promises made in 2005 to increase aid flows. They urged all donors to accelerate their efforts on aid as they come out of recession.

They welcomed commitments by G8 members to set new targets for mobilising development finance for the 2010-15 period at the G8 Canada summit in 2010, and urged that these should be very ambitious. They also urged all donors to deliver rapidly on their recent commitments to fund free health care in low-income countries, and to extend these to a wider range of countries.

In addition, Ministers noted that the funding provided by the MDBs to combat the global crisis had only been frontloading existing financing, not additional financing. They therefore urged the international community to conclude as rapidly as possible large capital increases and considerably increased replenishments of concessional windows for the Multilateral (especially Regional) Development Banks.
Advocacy and Liaison

CBP partners supported Low-Income Countries in two major advocacy events. The first was a Consultation for the UK Government, as outgoing chair of the G20, on how to make the Bretton Woods Institutions more flexible to promote sustained growth in LICs. The second was the final meeting of the HIPC Finance Ministers Network, in Istanbul in October (see page 10). The CBP partners met the World Bank in Istanbul about the Debt Management Facility. In November, they attended the UNCTAD Debt Management conference in Geneva, at which DRI gave a keynote presentation on Best Practices in Debt Strategy, and MEFMI and Pôle-Dette also made presentations. For more, see www.development-finance.org.

Regional Workshops

CEMLA Training for Trainers on the LIC-DSF

Mexico City, 16-20 November

The HIPC CBP, IMF and World Bank jointly organised this workshop, to provide more in-depth training on the LIC-DSF. More than 30 officials from 14 countries participated (Bolivia, Dominica, the Dominican Republic, El Salvador, Grenada, Haiti, Honduras, Mexico, Nicaragua, Paraguay, St.Lucia, St.Vincent, Trinidad and Tobago, and Venezuela). The workshop was very positively evaluated by the participants (average 4.38 out of 5), though 72% considered it too short.

Francophone Domestic Debt and Treasury Management Workshops Regional

Lomé, 16-24 July

Forty-four participants attended this seminar from the 8 UEMOA member states, as well as Burundi and Comoros. The seminar had two aims:

1) To build Treasury capacity to forecast cash flow, in order to ensure treasury bills are issued with appropriate dates, amounts and maturities, and lowest possible costs.

2) To allow each country team to construct a timetable and strategy for issuing bills for 2009-10, to submit to national authorities for approval.

Participants concluded that such strategies are essential to making optimal choices between external and domestic financing, as well as between bills and longer-term bonds. They requested that this methodology be integrated into future debt strategy workshops.


Douala, 30 November - 11 December

This workshop examined a generic regional procedures manual, which had been drafted for Pôle-Dette by a consultant, in order to continue with the reforms of legal and institutional structures in the CFA Franc Zone, thereby increasing the culture of responsible debt management. It allowed the 30 members of a Franc Zone Ad Hoc Committee to examine the draft in detail, make suggestions for its amendment, and validate the manual in the final plenary session. The workshop therefore produced an improved version of the draft manual as well as an initial plan for its implementation throughout the Zone.

MEFMI MTDS Regional Workshop

Kigali, 16-26 November

Held jointly with the IMF and World Bank, this workshop developed a pool of trainers in the MTDS and related tools, to help the region and countries to strengthen debt strategy and policy formulation. Specifically, the workshop introduced MTDS framework; discussed the key steps and concepts underlying the framework; illustrated its use through hands-on exercises; worked through case studies of Kenya and Zambia, and disseminated and tested training materials. The workshop concluded that experts would need advanced Excel training to use the tools, and for future workshops to be longer.

PALOP Regional Workshop on New Financing Strategies

Maputo, 14-18 December

This workshop attracted 30 participants, who debated the impact of the global financial crisis; trends in global aid flows and effectiveness; increasing general budget support and developing a Performance Assessment Framework for donors; analysing donor and recipient government policies and procedures; implications of the LIC-DSF, MTDS and other cost-risk assessment tools; trends in non-concessional multilateral, bilateral and commercial finance; prospects for international bond issuance and public-private partnerships; and developing domestic debt markets. Thereafter they updated their national financing strategies and capacity-building needs, to present to their authorities. They also drafted an urgent appeal to policymakers to launch the PALOP Institute for Financial and Economic Management, to provide capacity-building support in Portuguese.

WAIFEM Regional Workshop on Debt Strategy Capacity Building Needs in the Context of the Global Financial Crisis

Accra, 8-10 December

This 3-day workshop invited 15 senior debt management officials from member states to define their future debt strategy-related capacity building needs in the context of the global financial and economic crisis. There were opening presentations on the impact of the global financial crisis on debt management and new development financing prospects, as well as on the identification of capacity-building needs. These were followed by the country teams undertaking comprehensive assessments of their debt strategy capacity building needs, using the HIPC CBP self-assessment methodology and taking into account the results of DeMPA assessments where these have been conducted.

National Workshops

Angola DSA Update Workshop

21-25 September

This workshop focused on producing a DSA document for policy makers, as the basis for development of a long-term borrowing strategy for the Government. The workshop concluded that much more training time is needed to ensure thorough analysis (indeed analysis was finalised only at the regional PALOP workshop – see above). Though debt is clearly sustainable with current high oil prices, country borrowing policy and capacity remain weak, and therefore Angola should design a new financing policy, conduct an MTDS analysis and receive a DeMPA Mission as soon as possible.

Bolivia Subnational Debt Strategy Workshops

La Paz and Sucre

20 July - 4 August and 19-31 October

These workshops were for the municipal governments of El Alto, Palla, Suce, Viacha and Villa Vaca Guzman, and attracted 44 officials. They built capacity in analysis of public financing, especially in debt sustainability analysis, by compiling fiscal and debt data into a comprehensive database and financial flows matrix, and then elaborating scenarios, making forecasts, producing results, and writing an analytical report presenting micro- and macro-economic analysis of sustainability. In addition, participants analysed capacity-building and institutional coordination needs. More than 90% of participants evaluated the workshops as essential to their future work.

(Continued overleaf)
CEMLA also organised a Training for Trainers event for the Subnational Debt Programme in La Paz, from 14-18 December, to cement capacity in municipalities. This provided the chance for 14 municipalities to exchange experiences, suggest refining the programme methodology, and plan the next phase of work, which all municipalities underlined was crucial to sustainable financing for subnational governments.

Gambia National Debt and New Financing Analysis Workshop
Banjul, 26 August-5 September

This assisted government to design a debt strategy incorporating the impact of the global financial crisis. While external debt is sustainable in the baseline scenario of the IMF PRGF, PV/GDP and debt service/exports become unsustainable in extreme shock tests, as does PV/exports with higher borrowing to fund PRSP II spending. The workshop recommended that the Gambia should: obtain 100% participation of creditors in HIPC relief; relax slightly its minimum grant element and borrowing ceilings; improve its CPIA Rating to increase borrowing capacity; initiate an IDA buy-back to clear external arrears; incorporate risk analysis and mitigation into its strategy; develop a comprehensive aid policy, prioritising new donors; conduct detailed domestic debt market analysis to ascertain the viability of longer-term and separate fiscal/monetary instruments; refine national laws on guarantees and onlending; and improve macro-economic data and capacity to make forecasts.

Guyana National Debt Strategy and New Financing Workshop
Georgetown, 7-18 July

The workshop provided 22 officials with comprehensive training. It assessed long-term debt sustainability using the LIC-DSF, and assumed access to concessional financing will fall sharply over the next two decades. In the realistic scenario, with slower recovery from the global crisis, external public debt was unsustainable. In a more optimistic scenario, with rapid recovery, public debt was sustainable, though risks of exogenous shocks were high. The key recommendations were to: i) seek alternative concessional loans and grants to finance the MDGs without compromising debt sustainability; ii) accelerate disbursements from the US Millennium Challenge Corporation; iii) maximise efforts to mobilise additional resources to fund the Low Carbon Development Strategy; iv) support private sector growth by improving public sector institutional support; and v) strengthen national processes for formulating strategy analysis and approval by the authorities.

Malawi National Workshop
Lilongwe 30 November-11 December

This workshop updated Malawi’s DSA and produced a new DSA document for use in the development of a long term borrowing strategy for Government. In practical terms, the workshop concluded that it would be desirable to: split DSA training and document-writing components more clearly; undertake the exercise away from Lilongwe to avoid interruptions; and finalise macroeconomic forecasts before the workshop begins. The results indicated that all baseline ratios are sustainable, but moderate risk of debt distress arises if there is no-concessional borrowing or a macro shock, and domestic debt is barely sustainable, with high rollover and refinancing risks. As a result, the workshop recommended that Government should maximise efforts to diversify concessional sources of funding, set new borrowing limits, move to longer-term domestic instruments, and improve the institutional and administrative framework for debt management.

Nicaragua National Debt Strategy Analysis Workshop
Managua, 17-25 June

This workshop updated analysis of external and domestic financing options, including financing quality (policies and procedures). It also reinforced the skills of 26 officials in using HIPC-CBP tools, Debt-Pro, and the LIC-DSF template. It recommended:

- Continuing efforts to keep PV/GDP within a range of 40-50%, and PV/exports below 150%, through until 2015, by:
  - Achieving closer to 100% participation in HIPC relief;
  - Making public enterprises financially self-sustaining, to avoid any accumulation of contingent liabilities, and provide more space for central government borrowing;
  - Increasing the amounts, quality and effectiveness of external financing; and
  - Implementing measures to reduce long-term dependence on external financing, by developing domestic savings, and financial institutions and instruments.

Zambia Mission & Sensitisation Seminar
26 August-7 September

This joint World Bank/IMF/UNCTAD/MEFMI mission advised government on developing a medium term debt strategy. A debt data preparation mission by UNCTAD and MEFMI was critical to freeing mission time to conduct simulations and explain the tool and its results. Nevertheless, given the sophisticated nature of the MTDS tool, regional dissemination and intensive step-by-step training should precede MTDS missions, to allow government officials to participate fully. Ideally, a national team would be created to update and run the MTDS on a regular basis. There is also need to adapt the MTDS tool and analysis to limited sources of domestic and external financing in MEFMI member states, and to focus more closely on the costs, risks and quality of these, as well as to ensure policymaker buy-in to risk- (as well as cost-) based strategies.

Institutional/Follow Up Missions
Burundi Institutional Mission
Bujumbura, 14-23 December

This mission helped Government to draft a public debt law, and to design a capacity-building programme on debt management compatible with the national public financial reform strategy. It also sensitised the authorities to the need to reactivate the Debt Management Technical Committee, and to present an annual debt strategy to parliament with the budget. The public debt law will be finalised by the authorities early in 2010, and the capacity-building plan will form the subject of further discussions with DRL, BCEAO-BEAC Pole-Dette and donors, to ensure Burundi continues to receive support after the HIPC CBP financing. Results showed that debt will stay sustainable on most indicators. External debt foreign exchange risk is high, as are domestic debt refinancing risk; and cost and interest risk from refinancing. The key measures recommended were to implement the commercial debt buy back; actively seek concessional financing from non-traditional donors and creditors; accelerate disbursements of loans and grants, especially project aid; design and implement a National Aid Strategy; reduce aid dependence by increasing budget revenue; reduce risk by having a domestic debt issuance calendar; diversifying currency; and lengthening maturity of domestic debt; and create a Public Debt Management Committee to prepare annual strategies, and approve individual loans.
**FORTHCOMING ACTIVITIES**

**Guinea Institutional Mission**  
**Conakry, 29 June -10 July**

The joint DRI-Pôle-Dette mission analysed debt management and identified legal and institutional gaps to be filled by capacity-building, which will be provided by Pôle-Dette after the HIPC CBP. It underlined the need for increased coordination among government institutions, as well as for continuing training in HIPC (given Guinea’s very slow progress through the HIPC Initiative) and post-HIPC debt analysis methods, and in the mobilisation of high quality financing for Guinea’s development.

**Liberia: Institutional Management Mission**  
**Monrovia, 14-18 September**

This mission assisted the authorities to design capacity building activities for WAIFEM’s strategic plan for 2010-14. It found a clear legal and institutional framework for borrowing, but needs for regulations to implement this framework. Debt management capacity is fragmented, with responsibilities often shared and duplicated; there is low middle office capacity to conduct analysis; and no regular external or internal performance audit. Liberia’s capacity to borrow is likely to rise after debt relief, so it requires a comprehensive debt strategy to minimize costs and risks of public borrowing, as well as to maximise the quantity and quality of development financing.

**Mauritania Capacity-Building Planning Mission**  
**30 October-12 November**

This mission assisted the authorities to conduct a full assessment of debt management capacity, building on strong political commitment to debt management. The main needs identified were: (i) rationalising the institutional process used to manage external financing, (ii) strengthening and integrating the databases used to track public financing; (iii) designing tools such as procedures manuals, job descriptions, methodology guides, and a capacity-building programme for individual officials; and (iv) diversifying the instruments used for public financing. Based on these findings, the mission proposed a comprehensive capacity-building programme to assure post-CBP assistance.

**Mozambique: Debt Strategy Finalisation Mission**  
**Maputo, 10-21 August**

A DRI mission funded by SIDA-Maputo, worked with the national authorities to gather the macroeconomic and debt data needed to update the National Debt Strategy prepared in 2008, and held a sensitization seminar with senior officials at the Ministry of Finance to finalise agreement on the contents of the strategy, including the impact of the global financial crisis. A Brazilian consultant funded by the FSTAP project joined the mission to contribute sections dealing with risk assessment and domestic market development. The mission also agreed the future activities for the SIDA project, which will include approval and dissemination of the strategy during the first semester of 2010.

**Nicaragua Capacity-Building Needs Assessment Mission**  
**30 November-1 December**

This mission reviewed the final self assessment scores of phase 4, and on this basis held discussions with Government officials on their capacity building needs for the next four years beyond the HIPC CBP. The main needs are: a) BWI debt sustainability assessment tools (DSF and MTDS); b) risk analysis; c) debt strategy and design and implementation; d) developing domestic capital markets including issuance and instruments; e) donor policies and procedures analysis and expanding the donor base. These needs will form the basis for future CEMLA-led capacity-building.

**Pôle-Dette Technical Support Missions for National Public Debt Committees**

- **Senegal**  
  **14-24 June**

- **CAR**  
  **29 June-8 July**

- **Benin**  
  **17-27 August**

- **Chad**  
  **31 August-11 September**

- **Togo**  
  **5-16 October**

These missions a) sensitized political authorities on the role and functions of the national committees created following the passage of the regional framework for debt management legislation; b) trained the members of these committees and other officials involved in debt management to fulfil the intended functions of the committees; and c) helped the authorities to elaborate a public debt strategy to annex to the Budget document.

**Sao Tome Capacity-Building Mission**  
**7-11 December**

This mission assisted Government to a) finalise a Public Debt Law and b) design a future capacity building plan, based on the latest self-assessment scores. The new Public Debt Law will be discussed by the Council of Ministers and Parliament in 2010. The key capacity-building needs are: negotiating with creditors and broadening the creditor/donor base, strengthening the Aid Coordination Department, using new BWI tools (DSF/MTDS), and developing domestic capital markets. DRI will continue to assist STP in its capacity building needs in coordination with other donors working in the country.

**Methodology, Distance Learning and Attachments**

**Distance Learning**

The latest intake of the distance learning programme finalised studies with three residential workshops in Nairobi for Anglophone students (31 October-11 September), Bamako for Francophone students (19-30 October) and Mexico for Hispangophone students (16-27 November). Overall, this intake has been highly successful, with 37 of the 44 original students graduating successfully. The 12 achieving a distinction will be given priority for opportunities as resource people in future debt strategy related events.

In addition, DRI finished streamlining methodology to make it usable with generic data, and to reduce the workload, making it possible to complete each pathway in 1 year.

**Attaches**

- Francophone Programme Manager Mame Pierre Kamara came on attachment to DRI during 10-21 August, to help streamline the distance learning methodology.
- Two MEFMI Fellows were attached to the MEFMI Secretariat during 30 November-11 December, to develop a compendium of historical data for six HIPC countries, as a basis for Debt Strategy Analysis case studies and a generic training database.
- The WAIFEM Debt Programme Director and a regional expert were attached to DRI during 16-27 November, to enhance training skills in the MTDS template, and design a programme for the next phase of cooperation between DRI and WAIFEM.

**Information Products**

Two publications were completed, on Sustainable Financing for Sub-National Governments, and Debt Sustainability for Low-Income Countries. Two newsletters and 3 listervises were also produced.
Country Progress

Countries have progressed as follows:
- Benin (Cycle 1) finalized its analytical report and is aiming to hold a Closing and Dissemination Workshop in Q1 2010
- Bolivia (Cycle 3) conducted Quarterly surveys and data dissemination is ongoing
- Burkina Faso (Cycle 2) has completed its analysis and will be disseminating results in Q4
- Cameroon (Cycle 2) is finalising its report and is working towards holding a FUM and CDW in Q1 2010
- CAR (Cycle 1), Chad (Cycle 1) and Congo (Cycle 1) will be launching their survey in Q1 2010
- Cote d’Ivoire (Cycle 1) is finalizing the final version of its analytical report and is working towards disseminating results in Q1 2010
- Equatorial Guinea (Cycle 1) received a Demand Assessment Mission in June and is aiming to host an Opening Awareness and Training Workshop in Q1 2010
- Gabon (Cycle 1) is expecting to host a training event in Q1
- The Gambia (Cycle 3) closed its current cycle with a combined Follow up Mission and Closing and Dissemination Workshop in Q4
- Ghana (Cycle 3) disseminated Cycle 2 (survey) results, and is presently implementing a census
- Guinea-Bissau (Cycle 1) held a Follow up Mission in October and is now working on the its analytical report
- Malawi (Cycle 4) finalized fieldwork for current cycle and achieved an impressive response rate of 96%. Data editing, checking and entry is in progress, and preliminary output and dissemination of survey results is scheduled for Q1 2010
- Mali (Cycle 1) is analyzing its survey results and scheduling a Closing and Dissemination Workshop in Q1 2010
- Nicaragua (Cycle 3) hosted an extended FUM in Q4 is reviewing its needs for monitoring private sector external debt
- Niger (Cycle 1) is working on the first draft of its analytical report with a view to disseminate results in Q1 2010
- Senegal (Cycle 1) is now finalising its analytical report and will hold a Closing and Dissemination Workshop in Q1 2010
- Tanzania (Cycle 6) has attained a healthy response rate of 91.5% (of 400 enterprises), and is expected to disseminate results during Q1 after incorporating those from Zanzibar.
- Togo (Cycle 1) finalized its data collection in April and obtained a 65% response rate. A Follow Up Mission was held in June and a Closing and Dissemination Workshop is planned for Q1 2010
- Uganda (Cycle 7/8) disseminated Cycle 7 results and launched Cycle 8 in Q2 2009. Current response rate is 93.7% and dissemination of preliminary results is scheduled for Q1 2010.
- Zambia (Cycle 2) published its analytical reports for data to 2007 and is finalizing funding arrangements for Cycle 3, projected to start in Q1 2010

Methodology and Software
- MEFMI-PCMS development process is in final stages with complete handover of the system planned for Q4. The first version of the software is already operational and member countries are now accessing it at www.mefmipcis.org using their assigned access credentials.
- DFI is continuing to provide long-distance support to countries and to develop methodology. Updates will be announced on the website (see Information Products).

Information Products
- Newsletter 39 can now be downloaded from the FPC CBP website (www.fpc-cbp.org). In this issue, the FPC CBP updates on its activities, focuses on the impact of the global financial crisis in Latin America and presents key findings from Zambia’s recent foreign capital flows census.
- The new DFI Group website is now live. Pages devoted to FPC matters have been enhanced to encompass areas such as Trends, Investment Climate, Financial Crisis, CSR, Legal and Institutional issues, Monitoring, Analysis and Policy. Materials on the old FPC CBP website are still accessible via www.fpc-cbp.org but any update will from now on be featured on the new DFI Group website. Users are therefore invited to browse www.development-finance.org and navigate through the FPC pages for latest news and updates.
- The first publication of the FPC CBP series ‘Monitoring and Analysing Foreign Investment: How to Build Sustainable Institutions’ will soon be available in Portuguese in the FPC pages of the website.
- The second publication of the FPC CBP series, ‘Private Capital Flows to Low-Income Countries: Dealing with Boom and Bust’, presenting analytical results from phase 3 of the FPC CBP, will be distributed in Q1 2010.

HIPC CBP ACHIEVEMENTS AND NEXT STEPS

on BWI-funded technical assistance. In this regard, their needs are shared by a much wider range of low- and lower-middle income countries, as the CBP successor programmes recognise strongly.

A further challenge will be donor funding. Having provided capacity-building assistance through the HIPC process, through a pooling mechanism which provided extensive funding for countries which were not priorities for individual donors, it is not clear that all donors now agree on the vital nature of in-country debt strategy capacity-building, or have the capacity or mechanisms available to fund regional organisations. Though participating countries have been dramatically increasing their financial contributions, it will be a major challenge for LIC governments and regional organisations to mobilise donor funding at regional and national level, in order to sustain their vital work.

The HIPCB CBP made a major contribution to enhancing the technical capacity, political commitment and voice of HIPCs in debt management. The challenge for country governments, regional organisations and donors (and DRI as a technical partner) will be to continue putting country needs and priorities first and genuinely building capacity, rather than providing technical assistance or imposing conditionalities. Only these methods – enhancing national leadership of development – can keep debts sustainable.
This report presents findings from the 3rd Gambian survey, implemented by the Balance of Payments Technical Committee, with cofinancing from the UK DFID. Building on previous surveys, the objective was to capture timely data on private sector investment and debt in line with international standards, to analyse their impact, and to define policy response. This was especially timely, given the unfolding of the global financial and economic crisis, and its adverse effects on The Gambia. Following intensive fieldwork and estimation efforts, BOPTC captured data of very high quality, which was disseminated rapidly to maximise the benefit to decision makers.

**Foreign Assets and Liabilities**
The table shows that Foreign Direct Investment continues to be the most important means of financing businesses, mostly in equity. This was followed by “other” (borrowing from non-affiliated sources). Portfolio investment remained insignificant.

**Inward Investment by Instrument (US$ m, 2007/2008)**

<table>
<thead>
<tr>
<th>INSTRUMENT</th>
<th>Stock End 2007 Credits</th>
<th>Changes During 2008</th>
<th>Stock End 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>349</td>
<td>56</td>
<td>344</td>
</tr>
<tr>
<td>FDI</td>
<td>33</td>
<td>48</td>
<td>33</td>
</tr>
<tr>
<td>Portfolio</td>
<td>0.3</td>
<td>0</td>
<td>0.3</td>
</tr>
<tr>
<td>Equity</td>
<td></td>
<td>0</td>
<td>0.3</td>
</tr>
<tr>
<td>Other</td>
<td>15</td>
<td>7</td>
<td>15</td>
</tr>
</tbody>
</table>

By *sector*, real estate and construction, tourism, and finance have boomed in recent years, and these sectors received most investment (85% of FDI). However, real estate has been hit by the economic crisis, based on house price falls, some “stress sales”, a tailing off in new investment, and declining rental income. Following a period of rapid development to 2007, tourism has also been hit,

with declining visitor numbers and spending. On the other hand, the financial sector has bucked the trend, with entry of new banks, and the sector remains sound and profitable. Traditional sectors (wholesale and retail and agriculture) accounted for only a small share of foreign investment.

By *source*, just over half the total investment came from non-OECD countries, especially from the Middle East and North Africa. The share from other Sub-Saharan African countries increased dramatically, but from a low base. This contradicts the preconception that most investment stems from OECD countries.

**Investment Climate**
In spite of the global financial crisis, prospects over the next 3-4 years are very positive. Almost two thirds of businesses plan to expand investment, and only 5% to contract. The chart below presents the most important catalysts and constraints for investment decisions. Domestic political stability and security, productivity and banking efficiency, were the key positive drivers. Interest rates, multiplicity of taxes, electricity costs and worker absenteeism were the most negative factors.

**Policy Actions and Recommendations**
Implementing recommendations from the previous survey has advanced in several areas, notably: responding to the global economic crisis; tax policy reform; reinforcing the financial sector; reducing telecoms costs; reviewing energy costs; introducing a Labour Act; and reinforcing GIPFZA.

Future priorities include: sustaining macroeconomic stability; diversifying the economy; maintaining a healthy financial sector; cutting interest rates; enhancing access to credit; cutting energy costs; reforming the tax system; enhancing land access and business administration; and addressing labour market, health and environmental concerns.

**Issues for the Next Cycle**
This exercise has made huge strides in improving data quality and timeliness. The next exercise should involve sample quarterly surveys. Coordination within the BOPTC has worked well, but there is need to consolidate human resources in participating agencies. Awareness creation in the business community needs to continue. Survey methodology will be enhanced to meet new international data standards. Collection of data from the financial sector can be enhanced through direct reporting. To sustain the achievements of this exercise, BOPTC is seeking continued financial and technical support.

**Gambia: Top Catalysts and Constraints**
Spurred on by improved investment climate, economic and political stability, increased investment opportunities and rising corporate profitability, the Ghanaian authorities want to know the scale of flows that were attracted to Ghana and what can be done to stimulate more private capital inflows to reinforce growth and development.

Survey Methodology

The three objectives of the survey were to i) monitor the scale and nature of private capital flows; ii) establish a monitoring system for cross border capital and investor perceptions and iii) improve coverage of the private sector’s foreign investment in the compilation of balance of payments and international investment position (IIP) statistics.

Questionnaires were administered to a representative sample of 286 enterprises across Accra–Tema metropolis, Eastern, Western, Central, Brong Ahafo and Ashanti regions. The survey had a response rate of 81%. The survey covered enterprises in all major sectors including agriculture, banking, business services, community services, construction, electricity, gas and water, insurance, leasing companies, manufacturing, microfinancing, mining and quarrying, real estate/property service, tourism, transport, storage and communication, and wholesale trade, catering and accommodation services.

Survey Findings

Foreign capital flow and stock
Ghana had sizeable private cross border capital stock of about 4,328 million Ghanaian cedis (Gh¢) by end 2007, including gross inflows of Gh¢1,538 million in 2006-07. Including estimations to cover non-response, total FPC stock reached Gh¢4,803 million, growing by 51% in 2007. All types of FPC grew, but 82% of 2007 inflows were FDI. Total private sector assets held overseas rose by 20% to reach Gh¢597 million in 2007.

Types of flows
Direct investment increased by 42% in 2007, to Gh¢2,847 million. More than 60% of new flows were intra-company borrowing, pushing their share of FDI stock up to 53%. Portfolio investment grew by 60% from a low base, reaching Gh¢38.4 million by end 2007. There were also sizeable “other” investments, comprising trade credits provided to finance imports (suppliers’ credit) and exports (pre-finance); loans; and currency and deposits of non-residents held by domestic banks. In 2007, trade credits more than doubled to Gh¢569 million, driven mainly by bank loans. Private sector external debt increased by 58% to Gh¢2,4670 million in 2007, with the bulk (79%) being long-term.

Sector distribution
Foreign direct equity flows in 2006-07 went mainly (82%) to the transport, storage and communication; banking; and mining and quarrying sectors. There were also important flows to real estate/property services, construction and manufacturing.

On the other hand, only four sectors reported portfolio investment: notably mining and quarrying (50%) and transport, storage and communication (26%).

Mining and quarrying had the highest share of PSED (66% and 44% in 2006 and 2007 respectively). However, the banking sector’s share rose from 13% to 23%. Manufacturing and transport/storage/communications both had stable 10% shares.

Survey Methods

Equity Sources

Investor Perceptions
- Investors rated inflation as the most negative economic and financial factor, followed by corruption, high interest rates, exchange rate instability, and smuggling.
- The availability and productivity of labour had strong positive effects. However, staff turnover, wage levels and cost of skilled labour and restrictions on hiring of expatriates had strong negative effects.
- High costs of services such as electricity, road transport, taxation and telecommunication had highly negative effects. On the other hand, the efficiency of banking, telecommunication and internet services were strong positive influences.

In spite of these negative factors, investors were strongly determined to expand their businesses, by improving existing facilities, investing in technology and building capacity. •

Sources of Direct Equity
Mauritius accounted for 25% of FDEI inflows in 2006-07. The other major FDEI sources were United Kingdom (17.5%), France (17.4%), British Virgin Islands (17.2%), Togo (7.5%), United States (7%), Israel (3.5%), Norway (3.3%) and Nigeria (2.3%).

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