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# SADC Finance and Investment Sector News

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Unit of SADC (FISCU)  
*Special e-mail edition!*

## FROM THE EDITOR'S DESK

Information technology has a crucial role to play in development, especially within the areas of finance and investment. In recognition of this, the SADC Finance and Investment Sector has become involved in a number of initiatives involving the development of technological infrastructure, and the use of IT to improve efficiency. The theme of this year's SADC Consultative Conference was SADC in the Next Millennium: Opportunities and Challenges of Information Technology. You can read about this conference on page .. The SADC central banks' IT Forum is also included (page ..), as is a report on FISCU's involvement in the SADC Y2K initiative (p ...).

On a different topic, we are privileged to have our former Director, Bongi Kunene, write an article for us on a new World Bank initiative, namely the Partnership for Capacity Building in Africa (p ..).

Readers working in government in Africa should find this particularly interesting.

## THE 1999 SADC CONSULTATIVE CONFERENCE

The 1999 Consultative Conference took place between the 5<sup>th</sup>-15<sup>th</sup> February in Lusaka, Zambia. The Consultative Conference consists of a number of meetings where new projects are approved, report-backs are given on existing projects, and strategies on on-going activities of the SADC region are reviewed. The Consultative Conference brings together all SADC countries and organs, as well as co-operating partners, the business community, labour organisations, non-governmental organisations, civil society and other interested parties. This forum provides a platform to frankly assess past performance and consult and build consensus on the future strategy to

develop and further regional integration efforts.

## Sector Co-ordinators Meeting

The Sector Co-ordinators in their meeting acknowledged the need for SADC to urgently review its operational mechanisms and decentralised strategy, in light of the changing global environment. There is an urgent need to refocus policy to improve the quality and increase the pace of the region's integration efforts. This entails reviewing administrative and institutional arrangements and re-examining the role of the Secretariat and Sector Co-ordinators. The Secretariat should concentrate on policy formulation, co-ordination and harmonisation while sector co-ordinators need to drive the project implementation process. If implemented, however, these recommendations will have consequences for capacity. The main objective of this exercise is to bring the SADC Secretariat structure in line with the strategic orientation

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adopted in Windhoek in 1992 and transform the organisation from being a regional co-operation arrangement into a fully operational economic community.

### **Council of Ministers Meeting**

In their meetings, Council considered all the sectors' reports and progress of on-going projects, while some new ones were also approved. Council also received an update on the status of relationships between co-operating partners and future areas of co-operation and meetings. Various other reports were considered by Council. These included the report of the Finance Committee, briefing of diplomatic missions in the region and preparations on the forthcoming Southern Africa Economic Summit.

A report on the regional strategy to combat the Year 2000 Problem was considered. The SADC Council of Ministers in their meetings further directed SATCC-TU, the SADC Secretariat and FISCO to further pursue the matter by convening a follow-up meetings to assess and provide remediation mechanisms to address the problem at the regional level

### **Consultative Conference**

The meetings included the SADC Consultative

Conference, an event held every two years to discuss around a particular subject pertinent to the region. This year's conference theme was: *SADC in the Next Millennium: "Opportunities and Challenges of Information Technology"*. The meeting took place in Lusaka, Zambia between 11<sup>th</sup>-12<sup>th</sup> February 1999 and was officially opened by the President Fredrick Chiluba of Zambia and chaired by South African Minister of Foreign Affairs, Hon Alfred Nzo. In attendance were all SADC Member states, the representatives of the international co-operating partners, ADB, COMESA, World Bank Group, IMF, The Commonwealth Secretariat, United Nations Agencies and the International Institute for Democracy and Electoral Systems. There were also members of non-governmental organisations, labour movements and civil society.

The consultative conference provides a good opportunity for the various interest groups in SADC to come together discuss issues of mutual concern and provide a platform to share ideas and experiences on a number of issues, particularly on the topic identified.

The change in the global setting necessitated by

increasing cross-border activities has dramatically changed the world economic patterns and growth. These changes, influenced by trade developments as economies adopted liberal policies, changes in the finance and investment flows, and phenomenal technological innovations, prompted Council to consider importance of Information Technology (IT) in matters of regional development. The new technologies relating to information and communication systems ranging from the Internet to computers, satellite dishes and others, mean that countries and regions not devising clear strategies around IT stand to be marginalised by the global developments and trends.

The delegates to the conference also expressed their concerns on the regional political turmoil and strife brought about by the resurgence of war in certain parts of the region. The delegates requested bodies like the UN and OAU to intervene to come up with a peaceful solution to these developments.

The conference noted the positive economic growth prospects and results posted by the region in the past four years and the role played by IT in that respect. The role of IT was cited as an integral

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part of the regions' development initiatives if any meaningful and sustainable growth levels could be achieved. The conference noted that for the region to effectively improve the standard of living of its people, urgent efforts are to be made actively engage IT to improve on the region' competitiveness and productivity.

The conference realised the need of the following:

- To develop an information society where IT becomes a tool used on a daily basis.
- To improve and broaden the IT access to all.
- To develop a SADC-wide IT infrastructure to encourage regional integration.
- To develop a regional IT industry and encourage growth of hardware and software production.
- To improve human resource capacity regarding the effective use of IT.

The conference also made the following observations and identified the following needs:

1. Raise awareness and understanding of the importance of IT at the highest policy making body and the lowest possible user.

2. Develop a regional IT policy in harmony with national IT strategies.
3. Develop a National Information and Communication Infrastructure (NICI) plan.
4. Create a favourable regulatory framework to accelerate development of the telecommunication sector.
5. Remove of trade barriers and reduce IT-related taxes and tariffs.
6. Remove restrictive license fees and other costly and time-consuming bureaucratic barriers.
7. Identify key sectors for prioritisation.
8. Develop human resources that will be able to provide the skills support and provide leadership and stem the reverse flows of manpower in such sectors.
9. Collaboration between the public and private sector, non-governmental organisations, civil society, labour and other stakeholders in ensuring shared resources and forging smart-partnerships in an effort to accelerate the levels of investment this sector.
10. Constantly monitor progress and formulate a dynamic strategy.

The conference provided a starting point for the monitoring of the IT situation in the region. It is expected

that a range of SADC organisations will be involved in carrying out these recommendations further.

## **COMMITTEE OF CENTRAL BANK GOVERNORS**

The CCBG will be meeting again on 9 April 1999 in Swaziland. Discussions will centre around the *impact of the increasing volatility in international capital flows on the economies of SADC member states*. As usual all project leaders will also report on progress made with projects. All Governors will also report on progress with Year 2000 readiness in SADC central banks.

The meeting will end on Saturday 10 April 1999 with a celebration for the 25<sup>th</sup> anniversary of the Central Bank of Swaziland. This meeting will also mark the end of the chairmanship for Dr C. Stals the Governor of the South African Reserve Bank. Future meetings will be chaired by his successor, Mr T. Mboweni.

### **Workshop for central bank Protective Services representatives:**

Protective Services Heads in SADC central banks met on 17 and 18 February 1999 for a workshop to discuss the basic principles that underlie

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protective services, to identify areas of possible co-operation and to identify training needs for central bank protective services in the region.

Among other issues, information security, cash in transit and access control in a central bank environment were discussed. Information sharing and communication between the protective services functions in SADC central bank will allow the central banks to draw on each others' experience. Proposals that emanated from the workshop will be presented to the CCBG at its forthcoming meeting.

### **SADC Central Bank Interactive Web:**

One of the first objectives of the IT Forum was to get connect all member central banks electronically, and when this objective was met in April 1998, it opened doors for new and effective means of communication between member central banks. The most notable of these is an interactive web site, which serves as a working area for project teams. The Business Systems and Technology Department of the South African Reserve Bank developed the Interactive Web.

Recently the SADC central banks saw the opportunity to

fully automate the updating of the SADC Central Bank Statistical Database. The first phase was to incorporate SADC statistics in the mainframe database in the South African Reserve Bank. Phase two of the project dealt with the various types of interfaces, creating the data links and conversions required for electronic data dissemination and creating the Economics and Statistics Data Capture Application on the Interactive Web.

As a trial run, member central banks were requested to update statistics via the Internet. Eight member central banks have already used the facility successfully.

### **The role of SADC central banks in the development and operations of money markets in the SADC region**

This research project was approved at the meeting of the Committee of Central Bank Governors in SADC, held on 23 October 1998. The study underpinning this project will be done by the Economics Department of the SA Reserve Bank.

A questionnaire to assist the project leader in completing the study was compiled and circulated to all central banks. The questionnaire covers, among other things, the

present structure of and activities in the money market, legal and supervisory requirements applicable to money market activities and policy issues. The first part of the study will concentrate on analysing present structures and operations of money markets in SADC countries which is to be completed prior to the Governors meeting in April. The second and more important part will aim to present proposals or suggestions on developing the money markets of the region and the envisaged involvement of central banks in this programme.

### **SADC Subcommittee on Exchange Control**

At the meeting of the CCBG held in South Africa on 23 October 1998, Governors approved the expansion of the work programme of the Subcommittee on Exchange Control. The Subcommittee will now report annually on the progress made in the liberalisation of exchange control in member countries. It has also been given the task of assessing the impact of global financial crisis on exchange control policies in the SADC countries.

The Subcommittee on Exchange Control met on the 21 and 22 January 1999 in Mauritius and will meet again on the 16 and 17 March 1999

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to finalise the above-mentioned report.

### **IT Forum**

The IT Forum Co-ordinating team has prepared an operational plan for the next 15 month period. The plan details the mission and strategic alignment of the IT Forum and the projects and capacity building training to be undertaken in the medium term. The plan has been structured to facilitate negotiations with donor organisations for funding which will be required to achieve the objectives of the IT Forum.

The 4<sup>th</sup> IT Forum Workshop will be held in South Africa from 1 to 5 March 1999. A comprehensive programme has been put together which includes several guest speakers. The workshop will be divided into two phases. The first phase will focus on progress on Year 2000 compliance, IT Forum strategies and plans for the medium term, and information technology support for the Committee of Central Bank Governors' initiatives. The second phase will focus on technology trends and emerging business practices and associated technologies.

## **SADC COMMITTEE OF STOCK EXCHANGES**

One of the private sector organisations falling within the ambit of the Finance and Investment Sector, is the SADC Committee of Stock Exchanges. The stock exchanges have been meeting and networking on a regular basis since 1997.

The Johannesburg Stock Exchange hosted a meeting on the 18<sup>th</sup> and 19<sup>th</sup> of February. The meeting focused largely on technology and the issue of connectivity between exchanges. Gerrit de Marez Oyens of the FIBV emphasised the need for connectivity in his presentation, entitled "Strategic Probing into 2005", and all the SADC exchanges agreed in principle that there was a need for connectivity, with an interconnected market being the ultimate goal in a step-by-step process. It was also established that the individual systems used by the various exchanges are not as important as ensuring that there are common communication standards, and that the systems are able to "talk" to one another.

Electronic and automated systems enhance the possibilities for market connectivity. The Committee

is looking into establishing electronic clearing and settlement systems, and automated trading systems, in the various SADC exchanges. Participants were given a demonstration of the JSE's automated trading system, JET, which some of the SADC exchanges are considering buying into. The Namibian Stock Exchange (NSX) has recently hooked up to JET, and the NSX's Chief Executive, Tom Minney, shared Namibia's experience with the system. A working group, driven by Mauritius, will be looking into developing a set of common standards for trading which the SADC stock exchanges should strive to adhere to.

In terms of listings requirements, harmonisation is nearly complete, the exception being the Dar es Salaam Stock Exchange, which only joined the Committee recently and is now looking into the implications of harmonisation.

Presentations were also given by JSE staff and South Africa's Financial Services Board, on topics such as insider trading, the JSE's Emerging Enterprise Zone initiative to facilitate the development of SMEs, information vending, progress with the STRATE project (electronic clearing and

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settlement) and South Africa's new Investment Services Bill.

## **MARKET UPDATES**

*(As presented at the SADC Committee of Stock Exchanges meeting)*

### **Botswana**

Botswana is planning to market itself as a financial services centre, and, to facilitate this, the government abolished all exchange controls in the country's recent budget. The tax rate for companies in the financial services sector was also reduced to 15 percent, and there are no taxes on unit trusts. Botswana's first unit trust was recently quoted on the exchange. There are now 14 domestic and nine foreign companies listed on the exchange, as well as three bonds.

### **Mauritius**

Compared to other African countries, the Mauritian market fared relatively well in 1998, with the all-share index increasing by seven percent in dollar terms, and foreign transaction increasing from 25 percent to 32 percent of total transactions. The Stock Exchange of Mauritius is currently developing a manual continuous trading system, an interim measure while plans for an electronic trading system are being developed. The exchange is also holding discussions with the central

bank on the development of a secondary market for government bonds through the exchange.

### **Namibia**

New trading and broker back-office systems were introduced in November 1998; in spite of this, the market has remained fairly quiet. The year ahead should involve the setting up of other JSE systems, such as the central depository and the Stock Exchange News Services (SENS). There are also plans for a possible restructuring of the exchange into a company from an association, along with marketing of the exchange and market development. There are now 41 listings in total on the exchange, plus three bonds (which are benchmarked to comparative South African bonds), and six member firms.

### **South Africa**

There are three exchanges in South Africa, namely the JSE, the Bond Exchange and the Futures Exchange. Plans to merge the three are currently afoot, in order to enhance the JSE's international competitiveness. The Bond Exchange saw four new listings in 1998, as well as the upgrading of 43 unlisted bonds to listed status. Non-resident trade in bonds has declined to 25 percent from 39 percent mid-1998. On the JSE's side, there were 101

new listings in 1998, in spite of the market turmoil. There has also been a move by some major South African companies, including Anglo American and South African Breweries, to list on the London Stock Exchange. Demutualisation was a highlight last year, with the listing on the exchange of the insurance giant, Sanlam, soon to be followed by Old Mutual. It is expected that STRATE, the electronic clearing and settlement system, will be in place by the end of April.

### **Tanzania**

The Dar es Salaam stock exchange began operating last year, and there are currently two companies listed on the exchange. The number of trading days per week has recently been increased from one to two, and the central depository should be operational next month. Foreign investment is still not allowed on the Dar es Salaam stock exchange, due to the fact that most flotations are (and will continue to be) recently privatised companies in which foreigners already have a significant stake.

### **Zambia**

In contrast to 1997, 1998 was a bad year for the Lusaka Stock Exchange, losing 57% of its value in dollar terms. This was largely due to the economic situation prevailing in Zambia at the time, which

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was exacerbated by the lack of progress with the privatisation of Zambia Consolidated Copper Mines. However, prospects are now looking more promising. Two new companies, National Breweries and Standard Chartered Bank, listed in 1998. The LuSE is looking to transfer the trading of government bonds onto the exchange, and has made progress on efforts to develop unit trusts. The LuSE has also succeeded making the stock exchange part of the education programme in Zambia – secondary school syllabi now capture the stock market.

### **Zimbabwe**

1998 was a awkward year for the Zimbabwe economy and so also for the stock market, with the currency collapsing from a rate of 20:1 to the US\$ at the beginning of the year, to 39:1 at the end of the year. The collapse of a merchant bank also had a negative effect on financial markets and their integrity. There were three new listings in 1998 – a bank, a pharmaceutical company and a telecommunications company – as well as two rights issues. The government recently imposed a five percent withholding tax on the sale of securities, but the tax was eventually retracted after protests from the broking community.

### **PROGRESS ON THE Y2K PROBLEM IN SADC**

The Southern African Transport and Communication Commission (SATCC) Committee of Ministers in their meeting held in June 1998, were briefed on the Year 2000 computer problem. The Ministers, on hearing about the gravity of the problem, directed the SATCC-Technical Unit (SATCC-TU) to convene a cross-sectoral meeting to determine the SADC region's preparedness in dealing with the problem, and to come up with a regional strategy to address the matter. Furthermore, the Ministers also decided to brief the Council of Ministers and the Summit of the SADC Heads of State about the looming problem.

Subsequent to the ministerial directive, a Conference on the Year 2000 problem was organised in Cape Town from 20-21 August 1998 by the Y2K Support Centre of South Africa and SATCC-TU under the auspices of the Information for Development (InfoDev) department of the World Bank. This conference revealed that only a few countries in the SADC region had taken adequate measures in dealing with the problem.

The Conference went to devise a regional strategy to

combat the problem and further proposed that each SADC member state appoint a national Y2K co-ordinator. A regional co-ordinating mechanism was to be established as well.

In September 1998, Council resolved that Member States without any focal point or institutional framework for dealing with the Y2K problem should urgently establish one. This entailed the following:

1. The establishment of a high-level Cabinet Committee to steer the Y2K initiative programme.
2. The establishment of a national co-ordinating unit with adequate financial and human resources, which would have clearly defined responsibilities and strong monitoring powers.
3. The establishment of a task force to assist with urgent tasks e.g. prioritising Y2K risks, devising a national strategy and putting together a contingency plan.

Council urged member countries to make the necessary budgetary allocations to address the issue as a matter of priority. Member countries were also urged to conduct strong awareness campaigns and understanding of the Y2K problem.

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**SATCC-TU**, assisted by the **SADC Secretariat** and **FISCU** were chosen to spearhead and co-ordinate the Y2K I initiative at a regional level. This steering group was directed to convene cross-sectoral meetings to further exchange information and develop a regional strategic plan.

On the 25<sup>th</sup>-26<sup>th</sup> January 1999, SADC National Y2K Coordinators met in Gaborone, Botswana, to review progress and formulate a regional action plan. Only six of the fourteen member countries of SADC attended the workshop. The meeting was also attended by the World Bank, SATCC, FISCU, SADC Secretariat and was facilitated by the National Computing Centre (NCC) of the United Kingdom. The NCC's participation was financed by the UK's Department for International Development.

The meeting in Botswana noted the following :

- The unavailability of Y2K structures in some of the regional states. Where structures were in place, capacity was lacking, and financial problems and bureaucratic procedures were overshadowing the work programmes in the implementation of remedial actions.

- The lack of awareness and conceptualisation of the magnitude of the problem.
- The lack of skills, and shortage of resources at the national level to effectively implement strategic plans.
- The crucial issue of interdependencies within the sectors in the SADC region and within individual member countries.
- The fact that not much progress had been made at the time of the meeting and the little time remaining to take any remedial action.
- The need to concentrate on a set of six critical sectors to start the preparation of contingency plans. The six mission-critical sectors were identified as being power/energy, telecommunications, transport, water, health and finance.

Given the above result, the meeting resolved on the following line of action:

- The formation of regional committees made up of appropriate sector co-ordinators to focus on the six critical areas identified.
- Sector co-ordinators to incorporate Y2K issues relevant to their sectors in their work-programmes.
- All countries to ensure the existence of national operational structures to address the problem and the strengthening of the role of

- the National Y2K co-ordinator and the putting in place of speedy decision making mechanisms by March 1999.
- Establish a regional web site and national helplines.
  - Countries to actively engage InfoDev/World Bank grants individually and consider relocation of other resources to address the problem. The process was however, subject to time constraints.
  - Make budgetary allocations to finance remediation activities and the travelling costs of officials to two meetings scheduled for April and June.
  - Establish status of Year 2000 programs in the next meeting i.e. compliance, inventories etc
  - Individual contingency plans to be developed by each individual country and sectors within the country concerned.

What has to be appreciated however, is that for some sectors it is already too late for anything to be done. The cost of tackling the problem will escalate in geometric proportions as the deadline approaches and certain systems will fail, causing disruptions in the provision of services like water, power and health. Those countries that have not prepared adequately will have to make the necessary arrangements to provide emergency and remedial support in areas such as the finance, food security,

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transport and social security. The problem is not a computer problem as is often misconstrued, but rather a management/business problem. Every cloud has a silver lining, however: the Y2K problem also provides opportunities for regional states to revamp their systems in line with their long-term strategy for IT development.

### **FINANCE AND INVESTMENT PROTOCOL: STATUS REPORT**

In the last edition of our newsletter, we reported that SADC Ministers of Finance had directed FISCU to prepare a three-year financing strategy before proceeding with the development of the Protocol.

The three-year strategy document was developed and is currently awaiting Ministerial approval. The document sets out the work programme and funding needs for the entire Finance and Investment Sector, including all the activities of the various committees/subcommittees and the activities relating to the Finance and Investment Protocol. Once this document has been approved and funding has been obtained for the Protocol development process, work on the Protocol will commence.

### **Editorial: PARTNERSHIP FOR CAPACITY BUILDING IN AFRICA (PACT)**

*Bongi Kunene is an advisor to the Executive Director at the World Bank. She reports from Washington on a new World Bank programme to promote capacity building in Africa.*

#### **Background**

The Partnership for Capacity Building (PACT) started in 1995 at the request of African Governors of the World Bank to Mr. Wolfensohn to seriously consider the role of aid flows, in particular, technical assistance given to Africa. It is estimated that in any given year, the amount of resources expended on technical assistance to Sub-Saharan Africa (SSA) averages about USD 5 billion. However assessments conducted by various agencies, including the Bank, conclude that the results and effectiveness of assistance is at best mixed. African governments have for a long time advocated a thorough review of programs intended to assist them in reforming their economies. A confirmation by empirical evidence that capacity building that accompanies reforms is not entirely successful, reinforces the Governors point of view that capacity is a “missing link” in

the development agenda. It is evident that before Africa can make visible gains in meeting long term development needs, there has to be a concerted effort on building, utilising and retaining Africa’s resource base.

In its conceptualisation the PACT is intended as a framework for addressing the capacity building problems within the continent. While the Bank is part of the process, the effort is led and owned by the Africans through the Governors’ delegated authority to Executive Directors (EDs) within the Bank.

#### **Process**

The African EDs decided to approach their task with three concurrent efforts. *First*, they undertook a series of consultations in various fora in Africa. Among these was a number of workshops conducted in Abidjan, Accra, Libreville, Johannesburg, Nairobi, and Port Louis with the objective of obtaining multi-sectoral views on devising practical methods of mainstreaming capacity building within donor activities. The workshops involved representatives of governments, the private sector and the civil society.

*Second*, a panel of African experts was commissioned to

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review donor programs, particularly those of the World Bank Group, to determine how these programs have helped or hindered the building of capacity, and to suggest how they could be made more effective.

*Third*, fourteen capacity assessments were undertaken in African countries as vehicles for understanding the status of capacity in our countries.

The initial results of the three-pronged approach were used in the compilation of a business plan submitted to Mr. Wolfenshon by President Diouf of Senegal during the Annual meetings of 1998.

### **The PACT Proposal Presented to Mr. Wolfenshon (September 1998)**

The PACT proposal has four guiding principles, namely, African leadership and ownership, an insistence that capacity should be at the centre of the development process, that a partnership approach should be advocated in endeavours for capacity building, and, the proposed actions must be practical and realistically phased. Correspondingly there are four priority areas: firstly, the public sector - in this regard the proposal refers to policy planning and analysis,

financial management especially the strengthening of capacity in accounting and auditing institutions, capacity in the judicial and legal fields, and general governance issues. The second and third priority areas are capacity building within the private sector and civil society respectively. The fourth priority area encompasses training, research and information technology. On this priority the objective is to support the generation and dissemination of knowledge, revitalising African universities and establishing Regional Centres of Excellence.

It is envisaged that the PACT will be a multi-country program, with possibility to build on and leveraging current programs. Its structure puts emphasis on regional focus and the concept of information and knowledge networks can be easily applied.

The institutional framework of the PACT involves the setting up of three structures:

The Partnership Group, which would be chaired by the Chairman of the African Caucus and co-chaired by a representative of one of the development partners. It would be composed of representatives of all entities dealing with capacity building issues in Africa as well as

African ministers selected on a regional and rotational basis. The Partnerships Group would be the policy making body of the PACT and will have resources mobilisation as its other function.

The PACT secretariat would be the administrative arm whose functions will include the implementation of policy directives from the Partnership Group and the processing of requests from the National Secretariats.

The National Capacity Building Secretariats would be responsible for aggregating and mobilising local capacity building efforts, as well as serving as the national interlocutor with international donors.

All PACT activities would be supported by a Trust Fund to which the World Bank is expected to provide the "seed money" for its administrative set up and initial programs and activities. Resources into the Fund were equal US\$ 1 billion over five years.

### **Necessity for Slight Modifications in the PACT**

The PACT as formulated and presented to Mr. Wolfensohn has generated a lot of debate within and outside the Bank, and in some cases the PACT has faced outright opposition. While there is no disagreement that capacity building strategies

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and delivery mechanisms need to change from their present form, uncertainties, questions and comments about the PACT have revolved around several factors:

The role of agencies, including the UNDP, the African Capacity Building Foundation (ACBF) based in Harare, and the bilateral donors, currently engaged in capacity building activities; Elaboration of the role of national secretariats;

The institutional framework was seen as too top heavy and too bureaucratic, involving the creation of yet another free-standing institution whose procedures could prove too cumbersome; and

The funding proposals were perceived as being too unrealistic, in view of budget cuts in partner institutions and countries.

The three Executive Directors elected on November 1, 1998 on assuming duties initiated a series of consultations with the multilateral agencies, including the UNDP, the ECA and the ADB, to address the above-mentioned concerns and to determine what form of collaboration would be required for other partners to participate in the PACT.

Concurrently, the Africa Region Vice Presidency has also undertaken a series of consultations with bilaterals to resolve the differences of views and to address their concerns about the PACT.

Accordingly, Mr. Madavo has undertaken consultations in London, Stockholm, Washington and New York. Together, the consultations by the Executive Directors and the Africa Region Vice Presidency have involved the African Development Bank, United Nations agencies (UNDP and UNECA), the ACBF, bilateral and multilateral donors from the Nordic countries, the British (DfID), the Canadians (CIDA), the Dutch, the French, the Japanese, the Swiss, the Americans and various foundations and representatives of the private sector.

### **Outcome of Consultations**

The consultations noted above have resulted in some modifications to the PACT which are likely to be broadly accepted by our development partners, and which should help in moving the process forward toward the formal launching of the PACT.

### **The Administrative Framework**

There is now a consensus that instead of a free-standing bureaucracy, the PACT should, at least for the first three to five years, be hosted by the ACBF. This would mean that the governance structure of the ACBF has to change to ensure that African leadership and ownership is reflected in the Board of

Governors and the Board of Executive Directors. The ACBF is preferred because it would be relatively uncomplicated to add a new mandate to it, and the ACBF already has a roster of technical experts that could be utilised from time to time. A review of this association would take place after three years. If at that time it is perceived practical to merge the two that process should not be difficult and would likely be welcomed by the development partners.

Additionally, a Consultative Group (CG) type of arrangement could be convened periodically (initially once every six months and annually thereafter) to sharpen ideas about capacity building in Africa.

On the National Capacity Building Secretariats, the consensus is that these should be considered focal points, not blue prints, the location of which should be decided by the country concerned, to which technical assistance, could be extended.

The role of other multilateral institutions in assisting African countries is fully acknowledged and it is agreed that they should play a more active role than originally envisaged in the PACT.

It is suggested that the UNDP have a chair in the Board of Governors, that its technical experts be added to the roster

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for utilisation, and that it should provide assistance at the country level, in accordance with the priorities set by the country concerned. The Economic Commission for Africa (ECA) the African Economic Research Consortium (AERC) and the African Development Bank will provide their experts on an “as needed” basis, particularly on crosscutting and regional issues.

### **On the funding proposals**

The business plan has an indicative figure of US\$1.0 billion over five years. Some bilaterals have expressed concerns that the sum is too high and that it may put off partners who otherwise would support the proposal, even though it pales compared to the US\$5.0 – 6.0 billion currently being spent on technical assistance in the region. It may also result in the diversion of resources from other worthy programs in support of Africa. The consultations have resulted in a consensus that the sum of US\$1.0 billion should be seen as a global financing envelope which includes on-going activities that complement the PACT and to which all players, including other multilaterals, the bilaterals, foundations as well as the private sector will contribute. After the review at the end of three years, as noted above,

the funding requirements will be adjusted, if necessary. Within the Bank, the African EDs support a proposal that management request from the Board US\$25.0 million annually for five years.

### **CISNA MEETING**

The Committee of Insurance, Securities and Non-Banking Financial Authorities met for the 3<sup>rd</sup> time in Mauritius on the 25-26 February 1999. The meeting was attended by representatives from Angola, Botswana, Lesotho, Malawi, Mauritius, Namibia, South Africa, Zambia and Zimbabwe.

### **Position in SADC Structure**

CISNA had earlier requested to be considered at the same level as the Committee of Central Bank Governors, instead of having to report through the Committee of Senior Treasury Officials. While the SADC Ministers of Finance acknowledged the existence of the committee and their future work-programme, they turned down CISNA’s request. The Committee acknowledged the ministerial decision with some reservations relating to the committee’s autonomy, a matter which will be pursued in due course.

### **Finance and Investment Protocol**

FISCU also informed the meeting of the Ministers decision to adopt the so-called “Aide Memoire” as the route to be pursued by the Finance and Investment Sector in the formulation of the sector’s protocol. A presentation on the proposed protocol process was made by FISCU, followed by discussions. The Committee will be informed of new developments regarding the protocol formulation process, pending the approval of the sector’ three-year financing proposal (see p)

### **Memorandum of Understanding**

The meeting discussed issues relating to the signing of a memorandum of understanding between member countries. Countries were further urged to revisit the matter and sign memoranda of understanding on a bilateral basis.

Several papers were presented by various delegates, which were then followed by general discussions. Presentations topics included

- Investments made by South African institutions on foreign stock exchanges;
- Harmonisation of disclosure rules by companies and the adoption of common international accounting and auditing standards;

- Stock exchange operation -introduction into Zambian school syllabus;
- Harmonisation of the regulatory framework regarding the clearing and settlement of transactions on the exchange;
- Information on the Insurance Supervisors Training Seminar/Workshop to be held in Pretoria from the 5-9 July 1999;
- Progress reports by each individual member countries on recent liberalisation activities in their respective insurance environments;
- A report on the International Association of the Insurance Supervisors (IAIS) meeting held in Singapore on Emerging Markets;
- Zambia's Collective Investment Scheme Legislation;
- South Africa's experience with Collective Investment Schemes;
- IAIS Insurance Supervisory Principle Self Assessment Programme and the African Insurance Organisation Guidelines for successful privatisation; and
- Harmonisation of training and licensing for capital market intermediaries

There was also a presentation on the Year 2000 problem and

how it affected the finance sector, drawing on Mauritius' efforts and experiences.

The meeting then exchanged views on information exchange between supervisors in the SADC region. The meeting considered important projects currently underway. Furthermore, it was resolved that countries were to circulate copies of their respective Acts governing their country's insurance, securities and regulatory mechanisms.

The Committee resolved to meet again in Namibia before the year-end.

### **LOOKING AHEAD: SOUTHERN AFRICA ECONOMIC SUMMIT**

The World Economic Forum is a private organisation that aims to bring leaders from both the public and the private sector together. Beside their annual Summit in Davos, Switzerland, the WEF also organises regional summits, including one for Southern Africa (which is hosted in co-operation with SADC). This year's Southern Africa Economic Summit will be held in June in Durban, South Africa. FISCO is currently in the process of putting together a document for the Summit, which will contain profiles of all 14 SADC countries as well

as profiles of the mining, transport and financial sectors.

The goals of the Durban Summit will be to provide a forum for the exchange of information and ideas between international and regional business executives, as well as to assist participants in expanding their network of contacts. The Summit also provides an opportunity for international business leaders to engage with key policymakers in the region and to share their expectations and ideas on topics such as economic reform.

The overall theme of this year's conference is "Responsible Leadership for Action and Growth", and topics to be discussed at the Summit include the following:

- International financial institutions and SADC countries: how should the debt issue be approached?
- What are the roles of the IMF and the World Bank in Southern Africa?
- Black empowerment: what are the next challenges?
- Regional monetary policy: ensuring growth in an era of volatility.
- How can Southern Africa survive the global financial crisis?
- SADC central banks: their agenda to harmonise and regionalise regulatory practices.

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- SADC, COMESA: duplication versus complementarity.
  - How should Africa leverage the digital revolution?
  - Capital and stock markets: the next step towards harmonisation in order to maintain the competitive edge.

Activities at the Summit will include regional update sessions, highlighting the latest developments in key sectors in Southern Africa; interactive sessions, to address macroeconomic and microeconomic issues which the region is currently facing; industry-focused workshops; entrepreneurial sessions; country-focused networking; Southern African brainstorming; and plenary sessions.

*Source: World Economic Forum web site, [www.weforum.org](http://www.weforum.org)*

## FAREWELL

Phakamani Hadebe left FISCO at the end of January, to head up the Department of Finance's directorate for domestic debt.

Phakamani was one of the first staff members of the Unit and put a tremendous amount of effort into ensuring its success.

FISCO could like to congratulate Phakamani on his promotion and wish him well in his new job.

## CONTACT DETAILS

If you have any queries about the Finance and Investment Sector, if you have an event you would like to include in our forthcoming events column, or if you have any views you would like to air, please feel free to contact us.

Bhadala Mamba (Deputy-Director): 3155927 E-mail: [mambab@finance.pwv.gov.za](mailto:mambab@finance.pwv.gov.za)

Huntly Pringle (Project Manager): 3155967 E-mail: [hpe1@mweb.co.za](mailto:hpe1@mweb.co.za)

Rosalind Mowatt (Economist): 3155951 E-mail: [mowattr@finance.pwv.gov.za](mailto:mowattr@finance.pwv.gov.za)

Themba Zulu (Economist): 3155653 E-mail: [zulut@finance.pwv.gov.za](mailto:zulut@finance.pwv.gov.za)

Veronica Sethu (Secretary): 3155395 E-mail: [sethuv@finance.pwv.gov.za](mailto:sethuv@finance.pwv.gov.za)

FISCO fax: +27-12-3155108

Postal Address:

FISCO  
Department of Finance  
Private Bag X115  
Pretoria  
0001  
South Africa

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