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ECONOMIC COMMISSION FOR LATIN AMERICA
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NOTE

ON

UNITED NATIONS

INTERREGIONAL WORKSHOP ON DEVELOPMENT PLANNING
FOR SMALL ISLAND COUNTRIES

7 - 11 November 1983

Kingstown, St. Vincent and the Grenadines

Prepared by:

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NOTE ON
UN/DTCD INTERREGIONAL WORKSHOP ON
DEVELOPMENT PLANNING FOR SMALL ISLAND COUNTRIES

1. The holding of the Interregional Workshop was stimulated by the growing recognition within the United Nations System that Small Island Economies have development problems and policy needs which are unique to them. Undoubtedly the efforts of UNCTAD to define the situation of such countries and identify specific actions related to their particular needs and problems, have helped to crystallise the views that this is a subject area needing particular attention. In large part UN General Assembly resolution 34/205 "Action Programme in favour of Developing Island Countries" (19 December 1979), has provided the orientation for the activities that have been undertaken. The Workshop should therefore be seen as part of an ongoing programme within the United Nations.

2. Country participants were from the island countries of the ECLA and ESCAP regions. Resource persons were provided by UN/DTCD, UN/OPAS, UNCTAD, ESCAP, UNDP, and also the CDB and IARM (Antigua). The list of participants is attached as Annex 2.

The agenda for the workshop covered the subjects-

- Development progress and constraints in small island economies: challenges for development planning.
- Implementation of programmes for foreign trade in goods and services.
- Effective co-ordination and utilization of external finance and technical co-operation.
- Annual plans and fiscal budgets as tools for implementation of medium-term development plans.
- Harmonization of national programmes among Small Island Development Statistics (fiscal).

- Regional (subnational) policies in fragmented economies.
- Data requirements for effective formulation and implementation of development plans and programmes.
- Monitoring and evaluation of progress in the implementation of development plans and programmes which were taken in the order shown in the timetable attached as Annex 1.

3. A list of the documents submitted is at Annex 3, most of which it would be noted are strictly technical and broadly oriented, while others are specific to particular groups of island countries. However, the discussion tended more to be an exposure of the actual situations, rather than a testing of applicability of planning techniques. Perhaps the unavailability of the papers in advance of the Workshop was a limiting factor in participants bringing first-hand data to bear on the methods, techniques and postulates in the papers. What follows is therefore a brief resume of main trends in the discussion, rather than an appreciation of the inputs to the Workshop.

4. In the discussions it was pointed out that prescriptions for island economies need to take account of their individual characteristics, because every island is different from every other one. There are differences which derive from whether they are coral islands or volcanic islands, low islands or high islands, small islands or big islands, single islands or archipelagic. Such differences affect their economic structures and potentials. It should also be borne in mind that the bigger the island the more ways in which it will behave like a continental country. Nevertheless island economies have many areas of commonality such as low level of diversification, narrow range of natural resources, limitations of personnel and skills, limited finance, etc; but most important, they all share the characteristic that the economy is largely determined by decisions taken abroad.

5. There was acceptance of the view that in large part the role of the island planner was to come to grips with a wide range of externally made decisions that impact on the economy, to try to influence them, and to take advantage of them in matching them to the local situation.

Much of the "planning" effort in small islands is therefore taken up with monitoring, (mainly financial monitoring) and diplomacy, to obtain favourable trading conditions. This often raises the question of the extent of applicability of orthodox planning, and the appropriateness of a variety of planning techniques.

6. Because of the nature of island economies there is a large co-ordinating focus in planning, in the sense of bringing sectors into integrated relationships, ensuring the orientation of sectors to policies, and checking that actions are within the scope of the budget. Generally, it is the case that most capital projects are financed by donor aid, for which it is not possible to plan what the actual inflow may be in a particular period. Aid flows are further complicated by the financial years of donors being in different time relationships from each other and from that of the recipient. The timing of end of financial year of a donor can be a determining factor in whether some aid funds are lost. Under such circumstances planning tends to be of an ad hoc nature, especially for projects based on external financing.

7. The point was made that one must consider the extent to which small economies require short-term rather than long-term perspectives in planning. Invariably change in the islands is rapid, and the changes are large, so that the fluctuations between years are often much greater than the margin of projections. For this reason statistical projections break down more easily in small economies. As a result, mechanistic formulations are rarely applicable due to the frequent need for revisions as conditions change. Consequently, each island has to decide what set of data are useful and obtainable within the framework of its own circumstances. It then becomes necessary to consider possible forms of simplified accounts, in which the conceptual national accounting framework is used for an annual planning exercise - dictated by the fact that Government is an important (perhaps the most important) part of the economy.

This led to a discussion of the comparable merits of line item budgetting and programme budgetting in the experience of island planners, with most favouring the latter method. There was also discussion around the programmed costs method and the standard costs method.

8. The point was also made that there are instances in which the land area is small, easy to see, and obviates real need for national accounts. Further the market exchange would be mainly in goods, primarily imports, and any project would be large in relation to the size of the economy. In such situations the important considerations are "settlement costs" on the island, and the "carrying capacity" of the island. Planning then means looking to the future in those terms, taking into account that natural disasters loom large. In short, it is the things about which something can be done that creep into planning.

9. Generally the implications are that development has to be seen less as achievement of economic targets and more as a process of attainment, in which improvement should be based on national assets and not just grants and loans. This implies the aim should be towards a tapering off of the development by project approach. In this context, it was argued, focus on GDP measurements become inappropriate. It was pointed out as an example, that capital/output ratios made little sense where output fluctuates widely for reasons other than capital variations. Much of the resources therefore, could be more usefully deployed on the establishment of back-up systems, the enhancement of national assets, and the achievement of higher self-reliance. This also has to allow for the fact that only about half of statistical actions are directed to planning-type activities - the rest of the time being taken up with the preparation of data to send to international bodies.

10. Inevitably there was some discussion of viability of island economies. The exchanges served to highlight the greater weight that has to be given to ecological and demographic factors in small island economies, than in continental countries. The natural basic elements which relate to biological and environmental circumstances often in adverse situations assume disaster proportions.

It was therefore necessary to take these into account along with economic viability (the ability to pay for what is needed by what is sold), and political viability (the extent to which the island economy can decide as an entity vis-à-vis other countries). Accordingly, the emphasis should be less on viability and more on vulnerability, with some steps in the planning process to cope with vulnerability. This was referred to as "bottom half" planning, rather than "top-down" planning.

11. Concerning the range for productive activity, stress was laid on the need for crops of high value, but which were low in volume. It was noted that most of the island economies traditionally have been producers of plantation crops, but that there are limits to the potential such crops offer for development. Extreme fluctuations in their foreign exchange earnings has been a common feature, militating against the planning effort. Increasingly there is the need to concentrate on products that have high income elasticity, and that offer better prospects of market and price stability.

12. Aside from agriculture, efforts had been made in various island countries to establish export processing zones, but this kind of initiative reportedly, does not seem to be very successful in the islands. On the other hand tourism is invariably a significant part of the productive effort; and increasingly there have been the development of various off-shore services ranging through captive insurance, off-shore banking, other types of tax haven facilities, flags of convenience, some raw materials processing and tertiary educational facilities.

13. Inherent to the island economies, is the high weighting of the external sector, which carries with it the dangers of "looking outward" before "looking inward", and the imposition of external lifestyles. In most cases nearly everything for consumption, and to a large extent also for production, depends on imports. The effectiveness of planning is therefore constrained within the limits to see ahead the evolution of the international situation.

In these circumstances one must recognise that some trade actions internationally viewed as undesirable practices, (like dumping) can work to the advantage of the island economies. But account also has to be taken that private sector capital flows are mainly inter-company transactions, and do not generate multiple linkages and spinoffs in the internal economy. With this scenario growth of the economies has not resulted in much interchange among the island countries, their growth patterns being dictated by the range and types of commodities they produce for developed countries consumption.

14. An interesting argument was made that small islands had no choice but to specialize. This was based on needs to take advantage of economies of scale, and thereby to have a viable export sector. It was also stated that invariably their situation was such that island economies could not effectively adopt prescriptions for them to diversify. The key seemed to be for the islands to know when to shift from one line of production to another. For many island economies shift from one product to another product seems to have been the historical method of evolution. The conclusion was that one must take into account the problems encountered in shifting of production lines which often derive from rigidities in factors allocation. Further there has been the experience that specialization tends to stimulate the outflow of trained and skilled persons, thereby qualitatively depleting the labour resource. Questions surrounding diversification and specialization therefore need to be carefully re-examined.

15. In considering the role of financial and technical assistance it was observed that the cheap availability of external capital does not favour cumulation of local saving. While accepting its complementarity to local saving, account must be taken of the fact that in small countries external financing and technical assistance assume much higher proportions, than in larger countries. Attention therefore has to be primarily with effectiveness, even to the point of acknowledging that some orthodox measurements of efficiency cannot be met. Behind this assertion are the considerations that much of this external inflow is of a "non-market" nature, and that some inefficiencies that arise are due to the system of choice not being a "market" decision.

Instead the choices are between projects, in particular sectors.

16. Theoretically at least each sector ministry has therefore to have a planning capability; and (theoretically) the national planning agency should co-ordinate these efforts. But in practice the extent to which these are achieved is limited because the small island countries seldom have the staff and resources to handle the wide range of functions. One of the peculiar problems of smallness is the difficulty to have the required range of expertise. Most personnel therefore have to operate as generalists, and their training should take this important factor into account. It is multi-disciplinary capability that is necessary. This problem is not solved by getting foreign experts, for they can do only a narrow range of things relating to their knowledge in the wider world; but they do not know the island priorities and its way of doing things.

17. Parallel with this is inadequacy of the data base, where one finds that much of what may be deemed essential is not available; so the data does not allow detailed analyses to be carried out. In this situation it has to be borne in mind that the data sought relates to a way of thinking, which in itself is more important than manipulation of the numbers. Similarly, timely statistics become more important than perfect statistics. And in addition the data range has to be adjusted as techniques are modified to be more relevant to the small island situation. The law of large numbers works against the small islands (easily seen in population data and economic forecasting) which suggests the need to develop "manuals" that relate to particular island situations. It is not that the economic and planning techniques do not work; rather it is that the content of the adjustments need to be watched with care; and this places an emphasis on pragmatic approaches.

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Interregional Workshop on
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Kingstown, St. Vincent and the Grenadines
7-11 November 1983

DEVELOPMENT PROBLEMS AND POLICY NEEDS OF
SMALL ISLAND ECONOMIES

TIME TABLE

Monday, 7 November 1983

Morning	Registration Opening of the Workshop Organization of work
Afternoon	Development progress and constraints in small island economies: challenges for development planning

Tuesday, 8 November 1983

Morning	Implementation of programmes for foreign trade in goods and services
Afternoon	Effective co-ordination and utilization of external finance and technical co-operation

Wednesday, 9 November 1983

Morning	Annual plans and fiscal budgets as tools for implementation of medium-term development plans
Afternoon	Harmonization of national programmes among Small Island Developing States

Thursday, 10 November 1983

Morning	Regional (subnational) policies in fragmented economies
Afternoon	Data requirements for effective formulation and implementation of development plans and programmes

Friday, 11 November 1983

Morning	Monitoring and evaluation of progress in implementation of development plans and programmes
Afternoon	Review of main findings and conclusions of the Workshop Comments and suggestions relating to future Workshops Closing of the Workshop

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DOCUMENTATION

Basic Conditions of Effective Plan Implementation

by Ompraksh Talwar

Efficient Implementation of Programmes for Production and
Mobilization of domestic financial resources

by Ole David Koht Norbye

Statistical requirements for effective planning and plan implementation
in small island economies: the case of the OECS

by Keith Arnold

Policy issues in the foreign trade in goods and services of island
economies

by E.C. Dommen and P.L. Hein

Effective utilization and co-ordination of technical co-operation and
external finance

by G.C. Bonnicks

Fiscal planning in Small island countries: case study of the OECS states

by F. Francis

Data requirements for planning in Small Pacific Island Countries

by P.B. Corbin

National and regional development in small fragmented atoll countries

by J. S. Ternent

Annual plans and budgets as tools for the implementation of medium-term
plans and programmes

by G. Ugwatte-Aratchi

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