

response to **weak supervision and regulation of financial institutions by the Central Banks**. The long-term solution to this is to strengthen the legislation governing the operations of Central Banks giving them greater supervisory authority over both banks and non-bank financial institutions and building up their capacity to exercise this supervision. Technical assistance could be provided to Central Banks to prepare the necessary legislation and regulations and train staff to perform effective supervision.

33. Recent large scale failures of financial institutions indicate the need for **comprehensive internal control procedures** and policies that will be implemented by skilled staff and monitored closely by the senior management. This requires a clear delineation of responsibilities, explicit and transparent policies relating to lending and other financial decisions, comprehensive and internally consistent record-keeping systems, and internal audit and management control functions that are organisationally separated from the groups that they oversee. Equally important are policies and enforcement measures to ensure that staff acts in the interests of the institution and does not engage in insider trading or similar activities, disclose proprietary information and approve loans other than on objective assessments of returns and risks.
34. These reforms have been pursued by the donor community through private sector development and financial sector reform loans extended by the multilateral development banks often with cofinancing from bilateral donors. There is considerable scope for providing technical assistance on a bilateral basis to achieve the broad goals that have been identified in this section of the paper.

GOVERNANCE PROGRAMS OF THE COMMONWEALTH SECRETARIAT

35. The Commonwealth Secretariat promotes economic and social development of its member states through a wide range of technical assistance programs. This is provided through training and consultancy services - both short and long-term, and the provision of advisory services to governments. Many of the training programs take place in institutions located in the developing countries of the Commonwealth. Similarly, the majority of consultants are hired from developing countries and the Secretariat was a pioneer in promoting technical cooperation among developing countries. The technical assistance is financed mainly by the Commonwealth Fund for Technical Cooperation (CFTC) to which member governments