

24 OCT 1997

COMMONWEALTH: FUNDING AGENCY'S PRIVATISATION SETS UNWELCOME AGENDA

EDINBURGH, Oct 24 (Bernama-UNI/IPS) - Britain has announced plans to sell off the public sector Commonwealth Development Corporation (CDC) in a move, it says, designed to focus the minds of the Commonwealth on trade and investment.

British Prime Minister Tony Blair announced the move ahead of this week's Commonwealth heads of government meeting (CHOGM) in Edinburgh. 'The CDC is a public institution,' he told an audience of 300 political and business leaders. 'I believe it can be improved by becoming a public-private partnership.'

But the proposal has already set development NGOs' alarm bells ringing.

'The experience of some developing countries is that investment only works under certain circumstances -- it is not a panacea,' said Andrew Simms of Christian Aid, a leading British-based development non-governmental organisation.

The CDC, with more than 400 staff in London and around the world, aims to help the 54 members of the Commonwealth by working to increase capital flows, moderate investment risks, develop capital markets and provide management skills.

Its role is meant to complement the efforts of other British development agencies and contribute to the Overseas Aid Ministry's policy goals. Mr Blair told the Commonwealth Business Forum meeting that the partial sell-off will require legislation to allow private investors to invest money in the CDC.

Some of the money will take the form of lending and some will be equity. The government will retain a substantial minority holding and will continue to set a framework for the corporation's operations in order to preserve its unique character and special skills.

'This new partnership will allow the CDC to borrow on the capital markets. I can also promise that all the money the government raises from this sale will be ploughed straight back into our development programme,' he added.

The move, coupled with the Edinburgh CHOGM's general focus on trade and investment, prompted aid and development agencies to sound a note of caution.

However, words, increased investments will not pass on any benefits to the recipient-country because they will go to the lowest bidder. Independent development experts also point to the dangers of relying too heavily on foreign investments at a time the International Monetary Fund (IMF) is urging developing countries to liberalise their capital accounts.

'The problem with enticing capital into developing countries for investments is that it can be a temporary phenomenon -- it is not a basis for long-term development,' said Angela Wood of the Bretton Woods Project, an NGO monitoring the World Bank and IMF.

'For instance, (Malaysian Prime Minister) Mahathir Mohamed has said that the recent outflow of investments from Malaysia has set back the country by 10 years,' she added.

The CDC, despite its name, is not a Commonwealth institution, though it has very close ties with Commonwealth member-countries. It was set up by the British government in 1948 through an Act of Parliament to help set up private sector projects with a strong development focus in developing countries.

Historically, it has been funded solely by the British government and the European Investment Fund. It has invested an average 300 million pounds a year in developing countries and currently has borrowing of 770 million pounes from the British government.

However, it has received no British government funding in the last two years, which has left it with no alternative but to turn to the capital market and other private sources for funding, according to CDC director of corporate relations, Sean Magno.

'We are a United Kingdom statutory body and the change in the status will have to go through the parliament,' Magee told IPS.

'We will be talking with governments essentially to assure them that it's business as usual and this is in fact good news -- that through increased access to funds, we can expand our development work,' he added.

Magee noted concerns that the increased involvement of the private sector could dilute, rather than expand, the CDC's development focus.

'It is hoped that through the golden share (Britain's primary shareholding), the government will protect the CDC's unique character and status as development organisation,' he said.

The CDC-sell off forms part of a strong economic message sought to be driven home by the hosts of the Edinburgh summit. The theme of the summit is 'Trade, Investment and Development: The Road to Commonwealth Prosperity'.

The grouping boasts of several economic success stories. It represents 1.6 billion people, accounts for 20 per cent of world trade and includes 12 of the world's 20 fastest growing economies.

Almost all the major regional trading blocs are represented by members in the Commonwealth, except for the Latin American Mercosur grouping.

Other conclusions of the forum will relayed to the world leaders at Edinburgh. -- Bernama-Uni/IPS