Final Report

On

The Definition & Establishment of an

INTEGRATED DEVELOPMENT PLAN
AND
PLANNING PROCESS

CHAPTER 8

ANNEXES

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GOVERNANCE AND EMPOWERMENT

By
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September 2002
**Introduction**

1. It is inevitable that the IDP should raise the issues of Governance and Empowerment. The central objective of the Integrated Development Plan is to build responsibility for the management of the economy at the broadest level of society. The Plan allows the major stakeholders (Private Sector, Public Sector and Civil Society) to signal their commitments to specific economic and social actions so that those may be integrated into a holistic approach to development. Partnership, therefore, becomes the cornerstone of Governance within the context of the IDP.

**The Common Vision**

2. Essentially the vision most commonly expressed by stakeholders gravitates around three fundamental desires, which incidentally are universal. These desires are:
   - For a better quality of life;
   - For new and better ways of doing things;
   - For expanded horizons, greater opportunities and choices.

3. Opportunities for public participation in the pursuit of this vision are to be found in the management of the economy. The IDP suggests that this participation be also reflected in the political and cultural environment of the country. This means that the IDP will become the signal that the political system is willing to begin a history of citizen engagement in the development and implementation of social and economic policies. This is the issue of Empowerment.

**The Paradigm Shift**

4. Putting these two together is a daunting task for any Development Plan. This is why the measures proposed in the Integrated Development Plan (IDP) are focused at improving the collective ability of stakeholders i.e., Public Sector, Private Sector and Civil Society, to manage the future through their actions in the present. It is quite normal for decision makers to bring to a planning process, their perceptions of the rules for success. However, the rules for success are changing.

5. International conventions, global events, attitude changes in donor and recipient countries have collectively changed the rules for succeeding in Trade negotiations, Donor support, Fiscal Management and Decentralization, social responsibilities, Private Sector involvement and Civil Society support. The very acceptance of an IDP planning process signals a willingness to accept these changes. The IDP mechanisms for consultation, participation and information sharing will continuously challenge decision makers at all levels of society to extend their mental boundaries outwards. In terms of the once-popular cliché it will require all stakeholders to make a “Paradigm Shift” in their vision of how things should be done.
The Institutional Structure of Governance

6. The institutional structure for broad-based Governance was introduced into Dominica almost 108 years ago. In the late 19\textsuperscript{th} Century, a local government system was introduced as part of a system of political decentralization used by the British to administer the island. Two municipal boards; the Roseau Town Board (1896) and the Portsmouth Town Board were formed. Over the years local authorities in Dominica have evolved from these boards to the present 41 councils island wide, comprising four (4) Municipal Councils – The Roseau City Council; The Portsmouth Town Council; The Canefield Urban Council and The Carib Council; and thirty-seven (37) Village Councils.

7. The objectives of the Councils continue to be central to the issue of Governance and empowerment. These objectives include:
   - To provide opportunities for residents to contribute meaningfully to the decision making process at the local level;
   - To take social and economic services closer to the people who need them;
   - To create effective communication channels between Central Government and local communities;
   - To develop local institutions capable of managing the development of their areas;
   - To develop leadership potential at the community level.

8. Local Government is geared to empower people and is rooted in the doctrine of promoting active participation of the citizens in the development of the country and prides itself in its motto “Community Development is People in Development”. The Councils, both by their legal and administrative standing, are the principal community-based development agencies in the communities in which they exist. However, because of the diverse nature of Dominica’s communities, special interest or general community development groups often develop. The IDP, therefore, challenges the Councils to establish active working relationships with these community-based groups.

9. The Constitution of each Council makes provisions for the establishment of sub-committees to attend to specific aspects of the community’s development. As a result, the Councils have the authority to co-opt other groups and organizations as well as professionals in the communities to serve as members on these sub-committees. Another way in which Councils may work with other groups is by participating in community coordinating committees. These committees can comprise representatives from each of the groups and organizations in the community to coordinate development activities in the community. These
arrangements do not by any means compromise the primary and essential authority of the Council.

10. A transition strategy should be worked out between the Government and the Association of Local Authorities that would focus on, inter alia,:

- Legislative amendments that give effect to administrative and institutional changes for the reform of local government.
- Institutional strengthening at Central Government and Council levels in upgrading the skills of the administrative and support staff.
- Allowing Civil Servants to serve on the Councils as nominated members. In this regard the District Development Officer or technically competent persons would become ex-officio members of the Councils.
- Encouraging private sector participation. A member of that sector should be nominated to serve on the council.
- Decentralizing some Government functions, responsibilities and services with the necessary capacity to acquire and effectively utilize resources.

Decentralization

11. Governance as a concept and as a goal is itself in transition. “Developments are forcing, as well as enabling, changes in the structure and boundaries of government. There has long been a debate about the size of government, as well as whether to centralize or decentralize…. We must now be willing to move in both directions… decentralizing some functions while centralizing other critical policy-making responsibilities”

12. The functioning Governance concept, which drives the IDP, is that of decentralization. Decentralization is the transfer of responsibility to democratically independent lower levels of government, thereby giving them more managerial discretion, but not necessarily more financial independence. The IDP seeks to create the platform for participation of other stakeholders in, among other things, delivery of health and education services, natural resource management, conceiving local area development plans, proposing and implementing local area projects.

13. The IDP sees the process of Decentralization as a gradual process that must be developed with care, sensitivity and inclusion. In the short-run, the IDP stresses three aspects of this process. These are Strengthening Partnership between the major stakeholders; Sharing in the responsibility for Social Investment; and introducing measures of Accountability.

Strengthening Partnership

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14. Social Sector Ministries are a good starting point to strengthen the partnership of the Public Sector with the Private Sector and Civil Society. It all revolves around sharing costs and sharing in the responsibilities for the delivery of social services.

15. To strengthen partnerships at all levels and share the burden of education with the wider community, the IDP proposes that the Ministry of Education provide opportunities for local communities and groups organized at the community level to participate in both the maintenance of educational facilities and the introduction of elements into the local school curriculum. This structure, for example will allow the Carib Community to introduce some elements of Carib settlement practices (Carib architecture and boat building) into the curriculum in the schools within the Carib territory.

16. Some of the measures proposed are:
   - PTA’s, private sector and civil society groups, to form part of management of schools.
   - Ministry of Education to encourage local communities to organize local consultation to review the appropriateness of the curriculum in local area schools
   - Ministry encourages local communities to submit proposals from such consultations as to measures to adjust the curriculum in local area schools.
   - Ministry of Education and community organizations devise mechanism to support system of adjustments in the local curriculum by way of providing human and financial resources.

17. To consolidate the efforts at financing Health Services provided in the public domain and to share some costs of delivery of health services, the IDP proposes:
   - The utilization of mechanisms for the implementation of prepayment schemes to complement users fees.
   - The definition of an essential package of care that emphasizes promotion and prevention
   - The provision of alternative financing for tertiary and curative services.
   - The organization and operation of private curative and tertiary services utilizing appropriate level technology
   - Sharing the burden for promotion and prevention utilizing NGO’s
   - Increasing the focus on providing services to poor and under-privileged

18. The IDP also proposes to increase the availability of personnel in the Health Services to ensure appropriate skill-mix, deployment and availability. The proposed measures include:
   - Offer training for nurses to supply the domestic, regional and international markets.
   - Form alliances with U.S schools for offshore nursing and allied health workers education in Dominica.
Partnering with private and public sector in production and retention schemes.
Encourage wider participation in Curriculum development for Health services and Health workers.

Accountability
19. Along with sharing responsibilities comes the question of accountability. The IDP addresses accountability in the broader sense in its proposals for modernization of the Public Service. However, with respect to Governance and Empowerment, the IDP sees the Ministry of Education as being more advanced along this process, as is reflected in the Education Plan. The IDP suggests that technology and re-training be utilized to develop administrative and managerial capacity at all levels of delivering educational services.

20. In this regard, the IDP recommends that the Ministry of Education:
- Obtain resources and prepare projects that would increase the administrative capacity of the education system at the central and local level.
- Mount an information sharing process to inform all stakeholders of the particulars in the management and administration of the education system.
- Improve the efficiency and greater effectiveness of the Education system.

21. Accountability requirements also require much more inter-departmental cooperation in the Public Sector to respond to cross-cutting and cross-Sectoral issues. The IDP proposes that Public Sector managers:
- Follow the thematic approach\(^2\) to social and economic action to increase the regularity of staff meetings between departments
- Develop programmes of cooperation for discussion on issues of concern among senior staff of Ministries. Involve private sector and civil society as appropriate.
- Encourage greater involvement of Staff in key activities such as preparation of Mission statements, corporate plans etc
- Organize strategy sessions with staff on issues affecting departmental efficiency. Give staff responsibility for implementation.
- Encourage staff involvement in design of mission statement and corporate plans and devise programmes for staff commitment to outcomes.

22. To resolve leadership transparency and modernization issues within the Public Sector the IDP also proposes that:
- Government considers a Policy to govern future appointments to the post of Permanent Secretaries on contract basis.

\(^2\) Volume 5, Social and Economic Action is organized along the thematic approach of Economic Inclusion, Governance, Human Development, etc.
• Permanent Secretaries be prepared to present Annual Reports on activities and performance of Ministries to Select Committee Parliament in open public session.
• Measures be instituted to tap the knowledge and expertise of the private sector on procurement of good and services.
• Private sector be invited on a regular basis to advise on trade negotiations and steps to advance public sector modernization.
• Private sector and Civil Society be invited to sessions to cultivate better understanding of how the machinery of government functions.

Social Investments
23. The IDP seeks to share the responsibility for investment in human resource development through training, the delivery of social services, promotion of local development activities and focusing the resources of the extra-budgetary funds more specifically on local development initiatives. The overall development objective is establish a Social Investment Fund that will proved access to funds (grants, revolving loans, guarantees) by local development groups, community groups for basic social and economic infrastructure and services.

24. The measures being proposed include:
- Establish the Social Investment Fund (SIF) with an allocation equivalent to 10% of the total social services expenditures.
- Establish the financing agenda of the SIF along thematic lines.
- Invite donor support for either direct individual projects or for project activities along thematic lines:
- Utilize the SIF to support small scale projects, identified and implemented through community participation.
- Include in the SIF Grant Portfolio community sub-projects sponsored by eligible NGOs and CBOs for demand-driven investments in education, health/nutrition, small scale infrastructure, agriculture productivity, natural resource management, developing social capital, empowering women, providing economic opportunities for youth.

Local Area Development Planning
25. The IDP also proposes greater involvement of citizens in development planning in their own communities. In Agriculture, the IDP proposes the creation of multi-sector and multi-enterprise zones within the country that can allow local stakeholders to integrate and diversify all economic activity within the zones. Measures to be undertaken would include:
- Encouraging local area development plans to give consideration to new spatial arrangements for the organization and structuring of a cadre of service delivery units at the local level responding to demand in Health, Education, Community Development, Housing and Transportation;
Providing through the Social Investment Fund attractive funding for enterprises that locate in the zones and confirm to the suggested land use pattern.

Encouraging local Government in these zones to consolidate and amalgamate to ensure their full involvement in ensuring that the overall impact of this reorganization of the use of productive assets benefit local residents.

26. In Tourism the IDP proposes that measures be undertaken to:

- Provide incentives for the development of cultural tourism and community tourism
- Seek participation of rural groups in Tourism development training in the Eco-tourism Project
- Support the efforts of development committees to maintain Trails and promote DomTrek as part of Events Tourism
- Develop partnerships for taking advantage of incentives for new areas in entertainment, for event tourism such as Creole and other festivals
- Providing and working with public and private sector to promote a programme of public education encouraging investment in tourism

These measures can be easily supported by the provisions within the Eco-Tourism Project for Resource Management, Community Tourism training and Community Tourism credit.

27. In the financial sector, the IDP proposes that re-establish a collective working relationship with financial service institutions, instituting a system of information-sharing particularly on the potential impact of Government’s policies on the system and for Government to become part of an informal network that ensures that financial resources are made available, especially in the rural areas and those severely affected by the collapse of the Banana Industry.

28. In pursuit of this goal, the IDP proposes that:

- The responsibility for building a liaison between the Government and all financial services (large, medium and small) be assigned to a Team comprising an officer with the Ministry of Finance and Planning, a representative of the Bankers Association, the League of Credit Unions and the NDFD.
- Government compile and release, for the information of the Banking Association, Local Governments and small business support institutions (NDC, NDFD), the analyses and comments reported in Government reports on the impact of the current fiscal crisis on the banking system and access to credit.
- Government carries out a study that consolidates work already done on measures to promote the restructuring of loss-making but viable enterprises. Utilize the results of this study to establish an informal network of correspondents to issues of access to and application of credit for growth.
INTEGRATED DEVELOPMENT PLANNING

IDP DISCUSSION PAPERS

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DEVELOPING AND USING
INFORMATION SYSTEMS

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Introduction

1. Knowledge and information are foundation building blocks in establishing the framework for the transition to an IDP planning process. The IDP identifies five (5) important information systems, which require immediate attention in establishing the framework for participating in decision-making. These are:
   a. Information organized into a “Sustainability Frame of Reference”;
   b. Information organized into a “Structural and Functional Frame of Reference”;
   c. Information systems to support Human Development Assessment;
   d. Natural Resource Inventory system;
   e. Disaster Management Information System.

Information Frames of Reference

2. Private investors and government officials involved in fostering the development of particular economies have indicated that their respective organizations face great problems in reliably identifying management priorities and business ventures that are profitable and sustainable under particular conditions and in specific areas.

3. The economic, social and ecological challenges that are faced by an island state like Dominica are the result of many complex interrelated factors, internal and external. In the context of a decision to pursue a development path that is sustainable, the physical and ecological (non-market) characteristics are increasingly at the root of national development possibilities.

4. The Frame of Reference would involve data on:
   - Land area; soil composition; water storage in rivers and lakes;
   - Plant and animal species;
   - Energy sources and potential (fossil, solar, hydro, wind, geothermal, biomass;
   - Weather and climate;

5. There already exist systems to gather a wide range of financial and trade data. This data can be used to build a Sustainability Frame of Reference. The Frame of Reference is a combined set of economic, ecological, energy and social data intending to support:
   - Institutional ability to take advantage of existing programs and opportunities;
   - Public and private sector investment activities;
   - Identifying of production limitations and opportunities;
   - Determination of advantage in terms of physical and ecological resources, access to finance, and technical assistance;
   - Assessment of the impact of extraordinary events such as hurricanes, earthquakes, volcanoes, disease, pests, energy prices, technology;
   - Identification of cultural capabilities (such as traditional systems of work, skills acquisition and learning);
   - Incorporating programming recommendations embedded in Regional agreements in trade, finance, transport, procurement, etc.
6. A **Structural and Functional Frame of Reference** would involve data on:
   - Land area; soil composition; water storage in rivers and lakes;
   - Plant and animal species;
   - Energy sources and potential (fossil, solar, hydro, wind, geothermal, biomass;
   - Weather and climate;

7. Examples of how these datasets could be used as complements to economic and financial measures include:
   - Establishing the physical and economic costs of production, processing and market prices so that the market advantage of competing producers can be identified, evaluated and turned into a useful input to investment and policy decision-making;
   - Assessing the comparative energy cost of commodities and the competitive edge and options available to one producer or one region of the island over another;
   - Identifying price signal distortions due to subsidies available to producers in larger economies where natural systems subsidies are often represented as cash payments or technical support to producers;
   - Measuring the contributions made to the local economy by natural systems so that the ‘free work’ of forests in maintaining water supply is correctly counted;
   - Assessing the structure, function and impact of government actions (regulations, taxes, technical support) on investment, production, pricing and employment.

8. The purpose in the transition period is to start to build comprehensive information systems that would allow for a more complete and coherent understanding of the options and possibilities in the production of goods and services. This is the reason for adding useful measures of physical and ecological factors to the traditional economic and financial measures. It is important that an information division within Central Statistical Office (CSO) be assigned the task of improving its capacity to build information systems (and also to support information systems in other Departments) that will ensure that the capabilities and limitations of the natural systems are taken into account alongside the social, institutional and policy considerations affecting decisions on where, when, how and how much to invest in enterprises that impact on national development.

**Human Development Assessment**

9. Human development refers to the creation of an environment in which people can develop their full potential and lead productive, creative lives in accordance with their needs and interest. The IDP focuses on Human Development as defined above, because it allows for the integration at the planning level of initiatives to:

\[3 \text{ UNDP, Human Development Report 2002}\]
• Increase income earning opportunities in Agriculture and Tourism;
• Justify investments in Wellness (Health) and Capabilities (Education);
• Improve mechanisms for beneficial resource use and management;
• Empower communities and local groups to capture more economic benefits.

10. The human development perspective challenges the process to focus on poverty not merely from the standpoint of poverty of income but on poverty as a denial of choices and opportunities for leading a valuable life and participating fully in the life of the community. The most critical of these wide ranging choices, are: “to live a long and healthy life, to be educated, and to have access to resources needed for a decent standard of living”.

11. An assessment of human development must therefore transcend the monitoring of national income and economic growth indicators as important as these may be. This would require a disaggregating of data by gender, geography locality, age, sector and social strategy. The next step would be to integrate the data on important human development issues such as crime, violence, employment, the environment, child labour, gender equality and gender empowerment, income distribution, energy distribution, informal sector activities, remittances from Dominicans overseas, and non-market unpaid work.

12. Timely analysis and dissemination should be central to the process. The capacity of the CSO to organize and manage such an information system would have to be strengthened so that it can provide accurate and appropriate information on a timely basis in support of decision-making by policy makers, private sector and civil society. Free access to these databases by members of the public, civil society, and private sector is essential to the partnering that is a feature of the IDP process.

Natural Resource Inventory

13. It is appropriate for Natural Resource inventorying to follow Human Development Assessment because, natural resources are second only to the human population itself, in constituting the primary asset base of a country upon which successful development hinges. As an island system, Dominica has to rely heavily on its resources of land, water and human skills to create and sustain the potential to meet the needs of its population and to participate in the wider regional and global economic community. In making the decisions on how to use its resource base, Dominicans need to respond both to the demands being created by policies and programs that seek to take advantage of economic opportunities, and the need to maintain the resource base in a useful condition for future generations.

14. Even more critical small islands than continental countries, ecological degradation represent the loss in the ability of the country to produce to meet its domestic and external needs.
15. Dominica response to major economic shocks has been attempts to negotiate market space and diversify the sector and apply new technologies to increase output. These responses have been based on the unstated assumption that the resource base is in abundant supply and that the market would adequately allow for its replenishment.

16. In addition to the evident benefits for sector planning that can accrue from having reliable data on the state of the island’s resources, these measures will allow for the design of methods more consistent with the cross-cutting and cross-sectoral demands of an integrated approach to national planning. In the absence of a common database that would allow for a more objective assessment of the impact of development policies and strategies on the natural resource base such issues as of competition between sectors for use of the same land and water resources would continue to be resolved political and economic power play.

17. The case for a development strategy that is in keeping with the “nature island” image of Dominica can be more properly evaluated with access to a system of natural resource inventory that allows for precise calculation of the costs and benefits of a project that will transform a natural system as well as the calculation of the opportunity cost of maintaining natural systems in a pristine state. The transition strategy of the IDP calls for Government to initiate the building of a natural resource inventory system with international Donor support.

Disaster Management Information System

18. As a Region, the Caribbean is prone to damage from a wide range of natural and manmade disasters including:

- Tropical climatic systems;
- Seismic events associated with the Caribbean Plate;
- Shipping routes for millions of tons of oil;
- Shipping routes for cargo transshipment of all sorts.

19. Disaster management is one of the areas in which coordinated regional strategies are imperative and the Caribbean Emergency Disaster Emergency Response Agency (CEDERA) has proposed a comprehensive disaster management approach to dealing with hazards of all types. It is in this context that there is the need for a unique integrated approach to information management as regards events that are likely to impact several sectors of the economy simultaneously.

20. In addition, a multi-disciplinary approach to data gathering and management will be important if hazard vulnerability assessments and risk reduction strategies to be incorporated into development planning decisions and into investment decisions - public and private. As such, vulnerability assessments and mapping for landslide, flood, storm surge/coastal risk will need to be available in a form that allows investors in tourism, agriculture and housing, to select sites, technology, materials
and management systems. More specific to Dominica, planners, developers, homeowners as well as public sector managers will need to develop skills in applying volcanic hazard vulnerability information into decisions on major infrastructure in the high impact zone in the South of the island.

21. To encourage and facilitate use of relevant data in national planning, the IDP proposes:
   - Development of procedures for the inclusion of hazard impact assessment in the EIA process;
   - As a partnership venture with all sectors, the implementation of hazard management program for economic sectors and high-risk areas;
   - Engagement of the representatives of the private sector, (legal, insurance, and accountants) with public sector and Local Authorities (DALA) in developing national loss reduction plans, policies, laws and regulations to facilitate the use of hazard information and mitigation tools;

22. The Integrated Development Plan provides a clear inter-sectoral framework for decision-making involving public, private and civil society stakeholders on this matter. In addition to supporting the continuous and improved seismic hazard monitoring and early warning systems, the CDMS and the IDP have common cause in:
   - Sensitizing the public to the prospects for and implications of organized relocation of private and public facilities
   - Identifying and mobilizing the financing and the insurance services that will be needed to facilitate this process

23. The IDP proposes the establishment of an effective framework for disaster management that is consistent with regional initiatives. The measures to be considered include:
   - Elevating Comprehensive Disaster Management Strategy (CDMS) on the Caribbean political agenda
   - Developing an approach to infuse CDMS into the development and planning process within CDERA member countries
   - Strengthening CDERA to effectively drive CDMS at the regional level
   - Building support for CDMS at the National level

24. To develop an integrated approach to Disaster Mitigation the IDP makes the following proposals:
   - Development of comprehensive information system on the state of natural systems and the impact of disaster on these;
   - Training of competent scientists and managers to work in all sectors at installing mitigation measures;
   - Provision of adequate fiscal and other incentives for proper design, construction and management of built facilities capable of reducing risk;
   - Instituting a comprehensive land use and spatial planning;
- Introducing and enforcing penalties for violation of these measures;
- Instituting of sustained public information and education campaigns on the risk management and mitigation at the household, enterprise, community and national level;
- Establishment of regional mechanisms for promotion of these measures and
- Cultivation of partnerships involving all sectors as well as the international donor community in efforts at implementing these measures as an integral component of national development strategies.

25. Disaster mitigation also requires that the country takes a fresh look at its preparedness to respond to an event such as a major volcanic eruption. Since the city of Roseau happens to be “just outside” of the projected impact area of any major volcanic eruption, the IDP also calls for considerations be given to preparing a plan for the gradually upgrading of:
  - The Health facilities in the north (capacity for emergency medical services at Portsmouth);
  - The Port facilities in the North (Portsmouth Port).

26. The task of disaster mitigation in an island archipelago is also a regional one. This is vital to the deepening of functional cooperation that has been such a good experience for the OECS countries and efforts by CEDERA and other regional agencies engaged in the promotion of Comprehensive Disaster Management, need the full support of public, private and civil society sectors throughout the

**Information Sharing**

27. Information is essential to effective participation in the decision making process. The IDP is also based on the premise that effective instruments for sharing information will compliment a policy of freedom of information.

28. Social and economic information is no longer treated as a secret in the international community. All major donors including the World Bank and the IMF have adopted a policy of open information doors. Consequently all documents of agreements between a Government and these agencies are immediately treated as public documents and the public has direct and unhindered access to the same.

29. The IDP proposes that the following information packages that are descriptive of the current situation be assembled and presented to all our major stakeholders:
   a) National Debt Situation
   b) Potential Impact of Stabilization Measures
   c) Policy support structures for Private Sector Expansion
   d) Social Sector Spending Levels

30. Furthermore, the IDP proposes that Government adopts the following measures as part of its information-sharing functions:
a) Sharing of analysis done by the external institutions with more resources than Government (IMF, World Bank and EU Reports);
b) Implementation of a pilot project utilizing “Kiosk” Technology in dispersed communities, where individuals can obtain information through the touch-screen system;
c) Freedom of Information legislation in which enquiries to the Public Sector are required to be answered in a timely and useable form.
INTEGRATED DEVELOPMENT PLANNING

IDP DISCUSSION PAPERS

#15

VULNERABILITY AND INTERNATIONAL COOPERATION

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September 2002

Introduction
1. The Commonwealth Secretariat has developed an index of vulnerability, which is based on four variables of dependence:
   - The overall size of GDP of the country
   - Export dependence;
   - UNCTAD’s merchandise export diversification index;
   - The susceptibility of the major production structures to natural disasters;

2. According to the Commonwealth Secretariat’s Index, Dominica was ranked 6th out of the 100 countries analyzed in terms of overall Commonwealth Vulnerability Index\(^4\). There are other indices ranking Dominica very high on the Vulnerability Index. The ratio of expenditure on transport freight to merchandise export earnings averaged 12.9%. This ratio is used as a proxy indicator of vulnerability as a result of insularity and remoteness. Dominica ranks 67th among 144 countries and 11th among 14 Caribbean countries (the lower the ranking the worse the vulnerability). This means that Dominica is the most vulnerable state in the Caribbean overall.

### Possible Sources of External Shock

The following events or situations have the potential to seriously dislocate economic activities in the near future.

Potential **economic triggers** are:
- a) Market displacement of our exports due to imposition of “soft infrastructure” rules**;
- b) General deterioration of soil quality affecting agricultural production.
- c) Migration of productive capacity in the major manufacturing enterprise.
- d) Trade Policies forced into confirmation with WTO Trade regulations
- e) Preparatory concessions for accession to larger regional trade blocks, FTA.

The potential **natural disaster triggers** are:
- a) Hurricanes and Tropical depressions impacting on settlements, infrastructure and on production;
- b) Localized geological events such as major land slides into rivers and subsequent flooding (e.g. Layou River incident)
- c) Health-related events such as HIV/AIDS, and highly communicable diseases.
- d) Severe seismic activity reflecting earthquake and volcanic activity.

**Note:** Soft infrastructure rules refer to rules that importing countries may impose on the exports from developing countries. These include both ensuring compliance with specified health, hygiene and safety conditions as well as specifying the technology that may be required to satisfy the importing country that compliance has been achieved.

3. Exposure to natural disasters and external economic shocks imposes a cost for survival and sustainability, which is well above the ability of the Dominican economy to adequately address. Dominica has to find support for its efforts at

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sustainability in both its domestic approach to development and in regional cooperation and international commitments.

4. One approach to the issue of vulnerability on the domestic level is to build institutional capacity on a programme of empowerment at different levels of governance. This is done to reflect the reality that economic and social shocks are felt immediately at the level of households, businesses and communities. A speedier response to external shock may be achieved when there are institutional structures at the local level (Village Councils, Community groups, Private Sector, Civil Society and NGOs in local development committees) through which information and other resource can be quickly mobilized to address the immediate and long term effects. Thus planning for vulnerability is inseparable from planning for more effective governance.

Regional Cooperation

5. Dominica is a member of the Organization of Eastern Caribbean States (OECS). Strong cooperation at the OECS level has substantially influenced many of the more important decisions affecting the life and welfare of the people of Dominica. This cooperation is facilitated through many regional agreements including:
   - The Eastern Caribbean Currency Union
   - The Eastern Caribbean Supreme Court
   - Civil Aviation Authority
   - The Caribbean Drug Programme
   - Eastern Caribbean Telecommunications Agency (ECTEL)
   - The OECS Secretariat, including the special agency such as the Economic Development Unit, the Joint Diplomatic Mission in Canada and Brussels
   - Solid Waste Management

6. The benefits that have been gained from regional approaches require that we adopt planning strategies that fully explore the joint potential of regional and international partners. The IDP not only allows us to deepen the integration of key aspects of economic life locally, but to mobilize our stakeholders to themselves deepen regional cooperation with corresponding stakeholders in both the OECS and the wider CARICOM/CARIFORUM community.

7. Disaster management is one of the areas in which coordinated regional strategies are imperative and the Caribbean Emergency Disaster Emergency Response Agency (CEDERA) has proposed a comprehensive disaster management approach to dealing with hazards of all types. It is in this context that there is the need for a unique integrated approach to information management as regards events that are likely to impact several sectors of the economy simultaneously.

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5 CARIFORUM includes all of the members of CARICOM and the Dominican Republic.
8. The Integrated Development Plan provides a clear inter-sectoral framework for decision-making involving public, private and civil society stakeholders on this matter. In addition to supporting the continuous and improved seismic hazard monitoring and early warning systems, the CDM and the IDP have common cause in:

- Sensitizing the public to the prospects for and implications of organized relocation of private and public facilities;
- Identifying and mobilizing the financing and the insurance services that will be needed to facilitate this process;

**International Commitments**

9. The unfolding regional and international environment requires countries to review existing strategies and approaches to issues of development. This is so for a number of reasons.

- The international requirements for survival demand the maximum possible galvanization of resources to tackle problems to obtain the best possible results for economic advancement.
- Regional cooperation has increasingly become a compelling imperative as small States need to call on regional partners to tackle economic issues on a partnership basis.
- Trade issues have for some time ceased to be capable of being tackled on a single island State basis.
- The establishment of major economic blocs like NAFTA and the coming into being of the World Trade Organisation, has meant that small countries have to group together for their collective survival.

10. All this leads to joint negotiating positions that have got to be carefully crafted to bring the collective voice of the region to bear on trade, economic, and social concerns of the CARICOM countries. Dominica, therefore, cannot hide from the imperatives of bringing its policies and practices in line with regional and international norms.

11. The Cotonou Agreement represents the arrangements between the ACP and the EU, and is the largest single source of financing for development available to Dominica. The fundamental principles of this Agreement coincide fully with the call for a partnership approach to policy, planning and implementation that is the hallmark of the IDP approach. Collaboration on the preparation of submissions, the negotiations and the management of resources from this and other sources should see representatives of the private sector and civil society working with the relevant public sector agencies to mobilize the resources needed to continue the process of
IDP to the point of converting many of the recommended actions in the Plan into concrete projects.

12. Civil society too, has options under Cotonou under the envelope of Decentralized Cooperation which allows that sector to collaborate with its international partners in Europe to design and implement programmes and projects that can parallel or compliment public and private sector initiatives. It has become clear that the experience, knowledge and capacity of the non-state sectors can become an asset to enhancing the ability of the country to meet the requirements of the changing climate of international relations.

13. The IDP calls for the Ministries of Trade and Foreign Affairs to take the initiative in a joint approach with the Private Sector and Civil Society to:
   a) Develop a programme of communications and information sharing around the potential economic and social action to be found in Dominica’s accedence to these international agreements to promote integrated development;
   b) Prepare strategic plans which will translate at the local level, the important aspects of these agreements. The recent preparation of the Strategic Plan for Biodiversity for Dominica\(^6\) is an example of the translation to local level of another important agreement, the Convention on Biodiversity;
   c) Prepare a list of components of such strategic plans which can be incorporated into the next round of IDP formulation and subsequently into the national budgetary process.

### Key International Agreements

The recently concluded “OECS Development Charter” affirmed the decision of the Heads of Government to work towards the implementation of programmes and the attainment of targets in key international agreements such as:

- a. The Cairo Plan of Action for Population and Development;
- b. The Beijing Platform for Action;
- c. The UN Convention on the Eradication of All Forms of Discrimination Against Women;
- d. The UN Conference on the Sustainable Development of Small Island Developing States
- e. The Convention on the Rights of the Child;
- f. The Plan of action adopted at the World Summit on Social Development.

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\(^6\) The IDP recognizes the possibilities for economic activity arising out of this Plan in such areas as tourism, research, training, medicinal and herbal processing, to name a few.
A GUIDE

TO

INDICATORS OF SOCIAL AND

ECONOMIC CONDITIONS

By

The Development Institute (TDI)

September 2002
Technical Notes

Access to an improved water source — the percentage of people with reasonable access to an adequate amount of safe water in a dwelling or within a convenient distance of their dwelling. (World Health Organization)

Access to improved sanitation facilities — the percentage of the population served by connections to public sewers or household systems such as privies, pour-flush latrines, septic tanks, communal toilets, and similar facilities. (United Nations)

Aid per capita — official development assistance and official aid received from members of the OECD Development Assistance Committee and other official donors. (Organisation for Economic Co-operation and Development)

Aircraft departures — the average number of domestic and international takeoffs of aircraft compared over similar time periods. (International Civil Aviation Organization)

Central government revenues — all revenue from taxes and current nontax revenues (other than grants) such as fines, fees, recoveries, and income from property or sales. (International Monetary Fund)

Child malnutrition — the percentage of children under five whose weight for age is more than two standard deviations below the average for the reference population. The reference population, adopted by the WHO in 1983, is based on children from the United States, who are assumed to be well nourished. (United Nations, World Health Organization, UNICEF)

CO₂ emissions — emissions stemming from the burning of fossil fuels and the manufacture of cement. They include carbon dioxide produced during consumption of solid, liquid, and gas fuels and gas flaring. (Carbon Dioxide Analysis Center)

Cost of 3 minute local call — the cost of a three-minute call within the same exchange area using the subscriber’s equipment (that is, not from a public phone). (International Telecommunication Union)

Deforestation — the permanent conversion of natural forest areas to other uses, including shifting cultivation, permanent agriculture, ranching, settlements, and infrastructure development. Deforested areas do not include areas logged but intended for regeneration or areas degraded by fuelwood gathering, acid precipitation, or forest fires. Negative numbers indicate an increase in forest area. (Food and Agriculture Organization)

Electricity use per capita — the production of power plants and combined heat and power plants less transmission, distribution, and transformation losses and own use by heat and power plants. (International Energy Agency)
Energy use per capita — the apparent consumption of commercial energy, which is equal to indigenous production plus imports and stock changes, minus exports and fuels supplied to ships and aircraft engaged in international transportation. (International Energy Agency)

Exports of goods and services — the value of all goods and other market services provided to the world, including merchandise, freight, insurance, travel, and other nonfactor services. Factor and property income (formerly called factor services) such as investment income, is excluded. (World Bank, Organisation for Economic Co-operation and Development, United Nations)

Fertility rate — the number of children that would be born to a woman if she were to live to the end of her childbearing years and bear children in accordance with current age-specific fertility rates. (World Health Organization)

Foreign direct investment (FDI) — net inflows of investment to acquire a lasting management interest (10 percent or more of voting stock) in an enterprise operating in an economy other than that of the investor. It is the sum of equity capital, reinvestment of earnings, other long-term capital, and short-term capital as shown in the balance of payments. (International Monetary Fund)

Forests — land under natural or planted stands of trees, whether productive or not. (Food and Agriculture Organization)

Freshwater resources — total renewable resources, which include flows of rivers and groundwater from rainfall in the country, and river flows from other countries. Freshwater resources per capita are calculated using the World Bank’s population estimates. (World Resources Institute)

GDP (gross domestic product) — the gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources. (World Bank, Organisation for Economic Co-operation and Development, United Nations)

GDP growth — the one-year rate of growth in real gross domestic product. (World Bank, Organisation for Economic Co-operation and Development, United Nations)

GDP implicit price deflator — the average annual rate of price change in the economy as a whole. (World Bank, Organisation for Economic Co-operation and Development, United Nations)
GNI (gross national income—formerly gross national product or GNP) — the value of the final output of goods and services produced by the residents of an economy plus net primary income from nonresident sources. (World Bank)

GNI per capita (gross national income per capita—formerly gross national product per capita or GNP per capita) — the gross national income divided by midyear population. Gross national income is equal to GDP plus net receipts of primary income (employee compensation and property income) from nonresident sources. (World Bank)

Gross capital formation (formerly gross domestic investment) — outlays on additions to the fixed assets of the economy plus net changes in the level of inventories. Fixed assets include land improvements; plant, machinery, and equipment purchases; and the construction of roads, railways, and the like, including commercial and industrial buildings, offices, schools, hospitals, and private residential dwellings. Inventories are stocks of goods held by firms to meet temporary or unexpected fluctuations in production or sales, and "work in progress." According to the 1993 SNA, net acquisitions of valuables are also considered capital formation. (World Bank, Organisation for Economic Co-operation and Development, United Nations)

High-technology exports — are products with high research and development intensity. They include high-technology products such as in aerospace, computers, pharmaceuticals, scientific instruments, and electrical machinery. (COMTRADE database)

Illiteracy, female — the percentage of adult females who cannot, with understanding, read and write a short, simple statement about their everyday life. (United Nations Educational, Scientific, and Cultural Organization)

Illiteracy, male — the percentage of adult males who cannot, with understanding, read and write a short, simple statement about their everyday life. (United Nations Educational, Scientific, and Cultural Organization)

Imports of goods and services — the value of all goods and other market services received from the world, including merchandise, freight, insurance, travel, and other nonfactor services. Factor and property income (formerly called factor services) such as investment income, is excluded. (World Bank, Organisation for Economic Co-operation and Development, United Nations)

Infant mortality rate — the number of infants who die before reaching the age of one year of age, per 1,000 live births in the same year. (World Health Organization)

Internet hosts — the number of computers with active Internet Protocol (IP) addresses connected to the Internet, per 10,000 people. All host without a country code are assumed to be located in the United States. (Internet Software Consortium)
Life expectancy — the number of years a newborn infant would live if prevailing patterns of mortality at the time of its birth were to stay the same throughout its life. (World Health Organization)

Money and quasi money — the sum of currency outside banks, demand deposits other than those of the central government, and the time, savings, and foreign currency deposits of resident sectors other than the central government (frequently called M2). (International Monetary Fund)

Net barter terms of trade — the ratio of the export price index to the corresponding import price index measured relative to the base year 1995. (United Nations Conference on Trade and Development, International Monetary Fund)

Net primary enrollment — the ratio of total enrollment, regardless of age, to the population of the primary school age group. Based on the International Standard Classification of Education, 1976 (ISCED76). Net enrollment ratios exceeding 100 indicate discrepancies between the estimates of school-age population and reported enrollment data. (United Nations Educational, Scientific, and Cultural Organization)

Net secondary enrollment — the ratio of total enrollment, regardless of age, to the population of the secondary school age group. Based on the International Standard Classification of Education, 1976 (ISCED76). Net enrollment ratios exceeding 100 indicate discrepancies between the estimates of school-age population and reported enrollment data. (United Nations Educational, Scientific, and Cultural Organization)

Overall budget deficit — current and capital revenue and official grants received, less total expenditure and lending minus repayments. (International Monetary Fund)

Paved roads — those surfaced with crushed stone (macadam) and hydrocarbon binder or bituminized agents, with concrete, or with cobblestones, as a percentage of all the country’s roads, measured in length. (International Road Federation)

Personal computers — the estimated number of self-contained computers designed to be used by a single individual, per 1,000 people. (International Telecommunication Union)

Population — based on the de facto definition of population, which counts all residents regardless of legal status or citizenship, except for refugees not permanently settled in the country of asylum. (World Bank)

Population growth — the one-year rate of growth in total population. (World Bank)
**Population per square kilometer**— the total population divided by land area in square kilometers. (Land area excludes areas under inland bodies of water.) (World Bank, Food and Agriculture Organization)

**Present value of debt** — the sum of short-term external debt plus the discounted sum of total debt service payments due on public, publicly guaranteed, and private nonguaranteed long-term external debt over the life of existing loans. (World Bank, International Monetary Fund)

**Rural population density** — the rural population divided by the arable land area. Rural population is the difference between the total surface area population and the urban population. (Food and Agriculture Organization)

**Short term debt** — all debt having an original maturity of one year or less and interest in arrears on long-term debt. (World Bank)

**Surface area** — a country’s total area, including areas under inland bodies of water and some coastal waterways. (Food and Agriculture Organization)

**Telephone mainlines** — telephone lines connecting a customer’s equipment to the public switched telephone network, per 1,000 people. (International Telecommunication Union)

**Total debt services** — the sum of principal repayments and interest actually paid in foreign currency, goods, or services on long-term debt, interest paid on short-term debt, and repayments (repurchases and charges) to the IMF. (World Bank)

**Trade in goods as a share of PPP GDP** — the sum of merchandise exports and imports measured in current U.S. dollars divided by the value of GDP converted to international dollars using purchasing power parity rates. (World Bank)

**Trade in goods as a share of goods GDP** — the sum of merchandise exports and imports divided by the value of GDP after subtracting value added in services, all in current U.S. dollars. (World Bank)

**Under 5 mortality rate** — the probability that a newborn baby will die before reaching the age of five, if subject to current age-specific mortality rates. (United Nations, UNICEF)

**Urban population** — the midyear population of areas defined as urban in each country and reported to the United Nations. (United Nations)

**Value added in agriculture** — the net output of agriculture (International Standard Industrial Classification divisions 1-5 including forestry and fishing) after adding up all
outputs and subtracting intermediate inputs. (World Bank, Organisation for Economic Co-operation and Development, United Nations)

**Value added in industry** — the net output of industry (International Standard Industrial Classification divisions 10-45, which include mining, manufacturing, construction, electricity, water, and gas) after adding up all outputs and subtracting intermediate inputs. (World Bank, Organisation for Economic Co-operation and Development, United Nations)

**Value added in services** — the net output of services (International Standard Industrial Classification divisions 50-99) after adding up all outputs and subtracting intermediate inputs. (World Bank, Organisation for Economic Co-operation and Development, United Nations)
INTEGRATED DEVELOPMENT PLANNING

IDP DISCUSSION PAPERS

#18

SITUATION ANALYSIS

Human Condition

By
The Development Institute (TDI)
Team of Consultants

September 2002
INTRODUCTION

1. The overall objective of the IDP is to provide a holistic approach to the problems of growth, development and sustainability of the economy. To do this requires that the assessment of the current situation be also conducted in an integrated manner.

2. The “Human Condition” is a thematic approach to assessing how well people are able to live within the current situation. This makes it necessary to evaluate the factors that affect resource capabilities of the population (health, education, settlement etc.) as well as the utilization of their human resource (employment opportunities).

3. The obvious result of this approach is to shape the inter-Sectoral response to improving human conditions in Dominica. These will include, among others, programme responses from the Ministries of Education, Health, Agriculture, Tourism, Community Development, Works etc. Our objective was to maintain the integrity of this approach and to craft the actions that such an analysis suggests in an integrated manner, so that they can inform decisions at all levels of implementation.

Health

4. The health sector consists of the public sector and the private sector. Private health care services are generally curative in orientation. The sector is largely unregulated except for registration requirements for doctors, nurses, pharmacist, optometrist. There are no requirements for the maintenance of quality of care standards. The Public Health sector provides curative, promotive, rehabilitative and preventative services. This sector bears the major costs for the provision of health services.

The Public Health Sector comprises three levels:

a) The Primary Health Care Services – located in seven health districts, consisting of 50 clinics and one hospital.

b) Secondary Care Services – are centralized and delivered from 225 bed units at the Princess Margaret Hospital.

c) An Intermediate Level Of Care – provides specialist referral services and diagnostic services.

5. During the period 1982 – 1985, significant reorganization of the health services was implemented with emphasis on the primary health care approach, decentralization, increased coverage of services, a multi-sectoral approach and social participation in
health. This added a new dimension to the organization and delivery of services in the Commonwealth of Dominica.

6. There are other factors which play are shaping the conditions of health in the country. These include:

- **Epidemiological** – Chronic, non-communicable diseases have emerged as the leading causes of mortality and mobility, increasing adult disability and death. Cancers, hypertensive diseases and diabetes are the leading causes of death and illness in Dominica. Three (3%) and seven (7%) of the total population respectively are registered as diabetics and hypertensives in the public health system. These are related largely to faulty lifestyles, generic pre-disposition, obesity and aging of the population. In contrast, there is a decrease in infant mortality and morbidity and communicable diseases e.g. typhoid and diarrhoeal diseases. The high prevalence of sexually transmitted infections and the emergence of HIV AIDS are major concerns related to promiscuity and other high-risk sexual behaviours of young persons. AIDS is becoming a major cause of death in persons 15–44 years of age. Current therapeutic measures for the management of these chronic non-communicable diseases and AIDS are very expensive.

- **Demographic** - The changing age profile of the population where 12% are persons age 60 years and over, further challenges the health systems. Life expectancy has increased to 64.8 years for males and 72.7 years for females. Dominica boasts of more that twenty (20) centenarians including the oldest leaving person, age 127 yrs.. These groups of persons require new services - promotive, curative, rehabilitative, and preventive which are largely not available in the private or public sector and generally very expensive.

- **Social** - Considerations prompting the need for health sector reform stemmed from poverty and its attendant deprivation, and negative impacts on nutrition, alcoholism, suicides, homicides, domestic violence and societal violence. Importantly also were factors related to high unemployment, particularly among youth, female headed households and the need for greater gender – equitable development. The increased disability and death from road traffic accidents due largely to inadequate enforcement of speed laws, drinking and driving, poor roads and inadequate road maintenance programmes is a major concern. Social transformation borne of increased education, urbanization and democratisation, increased access to information and exposure to western type medical resources has resulted in increased demand for health care of a nature that is ill affordable by the public sector.

- **Financial** - The Public Sector plays the major role in the financing of health services. With the declining economic situation, the level of financing available to health has also declined. When this situation is coupled with rising demands,
the public sector’s ability to provide quality health services is severely compromised. While we continue to rely on external funding sources for capital investments in health, we must continue to encourage the participation of all other stakeholders in the delivery of promotive and preventative services and primary care services. Household expenditure for health care is significant. There is no national health insurance scheme, nonetheless, health insurance is provided by private companies, mainly to salaried workers.

- **Political** - Increasing demand from the public for more sophisticated health technology are negatively influencing political will and action, leading to the diversion of significant health resources from promotion and prevention. Globalisation has increased unemployment and poverty, negatively impacting on health. This negative impact could be counteracted by the pursuit of primary health care policies, but this is not seen as politically expedient as it does not fulfill the “demands” of the persons who wield political influence. Wider participation in the decision-making process would ensure greater equity. As a result, political will has been severely tested, leading to policies, which do not improve allocative efficiency, effectiveness, cost-effectiveness or equity in health care delivery.

7. This reorganization resulted in the formation of seven health districts each with a defined population, assigned staff and facilities, the formation of multi-Sectoral committees at village, district and programme management levels and increased utilization and coverage rates for all health programmes. These provide the institutional structure for effective participation of local communities and groups in the delivery of health services.

8. Risk factors for the social and health conditions are also prevalent in Dominica. These include sedentary lifestyles, lack of exercise, obesity, high fat diets, high salt diets, smoking, substance abuse including alcohol abuse, unsafe sexual practices, poor parenting. The risk management approach within an IDP context would require sustained intervention programmes, targeted at the reduction of these risk factors in the society. To a significant extent, these interventions would focus on behaviour modification, to encompass the imparting of personal skills and the creation of an enabling environment.

**Education**

9. Education commands about 12% of total expenditures in the national budget. In FY99/00 this amounted to approximately EC$39.9 million. These are expenditures on personnel, equipment and physical structures. A well thought-out Education Plan has been formulated. The plan also incorporates a series of key targets and goals for early childhood education; primary education; secondary education; tertiary and continuing education; library and information services; teacher and teachers education; and science and technology.
10. The IDP process is applicable for examining the quality and content in the educational opportunities for all children in the Nation. It accepts the premise that for our education system to produce a citizen capable of performing in the 21st Century we would need to give priority attention to the curriculum. Some of the key components of this theme of providing students with world-class knowledge can be summarized as follows:

- Technology to be used effectively to support student learning
- The development of committed citizens for sense of social responsibility and a strong spiritual growth will be nurtured throughout the education system.
- A sense of empowerment through opportunities to adjust the local school curriculum to reflect the human resource needs of the specific area

11. The next level of concern has to do with the schools themselves. The priorities articulated are based on the need for schools to acquire increased autonomy and flexibility. The consequences of this is for the Ministry of Education to release schools from the excessive supervision at central level providing them with strong supervision and support at district level. Once this feature is in place, it will provide for space for local communities to become involved in adjustments to the local curriculum. Thus for instance, the Carib Community may be able to have Carib History and Carib architecture introduced into the schools in their community, without making such an adjustment system wide.

Shelter

12. The approach to shelter has always been viewed as the provision of housing. Budgetary constraints have effectively curtailed the desire for the public housing projects of the 70s and 80s. Housing is now treated as a private investment option and even this has been in decline in the recent past. In the last two years we have witnessed the contraction of the construction sector. The number of construction starts in the 3rd Quarter of 2001 declined by 30.3% and the value of construction starts decreased by 83% over the corresponding period (3rd Quarter 2000)\(^7\).

13. The IDP approach serves us better when shelter or housing is placed in the context of human settlements. Once we have made this conceptual transition, then it becomes clear that the planning concepts in this area must revolve around the social and economic sustainability. Human settlement is one of the most difficult cross-cutting issues to address. It requires that resources be concentrated on health, employment, food security, disaster mitigation and social and economic risk management etc. It also requires that special attention be given to how these issues are treated at the local community and individual level.

14. The IDP expects that the current poverty assessment exercise and the expected Poverty Reduction Strategy Paper (PRSP) will reflect policies and strategies of addressing poverty reduction within human settlements in urban and rural areas through an IDP process.

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\(^7\) Central Statistical Office, Quarterly Economic Indicators, Third Quarter 2001
Employment

15. Employment and incomes not only reflect the status of the economy, but also demonstrate how such a status is translated in human conditions. The latest Labour Force Survey (November 1997) puts our total labour force at 33,418 out of a population of 72,099. Out of this labour force 25,694 (14,560 males 11,134 females) employed. The puts the unemployment rate was 23.1% and the dependency ration at about 3. There are immediate planning implications in our labour statistics;

- Persons with primary education accounted for almost 66% of the employed while those with secondary education accounted for 17% (Higher education policy).
- Almost half (49.6%) of employed persons had no occupational training. (Skills acquisition strategy)
- Most of the employed were in the private sector 44.3% and engaged in self-employment 31.9%. (Enterprise development strategy)
- Overall, the highest portion of persons was employed in Agriculture (23.4%), with Wholesale and Retail in second place at (15.8%). (Personal coping strategies)

16. The IDP approach would like to focus our energies also on the distribution of opportunities for employment. For instance, it is a concern to the people of the Parish of St. Patrick that the unemployment rate in that Parish is 45.9%, almost twice the national rate. There is also the more general concern that among the youth (15-24) the unemployment rate was 65%.

17. There is also the concern about the effects of the banana industry on employment and incomes in the rural areas. During the period 1990 – 2000, 4,265 farmers ceased to earn income from the Banana Industry. The accumulated loss of income from the seven (7) production divisions throughout the country was ECS29.188 million. The impact of this loss in banana farmers is estimated at 14,000 farm work opportunities⁸. This is not just a loss to the rural economy, agricultural workers and rural family households. It is also a loss to the national economy in terms of domestic demand.

18. The threat of destitution and low-level survival, which the Social Impact Assessment Survey identified, forces us to interpret the fall-out from the current banana crisis as a catastrophe of the proportion of a financial/income meltdown for these individuals and their communities.

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⁸ The Social Impact Assessment Survey reported that the 1995 ratio employment opportunities (temporary and permanent) per banana farmer is reported at 3.45
### 1.1.1.1 Table 1: Direct Income paid to Farmers by DBMC Production Divisions

<table>
<thead>
<tr>
<th>Production Districts</th>
<th>1990</th>
<th>2000</th>
<th>Loss</th>
<th>%Decline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portsmouth/Blenheim</td>
<td>$4,901,498</td>
<td>$1,353,322</td>
<td>-$3,548,176</td>
<td>-72%</td>
</tr>
<tr>
<td>Calibishie/Woodford Hill</td>
<td>$6,369,661</td>
<td>$3,231,321</td>
<td>-$3,138,340</td>
<td>-49%</td>
</tr>
<tr>
<td>Wesley/Marigot N&amp;S</td>
<td>$8,081,904</td>
<td>$4,018,061</td>
<td>-$4,063,843</td>
<td>-50%</td>
</tr>
<tr>
<td>Carib Reserve/Castlebruce</td>
<td>$4,974,869</td>
<td>$2,277,056</td>
<td>-$2,697,813</td>
<td>-54%</td>
</tr>
<tr>
<td>Rosalie/ La Plaine</td>
<td>$5,860,118</td>
<td>$3,171,780</td>
<td>-$2,688,338</td>
<td>-46%</td>
</tr>
<tr>
<td>Belles/Layou River/Carholme</td>
<td>$11,051,783</td>
<td>$2,761,912</td>
<td>-$8,289,871</td>
<td>-75%</td>
</tr>
<tr>
<td>Salisbury/Roseau/Grandbay</td>
<td>$5,801,863</td>
<td>$1,039,434</td>
<td>-$4,762,429</td>
<td>-82%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>$47,041,696</td>
<td>$17,852,886</td>
<td>-$29,188,809</td>
<td>-62%</td>
</tr>
</tbody>
</table>

Source: Annual Reports 1990, 2000 and DBMC Production Statistics

19. The dimensions of the problems in employment and income opportunities are much wider than Sectoral strategies (education, enterprise development, etc.). The challenge is actually one of certain sections of the population being threatened with economic exclusion. Indeed, economic exclusion is also a direct challenge to our economic recovery strategy. As such, programmes of income support in the rural communities and initiatives to increase domestic spending (to be financed through the Social Investment Fund) are all considered in the context of an Integrated Development Plan, as a viable strategy to allow domestic demand to signal the potential turn-around in the economy.

### IDP Response to Human Condition

20. The IDP response to the human development involves, among others:
   - Consensus building on Public Health Policy;
   - New cadres of health workers;
   - Training, information sharing and technical assistance to communities;
   - Media support to disseminate preventive messages;
   - Creating Supportive environment:
     - Potable drinking water;
     - Preventing deforestation and improving onsite excretal disposal systems;
     - Enforcing of litter Act;
     - Increasing efforts to control Aedes Egypti
     - Combating HIV/AIDS

21. The following Partnership Matrix captures the integrated approach to Human conditions.
## A Participation Matrix In Response To Human Development

<table>
<thead>
<tr>
<th>Principal Action</th>
<th>Partnership Responsibility</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Improving Efficiency in Health services at national and community level</td>
<td>Ministry of Health/Civil Society</td>
</tr>
<tr>
<td>2. Achieving higher quality health care</td>
<td>Ministry of Health/Private Sector</td>
</tr>
<tr>
<td>3. Regular assessment of personal performance in schools</td>
<td>Ministry of Education</td>
</tr>
<tr>
<td>4. Promoting private services in Agriculture</td>
<td>Ministry of Agriculture/Private Sector</td>
</tr>
<tr>
<td>5. Mobilizing non-Budgetary Resources</td>
<td>Ministry of Finance/Social Investment Fund</td>
</tr>
<tr>
<td>6. Stimulating Domestic Demand</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>7. Promoting new investments in Tourism</td>
<td>NDC/Ministry of Tourism/DHTA</td>
</tr>
<tr>
<td>8. Combating economic exclusion</td>
<td>Ministry of Finance/Social Investment Fund</td>
</tr>
<tr>
<td>9. Multi-Sectoral Commission for Agriculture</td>
<td>Ministry of Agriculture</td>
</tr>
<tr>
<td>10. Improving Lending to Small Businesses</td>
<td>Ministry of Enterprise</td>
</tr>
<tr>
<td>11. New sources of financial support for micro-business</td>
<td>Ministry of Enterprise</td>
</tr>
<tr>
<td>12. Disaster Mitigation Measures</td>
<td>Ministry of Finance/Local Government/NGOs</td>
</tr>
<tr>
<td>13. Establish framework for disaster risk management</td>
<td>Ministry of Finance/Local Government/NGOs</td>
</tr>
<tr>
<td>14. Increasing job opportunities</td>
<td>Ministry of Enterprise/Private Sector</td>
</tr>
<tr>
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<td>17. Social Investment Fund</td>
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*Integrated Development Plan*

VOLUME 3: Annexes

Discussion Papers Volume One and Two
SITUATION ANALYSIS

Economic Condition

By
The Development Institute (TDI)
Team of Consultants

September 2002
Introduction
1. The overall objective of the IDP is to provide a holistic approach to the problems of growth, development and sustainability of the economy. To do this requires that the assessment of the current situation be also conducted in an integrated manner.

2. The “Economic Condition” is a thematic approach to assessing the performance of the economy. The objective is to identify the opportunities for all stakeholders (Public Sector, Private Sector and Civil Society) to participate in collaborative action to turn things around.

3. The obvious result of this approach is to give more credence to measures that will build confidence in the ability of the Government to manage its fiscal affairs prudently and to be willing to share resources and responsibilities for planning and implementation of development projects.

Performance of the Economy
4. In the last four (4) years, Dominica has experienced a continuous decline in the performance of the economy. In the 1986-90 period, the economy grew at an average rate of 5.28%. The average growth rate for the next five (5) years (1991-1995) was 2.25%. In the last five years (1997-2001) the average economic growth was 0.37%. The decline is steep and startling in the last four (4) years: 2.77% in 1998, 1.63% in 1999, 0.17% in 2000 and –4.68% in 2001.

5. By the beginning of 2002, all major productive sectors of the economy (Agriculture, Manufacturing, Construction, Distributive Trades, Tourism and Transportation) were in full decline. Value added in Agriculture had declined by 7.6% in 2001; Manufacturing declined by 8.9%; Tourism value added declined by 2% in 2000 and a further 1.3% in 2001. The 3rd Quarter 2001 Economic Indicators of the Central Statistical Office confirmed the widespread nature of the contraction. Revenue from bananas had declined by 31.7% over the corresponding period in 2000; total domestic exports registered a drop of 19.4%; Manufacturing as represented by soap production declined by 15.1%; Visitor expenditures declined by 1%; the number and value of construction starts decreased by 13.2% and 48.1% respectively and the importation of construction material fell by 34.7% over the corresponding period.10

6. Economic dynamism in the leading sectors has been significantly tempered. The Agricultural Sector, which has fuelled economic growth through the export of bananas, has been reduced from 38% of GDP in 1977 to 17.4% of GDP in 2001. The manufacturing sector makes a valuable contribution although based on the performance of one company. The Tourism sector weakened in 2000 (2% decline)

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9 Table 1: Economic Stabilization Programme for Dominica, March 2002
10 Third Quarter 2001, Quarterly Economic Indicators, Central Statistical Office.
and 2001 (1.3% decline) and for the first time in at least a decade, the number of stay-over visitors seemed to have declined\(^\text{11}\).

7. It is not unreasonable to expect that Central Government operations would be seriously affected in a shrinking economy. Government expenditures tend to look like options when they are increasing and like entitlements when the need arises to reduce them. This phenomenon is vividly reflected in the increase in the deficit on current account. In 1999, the current account deficit stood at EC$6.4m, about 0.9% of GDP. In the subsequent year, 2000, this deficit increased to 2% of GDP (EC$14.3m), and continued to spiral upwards to 4.5% of GDP (EC$32.0m) in 2001. This implies an extremely tight cash crunch. The overall deficit in the Government’s balance sheet stood at EC $62.4 million in 2001, which is the equivalent to 8.9% of GDP. This meant that external budgetary grants were not only financing capital expenditures, but were also needed to finance part of recurrent expenditures.

8. The description of the central Government’s situation only partially describes the challenge to Integrated Development Planning. This challenge involves:
- Achieving a positive cash-flow on the Fiscal Balance sheet;
- Maintaining investment levels in the face of a declining role for the PSIP and an unwillingness of investors to take risks given the current state of the economy

9. Fiscal Stabilization inevitably has to be translated into “growing the economy”. To have any meaning this has to be interpreted as the challenge of creating an integrated environment in which:
  a) The private sector can develop, flourish and provide employment necessary to raise incomes;
  b) The Public Sector can become more efficient and professional, providing quality service with a reduced staff size.
  c) Civil Society can support a more equitable delivery of social services in education, health, community development and social welfare.

Fiscal Situation
10. The fiscal situation has deteriorated significantly over the last two years. Recurrent revenues declined from EC$211.5 million in FY99/00 to EC$204.2 million in FY00/01. At the same time, recurrent expenditures soared from EC$218.9 million in FY99/00 to EC$237.2 million in FY00/01. As a result the current deficit on Government operations increased significantly from EC$7.4 million in FY99/00 to EC$33.0 million in FY00/01.

\(^\text{11}\) Comparison of Stay over visitors Jan – Sept indicate 51,714 in 2001 compared with 52,207 in 2000.
11. There are two major concerns in the current fiscal crisis. The first is the composition of expenditure and the second is how the Government proposes to pay for these expenditures. The expenditure components of Government which attract attention are the fact that Wages and salaries continue to exceed 50% of current expenditures; Interest payments on both domestic and foreign debt continue to rise, from an average of EC$18 million annually over the period 1996-1999, to EC$41.478 million in 2000; and Capital expenditures have all been funded from external grants. Resolving the issues of the composition of expenditures is essentially the matter of having the political will to enforce adjustments in the line-item expenditures.

12. The more complicated challenge is how the deficit is financed. The most reliable guide to evaluating the different methods of financing the deficit is to examine its substitution effect. The relevant question is what is the degree of substitution caused by the specific method of financing the deficit and what are the implications for other planning objectives? Or to put it another way, to what extent do the methods to fix the Government’s balance sheet severely disrupt the balance sheet of private sector or of households, and what is the impact of such disruptions?

13. The recognition that there is a symbiotic relationship between the health of the Government’s balance and the health of the balance sheet of the private sector and individual households, provides the legitimacy for inputs by the private sector and civil society into the decisions of public expenditures. The IDP provides a Framework (MTPEF) which would seek to achieve consensus in the purpose and composition of public expenditures.

14. The previous methods of paying for these expenditures through either external debt, overdraft facilities or non-payment of Dominica Social Security (DSS) deductions was very costly in terms of the substitution effect on the availability of credit to the private sector and on investment. The current method of a 4% levy across the board (forced savings) is a net substitute for consumer spending and savings. These measure all have to be temporary because the income and growth derivatives from them are suspected to be negative.

15. Increasing the performance in revenue collection including the collection of tax arrears must be considered as a legitimate part of the equation even though some methods are likely to have high negative impact on growth. Two other measures that must be considered are:
   - Sharing the tax burden more equitably through the eventual introduction of the VAT;
   - Sharing the costs of some social and economic programme expenditures through lower levels of governance.
16. Sharing costs can be achieved by either transferring the delivery of some social and economic functions to locally organized stakeholders or funding them through the Social Investment Fund which itself attracts significant donor support. The IDP process also provides the necessary entry points for decisions on sharing in the benefits and responsibilities of fiscal expenditures.

**Savings and Investment**

17. Savings-investment balance in the economy is another source of concern. The conclusion here is that foreign savings have played a more important part in funding investments than domestic savings and more reliance has been placed on Public Investment rather than Private Investment.

18. Foreign savings, as a percent of GDP, increased from 6% in 1998 to 11% in 1999 and the 20% in 2000. This means that foreign resources, whether obtained through bilateral aid (which is declining) and/or external sources of loans, are becoming by default a critical factor in economic recovery.

19. The structure of investments has also changed. Private investment declined from 24% of GDP in 1997 to 7.8% in 2001. Public investment, on the other hand, increased from 6.6% of GDP in 1997 to 17.5% in 2001. The concern is that an increasing portion of the burden of investment for renewed growth is being shifted onto the public sector when the Government is finding it very difficult to raise investment funds.

20. If economic growth is truly a fundamental of our stabilization programme, then we cannot base our programme on foreign savings and public sector investments. We have to face the challenge that the re-start up of the economy will have to rely more on internally generated growth. The IDP process is important to any successful application of social and economic recovery strategies because it is designed for us to see the commitments at the micro for action by all stakeholders.

**Budgetary Process**

21. The determination of the National Budget is critical to the process to the institutionalizing of the Integrated Development Plan. This is because the Budget defines national goals, particularly public investment goals that are critical to economic recovery. Most stakeholders have expressed a desire to be involved in the process of determining the national budget. The mechanism which would allow the Private Sector and Civil Society to join with the Public Sector in determining the National Budget is a “Medium Term Public Expenditure Framework” (MTPEF).

22. This Framework will do two things:
• Provide all actors with an indicative level of aggregate spending over a 3-year period on the major thematic categories; Social welfare; Economic Services and Administration of Public Affairs;
• Allow a joint decision on what programmes within the budget we wish to protect, what expenditures we wish to be mandatory and how we will allocate a fiscal capacity for dealing with vulnerability issues

23. Three matrices will be utilized in constructing the MTPEF. These are:
   a. **Macroeconomic Framework** (a quantitative matrix of basic economic indicators projected over the next 3 years).
   b. **Matrix of Priority Actions** organized along the major themes of the growth and development strategy as identified within an IDP process involving Private Sector and Civil Society.
   c. **Matrix of Public Resource Allocations** to Priority Actions projected over a 3-year roll-over period.

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**Medium Term Public Expenditure Framework**

Medium Term Expenditure Frameworks are nothing new. They are the logical extension of Medium Term Economic Strategy Paper. The MTPEF accomplishes the following:

- It provides a platform for Private Sector and Civil Society and the Public Sector to collectively decide on its proposed strategy for growth and development as defined in the structure of Capital Expenditures and programmes and services to be financed by the budget.
- It allows the Ministry of Finance and Planning to formulate its Macroeconomic projections based on more credible commitments from the other stakeholders.
- It allows the Private Sector and Civil Society the level of public expenditures implied by the priority action programmes that will contribute most to the economy producing this unique set of indicators in the medium term (3-year period).
- It allows the annual budget to find justification in medium term (3-year) priority action programmes.
- It allows donor support to be directed at programmes with specific roles within an integrated plan rather than towards general budget support.

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**Financial Services**

24. The Financial sector has become one of the largest contributors to the GDP in Dominica with the comparative advantage of a better structure and more developed regulatory controls than the rest of the private sector. The main financial intermediaries vary in size, business diversity, sophistication and technology-intensify; in essence of the sector comprises of:

- Ministry of Finance (regulatory & Borrower)
- Central Bank (regulatory)- ECCB
Chartered commercial Bank – Foreign branches (4) and indigenous (1)
Development Banks (1)
Finance Companies (1)
Unit Trust (Mutual Funds) – Dominica Unit Trust Cooperation
Hire Purchase Firms (Courts D/ca Ltd, J. Astaphans & Co. Ltd, Cimpex
Pension Fund (Dominica Social Security)
Insurance Companies (Life, General, Agents, Brokers)
Credit Unions
Micro business Lenders (National Development Foundation of Dominica)
Eastern Caribbean Stock Exchange

25. The largest asset holders in the country, commercial banks, supply mainly short-term credit for trade and government, some mortgage lending. While banking and other institutions supply some other forms of credit, financing is especially lacking in two areas, term financing for all business, and financing for small business. The insurance companies have not made significant productive investment except for Government securities and bank deposits. ECCB has recently started an equity markets with few listed companies and trading volumes are very low. Development of capital markets would improve the options for savers and investors although macroeconomic stability and safety of the banking system should continue to be ensured.

26. There has some movement to liberalize financial systems. Protocol II, which amends the treaty establishing the Caribbean Community in the areas of rights of establishment, provision of services and movement of capital within CARICOM, has been signed by all member countries except The Bahamas, and Montserrat. This Protocol addresses the problem of Alien Landholding legislation and thus, when implemented, would open the door for the free movement of capital within the region, an important determinant of an integrated financial market. The changing global environment and the imminence of the Single Market and Economy call for an unleashing of competitive abilities along with technical and professional competencies to successfully overcome the challenges and take advantage of unfolding opportunities.

27. There is recognition of the complaints of the private sector companies concerning the lack of adequate corporate finance that is essential to doing business and investing for the future, including in partnership with foreign interests. There is also concerns regarding the banks’ interest margin and to influence the market rate, ECCB announced a reduction in minimum interest rate on savings to 3% from 4% and its discount rate at 7% down from 10% effective Sept 1,2002.

28. There are many obstacles to access to financing such as macroeconomic instability, weak legal and judicial sector and cumbersome administrative procedures. In
effect, debt collection procedures and laws that obstruct foreclosure, with the intent
to protect borrowers, actually hinder firms from getting credit and increasing cost.
Small business and poverty-affected segments of the economy not only face these
hurdles but banks have avoided lending to this group especially for productive
purposes. However, the micro credit enterprise has been well served by NDFD and
the Credit Union.

29. The IDP sees the establishment of Bankers’ Association could constitute a platform
for discussions about financial issues, the organization of activities of common
interest to all members of the financial community and to enhance dialogue with the
monetary authorities, public sector, private sector and wider society on financial
sector-related policies and strategies. Financial institutions should enhance their
contacts with capital providers such as EU’s financial support organizations: IFC
and EIB. Linkages with other professional organizations within the industry such
as DALU, Insurance Companies Association, CU League and the wide public
institutions would be necessary.

30. The overall objective of the IDP programme in the financial sector is the creation of
a competitive financial sector with affordable services and products aimed to
simulate economic growth operating within a well-regulated system. Other issues
that should be resolved with active participation and commitments from
stakeholders include:
  • Increase domestic savings ratio
  • Government control of NCB & Aid Bank (Privatization)
  • High Lending rates
  • Encourage financing for exports
  • Lack of development capital
  • Public participation in ownership of financial institutions except CU

Potential of the Diaspora
31. Many over the years, have spoken of the harmful effects of the brain drain on the
prospects for the development of Dominica and the need to “train and retain” our
people for that national task. There has been much effort at articulating
development policies that include clear and imaginative measures for partnering the
skills and resources of Dominican overseas with those of the resident population in
one national effort for sustainable development.

32. The history of the Dominican Diaspora is replete with examples of the efforts of
those persons to address that challenge. In the 1970’s, Dominicans in the United
States organized to arrange to provide material and financial support to carefully
chosen areas of need at home. In the United Kingdom, Dominicans established and
registered organizations to engage in similar efforts.
33. Without a doubt, the longstanding and ongoing contributions of the overseas communities in the form of financial remittances the provision of scholarships and more recently, the ‘barrel’ economy, comprise vital lifelines for much of the population. The quantum of this contribution is not recorded as a national statistic anywhere and there is the need for information that will establish the extent of that input.

34. The recent establishment of overseas organizations like DUKANS(UK) and the DAAS(US), have seen the Diaspora residents make effective use of the new information and communications technologies to establish a database and launch important investment initiatives in facilities and technology services in Dominica.

35. The continuing growth in the numbers of returning Dominicans has given a boost to the local housing and construction sectors. These returned residents are becoming active in local community activities ranging from local government to education, tourism, agriculture and providing a new wave of persons willing to volunteer time in the service of the community.

36. The IDP sees the Diaspora as playing five very critical roles in the development of Dominica:
   a) A very willing source of income flow to relatives to help improve their individual living conditions;
   b) A highly skilled human resource reservoir which can be utilized under varying conditions of residency and resettlement;
   c) A source of investment capital which may be foreign in its source but indigenous in its orientation;
   d) A source of ambassadorship to the world, mobilizing resources, technology and ideas to be applied in a process of integrated development;
   e) A source of wide ranging support to local community/area development plans as they seek to strengthen ties not only with the country’s efforts but also the efforts of the villages and communities from which they receive early life.

37. The following Partnership Matrix reflects the current mix of programme-objectives as currently identified by the IDP in addressing the challenges in the economy.
### A Partnership Matrix In Response To Economic Growth & Development

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<th>Partnership Responsibility</th>
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<td>2. Mobilizing non-Budgetary Resources</td>
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<td>3. Stimulating Domestic Demand</td>
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<td>4. Promoting new investments in Tourism</td>
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<td>5. Combating economic exclusion</td>
<td>Ministry of Finance/Local Authorities</td>
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<td>6. Multi-Sectoral Commission for Agriculture</td>
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<td>7. Improving Lending to Small Businesses</td>
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<td>8. New sources of financial support for micro-business</td>
<td>Ministry of Enterprise/NDC/NDFD</td>
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<tr>
<td>9. Increasing job opportunities</td>
<td>Ministry of Enterprise/Private Sector/Civil Society</td>
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<td>10. Increasing employment in Tourism</td>
<td>Ministry of Tourism/Private Sector</td>
</tr>
<tr>
<td>11. Social Investment Fund</td>
<td>Ministry of Finance</td>
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<tr>
<td>12. Establish Full Service Resource Centers</td>
<td>Ministry of Agriculture/Private Sector</td>
</tr>
<tr>
<td>13. Promoting Wellness</td>
<td>Ministry of Health/Communities</td>
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<td>14. Improving personnel practice</td>
<td>Public Service</td>
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<td>15. Correcting Fiscal practices</td>
<td>Ministry of Finance/</td>
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<td>16. Debt Management Strategy</td>
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<td>17. Transparency in Budgetary Process</td>
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<td>18. Developing Matrix of Priority Action</td>
<td>Ministry of Finance/MTPEF</td>
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<td>19. Developing Matrix of Public Expenditure Allocations</td>
<td>Ministry of Finance/MTPEF</td>
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<td>20. Visitors' Survey conducted in conjunction with DHTA</td>
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<td>21. Increasing Occupancy Levels in Hotel establishments</td>
<td>Ministry of Tourism/NDC/DHTA</td>
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<td>22. Increasing Tourism Foreign Exchange Earnings</td>
<td>Ministry of Tourism/NDC/DHTA</td>
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<td>23. Macroeconomic Framework: Sharing information</td>
<td>Ministry of Finance/Civil Society/Private Sector</td>
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<td>24. Confidence Building in Financial Institutions</td>
<td>Ministry of Finance/Private Sector</td>
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<td>25. Modernizing Financial Services</td>
<td>Ministry of Finance/Private Sector</td>
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<td>26. Introducing Long-term Borrowing</td>
<td>Ministry of Finance/Private Sector</td>
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<tr>
<td>27. Institutional Mechanisms to support small business</td>
<td>Ministry of Enterprise/Civil Society</td>
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<th>Multi-Sectoral and Multi-enterprise zones</th>
<th>Ministry of Agriculture</th>
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<tr>
<td>29</td>
<td>Increasing export services</td>
<td>Ministry of Trade/Civil Society</td>
</tr>
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</table>
SITUATION ANALYSIS

Social Conditions

By
The Development Institute (TDI)
Team of Consultants

September 2002
Introduction

1. The overall objective of the IDP is to provide a holistic approach to the problems of growth, development and sustainability of the economy. To do this requires that the assessment of the current situation be also conducted in an integrated manner.

2. The “Social Conditions” is a thematic approach to assessing how well people are able function as the most important resource within their communities and in the national economy. This makes it necessary to evaluate the labour as a productive factor, communities, as an organizational base and development goals as a shared vision.

3. The obvious result of this approach is to integrate programmes for training and skills acquisition with information systems and public education initiatives.

Labour Conditions

4. The collective bargaining process in Dominica is generally healthy, with employees in all sectors of the economy being represented by trade unions as bargaining agents. There are four employee trade unions representing workers in the private sector firms and one union (the Public Service Union) acting as the main bargaining agents for employees in the public services, government agencies and statutory bodies. These representative bodies all participate in industrial relations process, which also includes the Ministry of Labour and the Dominica Employers Federation (DEF)\(^{12}\).

5. In accordance with, Dominica has demonstrated commitment in the international labour standards, as defined in the ILO Conventions and Article 50, Trade and Labour standards of the Cotonou Agreement. In fact, Dominica is one of the few countries in CARICOM which has ratified all the core conventions. The labour laws are quite comprehensive and modern in comparison with other jurisdictions covering industrial relations, protection of employment, labour contracts and employment safety. The legislation makes provision for several committees and tribunal drawn from the social partners to advise the minister on issues of employment, the law, and regulations and arbitrate disputes.

6. Following the turbulent period of the 70’s and early 80’s, the industrial climate and machinery improved significantly and today the negotiation mechanism continues to function avoiding major disruption by strikes and other industrial action. However, there had been some flare-ups in the state sectors and other Government agency and more so in some areas where strike was strictly prohibited by legislation and convention e.g. Prison, Port Authority.

\(^{12}\) The Dominica Employers Federation (DEF) is a registered trade union representing the interest of employers.
7. It is evident that the issues of globalization and international competition are demanding that new work habits and flexible approaches to labour and other operating costs become part of the architecture of relations in production. Governments are under international pressures to accept the organized labour force and employers as social partners, sharing power and responsibility in the area of socio-economic development. The labour union leaders who are young, energetic, well informed about business and armed with managerial qualities/skills have adopted a new outlook and a new agenda. The main issues on their agenda include:

- Protection against unfair dismissal
- Better health and safety measures
- Higher wages and better benefits
- Shorter and flexible working hours
- Longer holidays
- Family-friendly issues
- Equal opportunity issues

8. These developments are viewed as very encouraging signals from the point of view of the IDP. The Plan considers the issues of productivity, incomes, poverty reduction, education and health as cross-cutting issues that not only affect the quality of labour in our society but also require the collective inputs of Trade Unions in designing inclusive solutions.

Community Awareness

9. There is general consensus regarding the need for increase public awareness of the role of individuals, groups and organisations in the developmental process. Public awareness and training were identified as being critical to the process of promoting sustainable development and improving the capacity of the community to address environmental and developmental issues. Active and meaningful interaction with the various stakeholders always results in a greater clarity of their roles and a deepening of their commitment to the integrated development process.

10. The IDP recognizes this strong sentiment for an integrative planning process. It was made evident at zonal meetings held in LaPlaine, Colihaut, Marigot, Grandbay, Portsmouth, and Roseau. Persons openly expressed the view that they desired to and needed to play a more integral role in the development of their country. They contended that there were skills in the local community, which should be mobilized and deployed more effectively for participatory development.

11. From these meetings we received responses from the public on 19 categories of issues. 101 suggested solutions were presented to these issues. 95% of the issues

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were raised once or twice. However, there were six (6) particular issues/solutions, which occurred more than four times.

12. The IDP proposes a programme of public awareness utilizing both traditional and non-traditional communication methodologies and being integrated into all national and local awareness programmes. The awareness programme should have the objectives of increasing the understanding within communities of:
   - The mechanisms for participation of individuals and organized groups in the IDP planning process;
   - The opportunities for active participation in social and economic programmes to be undertaken under the IDP
   - The opportunities for mobilizing resources to support local area plans

Table 1: Most popular problems & Solutions

<table>
<thead>
<tr>
<th># of times</th>
<th>Priority Issues/Problems</th>
<th>Suggested Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>9</td>
<td>Local government not involved/consulted on initiatives in their areas</td>
<td>Empower local government to manage, give them mechanism for support, e.g. technical expertise to enable implementation, decentralization of services, e.g. Road maintenance, building plan approval</td>
</tr>
<tr>
<td>6</td>
<td>Poor performance/low productivity of public sector</td>
<td>Create disciplinary procedures to ensure standards within the public service</td>
</tr>
<tr>
<td>5</td>
<td>Diversification</td>
<td>Tell farmers what to diversify to (there must be market for the new products), how much to produce and provide them with financial help/inputs for diversification.</td>
</tr>
<tr>
<td>5</td>
<td>Poor attitude toward work, lack of work ethics, low productivity</td>
<td>Change in mentality towards work</td>
</tr>
<tr>
<td>4</td>
<td>Political divisiveness</td>
<td>Give local government more authority so people can implement their own development projects without the divisions caused by political promises</td>
</tr>
<tr>
<td>4</td>
<td>Lack of patriotism, love for country &amp; national pride</td>
<td>Integrate patriotism/values for nation building into the education system.</td>
</tr>
</tbody>
</table>

13. The programme should allow officials of the Ministry of Community Development and Gender Affairs to team up with professionals and private citizens who have been involved in IDP planning to share their experiences in and their expectations from:
   - Consultations with persons in specific sectors
   - Consultation in the context of local district integrated planning
   - Gathering and sharing the views of organized sectors
   - Opinion surveys of stakeholders

14. The Ministry of Community Development in cooperation with the Ministry of Finance and Planning and the Association of Local Authority should accept the
responsibility of this communication effort. Eventually the Integrated Development Planning Commission (IDPC) should assume the mandate of communications and awareness building awareness.

Shared Vision

15. In the pre-Independence years, the circumstances of colonization seemed to provide for the clear articulation of the vision based as it was on issues spanning the distance between bringing an end to slavery and attaining political independence. For these and all the vital social, political and economic issues that were associated, the shaping of a vision that would galvanize and mobilize the population might seem to be a clear-cut task.

16. Now that the reins of political and constitutional authority rest in the hands of the local population, the task of shaping a vision that will guide and direct the present generation might seem more daunting. The absence of a self-imposing “Governor-General” provides the space for that vision to come from within and to be directed inward as well as upward. The Chancellor of the University of the West Indies aptly describes this process as “Inward Stretch, Outward Reach”.

17. The people of Dominica, however, seem to have had little difficulty when confronted last year with the need to define a vision for themselves and the country for the next 20 years. Not once did the many catchy slogans coined by political parties over the years, emerge as the statement of that vision. The thoughts were all stated in the words of the people of the community.

18. People from all walks of life have indicated that, “they wish to see and to help build a Dominica where there is harmony among the people and between and God and His Creation.” Many extended that seminal statement to mean that the Dominica of the 21st Century, “must organize to meet the needs of its people without compromising the chances of future generations for doing the same.”

19. These vision statements capture the immense spirituality and sense of connection with the Earth that has been at the heart of the traditions of the Carib people, the first to settle here. It captures also, the sense of stewardship for the land, the trees, the rivers and the animals that has allowed Dominica, after thousands of years of human settlement, to remain, “the Nature Island”. There was expressed in these statements, a clear choice for a development path that respected the wonder and force of natural systems and worked with that force to meet the needs of the people.

20. The other dimensions of the vision for Dominica that were articulated so well by communities all over, addressed the yearning for a society that was stable and just, where discipline and respect for the individual was assured. This view was closely
attended by the firm declaration of people to be fully involved in the planning and
decision-making at the community-level as well as the national level.

21. The other element of this multi-faceted vision statement coming from the people
affirmed the need for a Dominica where “dignity, pride, patriotism and a sense of
belonging were hallmarks of the citizens of the country.” The challenge that these
comprehensive vision statements present to Dominica’s development is surmounted
only by the clear direction that IDP process seeks to provide.

22. Embedded in these statements are the elements of participation in decision-making;
partnership among the people; transparency and accountability firmly rooted in
respect for each other; the integration of social, spiritual, economic and political
dimensions of development based on an abiding knowledge of and respect for the
natural assets of Creation as being the basic building blocks of the island’s
development.
## A PARTNERSHIP MATRIX IN SUPPORT OF SOCIAL DEVELOPMENT

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INTEGRATED DEVELOPMENT PLANNING

IDP DISCUSSION PAPERS

#21

SITUATION ANALYSIS

Institutional Conditions

By
The Development Institute (TDI)
Team of Consultants

September 2002
Introduction

22. The overall objective of the IDP is to provide a holistic approach to the problems of growth, development and sustainability of the economy. To do this requires that the assessment of the current situation be also conducted in an integrated manner.

23. The “Institutional Conditions” is a thematic approach to assessing public administration and management, the enabling environment for private sector initiatives and the institutional capacity needs for civil society to participate meaningfully in social and economic development.

Public Administration and Management

24. There needs to be a clearer definition as to the true purpose and objective of the corporate plan in the overall scheme of achieving the goals of the Ministries of Government and their sub-divisions. An IDP approach to “corporate planning” at the Public Sector level, would entail greater involvement of staff so that ownership of the corporate plan would be that of the relevant Department.

25. It would also call for a democratization of the process by extensive consultation with the relevant publics so that the corporate plan truly reflects a national ethos. One prescription would be to require corporate plans to be published and made freely available for public scrutiny.

26. The IDP directs the focus of the Public Sector towards the following objectives:
   - Transformation of the Public Service into a customer-driven institution;
   - Encouraging innovation and initiatives;
   - Greater interaction among departments within the Public Service;
   - Greater involvement of staff in the preparation of mission statements, vision statements and corporate plans.

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14 The Ministries express their purpose in “Mission Statements” which are part of their “Corporate Plans”
Governance

27. Governance in Dominica must reflect the fact that there are many more capable actors in governing and in providing public services. Besides the central government, there are local authorities (Village Councils), Private Sector organizations, Community based organizations (local development committees), non-Governmental Organizations and other organized civil society groups sponsored by private sector involvements. This has all arisen from the twin pressures of budgetary deficits and calls for better function of democracy and improvement in the quality of social and economic services.

28. The functioning Governance concept, which drives the IDP, is that of decentralization. Decentralization is the transfer of responsibility to democratically independent lower levels of government, thereby giving them more managerial discretion, but not necessarily more financial independence. The IDP seeks to create the platform for participation of other stakeholders in, among other things, delivery of health and education services, natural resource management, conceiving local area development plans, proposing and implementing local area projects. The IDP calls our attention to the resources of the ten (10) “Extra-budgetary” funding sources\(^{15}\) that can be mobilized in pursuit of these goals. However, the IDP makes it equally clear that this is not a call for the central Government to withdraw from the provision of these services (abandonment), but for the central Government to strengthen its participation with other stakeholder in such endeavours.

Public Sector Role

29. The role of the Public sector is key to understanding the status of the sector in development planning and the implementation of development plans. In our survey, 20% of our civil servant respondents thought that their role was to help the general public and private sector, 20 % thought it was to fulfill objectives in the mission statement/work-plan of the Ministry, 16 % thought it was to fulfill the duties of their job description and 12% thought it was to assist the Minister in implementing programs. Regardless of how Public Servants see their role, three words should dominate; “Participating”, “Facilitating” and “Delivering”.

30. A very important finding is that there exists a large body of trained and professionally well-equipped cadre of Civil Servants who find little satisfaction in the work they are doing and the work to which they are assigned. They have the skills, they have the interest (which is fast waning), but they have little job satisfaction and practically no sense of motivation by their superiors. A major deficiency is that they do not see the scope for advancement or a clear path for the pursuit of a career in the Public Service. The strong desire is that these individuals

\(^{15}\) See Appendix
will find opportunities in the IDP to take the initiative and provide the leadership in their respective Ministries to strengthen the dialogue and consensus-building with the Private Sector and Civil Society.

31. The IDP requires a **Public Sector** that knows how to:
   a) Involve the Private sector and Civil Society in active partnership in formulating a Medium-Term Public Expenditure Framework;
   b) Create and utilize reporting and information sharing mechanisms to demonstrate transparency and accountability in the discharge of public business;
   c) Promote career development in the Service leading to highly skilled and efficient civil service;
   d) Effectively network with Divisions in other Ministries to respond to cross-cutting issues.

**Local Government**

32. Local Government is geared to empower people and is rooted in the doctrine of promoting active participation of the citizens in the development of the country and prides itself in its motto “Community Development is People in Development”. The Councils, both by their legal and administrative standing, are the principal community-based development agencies in the communities in which they exist. However, because of the diverse nature of Dominica’s communities, special interest or general community development groups often develop. The IDP, therefore, challenges the Councils to establish active working relationships with these community-based groups.

33. The IDP also proposes greater involvement of citizens in development planning in their own communities. Measures to be undertaken would include:
   - Encouraging local area development plans to give consideration to new spatial arrangements for the organization and structuring of a cadre of service delivery units at the local level responding to demand in Health, Education, Community Development, Housing and Transportation;
   - Providing through the Social Investment Fund attractive funding for enterprises that locate in the certain areas and confirm to the suggested land use pattern.
   - Encouraging local Government to consolidate their efforts with the private sector and other civil society groups in order to ensure that local residents benefit from the productive use of their assets.

**Private Sector Role**

34. The emerging liberalized economy requires enhanced competitiveness in exports, services, promotion and marketing and it is the private sector that will ultimately produce the competitive products/services in this new environment. Governments
of Caribbean countries are forging new linkages with the private sector as they recognize the need to facilitate the efforts of the private sector, which is expected to play a major role in generating economic growth and development in the economy.

35. The private sector sees the call for an “enabling environment” as implying more than getting the macroeconomic indicators right. A new dynamic must be fashioned between partners of public-private sector/civil society in which dialogue and cooperation become the focus of their relationship.

36. In this respect the IDP seeks to respond to the wishes of the Private Sector to have:
   - An opportunity to inform Government what their development needs are;
   - An opportunity to determine the national development direction;
   - A mechanism through which to communicate with the political directorate and the administrative staff;
   - A mechanism through which they can measure the performance of Government and its machinery;
   - Policies and programmes fashioned on acceptable IDP goals and which can provide them with the reliability and confidence needed to make investment decisions.

37. The successful recovery in economic activity will require a Private Sector, which is:
   a) Actively involved in deciding the elements of a Medium-Term Public Expenditure Framework from which the annual budgets can be determined;
   b) Builds its own combined capability (finance, manufacturing and primary production) to service a dynamic “extended domestic market” of in the CARICOM Single Market and Economy in areas of primary food products; agro-manufactures, water; personal skills and services; joint tourism destinations and sports/events tourism;
   c) Participates in the formulation of a more cohesive set of Policies relating to Trade, Taxation, Utility and Port Costs, adoption of information technology and promotion of music, entertainment and art-form enterprises;
   d) Broadly representative of businesses in the informal sector, farmers and vendors in addition to existing representations from the manufacturing, commercial and financial units of the private sector.

Civil Society Role
38. The IDP recognizes some sixty (60) other non-State organizations, as comprising the Civil Society in Dominica. The categories of these organizations include:
   - Trade Unions
   - Professional Associations
   - Service Groups
• Non-Government Organizations
• Cultural Groups
• Sporting Groups or Association
• Community Based Organizations

39. The IDP Process seems to have generated very much interest in the Civil Society groups and it is hoped that the mechanisms for their involvement will give its credibility and momentum to building their individual organizational capacity. Indeed, genuine partnerships and a successful IDP could very well be just that inspirational initiative that spurs Civil Society Organizations themselves to higher levels of organization, democracy and transparency, so urgently needed especially in this period of fragility.

40. Both Communities and CSO’s and to some extent Youth considered institutional strengthening of Civil Society and Private Sector organizations as very important given their weaknesses and the clear need for them to step up, get stronger, unite, collaborate if meaningful contributions are to be made to an ongoing IDP Process. Civil Society groups expressed their needs as follows:
• Decentralization as a priority.
• Public Education,
  o The need for more fora, better use of the media;
  o The development of creative alternative popular forms of communication new ideas;
• Building general awareness about development,
  o Specifically about the importance of participation, self-reliance.

41. The Strategic Vision for Civil Society would require that NGOs, CBOs and other members of Civil Society to continuously:
   a) Strengthen their organizational capacity to share information and mobilize their membership to capture the benefits of economic programmes;
   b) Within their area of competence, participate in the delivery of health and social security services to targeted communities; in the management and maintenance of educational facilities; in the introduction of relevant content in the educational and training (human resource development) curricula;
   c) Organize local area development committee to make an inventory of available skills and resources in the local area; initiate locally-based activities in agriculture, nutrition, land-resource management (forestry and watershed area) and rural based tourism;
   d) Provide assistance through professional associations (architects, planners, engineers) to support local government in:
      ▪ Improving their community service activities
      ▪ Develop initiatives to attract more businesses to their communities;
## A PARTNERSHIP MATRIX IN SUPPORT OF INSTITUTIONAL BUILDING

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SITUATION ANALYSIS

Physical & Natural Resource Conditions

By
The Development Institute (TDI)
Team of Consultants

September 2002
Introduction
1. The renewed approach to development is likely to be characterized by a new organic agriculture, a new nature tourism and a new human services sector. Together, these present Dominica with its best chance for building a society that is cohesive, an economy that is productive and stable, where safety, harmony, and a sense of belonging are accompanied by the material well-being and happiness of current and future generations.

2. There is no shortage of Reports detailing the pitfalls and problems facing the Agricultural sector. There are even more Reports recommending actions such as diversification, land use planning and zoning; consolidated extension, affordable credit, farm management training, creative marketing and organic farming.

3. Recent Reports from other sectors, notably Tourism (1996) and Health have made the case for establishing links between these sectors and Agriculture so that the costs and benefits can be shared for roads, energy, water, marketing, finance, personnel, technologies and facilities.

4. The “Physical and Natural Resource Conditions” reviews the important role that physical (built) resources and natural resources will have to play in the future development of the country. This assessment reviews land resource conditions, natural resources and two of the many built resources, which are a critical part of our economy. These two are Energy resources and Facilities for Shipping and Transportation (Ports).

Agricultural Resources
5. In spite of these admonitions and recommendations, Dominica entered the 21st Century with an agriculture that was financially bankrupt, inefficient and non-competitive. The sector had lost many of its best producers to migration, unemployment, other sectors. The farm enterprises were without the benefit of the women as producers because (among other reasons) food and vegetable production became nonviable as the best soils became the worst soils due to overuse of agrochemicals which had already made women redundant on the farm.

6. The absence of measures for soil conservation and restoration, dropping water tables and river levels all signal are sector under severe stress. Even when we have taken the prescribed action for getting agriculture moving, events outside of our direct control have compromised and undermined our best efforts. The case of
bananas and the WTO; the case of tourism and the economic downturn in major markets; the case of services and the loss of trained persons to migration are examples of the impact of externalities on agriculture.

7. The IDP regards Agriculture as the primary source of producing healthy food for domestic consumption as well as for export. The sector needs to create enterprises where dignified and rewarding work is available. Farmers and other agri-business producers must be facilitated in applying knowledge, skill and technology in the care and management of the natural systems that make all this possible.

8. Agriculture needs to partner with other sectors (tourism, health and education) that foster environmentally sustainable development in ways that are bring benefit to the local population.

9. Some of the Verifiable Indicators in an integrated approach to Agriculture would be:
   - The location and activity of farm enterprises to be guided by a comprehensive land and water use plan
   - The business of agriculture to be fully serviced in areas of training, technology, research, credit, insurance marketing and safety
   - The sector is to be fully supported by a national reference and information system that will guide the development of policy, programs and projects in agriculture in partnership with other sectors.
   - Links between agriculture and health, education, tourism, industry, transport, etc. to be clear and deliberate
   - Enterprise development in agriculture to target the youth
   - Agriculture to respond to the demands of the family for healthy food
   - Agriculture must enhance the state of the natural resources on which it depends (soils, water, forests)
   - Agriculture must create new and rewarding employment
   - Agriculture must contribute to the earning foreign exchange and to the national finances

10. The IDP’s recommended actions in integrating agriculture into the social and economic development of the country include the following:
    - Government to establish a multi-sector Commission for agriculture that becomes the main advisory body to the Government on policy
    - This Commission to be tasked with taking Inventory of the state of the island’s major environmental systems (soils, water, forests, coastal reefs and waters)
Based on the Inventory, the Commission will zone the major producing areas according to land use capability, conservation and demand for land and water by other sectors.

Accompany the Zoning with public and private sector services that are offered or withheld as a reward/penalty for compliance with the recommendations and regulations of the Zoning Commission.

The Zoning Commission will comprise personnel from the private sector (agriculture, tourism, housing, insurance, etc., the Ministries of Agriculture, Tourism, Planning (Physical and Economic), Legal and Community Development.

Government to create 5 multi-sector and multi-enterprise zones that integrate and diversify all economic activity within and between these areas.

Public and private services (Health, Education, Community Development, Housing, Transportation, etc.) will be encouraged to organize and structure service delivery consistent with the new spatial arrangements of these zones.

11. The other stakeholders have a very important role to play in respect to channeling their development plans along these lines:

- The local Government Authorities in these Zones are to be encouraged to consolidate and amalgamate to ensure their full involvement in ensuring that the overall impact of this reorganization of the use of productive assets benefits the local residents.
- The private sector will foster and facilitate (through enterprise development financing) the establishment of privately operated Full Service Resource Centers (FSRCs) in all 5 major production zones capable of servicing agricultural enterprises and other sector activities.

12. The service structure for Agriculture also provides opportunities for development and growth. The IDP proposes that:

- Public sector and Regional agencies to contract and outsource the professional/technical services required by farm enterprises.
- Private Professionals to be encouraged to take up these opportunities to create new jobs by providing services to all enterprises (not just agriculture) in the Zone.
- Government to convert the Division of Agriculture into a research and policy advisory unit as extension services are divested from that Department.
- Private enterprises in partnership with public agencies to invest in the establishment of sustainable farming practices leading to full-fledged and certified organic farms.
- Private, public and civil society agencies to consider the establishment of a “nature island” certification standard.
The DBPC and DEXIA should be encouraged to form a well-managed multi-commodity trading organization owned by producers via share purchasing through sales.

Enterprises in agriculture will collaborate with the private and public sector and civil society in linking tourism to agriculture in the areas of job creation, new product development and marketing “nature island goods and services”.

**Natural Resources**

13. The volcanic origins of Dominica has left the island with the mixed legacy of a rugged, mountainous terrain that escalates the financial cost, heightens the vulnerability to landslides and increases the environmental risk associated with the construction of buildings, roads, bridges, farming and other human activities. On the other hand, these same features of the natural landscape have allowed for lush and healthy forest systems that have remained so for centuries. Abundant supplies of fresh, high quality water available all year round, over 1000 species of vascular plants, an impressive range of birds, animals and insects that thrive in this virtual ‘Eden’ have all made this island a model of biodiversity and has led to the declaration of the 17,000-acre Morne Trois Piton National Park as a World Heritage Site by UNESCO in 1998. The coastal resources of the island are no less lush and healthy as attested to by the relatively recent discovery of several species of whale living and breeding in the island’s coastal waters.

14. Natural resources of Dominica became a major asset base for productive activities in both agriculture and tourism. Waterfalls, rivers, hiking trails, flora and fauna, geological structures all form part of the attraction for nature and adventure tourists. Although not fully developed, trade with water remains one of the many untapped enterprises made possible directly by the state of the natural resources of the island.

15. The soils of the island have provided the foundation of the small and large farm system that has characterized Dominican agriculture for centuries. Chemical-free farming was the mainstay of that sector until the introduction of commercial volumes of fertilizer some 60 years ago accelerated largely by the rapid growth of the banana industry. Today, after decades of commercial farming for export, there is evidence that the once pristine natural asset base is showing signs of stress and deterioration. Stream levels are noticeably lower; several areas of lush forest are now plantations or secondary forest; soils that once yielded regular supplies of food and other crops are now not responsive to generous applications of fertilizer; coastal reefs and the associated supplies of fish are unable to provide coastal fishers with the livelihoods of the past.

16. Dominica recognizes that the conservation and management of natural resources is vital to a healthy people and economy. The inventoring of natural resources is a science that is now well advanced and is at the heart of effective planning for
sustainable development. The only task that exceeds the technical managerial aspect of this process, is the even more challenging one of sensitizing the users of the natural resources to the capacity limits of these systems and the need for economic activity to center of the maintenance of this natural asset base. The IDP calls for the first steps to be taken in inventorying the natural resources.

Energy

17. A recent Report by Binger and Sutherland (2001) on wind and other forms of renewable energy for Dominica, observed: “Indigenous energy resources of Dominica are “not limited” and consist of substantial renewable energy resources in hydro, wind and geothermal energies. There is enough renewable energy available to meet current and future electrical needs.” The authors also noted that these renewable energy sources and the available technologies “offer Dominica a way to reduce its heavy dependence on imported oil, and with it the resultant economic and foreign exchange burdens.”

18. Electricity rates in Dominica are reported to be as much as three times the average for non-OECD countries, including some of in the Caribbean. This is assumed to be related to the high cost of generation and the absence of competition from independent power producers.

19. Dependence on fossil fuel for power generation (fuel surcharges were 14.9% of the electricity company’s revenue for 2000), also challenges the island’s tourism claim to be the “nature island” of the Caribbean.

20. Where affordable, clean energy is an option, there is a need for a policy that seeks to take advantage of the established potential of the island for alternatives. The recent decision by the Ministry of Communications and Works to involve stakeholders from several sector in the elaboration of a renewable energy policy is to be commended and along with efforts to bring an end to the monopoly in the power sector, should open up several new business opportunities for local enterprises an many local communities as producers and suppliers of power. This approach is consistent with the participatory and cross-cutting and cross-Sectoral principles of IDP and begins to point the way for integrated development planning for Dominica.

Shipping and Transportation

21. Even the rapid and significant advances in global telecommunications; there is still the need to move people and goods by sea, land and air from one point to the next. Largely as a result of this inescapable need, for marine, air and terrestrial transportation, the sector has become a major income earner and job provider for many economies. In Dominica the potential of transportation to become a major
contributor to the economy seems to have been neglected in the development planning initiatives so far.

22. Every weekend, some 50 yachts transit the town of Portsmouth and the moorings of the Citronier area are often fully subscribed. Compared with the facilities in the South of the island, the lack of amenities in the Portsmouth area means that these vessels do not make as significant a contribution to that town’s economy as they should.

23. Declines in the export volumes for bananas over the years and the recent decisions to load bananas only at the Woodbridge Bay Port facility, has meant that the Town of Portsmouth has experienced a further decline in economic activity as per trucking, stevedoring, long shoring, administration and ancillary services.

24. The long list of large capital infrastructure projects that have been undertaken in the last 20 years have all required the importation of vast quantities of material. The projects include: the Dame Eugenia Boulevard, the Cruise Ship Berth at Cabrits, the Financial Centre, the Fisheries Complex in Roseau, Sea Defense works at Pointe Michel, Soufriere, Massacre, Coulibistrie and, Canefield.

25. Not only have the materials for these projects come from other countries even when, as with gravel and stone, local supplies may have been available to meet part of the demand, but the enormous earnings from transportation of these materials did not accrue to the Dominica economy. This related to the fact that the existing shipping and transportation capacity in Dominica was not used and, the growth of the sector had not been facilitated over the years and so was able to offer limited hauling capacity.

26. It is calculated that on a weekly basis, between US$600,000 and $1,000,000 leaves Dominica as transportation charges paid to non-Dominican sea carriers. When it is considered that the import of consumer durables and food is in addition to these construction-related charges, the lost opportunity for earning income from sea transportation alone is staggering.

27. The equally staggering cost of land transportation in the form of imported vehicles is a reminder that the reorganization of the Dominican economy has to include the rationalization of the transportation sector and the management of its growth into being a net income earner for the country.

**Disaster Mitigation**

28. “The GoCD identifies two issues of particular relevance...to sustainable growth and alignment with...global economy: strengthening macroeconomic fundamentals...and establishment of infrastructure to support...private
investment...Such goals are unlikely to be attained without improved hazard risk management...An integrated approach to national development planning....has been announced...this offers an important opportunity to incorporate natural disaster risk reduction into future planning”.

29. The Report on a recent World Bank study (2001) has more than most other documents, drawn sharp attention to the issues of vulnerability to natural phenomena. This Report along with the recent (2002) proposal by CEDERA of a Comprehensive Disaster Management Strategy for Dominica (CDMS), has set the stage for a the acceptance of the need for national planning processes to give central consideration to the economic, social and ecological impact of natural disasters.

30. The small size of the island and the far-reaching impact of even local disaster such as landslides make this issues of disaster management and mitigation an imperative for policymakers, planners and stakeholders in the private sector as well as civil society.

31. The IDP seeks to move Dominica beyond the short-term “Fix and Repair” approach to disaster response. It seeks to make a comprehensive disaster mitigation approach part of the national development plan. The IDP seeks the “Codification of a Common Approach” that would involve:

a) The Ministries of Finance and Planning, Communications and Works and other relevant divisions (Town and Country Planning Division) in a joint format with professional organizations, private sector and community based organizations to develop a Code of Common Approach to:
   - Land use,
   - Siting of facilities,
   - Maintenance of infrastructure,
   - Creation of new professional options in the design, materials, construction, maintenance and management of facilities to reduce risk to the local population.

b) Ministries of Health and Community Development in a joint format with Village Councils, Community based organizations to develop a “Code of Common Approach” to risk management in social and human conditions identifying such risk factors as:
   - Sedentary lifestyles,
   - Lack of exercise,
   - Obesity,

16 Benson & Clay, World Bank, 2001
- High fat diets,
- High salt diets,
- Smoking,
- Substance abuse including alcohol abuse,
- Unsafe sexual practices,
- Poor parenting,

32. Inter-departmental and inter-Sectoral collaboration as well as the involvement of the private sector and civil society could hardly be more critical and useful than in a common approach. Investors in tourism, agriculture, housing, sports, health and education among others, can find common cause with the relevant public agencies in the implementation of the mitigation measures mentioned here and the many others that can be customized to the special need and circumstances of people in the various parts of the island.

33. Disaster mitigation also requires that the country take a fresh look at its preparedness to respond to an event such as a major volcanic eruption. Since the city of Roseau happens to be “just outside” of the projected impact area of any major volcanic eruption, the IDP also calls for considerations be given to preparing a plan for the gradually upgrading of:

a) The Health facilities in the north (capacity for emergency medical services at Portsmouth);

b) The Port facilities in the North (Portsmouth Port).

34. The task of disaster mitigation in an island archipelago is also a regional one. This is vital to the deepening of functional cooperation that has been such a good experience for the OECS countries and efforts by CEDERA and other regional agencies engaged in the promotion of Comprehensive Disaster Management, need the full support of public, private and civil society sectors throughout the area.
# A Partnership Matrix for Promoting Rational Use in Physical and Natural Resources

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INTEGRATED DEVELOPMENT PLANNING

IDP DISCUSSION PAPERS

#23

ENVIRONMENT AND PHYSICAL PLANNING

By
The Development Institute (TDI)
Team of Consultants

September 2002
Environment and Development

1. The emergence of new development standards of sustainability is a reflection of the historic shift taking place in the human condition in which the period of abundance of environmental goods and services has given way to one of growing scarcities. The concept of sustainable development has assumed currency worldwide. Sustainability in the IDP context has three components, economic, social and environmental.

2. The economic component of sustainability requires societies to pursue economic growth paths that generate an increase in true income, while maintaining their stock of natural capital in a condition suitable for use by future generations. The social dimension of sustainability can be described as the fulfillment of basic human needs and equity of opportunity. The environmental dimension of sustainability is based on maintaining the long-term integrity and productivity of the Earth’s natural systems.

3. Taken together, these three components of sustainable development should converge to generate a steady stream of income, ensure equity, and maintain man-made and natural capital stocks. This is what the IDP seeks to achieve.

IDP Guide
Integrating care of the Natural Environment and Management of the Economy in a sustainable manner.

The concrete manifestations of integrating the care and management of the natural environment into the management of the economy are as follows:
- The reduced use of toxic substances in the production of food supplies;
- Predictable supplies of healthy water;
- Increased protection from landslides, along with reduced road maintenance costs as a result of improved forest cover;
- New opportunities in nature tourism made possible by healthy forests, rivers, lakes and reefs;
- New trade options from sustainable farming in the form of organic produce;
- More efficient and affordable energy systems from renewable sources such as solar, wind, water, geothermal, etc.;
- New skills in preventive health care as a result of application of traditional herbal and medicinal practices in combination with appropriate elements of modern medicine;
- Reduced cost and size of central government as communities take on the responsibilities for local services;
- Rising employment as new jobs in clean services locate close to communities where people live;
- Trade with the new intellectual property of sustainable living opens up possibilities for centers of sustainable living for residents and visitors;
- New consumption patterns evolve that reduce waste, maintain a litter-free environment and, peace and stability prevails as the material and social and spiritual needs of the people are met in ways that do not compromise the natural assets of the country.
4. In the context of environment and development, the main objective is to ensure that production and consumption activities of the human population allow for the maintenance of the integrity of the natural life-support systems. In pursuing valid economic activities, all stakeholders should observe the need for data, institutional capacity, policies, legislation and commitment to preventing soil loss and declining soil fertility, reducing water loss and enhancing water quality, reducing deforestation and improving water catchments.

**Physical Planning and Production Systems**

5. Physical and ecological processes are part of the support base for any economic system whether involved in the production of goods or services. Experience is proving that it is seldom possible to develop long –term successful strategies, programs or projects for advancing an economic system without taking these processes into account.

6. An IDP approach suggests that for Dominica, analysis of the physical attributes of the country (and the region’s) resources including inventorying their current and potential use, (particularly in comparison with competitors), makes it possible to identify and rate the most suitable development and investment strategies. Such analysis, moves beyond the narrow confines of spatial allocation of land for buildings, to incorporating the social, legal, institutional measures to achieving the growth and development most possible in the presence of specific physical and ecological opportunities and constraints.

7. The IDP approach proposes the use of the Comprehensive Development Framework as that tool which will allow for the establishment of relationships between the spatial, economic and sector-levels of planning according to a clear set of development criteria that focus on the interests of the population in the context of the best practices as relates to the use of the primary physical assets of the country.

8. The effect of not doing adequate physical analysis as part of the national planning effort is ecological and subsequent social and political collapse. The ecological stress created by the failure to manage the complex interactions between the social, material and physical aspects of production contribute significantly to disasters. The case of Haiti is instructive.
9. In this context, the IDP approach to physical planning is not an imposition of a set
of rigid controls and regulations on the national economy. Rather, it should be seen
as part of the effort to establish a framework for more systematic and sustainable
national development that:
- Involves stakeholders from all sectors in setting up sensible development
  priorities and objectives;
- Establishes, through the IDP approach, a consistent set of national development
  policies that guide programmes and projects at the sectoral, economic and
  physical levels;
- Utilizes the Medium Term Public Expenditure Framework to provide an
  investment and expenditure framework for a rolling over 3-year period;
- Institutes a ‘rolling’ approach to the management of the PSIP so that plans are
  updated and carried forward each year;
- Expands investment in developing the skills as well as the technological and
  institutional mechanisms needed to design and manage this integrated approach
  to planning;

10. Among the direct macroeconomic benefits of such an approach are:
- The imparting of a sense of direction, coherence and predictability to the
  national development effort;
- The facilitation and coordination of external support to development projects;
- The improved overall management of the public sector investment programme;
- The strengthening of the enabling environment for expansion of the private
  sector;
- The increased involvement of civil society in the management of public services
  and resources;
- The reduction in the cost of operating the public sector;
- The creation of a ‘new’ information/knowledge services sector needed to
  support this more comprehensive approach to national planning.

LOCAL BEST PRACTICES

A. Public Sector-Civil Society Cooperation: The Health System

11. The Alma Ata Declaration (1978) heralded the primary health care approach to
health care planning and delivery. It promoted community participation and the
multi-Sectoral approach among the basic tenets of the new thrust into “Health for
All by 2000”. Dominica adopted this approach and ensured that the community and
other sectors were integrally involved in planning and organization at the
community and central level.

12. The process of plan definition in 1982 consisted of community meetings, several in
the model health district of La Plaine, and a the presentation of the draft plan to a
workshop of stakeholders from public, private sector, civil society and donor agencies for deliberation, consensus and decision making. In the ensuing planning cycles, the participatory approach has been developed further and expanded.

13. In the preparation of the Health Sector plan (2001 – 2006) high levels of participation were achieved. Community consultations were held in seventy (70) communities, who were asked to identify the health and other concerns in the community, assess health services and community resources and to make recommendations for improvement.

14. Ten theme groups, consisting of 170 individuals drawn from all sectors were formed. Their role was to review the situation analysis in a selected priority area, further define/ clarify the situation and to define the objectives, indicators and proposed actions. The theme group proposals were presented to a national consultation of 160 participants, drawn from all sectors, including donor agencies, regional collaborators, and observers from five Caribbean islands. This provided the opportunity for further refining and consensus building towards the final plan document.

15. Over the twenty years of participatory planning high levels of commitment and ownership have been realized at all levels. It has ensured a holistic approach to health management and enhanced public awareness of health.

B. Public Sector- Private Sector cooperation: Water Sports Dominica

16. Dominica is now well known as one of the five best DIVE DESTINATIONS in the world. The Dive operations established on the island are recognized as world class. Their personnel are highly trained and they maintain the highest standards.

17. Cruise Lines such a Princess Cruises with very exacting standards has consistently rated Dominica in a superior class among dive operations. Cooperative advertising and an active partnership between one the one hand the public sector (NDC) and private sector dive operators was responsible for creating Dominica’s thrust into the dive world.

C. Public Sector-Civil Society: The Social Center of Dominica

18. Over a period of decades the Social Center has initiated, nurtured and sustained standards of excellence in a core of activities critical to Dominica’s development. One major area has been the Credit Union, which responsible for introducing a new era of thrift and money management in Dominica. This opened up new avenues for savings and lending.

19. The Center spearheaded a programme that catered for a significant number of the nations’ children, catering in particular for the poor. The objective, which was
successfully pursued, provided not only for the educational but also the nutritional and health needs of the children with a cadre of highly trained and motivated professionals. The Center provided middle income housing for a number of persons thereby contributing significantly to a priority need in the country.

20. The Center in all this collaborated closely with the public sector. In addition the Center promoted a strong programme of social action and commitment to community values in many spheres of the life of Dominica. It can confidently be stated to have impacted significantly on the advancement and welfare of a large number of Dominicans.

21. The Center has been regarded in the Caribbean as a trend-setter. Many countries have visited to gain from the learning experience accumulated based on its range of projects and programmes.
8.1.11 A11- Major Cross-Cutting Issues

INTINTEGRATED DEVELOPMENT PLANNING

IDP DISCUSSION PAPERS

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MAJOR CROSS-CUTTING

ISSUES

By

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September 2002

Introduction
1. Cross cutting issues are issues in which the interests of stakeholders (Public Sector, Private Sector and Civil Society) will cut across the conventional definition of economic and social issues. These issues require an holistic approach to be fully addressed.

2. The IDP identifies various cross-cutting issues and measures to address them. However, five (5) such issues are identified here as being critical to both the recovery of the economy and the establishment of a new planning process and an Integrated Development Plan.

3. The five critical issues are:
   - Environment and Development, which cuts across issues of natural resource management, physical planning and production systems.
   - Intergenerational Poverty, which calls attention to access to health, education and social capital, combating economic exclusion and generating opportunities for employment and earning incomes.
   - Decentralization is much more comprehensive. It involves the strategy to restore fiscal balance, efforts to strengthen partnership in public affairs, inter-departmental cooperation in Ministries, promoting local area planning, combating vulnerability and promoting Sectoral initiatives at economic recovery.
   - Human Development is an all-encompassing issue including wellness, skill capabilities, gender equality and human capital formation.
   - Managing Information Resources is considered a foundation issue in a more inclusive approach to development planning. It speaks to the issue of structured databases for sustainability and structural reform, assessment of human development, a natural resources inventory, disaster mitigation and information sharing.

Environment and Development

4. The emergence of new development standards of sustainability is a reflection of the historic shift taking place in the human condition in which the period of abundance of environmental goods and services has given way to one of growing scarcities. Sustainability in the IDP context has three components, economic, social and environmental. Taken together, these three components of sustainable development should converge to generate a steady stream of income, ensure equity, and maintain man-made and natural capital stocks.

5. The environmental dimension of sustainability is based on maintaining the long-term integrity and productivity of the Earth’s natural systems. The IDP’s Guide to integrating care of the Natural Environment and Managing the Economy involves:
   - The reduced use of toxic substances in the production of food supplies;
Predictable supplies of healthy water;
Increased protection from landslides, along with reduced road maintenance costs as a result of improved forest cover;
Creating new opportunities in nature tourism made possible by healthy forests, rivers, lakes and reefs;
Gaining new trade options from sustainable farming in the form of organic production;
Utilizing more efficient and affordable energy systems from renewable sources such as solar, wind, water, geothermal, etc.;
Popularizing new skills in preventive health care as a result of application of traditional herbal and medicinal practices in combination with appropriate elements of modern medicine;
Reducing the cost and size of central government as communities take on the responsibilities for local services;
Increasing employment opportunities as new jobs in clean services locate close to communities where people live;
Trade with the new intellectual property of sustainable living opening up possibilities for centers of sustainable living for residents and visitors;

6. In the context of environment and development, the main objective is to ensure that production and consumption activities of the human population allow for the maintenance of the integrity of the natural life-support systems. In pursuing valid economic activities, all stakeholders should observe the need for data, institutional capacity, policies, legislation and commitment to preventing soil loss and declining soil fertility, reducing water loss and enhancing water quality, reducing deforestation and improving water catchments.

7. The IDP seeks to set the platform for new consumption patterns to emerge that would reduce waste, maintain a litter-free environment and achieve peace and stability as the material and social and spiritual needs of the people are met in ways that do not compromise the natural assets of the country.

8. Physical and ecological processes are part of the support base for any economic system whether involved in the production of goods or services. Experience is proving that it is seldom possible to develop long-term successful strategies, programs or projects for advancing an economic system without taking these processes into account.

9. An IDP approach suggests that for Dominica, analysis of the physical attributes of the country (and the region’s) resources including inventorying their current and potential use, (particularly in comparison with competitors), makes it possible to identify and rate the most suitable development and investment strategies. Such analysis, moves beyond the narrow confines of spatial allocation of land for
buildings, to incorporating the social, legal, institutional measures to achieving the growth and development most possible in the presence of specific physical and ecological opportunities and constraints.

10. The IDP approach proposes the use of the Comprehensive Development Framework as that tool which will allow for the establishment of relationships between the spatial, economic and sector-levels of planning according to a clear set of development criteria that focus on the interests of the population in the context of the best practices as relates to the use of the primary physical assets of the country.

11. In this context, the IDP approach to physical planning is not an imposition of a set of rigid controls and regulations on the national economy. Rather, it should be seen as part of the effort to establish a framework for more systematic and sustainable national development that:
   - Involves stakeholders from all sectors in setting up sensible development priorities and objectives;
   - Establishes, through the IDP approach, a consistent set of national development policies that guide programmes and projects at the sectoral, economic and physical levels;
   - Utilizes the Medium Term Public Expenditure Framework to provide an investment and expenditure framework for a rolling over 3-year period;
   - Institutes a ‘rolling’ approach to the management of the PSIP so that plans are updated and carried forward each year;
   - Expands investment in developing the skills as well as the technological and institutional mechanisms needed to design and manage this integrated approach to planning;

**Inter-generational Poverty**

12. Inter-generational poverty is the situation in which poverty persists from one generation to another. It definitely reflects a situation in which society is failing to create an environment in which people can develop their full potential and lead productive, creative lives in accordance with their needs and interest.

13. This is an issue that cuts across all aspects of economic, social and political development. In the economic sphere the symptoms of poverty may vary from lack of basic necessities, little access to health, education and social capital and very little opportunities for employment. The IDP focuses on what it considers the most critical medium-term challenge of poverty and that is economic exclusion.

14. Economic exclusion is a reality in Dominica. In its most obvious form it is manifesting itself in the displacement of 4,000 banana farmers and farm workers in the wake of the contraction in that industry. In its hidden form it is reflected in
youth unemployment, migration, and inter-generational poverty (generation after generation following each other in poverty).

15. Economic growth alone will not combat economic exclusion. There must be direct intervention to capture the benefits of growth by groups who may otherwise be left outside of the unfolding events. This is achievable by:
   - Promoting job creation in both Agriculture and Tourism sectors;
   - Sustaining Domestic demand in rural area;
   - Promoting local area planning and rational Land utilization;
   - Supporting programmes aimed at reducing inter-generational poverty through skills acquisition and local economic opportunities.

16. Some of the indicative programme objectives proposed by the IDP are:
   - Broad based participation in agricultural enterprises through small credit, promotion of agricultural services and input suppliers.
   - Broad-based participation in tourism industry through community tourism and participation in the services.
   - Building coalitions at the local area to develop local area concept plans to provide the basis for promoting local enterprises.
   - Seeking market niche in organic products.
   - Providing institutional support to Non-banana exports producers of root crops, hot peppers, pineapples and other fruits to organize and regulate their own joint marketing efforts.
   - Co-management of natural parks and eco-tourism sites in order to effectively bring adjacent communities into the Tourism service industry.
   - Financial intervention that would seek to match local community skills with local expressed needs. The Dominica Conservation Association, Ministry of Agriculture, local farmers’ groups and other NGOs should jointly promote environment resource management, soil quality preservation and organic farming.
   - DHTA, Forestry Division, NDC and Ministry of Tourism and Local Government should jointly support Eco-Tourism product development under EU financed Eco-Tourism Project.
   - An initiative should be undertaken by Ministry of Finance & Planning to assist local communities to conduct surveys identifying the skills available in the community.

Decentralization

17. In the debate as to centralize or decentralize Government functions, the IDP proposes that Government be willing to move in both directions, i.e., decentralizing some functions while centralizing other critical policy-making responsibilities. Thus the IDP defines **Decentralization** as the transfer of responsibility to democratically...
independent lower levels of government, thereby giving them more managerial
discretion, but not necessarily more financial independence.

18. The IDP sees the process of Decentralization as a gradual process that must be
developed with care, sensitivity and inclusion. In the short-run, the IDP stresses
three aspects of this process. These are Strengthening Partnership between the
major stakeholders; Sharing in the responsibility for Social Investment; and
introducing measures of Accountability.

19. Decentralization cuts across the issues of achieving fiscal balance, delivery of
health and education services, managing the natural resource assets, local area
development planning and implementing local area projects.

20. One of the ways being proposed by the IDP to *restore fiscal balance* is through a
sharing of costs of social services. The IDP proposes that Government create a
Social Investment Fund (SIF), which can support a wide range of development
activities being promoted by local government, community based organizations and
non-Government organizations. The IDP proposes that Government allocate the
equivalent of 10% of “social sector expenditures” to the SIF and that donors be
invited to match this level of funding.

21. The SIF provides a mechanism for Government to reduce its expenditures without
causing a serious short fall in the level of social investment in society. It also
provides a mechanism for mobilizing resources for local organizations to participate
in sharing of social costs.

22. The IDP seeks to share the responsibility for investment in human resource
development through training, the delivery of social services, promotion of local
development activities and focusing the resources of the extra-budgetary funds
more specifically on local development initiatives. These measures are also
complimentary to the efforts at reducing Government expenditures and increasing
public savings.

23. Along these lines the IDP proposes that Government:
   - Establishes the financing agenda of the SIF along thematic lines.
   - Invites donor support for either direct individual projects or for project activities
     along thematic lines:
   - Utilizes the SIF to support small-scale projects, identified and implemented
     through community participation.
   - Includes in the SIF Grant Portfolio community sub-projects sponsored by
     eligible NGOs and CBOs for demand-driven investments in education,
     health/nutrition, small scale infrastructure, agriculture productivity, natural
     resource management, developing social capital, empowering women,
     providing economic opportunities for youth.
24. To consolidate the efforts at financing Health Services provided in the public domain and to share some costs of delivery of health services, the IDP proposes:
   - The utilization of mechanisms for the implementation of prepayment schemes to complement users fees.
   - The definition of an essential package of care that emphasizes promotion and prevention.
   - The provision of alternative financing for tertiary and curative services.
   - The organization and operation of private curative and tertiary services utilizing appropriate level technology.
   - Sharing the burden for promotion and prevention utilizing NGO’s.
   - Increasing the focus on providing services to poor and under-privileged.

25. Decentralization also provides the platform to strengthen partnerships at other levels and to share the burden of education with the wider community. The IDP proposes that the Ministry of Education provide opportunities for local communities and groups organized at the community level to participate in both the maintenance of educational facilities and the introduction of elements into the local school curriculum. This structure, for example will allow the Carib Community to introduce some elements of Carib settlement practices (Carib architecture and boat building) into the curriculum in the schools within the Carib territory.

26. Some of the measures proposed are:
   - PTA’s, private sector and civil society groups, to form part of management of schools.
   - Ministry of Education to encourage local communities to organize local consultation to review the appropriateness of the curriculum in local area schools.
   - Ministry encourages local communities to submit proposals from such consultations as to measures to adjust the curriculum in local area schools.
   - Ministry of Education and community organizations devise mechanism to support system of adjustments in the local curriculum by way of providing human and financial resources.

27. Along with sharing responsibilities comes the question of accountability. The IDP addresses accountability in the broader sense in its proposals for modernization of the Public Service. Accountability requirements also require much more inter-departmental cooperation in the Public Sector to respond to cross-cutting and cross-Sectoral issues. The IDP proposes that Public Sector managers:
• Follow the thematic approach\textsuperscript{17} to social and economic action to increase the regularity of staff meetings between departments
• Develop programmes of cooperation for discussion on issues of concern among senior staff of Ministries. Involve private sector and civil society as appropriate.
• Encourage greater involvement of staff in key activities such as preparation of Mission statements, corporate plans etc
• Organize strategy sessions with staff on issues affecting departmental efficiency. Give staff responsibility for implementation.
• Encourage staff involvement in design of mission statement and corporate plans and devise programmes for staff commitment to outcomes.

28. The IDP also proposes greater involvement of citizens in development planning in their own communities. In Agriculture, the IDP proposes the creation of multi-sector and multi-enterprise zones within the country that can allow local stakeholders to integrate and diversify all economic activity within the zones. Measures to be undertaken would include:

- Encouraging local area development plans to give consideration to new spatial arrangements for the organization and structuring of a cadre of service delivery units at the local level responding to demand in Health, Education, Community Development, Housing and Transportation;
- Providing through the Social Investment Fund attractive funding for enterprises that locate in the zones and confirm to the suggested land use pattern.
- Encouraging local Government in these zones to consolidate and amalgamate to ensure their full involvement in ensuring that the overall impact of this reorganization of the use of productive assets benefit local residents

29. Decentralization also cuts across measures to combat vulnerability. One approach to the issue of vulnerability on the domestic level is to build institutional capacity on a programme of empowerment at different levels of governance. This is done to reflect the reality that economic and social shocks are felt immediately at the level of households, businesses and communities. A speedier response to external shock may be achieved when there are institutional structures at the local level (Village Councils, Community groups, Private Sector, Civil Society and NGOs in local development committees) through which information and other resource can be quickly mobilized to address the immediate and long term effects. Thus planning for vulnerability is inseparable from planning for more effective governance.

30. Sectoral approaches to economic recovery also require some degree of decentralization. In Tourism the IDP proposes that measures be undertaken to:

\textsuperscript{17} Volume 5, Social and Economic Action is organized along the thematic approach of Economic Inclusion, Governance, Human Development, etc.
- Provide incentives for the development of cultural tourism and community tourism
- Seek participation of rural groups in Tourism development training in the Eco-tourism Project
- Support the efforts of development committees to maintain Trails and promote DomTrek as part of Events Tourism
- Develop partnerships for taking advantage of incentives for new areas in entertainment, for event tourism such as Creole and other festivals
- Providing and working with public and private sector to promote a programme of public education encouraging investment in tourism

These measures can be easily supported by the provisions within the Eco-Tourism Project for Resource Management, Community Tourism training and Community Tourism credit.

31. In the financial sector, the IDP proposes that re-establish a collective working relationship with financial service institutions, instituting a system of information-sharing particularly on the potential impact of Government’s policies on the system and for Government to become part of an informal network that ensures that financial resources are made available, especially in the rural areas and those severely affected by the collapse of the Banana Industry.

32. In pursuit of this goal, the IDP proposes that:
   - The responsibility for building a liaison between the Government and all financial services (large, medium and small) be assigned to a Team comprising an officer with the Ministry of Finance and Planning, a representative of the Bankers Association, the League of Credit Unions and the NDFD.
   - Government compile and release, for the information of the Banking Association, Local Governments and small business support institutions (NDC, NDFD), the analyses and comments reported in Government reports on the impact of the current fiscal crisis on the banking system and access to credit.
   - Government carries out a study that consolidates work already done on measures to promote the restructuring of loss-making but viable enterprises. Utilize the results of this study to establish an informal network of correspondents to issues of access to and application of credit for growth.

**Human Development**

33. Human development is an issue that cuts across the concepts of Wellness, Skills Capabilities, Employment and Incomes. It forces us for instance, to promote health, as both a resource for and outcome of development. The IDP thus focuses on “wellness” and on adhering to the basic principles of equity and shared responsibilities. This requires a continuous effort at building consensus on the Public policies for Health, Education, Employment and Income generation, which
encompass multi-sectoral and multi-disciplinary considerations and promote the continued involvement of the population and its communities.

34. The IDP thus recommends:
   - Utilizing a participatory and consultative process to ensure that the orientation of the Health Services is focused on geographic equity, increased responsiveness to the health needs of the population, and the changing epidemiological profile.
   - Developing new cadres of health workers and the imparting of new skills to current health workers, so as to respond to the changing epidemiological situation, which is related mainly to lifestyle and health behaviours. This is likely to include a greater emphasis on promotive services and a de-emphasizing of hitherto well-established programmes.

35. The IDP also sees human development as a direct result of empowering Communities to achieve well-being through the provision of information, training and skills to community members to implement programmes in their own welfare. This is accentuated by:
   - Developing and Increasing Personal health Skills – The education process for personal health requires to be targeted to all ages and stages of life. Great emphasis should be placed on the attainment of personal skills based on self-discipline and societal values to achieve lifestyle modification.
   - Building Alliances with Special Emphasis on the Media – Within this broad concept of health, the participation of all sectors is vital for health development. Therefore, the forging of alliances with all traditional and non-traditional stakeholders across sectors in a coordinated effort is essential. The media in its diversity must be a key player in this partnership.

36. Building a nation of persons with the skill capacities to resolve basic social and economic problems is also an objective of human development. The theme of providing students with world-class knowledge can be summarized as follows:
   - Technology should be used effectively to support student learning
   - The development within citizens of a sense of social responsibility and strong spiritual growth should be nurtured throughout the education system.
   - A sense of empowerment should proved local communities with the opportunities to adjust the local school curriculum to reflect the human resource needs of the specific area

37. This link between human development and the prospects for renewed economic activity is also manifested in the challenge of the new services sector. This challenge can be best addressed with the preparation of the youth for management of the new technologies in the knowledge and information fields. The emergence of the Dominica State College as a premier Tertiary Institution offers the additional opening for all students to become prepared for the senior management and
production openings that are demanded by modern agriculture, tourism and ICT sectors.

38. The enhancement of the skills base of the Carib Community is also directly linked to its capacity to manage the delivery of services in health, transportation, housing, counseling, teaching and research to name a few. The expanding role of the Council, the HDC’s as well as organizations like WAIKADA and the many sports and social groups in the Territory all stand to benefit from the availability of persons with the full range of planning and management skills.

39. This move to invest in the **human capital** of the community is a theme that runs through the IDP and is expected to be reflected in the creative organization of professional services through the Full Service Resource Centers (FSRC’s) that will allow multi-disciplinary teams of young professionals to service the needs of all segments of the rural economy.

40. Human development also focuses our energies on the distribution of **opportunities for employment**. For instance, it is a concern to the people of the Parish of St. Patrick that the unemployment rate in that Parish is 45.9%, almost twice the national rate. There is also the more general concern that among the youth (15-24) the unemployment rate was 65%. The Carib Community is another example where the distribution of opportunities for employment is very low.

41. A key focus on mobilizing all human resources in the broad development of services for the domestic and export markets would involve the following measures:
   - Investing in quality training in construction skills, agricultural support skills (private extension, marketing and farm-management support), personal service skills (tourism), performing arts skills (music/culture/art) and information technology skills.
   - Encouraging the DHTA to join with the NDC and the Ministry of Tourism to mount a training programme that is geared at increasing the quality of service provided by workers at all levels in this industry
   - Targeting the CARICOM Single market (as our extended domestic market) to export these skills or import them as opportunities in the country reveal themselves.

42. The IDP also sees the development of rural enterprise and services as a major project in human development. It proposes the establishment of a “Rural Industry Support Fund” which will provide technical assistance and small grants for physical assets development as a complementary programme to increase the debt-equity ratio of inactive banana farmers and workers seeking productive loans, with emphasis on animal husbandry and women participation.
43. The IDP also recommends:

- Training Community Development Officers to impart to village councils, community groups, women’s groups and individuals the information and skills of putting together their own financing packages for their project ideas, inclusive of use of the Rural Industry Support Fund.
- Ministry of Agriculture (Extension) and other professionals and agricultural practitioners conducting workshops in targeted areas on the establishment of four small agri-inputs services:
  - Composting and organic materials to improving soil quality;
  - Production of quality seedlings
  - Other non-chemical farm inputs (manure)
  - Farm management extension services

44. The strategy for a cross cutting issue like human development also has to address measures to improve skill levels and flexibility to cope with market demand and technology changes in both private and public sectors. Some of the measures being recommended in the IDP are:

- Carefully design skills improvement programs and expand existing technical and vocational skills training programs with collaboration of businesses, unions and government and link training to each country’s overall development strategy;
- Improve the quality of education programs and develop policies and frameworks for the private sector to do more in education and training;
- Raise the present low rate of tertiary education as this group is the principal source of skilled labour, managerial persons and potential entrepreneurs;
- Introduce systematic evaluation of training program effectiveness

45. Another objective is to expand high-paid employment opportunities otherwise, an increased supply of unskilled workers will only bid down wages and undermines both the incentive to work and to be trained. In this respect the IDP recommends that measures be undertaken to:

- Promote business formation and development, particularly in the small to medium-size enterprise sector by providing well-designed packaged assistance.
- Promote foreign direct investment, which can play a key role in technology transfer and in improving the culture of management and work ethics.
- Develop policies to attract return migrants who have benefited from foreign training, not merely from academic or vocational training but in the wider sense of learning on the job and assimilating more of the global business culture; and

**Managing Information Resources**
46. Knowledge and information are foundation building blocks in establishing the framework for the transition to an IDP planning process. The IDP identifies five (5) important information systems, which require immediate attention in establishing the framework for participating in decision-making. These are:

a) Information organized into a “Sustainability Frame of Reference”;
b) Information organized into a “Structural and Functional Frame of Reference”;
c) Information systems to support Human Development Assessment;
d) Natural Resource Inventory system;
e) Disaster Management Information System.

47. **The Sustainability Frame of Reference** is a combined set of economic, ecological, energy and social data intending to support:

- Institutional ability to take advantage of existing programs and opportunities;
- Public and private sector investment activities;
- Identifying of production limitations and opportunities;
- Determination of advantage in terms of physical end ecological resources, access to finance, and technical assistance;
- Assessment of the impact of extraordinary events such as hurricanes, earthquakes, volcanoes, disease, pests, energy prices, technology;
- Identification of cultural capabilities (such as traditional systems of work, skills acquisition and learning);
- Incorporating programming recommendations embedded in Regional agreements in trade, finance, transport, procurement, etc.

48. A **Structural and Functional Frame of Reference** would involve data on:

- Land area; soil composition; water storage in rivers and lakes;
- Plant and animal species;
- Energy sources and potential (fossil, solar, hydro, wind, geothermal, biomass;

49. It is important that an information division within Central Statistical Office (CSO) be assigned the task of improving its capacity to build information systems (and also to support information systems in other Departments) that will ensure that the capabilities and limitations of the natural systems are taken into account alongside the social, institutional and policy considerations affecting decisions on where, when, how and how much to invest in enterprises that impact on national development.

50. An information database that allows a continuous **assessment of human development** must transcend the monitoring of national income and economic growth indicators as important as these may be. This would require a disaggregating of data by gender, geography locality, age, sector and social strategy. The next step would be to integrate the data on important human development issues such as
crime, violence, employment, the environment, child labour, gender equality and
gender empowerment, income distribution, energy distribution, informal sector
activities, remittances from Dominicans overseas, and non-market unpaid work.

51. It is appropriate for Natural Resource Inventory to follow Human Development
Assessment because natural resources are second only to the human population
itself, in constituting the primary asset base of a country upon which successful
development hinges. As an island system, Dominica has to rely heavily on its
resources of land, water and human skills to create and sustain the potential to meet
the needs of its population and to participate in the wider regional and global
economic community. In making the decisions on how to use its resource base,
Dominicans need to respond both to the demands being created by policies and
programs that seek to take advantage of economic opportunities, and the need to
maintain the resource base in a useful condition for future generations.

52. Disaster management is one of the areas in which coordinated regional strategies
are imperative and the Caribbean Emergency Disaster Emergency Response
Agency (CEDERA) has proposed a comprehensive disaster management approach
to dealing with hazards of all types. It is in this context that there is the need for a
unique integrated approach to information management as regards events that are
likely to impact several sectors of the economy simultaneously.

53. In addition, a multi-disciplinary approach to data gathering and management will be
important if hazard vulnerability assessments and risk reduction strategies to be
incorporated into development planning decisions and into investment decisions -
public and private. As such, vulnerability assessments and mapping for landslide,
flood, storm surge/coastal risk will need to be available in a form that allows
investors in tourism, agriculture and housing, to select sites, technology, materials
and management systems. More specific to Dominica, planners, developers,
homeworkers as well as public sector managers will need to develop skills in
applying volcanic hazard vulnerability information into decisions on major
infrastructure in the high impact zone in the South of the island.

54. To encourage and facilitate use of relevant data in national planning, the IDP
proposes:
- Development of procedures for the inclusion of hazard impact assessment in the
  EIA process;
- As a partnership venture with all sectors, the implementation of hazard
  management program for economic sectors and high-risk areas;
- Engagement of the representatives of the private sector, (legal, insurance, and
  accountants) with public sector and Local Authorities (DALA) in developing
  national loss reduction plans, policies, laws and regulations to facilitate the use
  of hazard information and mitigation tools;
55. To develop an integrated approach to Disaster Mitigation the IDP makes the following proposals:
   - Development of comprehensive information system on the state of natural systems and the impact of disaster on these;
   - Training of competent scientists and managers to work in all sectors at installing mitigation measures;
   - Provision of adequate fiscal and other incentives for proper design, construction and management of built facilities capable of reducing risk;
   - Instituting a comprehensive land use and spatial planning;
   - Introducing and enforcing penalties for violation of these measures;
   - Instituting of sustained public information and education campaigns on the risk management and mitigation at the household, enterprise, community and national level;
   - Establishment of regional mechanisms for promotion of these measures and
   - Cultivation of partnerships involving all sectors as well as the international donor community in efforts at implementing these measures as an integral component of national development strategies.

56. Disaster mitigation also requires that the country take a fresh look at its preparedness to respond to an event such as a major volcanic eruption. Since the city of Roseau happens to be “just outside” of the projected impact area of any major volcanic eruption, the IDP also calls for considerations be given to preparing a plan for the gradually upgrading of:
   - The Health facilities in the north (capacity for emergency medical services at Portsmouth);
   - The Port facilities in the North (Portsmouth Port).

57. Information sharing is also an integral part of managing information resources. The IDP proposes that the following information packages that are descriptive of the current situation be assembled and presented to all our major stakeholders:
   - National Debt Situation
   - Potential Impact of Stabilization Measures
   - Policy support structures for Private Sector Expansion
   - Social Sector Spending Levels

58. Furthermore, the IDP proposes that Government adopts the following measures as part of its information-sharing functions:
   - Sharing of analysis done by the external institutions with more resources than Government (IMF, World Bank and EU Reports);
   - Implementation of a pilot project utilizing “Kiosk” Technology in dispersed communities, where individuals can obtain information through the touch-screen system;
   - Freedom of Information legislation in which enquiries to the Public Sector are required to be answered in a timely and useable form.
INTEGRATED DEVELOPMENT PLANNING

IDP DISCUSSION PAPERS

#1

ECONOMIC RECOVERY

&

ECONOMIC INCLUSION

By

The Development Institute (TDI)
Team of Consultants

September 2002
Introduction

1. Part of the process of changing our worldview is reflected in how we regroup concepts and ideas. The Integrated Development Plan (IDP) requires that we give serious thought to grouping the concept of economic recovery and the concept of economic inclusion. Government cannot bring about an economic recovery on its own. To sustain a renewed economic drive it will have to involve the private sector in actively pursuing opportunities at home and in the export market.

2. But the stakes are much higher than that. The processes of globalization can easily marginalize small economies and put our enterprising efforts back to zero. Government cannot sustain a recovery effort if half of the population is systematically excluded from remunerative participation in the economy. Civil Society must have the capability to capture the benefits of the next economic recovery. Hence economic inclusion must be seen as part of the process of economic recovery.

3. The IDP action plan outlines a programme which addresses the prerequisites for macro-economic stability while building the foundation for sustaining economic recovery and combating exclusion. Besides the fundamental role that these components will fulfill in promoting a resurgence of economic growth, many of these components also have a direct impact on local investor confidence and on expanding opportunities for the poor to earn income.

Macro-Economic Stability

4. The problem of maintaining macro-economic stability is complicated by the fact that the Government of Dominica is currently facing its gravest cash-management challenge. This internal imbalance is evident in the growing difference between Government Revenues and Expenditures.

5. Some of the measures that need to be considered in order to reduce the internal Balance include:
   - Accessing immediate financial support from CARICOM member states both on a bilateral basis but preferably through the CARICOM Regional Stabilisation Fund;
   - Concluding a Standby Agreement with the IMF to cover current liabilities;
   - Gaining access to PRGF funds for a 3-year period based on clear commitments within an Integrated Development Plan;
   - Making commitments to adjust budgetary expenditures primarily in wages and salaries to as to begin to reduce the overall Budgetary Deficit in FY2003/04;
   - Reducing the arrears to Dominica Social Security and the overdraft facility with the National Commercial Bank.
• Collecting outstanding arrears to Inland Revenue (currently at EC$38 million) by offering an extended two year amnesty to taxpayers to rectify their tax liability status;
• Reforming the operations of the Customs Department;
• Suspending discretionary concessions in the absence of transparent Policy guidelines to the same.

6. The debate, however, is not whether we adjust fiscal expenditures, but what we do to ensure that such an adjustment has a positive effect on economic growth. The IDP is aware that such a positive effect can be accentuated when certain public investment are also protected. There is an abundance of evidence in the literature to support this position. 18 Given the low level of public savings and the consequent reductions in the Public Sector Investment Programme (PSIP), the IDP proposes that Government seeks to maintain social and economic investments through the application of an IDP approach to the ten extra-budgetary funds existent and through the establishment of a Social Investment Fund.

Promoting Economic Growth and Recovery

7. The way for the Government to re-establish confidence in its management of the economy is to proceed along both lines of economic recovery and economic inclusion. That would mean that the Government’s recovery programme must demonstrate how it will manage its short-term cash obligations and reduce the fiscal deficit, while at the same time stimulating domestic consumption and maintaining some social and economic investments through extra-budgetary sources of funding.

8. Some of the Principal Measures proposed by the IDP in this regard are:
• Using the Medium Term Public Expenditure Framework to involve the Private Sector and Civil Society in rationalizing public expenditure expectations in the short-run.
• Strengthening the role of the Debt Management Unit by ensuring its opinion on current and future debt becomes part of the decision process of incurring public debt.
• Transferring expenditures dealing with small business support, training, Health outreach services, Community organization development to the Social Investment Fund (SIF) and seeking active donor participation in the Fund directly or in programmes financed by the SIF.
• Enhance the financial management capacity of the Ministry of Finance and Planning by seeking programme funds to complete the operational installation

9. These measures are governed by four (4) major objectives, which the IDP has identified as being important and necessary at this time. These are:

a) To mobilize budgetary and non-budgetary resources with the intention of building a portfolio of social and economic investments to the level of approximately EC$130 million (which was the historical peak level of the PSIP) by FY04/05.

b) To improve the programming, implementation, control and transparency of the budget process to ensure that public expenditure reflects the needs and compliments the commitments of other stakeholders. The IDP proposes that the Medium Term Public Expenditure Framework (MTPEF) be implemented as the effective and sustainable instrument for annual budget programme.

c) To prepare a medium-term strategy, setting out the overall parameters of a sustainable Debt Management Policy and the post-IMF Debt reduction practices; extracting from this strategy a “Code of Financial Management Practices in the Public Sector” and sharing this with the major stakeholders.

d) Reestablishing a collective working relationship with financial service institutions, instituting a system of information sharing particularly on the potential impact of Government’s policies on the financial sector and for Government to become part of an informal network that ensures that financial resources are made available to entrepreneurs and “development committees” especially in the rural areas and those severely affected by the collapse of the Banana Industry.

Combating Economic Exclusion

10. Economic exclusion is a reality in Dominica. In its most obvious form it is manifesting itself in the displacement of 4,000 banana farmers and farm workers in the wake of the contraction in that industry. In its hidden form it is reflected in youth unemployment, migration, and inter-generational poverty (generation after generation following each other in poverty).

11. Economic growth alone will not combat economic exclusion. There must be direct intervention to capture the benefits of growth by groups who may otherwise be left outside of the unfolding events. This is achievable by promoting job creation in both Agriculture and Tourism sectors, sustaining Domestic demand in rural area, promoting local area planning and rational Land utilization and supporting programmes aimed at reducing inter-generational poverty through skills acquisition and local economic opportunities.

12. Some of the indicative programme objectives proposed by the IDP are:
• Broad based participation in agricultural enterprises through small credit, promotion of agricultural services and input suppliers.
• Broad-based participation in tourism industry through community tourism and participation in the services.
• Building coalitions at the local area to develop local area concept plans to provide the basis for promoting local enterprises.
• Seeking market niche in organic products.
• Providing institutional support to Non-banana exports producers of root crops, hot peppers, pineapples and other fruits to organize and regulate their own joint marketing efforts.
• Co-management of natural parks and eco-tourism sites in order to effectively bring adjacent communities into the Tourism service industry.
• Financial intervention that would seek to match local community skills with local expressed needs. The Dominica Conservation Association, Ministry of Agriculture, local farmers’ groups and other NGOs should jointly promote environment resource management, soil quality preservation and organic farming.
• DHTA, Forestry Division, NDC and Ministry of Tourism and Local Government should jointly support Eco-Tourism product development under EU financed Eco-Tourism Project.
• An initiative should be undertaken by Ministry of Finance & Planning to assist local communities to conduct surveys identifying the skills available in the community.

13. Agriculture remains at the forefront of this battle to combat economic exclusion, because the greatest percentage of our people are involved in land-based activities. To restore Agriculture to its primary purpose, i.e., involving the ingenuity and innovation of its operators in producing healthy food for domestic consumption as well as for export, the IDP proposes the establishment of a multi-Sectoral Commission for Agriculture as the main advisory body to the Government on Policy that impacts on activities in the agricultural sector.

14. The IDP proposes measures that would address the issue of economic inclusion in Agriculture. These include:
• Initiating an Inventory of the state of the island’s major environmental systems.
• Based on the inventory, creating Special Interest Areas suitable for major production according to land use capability, conservation and the current demand for land and water by different groups.
• Mobilizing both the Social Sector Ministries and the Economic Sector Ministries to integrate the provision of their services within these areas and to inform the public and private sector as to the services packages that are available within these areas.
Encouraging Professional Associations and other NGOs to support local area development committees and other organization to initiate appropriate organized production within these areas

Non-Budgetary Funds

15. The IDP recognizes that there are already efforts underway to finance programmes, which have the potential of combating poverty and economic exclusion. The problem is that these programmes either do not see their objectives in this way, or are not structured to give maximum support to individual efforts to combat poverty.

16. The IDP has identified clear indicators that can be used to identify compatibility of programme approach with the IDP. It suggests that the interactive consultative process, which characterizes the IDP, should permeate through all levels of decisions on projects. The more prevalent the “signature” of IDP-compatibility, the more successful will be the participation of stakeholders in the process.

17. An IDP-compatible project would be one that:
   - Clearly defines the commitments, responsibilities and benefits to stakeholders.
   - Has a capacity for various stakeholders to capture the benefits from the programme.
   - Utilizes the cross cutting approach that amplifies the entire trail of potential impact of the project.
   - Accommodates project implementation through different levels of Governance.

18. There are Ten (10) current non-budgetary sources of funding social and economic investments that are of interest to the IDP. These should be encouraged to adopt an IDP-compatible approach and to orient their objectives more pointedly towards combating poverty and economic exclusion.

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<tr>
<th>The Programme</th>
<th>The Challenge</th>
<th>The Desirable Results</th>
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<td>1 Basic Needs Trust Fund (BNTF IV)</td>
<td>Improving rural community infrastructure</td>
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<td>2 Banana Trust Fund</td>
<td>Encouraging wider participation of private sector in Banana Industry</td>
<td>Re-capitalization of farmers in Banana Production</td>
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<td>3 Human Settlement Development Project</td>
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<td>4 Dominica Rural Enterprise Project (DREP)</td>
<td>Increase economic activity in the rural area</td>
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<td>5 Redistribution of</td>
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Table 1: Ten Non-Budgetary Sources of Financial Support
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<td>Construction of Feeder Roads</td>
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<td>Banana Production Recovery Plan</td>
<td>Maintaining productivity and high quality fruit</td>
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INTEGRATED DEVELOPMENT PLANNING

IDP DISCUSSION PAPERS

#3

THE PROCESS, PRINCIPLES
AND MECHANISMS
OF THE IDP

By
The Development Institute (TDI)
Team of Consultants

September 2002
Definition of the New Planning Process

1. The IDP Planning process is one of Consultations, Participation and Information Sharing. It is built on the premise that the values and vision of the people of the country must be treated as key determinants of the direction and strategy for national development. It requires for its success:
   a. Clear definition of the Principles that would guide its application;
   b. The design of mechanisms for ongoing stakeholder involvement in the further refinement of the plan, in the definition of new programs and projects, in the supporting actions and in the providing feedback on the performance in the Public Sector.

2. As a Planning Process, the IDP facilitates the direct engagement of persons in all sectors, (Public Sector, Private Sector and Civil Society) as stakeholders in the nation’s business, continuously performing the following functions:
   - Identifying the key issues affecting their community/sector/country;
   - Determining the priorities among these issues;
   - Defining their vision for Dominica;
   - Proposing measures (institutional, operational, legal, constitutional) for addressing these issues;
   - Proposing measures for formalizing and institutionalizing a participatory approach to planning for national development;
   - Becoming involved in the design and implementation of the programs and projects;
   - Staying involved in the monitoring, review and evaluation of the activities.

IDP Principles

3. The following principles can serve as guides to the application of an IDP approach at all levels of planning within the Public domain:
   - **Ownership**: Developing a commitment to the policy/programme/project based on opportunities for active involvement in the process of shaping the vision, setting the goals, designing the mechanisms and timing and sequencing the actions for implementation of decisions.

   **Decentralization**: Opening up opportunities, and providing the capacity for local and national organizations to share the responsibility for management of economic and social programmes.

   **Governance**: The processes and procedures of administration of Public and Corporate affairs which are responsive to the needs and desires of the citizenry.

   **Transparency**: Ensuring openness in the public administration, so that all information vital to decision-making is reliable and available in a timely manner.
**Participation:** An active role within the planning and decision-making process by all stakeholders including the opportunities for women, youth, indigenous people, and other marginalized groups.

**Partnership:** Informal and formal mechanisms of cooperation, coordination and collaboration that focus on agreed goals in ways that reduce suspicion and distrust between stakeholders and enhance progress towards sustainable development.

**Accountability:** Ensuring that persons in positions of trust and responsibility are required to account for the decisions they make and the resources under their care.

**Cross-Sectoral:** The policies, plans and actions in one sector taking account of impact on and by, other sectors.

**Cross-cutting:** Stakeholders’ interests which cut across the conventional definitions of economic and social sectors and which require an holistic approach to be fully addressed.

**IDP Mechanism**

4. The IDP identifies thirteen (13) current and/or proposed mechanisms for continued stakeholder participation in the important decisions relating to the management of the economy. These include:

   i  **Mechanisms for Involvement:** Formal and informal opportunities for consultation, dialogue, conflict resolution, and consensus building utilizing the present organizational structures among different stakeholders; (Sustainable Development Council, a Private Sector Organization, Trade Union Movement, National Youth Council, National organization of Women, to name a few)

   ii  **Community Awareness:** The IDP proposes a programme of public awareness utilizing both traditional and non-traditional communication methodologies and being integrated into all national and local awareness programmes. The objective is to increase the understanding within communities of:

   - The mechanisms for participation of individuals and organized groups in the IDP planning process;
   - The opportunities for active participation in social and economic programmes to be undertaken under the IDP
   - The opportunities for mobilizing resources to support local area plans

   iii  **Information Sharing:** A Policy of Information Sharing is proposed for adoption by the Ministry of Finance and Planning and is aimed at ensuring that all stakeholders are on “the same page” when participating in consultations at decision points. It proposes the sharing of descriptive information packages on:

   - e) National Debt Situation
   - f) Potential Impact of Stabilization Measures

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*Integrated Development Plan*  
**VOLUME 3: Annexes**

Discussion Papers Volume one and two
g) Policy support structures for Private Sector Expansion

h) Social Sector Spending Levels

It further proposes the following measures as part of its information-sharing functions:

g) Sharing of analysis done by the external institutions. (IMF, World Bank and EU Reports)

h) Implementation of a pilot project utilizing “Kiosk” Technology in selected communities, where individuals can obtain information through the touch-screen system.

i) Freedom of Information legislation in which enquiries to the Public Sector are required to be answered.

iv The Comprehensive IDP Framework (CIDP): This is a Matrix tool that can be utilized by all stakeholders (Ministries, Village Councils, Private companies) when seeking to involve others in collective action. It structures the information and commitments of all the players, in a way that ensures openness, clarifies the basis for coordination of effort and for judging the effectiveness of programs and strategies.

v The Medium-Term Public Expenditure Framework (MTPEF): This is a framework that builds on the previous Medium Term Economic Strategy Paper. It allows the Ministry of Finance and Planning to engage the other stakeholders in a constructive dialogue of determining the medium term public expenditures that would address the development goals and objectives. The Ministry can then draw from this Framework in formulating its annual budget.

vi Code of Financial Management Practices in the Public Sector: As part of its confidence building measures, the IDP proposes that Government prepares a medium and long-term strategy, setting out the overall parameters for a sustainable debt management policy and the post-IMF Debt reduction practices. The Government should then extract a Code of Financial Management Practices from this strategy and sharing this with the Private Sector (in particularly the financial sector) and with Civil Society.

vii Commission for Agriculture To restore Agriculture to its primary purpose of involving the ingenuity and innovation of its operators in producing healthy food for domestic consumption as well as for export, the IDP proposes the establishment of a multi-sectoral advisory body to the Government on Policy that impacts on activities in the agricultural sector.

viii Arrangements for cost sharing: The Social Sector Ministries have already been involved in the active participation of local government, CBOs and NGOs in the assessment of local conditions and the targeted delivery of social services. The IDP allows these efforts to be supported by non-budgetary funds which effectively shares some of the costs of delivering social services and reduces Government’s financial obligations. Important among these are community
involvement in curriculum development and in the maintenance of educational and health facilities.

ix The Social Investment Fund: In addition to the ten (10) extra-budgetary resources currently present, the IDP requests the establishment of a Social Investment Fund to provide access of those groups suffering from economic exclusion to basic social and economic infrastructure and services, by supporting small scale projects, identified and implemented through community participation. It proposes that the Government allocates the equivalence of 10% of its “Social Expenditures” to this SIF and invite the active participation of donors in the SIF and/or in its programmes. The Government can shift some of its expenditure obligations to the SIF (and by definition to local control)

x Co-management of Natural Resources: The IDP sees a major challenge to the growth and development of the Tourism industry and that is to achieve as broad a base of local participation as was achieved in the Banana industry. As such, it proposes that the introduction of systems of co-management of natural trails, eco-tourism sites at the local level which will increase the awareness of environmental management in communities and inform local initiative in rural-based tourism

xi Local area development committees: These have already began to appear as witnessed in the South-East Tourism Development Committee (SETDC). The IDP seeks to draw the attention of Local Government, Civil Society, the Private Sector, Professional Associations and individuals at the local level to the potential of this mechanism to affect social and economic change. The IDP also proposes to mobilize financial resources for these groups through the SIF.

xii Management of Policy: The IDP stresses new initiatives in the Management of Policies by Ministries, which will include managing the constructive involvement of stakeholders in the implementation of Policy as well as managing inter-Ministerial cooperation to address cross-cutting issues. The IDP examines the Mission Statements and Corporate Plans in this respect. It finds the Ministries of Agriculture, Communication and Works, Foreign Affairs, Trade, Finance and Planning and Tourism would need to involve the stakeholders in a constructive review their Mission Statements to meet the criteria for interfacing with private sector and civil society. The Ministry of Education and the Ministry of Health have already organized extensive sessions with the civil society and to some extent with the private sector and to some extent can provide guidance in these matters. The Ministry of Community Development has extensive experience in creating strong partnerships with civil society although this is not reflected in its Mission Statement.

xiii The Codification of a Common Approach: IDP seeks to move Dominica beyond the short-term “Fix and Repair” approach to disaster response. It seeks to make a comprehensive disaster mitigation approach part of the national
development plan. The IDP suggests that the Ministry of Finance and Planning, the Ministry of Communications and Works and other relevant divisions (Town and Country Planning Division) come together in a joint format with professional organizations, private sector and community based organizations to develop a Code of Common Approach to Land use, Location of facilities, Maintenance of infrastructure and the creation of new professional options in the design, materials, construction, maintenance and management of facilities to reduce risk to the local population.

Indicators of Compatibility

5. The interactive consultative process, which characterizes the IDP, should permeate through all levels of decisions on projects. The more prevalent the “signature” of IDP-compatibility, the more successful will be the participation of stakeholders in the process. An IDP-compatible project would be one that:
   - Clearly defines the commitments, responsibilities and benefits to stakeholders.
   - Has a capacity for various stakeholders to capture the benefits from the programme.
   - Utilizes the cross cutting approach that amplifies the entire trail of potential impact of the project.
   - Accommodates project implementation through different levels of Governance.

Comparing the New Approach to Planning

6. The key advantages of the IDP approach to Planning are:
   - Capacity to respond to cross-cutting and cross Sectoral elements of objectives
   - Maintaining a high level of transparency
   - Recognizing commitments at all levels through partnership and decentralization

Table 1: Comparison of Approaches to Planning

<table>
<thead>
<tr>
<th>Conventional Approach to Planning</th>
<th>IDP Approach to Planning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central Planners determine the Planning Objectives</td>
<td>Solicit a spectrum of stakeholders objectives</td>
</tr>
<tr>
<td>Determine the tasks and who is going to be responsible for implementing them</td>
<td>Devise mechanisms for arriving at objectives which are inclusive</td>
</tr>
<tr>
<td>Allocate resources to the assigned tasks</td>
<td>Allocate adequate resources</td>
</tr>
<tr>
<td>Establish a time frame for operations</td>
<td>Ensure that those implementing maintain the integrity of the objectives</td>
</tr>
<tr>
<td>Announce and Implement the Plan</td>
<td>Share responsibility for implementation of Plan</td>
</tr>
</tbody>
</table>

7. The critical questions for any planning process are:
   - Where in the plan are the different stakeholders allowed to confirm the commitments?
- When does acceptance and ownership of the plan kick-in?
- How is sustainability of the plan ensured?

In the IDP approach, these are not post-planning events, they are an integral part of the planning process.
INTEGRATED DEVELOPMENT PLANNING

IDP DISCUSSION PAPERS

#4

HUMAN DEVELOPMENT

By

The Development Institute (TDI)
Team of Consultants

September 2002
Introduction

2. Human development refers to the creation of an environment in which people can develop their full potential and lead productive, creative lives in accordance with their needs and interest. The IDP focuses on Human Development as defined above, because it allows for the integration at the planning level:
   - Investments in Wellness (Health) and Capabilities (Education);
   - Increase income earning opportunities in Agriculture and Tourism;
   - Improve mechanisms for beneficial resource use and management;
   - Empower communities and local groups to capture more economic benefits.

These initiatives are critical determinants of the rate and quality of Human Development and are simultaneously part of the economic recovery strategy.

3. The challenge of the human development perspective is to focus on poverty, not merely from the standpoint of poverty of income but on poverty as a denial of choices and opportunities for leading a valuable life and participating fully in the life of the community. The most critical of these wide ranging choices, are: “to live a long and healthy life, to be educated, and to have access to resources needed for a descent standard of leaving”.

4. The IDP recognizes that individuals bear a responsibility for their health. A more focused, targeted and sustained education process utilizing the media and innovative methods and involving individuals and organized stakeholders is needed. A commitment to sustain and enhance the environment within the developmental process is crucial for well being. Individuals must live in healthy communities, work in healthy places, attend healthy schools and have access to healthy recreation.

Health

5. Health as we know it from the Sectoral point of view is an important indicator of human development. The IDP predicates its approach to this issue of Health, on strengthening the vital links between food, nutrition, agriculture and health as well as giving attention to preventative measures associated with solid waste management and sanitation. This cross-cutting view allows for the application of an integrated approach that can see investments in agricultural diversification, agro-processing, education and skills training, transportation and business services, as all part of the cluster of actions needed for a comprehensive approach to human health.

6. The IDP programme is to involve all stakeholders in the promotion of wellness as an economic investment in the future of our country. This is also important in the

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19 UNDP, Human Development Report 2002
Carib People’s Development Plan. In this respect there are some social conditions that are making the IDP approach to Health more urgent. These include poverty and its attendant deprivation, and negative impacts on nutrition, alcoholism, suicides, homicides, domestic violence and societal violence. Importantly also were factors related to high unemployment, particularly among youth, female headed households and the need for greater gender – equitable development.

7. Promoting health, as both a resource for and outcome of development, focuses the IDP on “wellness” and on adhering to the basic principles of equity and shared responsibilities. This requires a continuous effort at building consensus on the Public policy for Health, which encompasses multi-sectoral and multi-disciplinary considerations and promoting the continued involvement of the population and its communities.

8. The IDP thus recommends:
   - Utilizing a participatory and consultative process to ensure that the orientation of the Health Services is focused on geographic equity, increased responsiveness to the health needs of the population, and the changing epidemiological profile.
   - Developing new cadres of health workers and the imparting of new skills to current health workers, so as to respond to the changing epidemiological situation, which is related mainly to lifestyle and health behaviours. This is likely to include a greater emphasis on promotive services and a de-emphasizing of hitherto well-established programmes.

9. The IDP also sees human development as a direct result of empowering Communities to achieve well-being through the provision of information, training and skills to community members to implement programmes in their own welfare. This is accentuated by:
   - Developing and Increasing Personal health Skills – The education process for personal health requires to be targeted to all ages and stages of life. Great emphasis should be placed on the attainment of personal skills based on self-discipline and societal values to achieve lifestyle modification.
   - Building Alliances with Special Emphasis on the Media – Within this broad concept of health, the participation of all sectors is vital for health development. Therefore, the forging of alliances with all traditional and non-traditional stakeholders across sectors in a coordinated effort is essential. The media in its diversity must be a key player in this partnership.

10. The IDP also promotes regulatory and monitoring framework for quality of care assurance in all sectors through greater partnering within the private sector and civil society. The professional associations should be particularly encouraged to play a major role in partnership with the public sector in this regulating and monitoring function. To this extent the IDP:
• Encourages the private Health Sector to introduce more self-regulatory measures
• Suggests the development of services geared towards health-tourism, showcasing the nature island and the longevity of its people

11. Making Appropriate Technology for Health Analyses available to the public will make a difference in achieving gains in the health aspects of human development. The IDP calls for a policy of evaluating the cost effectiveness of introducing new technologies e.g. electronic communication within the sector, telemedicine and new surgical and diagnostic techniques that reduce morbidity and lengths of stay.

12. Some of the principal measures being recommended include:
   ▪ Developing information systems that link the various components of the public sector and private sector and provides for monitoring of the new organisational relationships, resource distribution, productivity, efficiency and quality of care;
   ▪ Ensuring timely information for decision making;
   ▪ Forming partnerships within the sector to provide access to more sophisticated and effective technology (e.g. mammography services);
   ▪ Developing appropriate information systems and co-operating with the public sector in developing comprehensive information system for health. Professional associations should perform the role of catalyst for enabling partnerships within the private sector;
   ▪ Utilizing all available information for more effective surveillance and consumer protection action

13. To encourage and facilitate use of relevant data in national planning, the IDP proposes:
   ▪ Developing procedures for the inclusion of hazard impact assessment in the EIA process;
   ▪ As a partnership venture with all sectors, implementing hazard management program for economic sectors and high-risk areas;
   ▪ Engaging the representatives of the private sector, (legal, insurance, accountants) with public sector and Local Authorities (DALA) in developing national loss reduction plans, policies, laws and regulations to facilitate the use of hazard information and mitigation tools;

Education

14. Education command about 12% of total expenditures in the national budget. In FY99/00 this amounted to approximately EC$39.9 million. These are expenditures on personnel, equipment and physical structures. A well thought-out Education Plan has been formulated. The plan also incorporates a series of key targets and
goals for early childhood education; primary education; secondary education; tertiary and continuing education; library and information services; teacher and teachers education; and science and technology.

15. The IDP examines quality and content in the educational opportunities for all children in the Nation. It accepts the premise that for our education system to produce a citizen capable of performing in the 21st Century we would need to give priority attention to the curriculum. Some of the key components of this theme of providing students with world-class knowledge can be summarized as follows:

- Technology to be used effectively to support student learning
- The development of committed citizens for sense of social responsibility and a strong spiritual growth will be nurtured throughout the education system.
- A sense of empowerment through opportunities to adjust the local school curriculum to reflect the human resource needs of the specific area

16. The next level of concern has to do with the schools themselves. The priorities articulated are based on the need for schools to acquire increased autonomy and flexibility. The consequences of this is for the Ministry of Education to release schools from the excessive supervision at central level providing them with strong supervision and support at district level. Once this feature is in place, it will provide for space for local communities to become involved in adjustments to the local curriculum. Thus for instance, the Carib Community may be able to have Carib History and Carib architecture introduced into the schools in their community, without making such an adjustment system wide.

17. Education was identified as a central issue and reflected the community’s concerns about the welfare of the young and the widespread conviction that education was one of the important investments to be made if the Territory was to take advantage of the development opportunities available.

18. This link between education and the prospects for renewed economic activity also informs the IDP and the challenge of the new services sector can be best addressed with the preparation of the youth for management of the new technologies in the knowledge and information fields. The emergence of the Dominica State College as a premier Tertiary Institution offers the additional opening for all students to become prepared for the senior management and production openings that are demanded by modern agriculture, tourism and ICT sectors.

19. The enhancement of the skills base of the Carib Community is also directly linked to its capacity to manage the delivery of services in health, transportation, housing, counseling, teaching and research to name a few. The expanding role of the Council, the HDC’s as well as organizations like WAIKADA and the many sports
and social groups in the Territory all stand to benefit from the availability of persons with the full range of planning and management skills.

20. This move to invest in the human capital of the community is a theme that runs through the IDP and is expected to be reflected in the creative organization of professional services through the Full Service Resource Centers (FSRC’s) that will allow multi-disciplinary teams of young professionals to service the needs of all segments of the rural economy.

21. The IDP addresses these issues at the national level and underscores the need for persons and agencies from the public, private and civil society sectors to become and remain actively engaged at the local level. The opportunities for collaboration and partnership are clear with suggestions being made of a role for the artistes in drawing attention to the need for placing people at the center of these and other development activities.

Shelter

22. The approach to shelter has always been viewed as the provision of housing. Budgetary restraints have effectively curtailed the desire for the public housing projects of the 70s and 80s. Housing is now treated as a private investment option. In the last two years we have witnessed the contraction of the construction sector. The number of construction starts in the 3rd Quarter of 2001 declined by 30.3% and the value of construction starts decreased by 83% over the corresponding period (3rd Quarter 2000).

23. The IDP approach serves us better when shelter or housing is placed in the context of human settlements. Once we have made this mental transition, then it becomes clear that the planning concepts in this area must revolve around the social and economic desires of the citizens involved.

24. The IDP expects that the current poverty assessment exercise and the expected Poverty Reduction Strategy Paper (PRSP) will reflect policies and strategies of addressing poverty reduction within human settlements in urban and rural areas through an IDP process.

25. The deficient state of the housing stock in the Carib Territory mirrors the situation in many other communities. The unique challenge for the residents of the Territory surround the difficulty of mobilizing the finances needed to make the investment. This revolves around the issue of land and the common ownership factor that places constraints on the ability of the individual homeowners to access loans because of the lack of freehold collateral.

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20 Central Statistical Office, Quarterly Economic Indicators, Third Quarter 2001
26. This issue of accessing capital cuts across all the areas of social and economic activity that require an investment of funds. Several modalities have been proposed but the overall objective seems clear: to evolve an arrangement that allows substantial funds to be drawn down into a Carib Development Facility that would then be available for providing equity, direct loans or to serve as a guarantee fund for investment in the Territory.

This challenges the framers of development programs to design new financial instruments that instead of compromising the traditional arrangements on land in the Carib Territory will turn common ownership into strength for the residents seeking investment financing. This can be an area in which the IDP, by addressing the options now available under the Cotonou Agreement for EIB financing for private investment, can lead to the crafting of a national facility with the EIB that allows this and other needs for capital to be resolved. (See IDP Volume 4: 4.2.3)

Employment and Incomes

27. Employment and incomes not only reflect the status of the economy, but also demonstrate how such a status is translated in human conditions. The latest Labour Force Survey (November 1997) puts our total labour force at 33,418 out of a population of 72,099. Out of this labour force 25,694 (14,560 males 11,134 females) employed. The puts the unemployment rate was 23.1% and the dependency ratio at about 3. There are immediate planning implications in our labour statistics;
- Persons with primary education accounted for almost 66% of the employed while those with secondary education accounted for 17% (Higher education policy).
- Almost half (49.6%) of employed persons had no occupational training. (Skills acquisition strategy)
- Most of the employed were in the private sector 44.3% and engaged in self-employment 31.9%. (enterprise development strategy)
- Overall, the highest portion of persons was employed in Agriculture (23.4%), with Wholesale and Retail in second place at (15.8%).(Personal coping strategies)

28. The IDP approach would like to focus our energies also on the distribution of opportunities for employment. For instance, it is a concern to the people of the Parish of St. Patrick that the unemployment rate in that Parish is 45.9%, almost twice the national rate. There is also the more general concern that among the youth (15-24) the unemployment rate was 65%. The Carib Community is another example where the distribution of opportunities for employment is very low.

29. There is also the concern about the effects of the banana industry on employment and incomes in the rural areas. During the period 1990 – 2000, 4,265 farmers ceased to earn income from the Banana Industry. The accumulated loss of income
from the seven (7) production divisions throughout the country was ECS$29.188 million. The impact of this loss in banana farmers is estimated at 14,000 farm work opportunities\textsuperscript{21}. This is not just a loss to the rural economy, agricultural workers and rural family households. It is also a loss to the national economy in terms of domestic demand.

30. The threat of destitution and low-level survival, which the Social Impact Assessment Survey\textsuperscript{22} identified, forces us to interpret the fall-out from the current banana crisis as a catastrophe of the proportion of a financial/income meltdown for these individuals and their communities.

31. A key focus on mobilizing all human resources in the broad development of services for the domestic and export markets would involve the following measures:
   \begin{itemize}
   \item Investing in quality training in construction skills, agricultural support skills (private extension, marketing and farm-management support), personal service skills (tourism), performing arts skills (music/culture/art) and information technology skills.
   \item Encouraging the DHTA to join with the NDC and the Ministry of Tourism to mount a training programme that is geared at increasing the quality of service provided by workers at all levels in this industry;
   \item Targeting the CARICOM Single market (as our extended domestic market) to export these skills or import them as opportunities in the country reveal themselves.
   \end{itemize}

32. The IDP also sees the development of rural enterprise and services as a major project in human development. It proposes the establishment of a “Rural Industry Support Fund” which will provide technical assistance and small grants for physical assets development as a complementary programme to increase the debt-equity ratio of inactive banana farmers and workers seeking productive loans, with emphasis on animal husbandry and women participation.

33. The IDP also recommends:
   \begin{itemize}
   \item Training Community Development Officers to impart to village councils, community groups, women’s groups and individuals the information and skills of putting together their own financing packages for their project ideas, inclusive of use of the Rural Industry Support Fund.
   \item Ministry of Agriculture (Extension) and other professionals and agricultural practitioners conducting workshops in targeted areas on the establishment of four small agri-inputs services:
     \begin{itemize}
     \item Composting and organic materials to improving soil quality;
     \end{itemize}
   \end{itemize}

\textsuperscript{21} The Social Impact Assessment Survey reported that the 1995 ratio employment opportunities (temporary and permanent) per banana farmer is reported at 3.45
\textsuperscript{22} “Report on Social Impact Assessment Study of the restructuring of the Banana Industry” by Whitco Inc. April 2002
- Production of quality seedlings
- Other non-chemical farm inputs (manure)
- Farm management extension services
INTEGRATED DEVELOPMENT PLANNING

IDP DISCUSSION PAPERS

#5

RESTORING ECONOMIC GROWTH

By
The Development Institute (TDI)
Team of Consultants

September 2002
Introduction

1. In an IDP process, economic growth strategies have to be arrived at through the expressed commitments of stakeholders to act within given conditions. These conditions include, among others, combating economic exclusion, investing in wellness and human development, rebuilding local demand, extending our capacity to capture increasing percentages of the regional (CARICOM) markets and utilizing the resources available through our international agreements. The IDP’s perspective on economic growth strategies is based on the premise that the fiscal adjustment measures will affect short-run growth through their influence on private sector behaviour and their direct impact on human and physical capital formation. The IDP’s approach is to intervene in such a manner as to make these impacts and influences beneficial ones.

2. The economic recovery strategy also includes a few other important aspects. Productivity is one of these issues\(^{23}\). It is an issue that provides positive solutions to higher incomes, higher profit margins, competitiveness in overseas markets and competitiveness in terms of imported products. The status of enterprise productivity is reflected in the nature of labour relations, the skill training programmes in place, the level of investment in productivity enhancing technology, the attraction of higher skilled labour through offering higher wages. The intervention proposed by the IDP is to address the issues of improving the quality and quantity of employment, raising competitiveness and at the same time reducing poverty.

3. The economic, social and ecological challenges that are faced by an island state like Dominica are the result of many complex interrelated factors, internal and external. Private investors and government officials involved in fostering the development of specific sectors, have indicated that their respective organizations face great problems in reliably identifying management priorities and business ventures that are profitable and sustainable under particular conditions and in specific areas. In the context of a decision to pursue a development path that is sustainable, the physical and ecological (non-market) characteristics are increasingly at the root of national development possibilities.

4. The IDP proposes information/datasets be prepared as complements to economic and financial measures. The desired uses of these datasets include:
   - Establishing the physical and economic costs of production, processing and market prices so that the market advantage of competing producers can be identified, evaluated and turned into a useful input to investment and policy decision-making;

\(^{23}\) See Discussion Paper #10, "Promoting Productivity and Performance"
• Assessing the comparative energy cost of commodities and the competitive edge and options available to one producer or one region of the island over another;
• Identifying price signal distortions due to subsidies available to producers in larger economies where natural systems subsidies are often represented as cash payments or technical support to producers;
• Measuring the contributions made to the local economy by natural systems so that the ‘free work’ of forests in maintaining water supply is correctly counted;
• Assessing the structure, function and impact of government actions (regulations, taxes, technical support) on investment, production, pricing and employment

5. The purpose in such a transitional growth period is to start to build comprehensive information systems that would allow for a more complete and coherent understanding of the options and possibilities in the production of goods and services. The IDP addresses these components of an economic recovery strategy in “Information Systems”\textsuperscript{24}, “Environment and Development”\textsuperscript{25} and “Physical Planning and Production Systems”\textsuperscript{26}.

**Economic Growth**

6. The IDP promotes an economic recovery strategy that focuses on three dynamic movements.

a) The dynamic movement of increasing Export Earnings, increasing opportunities for the profitable use of investment funds, generating Capital formation expenditures, Employment and economic Growth;

b) The dynamic movement of investment in Wellness (Health) and human resource capability (Education Services) promoting the increase of entrepreneurs and service providers; leading to an increase in income from services both locally and exported.

c) The dynamic movement of reviving domestic demand beginning with demand in the rural sector though targeted Social & Economic Recovery Expenditures; simultaneously providing capital resources to indigenous enterprises to respond to local domestic demand in indigenous production and employment; expanding on new rural enterprise initiatives to the tourism and services sector.

**Export promotion**

7. The cornerstone of economic recovery through exports is to be found in stimulating trade and capital flows and in broadening the level of participation in the tourism sector. The beneficial effects of growth in exports on the economy have always

\textsuperscript{24} See Discussion Paper #14.
\textsuperscript{25} See Discussion Paper #15.
\textsuperscript{26} See Discussion Paper #16.
been in both the total value of export earnings generated and the number of persons directly benefiting from such earnings. In the height of the banana-export period, banana exports exceeded EC$100 million and the number of producers exceeded 8,000. To achieve a similar impact, the IDP proposes specific measures to achieve broader participation in the Tourism sector.

8. The IDP proposes the following measures to be undertaken for increasing trade and capital flows:
   - Stabilizing banana exports at EC$25 million
   - Ratifying convention of Single Market and Economy
   - Promoting local company participation in the CARICOM Single Market as an extension of domestic demand
   - Mobilizing reverse flows of services, financial and technical resources from Dominican in the Diaspora

9. To broaden participation in the Tourism industry, the IDP proposes the following measures:
   - Broadening the participation of income earners in the tourism industry (opportunities for agriculture, agro-forestry; music/entertainment and sports)
   - Building on investment initiatives identified by “regional” development committees (e.g. South-West Tourism Development Committee) comprising local area private sector members, civil society organizations and local government in local area planning.
   - Supporting capital formation expenditures in response to local area (village councils) planning initiatives to attract investment to their areas.
   - Resources of the Banana Recovery Strategy be granted to the new Banana Corporation to develop a programme to partially subsidize the hiring of labour by certified banana farmers in the six (6) worse hit areas for the purpose of on-farm infrastructure development in respect of drainage and irrigation.
   - Supporting projects which promote small agri-input supplies industry, train persons for rural-based tourism industries and promote area-wide development committees along the model of the South-East Tourism Development Committee.

Developing Service Skills
10. A key focus of the growth strategy has to be on mobilizing all human resources in the broad development of services for the domestic and export markets. In this respect, the IDP proposed the following measure to be undertaken:
   - Invest in quality training in construction skills, agricultural support skills (private extension, marketing and farm-management support), personal service skills (tourism), performing arts skills (music/culture/art) and information technology skills.
Encourage the DHTA to join with the NDC and the Ministry of Tourism to mount a training programme that is geared at increasing the quality of service provided by workers at all levels in this industry.

Target the CARICOM Single market (as our extended domestic market) to export these skills or import them as opportunities in the country reveal themselves.

Mobilizing reverse flows of services, financial and technical resources from Dominican in the Diaspora.

11. Rural enterprise development is a key proponent of the IDP strategy for growth because it is in the rural sector (banana industry sector) that the economy has suffered its most debilitating effect on its human capital. The IDP proposes:

- A “Rural Industry Support Fund” which will provide technical assistance and small grants for physical assets development as a complementary programme to increase the debt-equity ratio of inactive banana farmers and workers seeking productive loans, with emphasis on animal husbandry and women participation.
- Training Community Development Officers to impart to village councils, community groups, women’s groups and individuals the information and skills of putting together their own financing packages for their project ideas, inclusive of use of the Rural Industry Support Fund.
- Ministry of Agriculture (Extension) and other professionals and agricultural practitioners conducting workshops in the targeted areas on the establishment of four small agri-inputs services:
  - Composting and organic materials to improving soil quality;
  - Production of quality seedlings
  - Other non-chemical farm inputs (manure)
  - Farm management extension services

Rebuilding Domestic Demand

12. This part of the strategy puts heavy emphasis on rebuilding the level of effective demand in the rural economy. It seeks to do so by utilizing the Social Investment Fund with the participation of the Government and the Donor community. This strategy recognizes that the Rural Economy is more than Agriculture. It encompasses all of the opportunities for creating income and wealth in a land-based environment. The strategy seeks to boost local demand and to finance indigenous investments in human resource development and local area development.

13. The IDP sees the following measures as also contributing to boosting domestic demand as a precursor to internally-generated growth:

- The Social Investment Fund (SIF) seek wide donor support including support from the European Community, the UK (DFID) and the World Bank.
Government concretizes its commitment to the SIF by allocating the equivalent of 10% of Social Sector budgetary allocation to the Social Investment Fund.

- Broad based participation in tourism be achieved through the Eco-Tourism Development Project.
- On-farm supported investments in drainage and irrigation utilizing local labour be financed through the Social Recovery Strategy in the banana industry.
- Infrastructure projects be pursued in support of production, tourism and social services

14. Income Support to rural economy to be financed through the CFA/EU funding of the Social Recovery Programme is also viewed as a measure to boost domestic spending. This will involve:

- Targeting support in income, and health services to rural poor
- Pro-growth initiatives in support to small agri-input supplies industry,
- Training of persons for rural-based tourism industries and
- Supporting local area-wide development committees investment initiatives.

- Support to enterprise initiatives (such as farm inputs supplies) responding to local area demand and which can release new products for national or international commercialization

15. The Social Investment Fund (SIF)\textsuperscript{27} has to be an important aspect of the strategy for economic recovery. It is proposed as a measure to provide access to financial resources (grants, revolving loans, guarantees) by local development groups, community groups for basic social and economic infrastructure and services. The SIF can be used to support small scale projects, identified and implemented through community participation. Included in the SIF Grant Portfolio, should be community sub-projects sponsored by eligible NGOs and CBOs for demand-driven investments in education, health/nutrition, small scale infrastructure, agriculture productivity, natural resource management, developing social capital, empowering women, providing economic opportunities for youth.

\textsuperscript{27} See IDP Discussion Paper #10.
<table>
<thead>
<tr>
<th>Objectives</th>
<th>Indicative Goals</th>
<th>Expectations</th>
<th>Major Desired Action</th>
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<tbody>
<tr>
<td><strong>GDP Growth:</strong></td>
<td>- Reaching the equivalent of ECS130m (previous PSIP levels) in social and economic investment expenditures within a 3-year planning cycle. &lt;br&gt; - Income support and food security under the Social Recovery Strategy &lt;br&gt; - Human resource development and employment generation under the Social Investment Fund. &lt;br&gt; - Significant payments made to reduce arrears to DSS and overdraft with NCB &lt;br&gt; - Affordable access to local and international investment funds (under Cotonou) &lt;br&gt; - Banana exports stabilized at ECS25m &lt;br&gt; - Growth in Tourism earnings</td>
<td>- Social and Economic investment expenditures are funded through budgetary and Extra-budgetary means. &lt;br&gt; - Government receives debt relief through PRGF support of IMF. &lt;br&gt; - Social Recovery strategy in rural areas focuses on stabilizing banana-producing and diversifying production structure and methods; &lt;br&gt; - Government’s demonstrated commitment to IDP programmes strengthens donor confidence in economic management. &lt;br&gt; - Recovery in banana production focusing on increasing yields to 12.5MT/acre</td>
<td>- Review of the Potential Contributions of the current extra-budgetary funds to Social and economic investments. (Monogram #1) &lt;br&gt; - Initiating a Social Investment Fund (donor supported) which will spearhead human resource development at individual, community and enterprise level.(Monogram #10) &lt;br&gt; - Utilize the Social Recovery Programmes in the Banana Industry to stimulate employment in the rural areas. &lt;br&gt; - Policy for use of interim budgetary support to redress Government’s debt to financial sector discussed with private sector &lt;br&gt; - Utilize the Eco-Tourism Development Project to broaden the basis of participation in the Tourism industry.</td>
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<tr>
<td><strong>Economic Recovery:</strong> 1.1 Reversal in GDP decline 1.2 Stimulation in domestic demand 1.3 Renewed confidence in management of economy 1.4 Resurgence of Export performance</td>
<td><strong>Economic Inclusion:</strong> 1.1 Agriculture and Tourism become major income earners; 1.2 Domestic demand in rural area sustained through social recovery programme 1.3 Land utilization pattern targets preventing economic exclusion. 1.4 Skills and local economic opportunities reduce inter-generational poverty.</td>
<td>- Market niche achieved in organic products. &lt;br&gt; - Non-banana exports producers of root crops, hot peppers, pineapples and other fruits receive institutional support to organize and regulate their own joint marketing efforts. &lt;br&gt; - Co-management of natural parks, and eco-tourism sites brings adjacent communities into the Tourism Service industry.</td>
<td>- DCA, Ministry of Agriculture and local farmers’ groups jointly promoting environment resource management, soil quality preservation and organic farming. &lt;br&gt; - DHTA, Forestry Division, NDC and Ministry of Tourism and Local Government supporting Eco-Tourism product development under EU financed Eco-Tourism Project. &lt;br&gt; - An initiative by Ministry of Finance &amp; Planning to assist local communities to conduct surveys identifying the skills available in the community</td>
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INTEGRATED DEVELOPMENT PLANNING

IDP DISCUSSION PAPERS

#6

RE-ESTABLISHING
FISCAL STABILITY

By
The Development Institute (TDI)
Team of Consultants

September 2002
Introduction

1. Macro-economic and financial management are central to the initiative for economic recovery. This is so for both initiatives by the Central Government (fiscal stabilization, debt relief, budgetary support) and by the private sector (cost efficiency, competitiveness, new niche marketing and penetration regional and extra-regional markets). The IDP action plan outlines a programme, which addresses: (1) Fiscal Stabilization; (2) Mobilizing budgetary and extra-budgetary resources; (3) Economic recovery and (4) Economic Inclusion.

2. Besides the fundamental role that these components will fulfill in promoting a resurgence of economic growth, many of these components also have a direct impact on local investor confidence and on expanding opportunities for the poor to earn income.

3. The problem of maintaining macro-economic stability is complicated by the fact that the Government of Dominica is currently facing its gravest cash-management challenge. This internal imbalance is evident in the growing difference between Government Revenues and Expenditures. There is also an external imbalance in the costs of imports outstripping the revenues earned from exports.

4. To reduce the internal Balance, the necessary measures would include: (1) a Standby Agreement with the IMF to cover current liabilities; (2) access to PRGF funds for a 3-year period based on clear commitments within an Integrated Development Plan; (3) Expenditure measures which will begin to reduce the overall Budgetary Deficit in FY2003/04; (4) Commitments to reduce the arrears to DSS and the overdraft facility with the NCB.

5. The IDP also endorses the measures to improve revenue-collection performance includes measures that will: (1) Reduce outstanding arrears to Inland Revenue currently at EC$38 million (offering an amnesty to taxpayers to rectify their tax liability status); (2) Reform the operations of the Customs Department; and (3) Suspending discretionary concessions in the absence of transparent Policy guidelines to the same.

6. The IDP is aware of the fact that the positive effect of fiscal adjustment on growth is further accentuated when certain public investment are also protected. There is an abundance of evidence in the literature to support this position. Given the low level of public savings and the consequent reductions in the Public Sector Investment Programme (PSIP), the IDP proposes that Government seeks to maintain social and economic investments through the application of an IDP

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approach to the ten extra-budgetary funds existent and through the establishment of a Social Investment Fund.

The IDP Programme

7. The IDP sees confidence building as a major plank in the programme for fiscal stability. The main objective is to ensure that confidence is established in the Government’s capability to manage its short-term cash obligations and reduce the fiscal deficit, while at the same time stimulating domestic consumption and maintaining some social and economic investments through extra-budgetary sources of funding.

8. The principal measure that are being proposed are:
   - Limiting budgetary expenditures to resources identified in the Medium Term Public Expenditure Framework.
   - Strengthen the role of the Debt Management Unit by ensuring its opinion on current and future debt becomes part of the decision process of incurring public debt.
   - Transferring expenditures dealing with small business support, training, Health outreach services, Community organization development to a Social Investment Fund to be funded partly with donor support.
   - Enhance the financial management capacity of the Ministry of Finance and Planning by seeking programme funds to complete the operational installation of SIGFIS in the four leading Ministries (in terms of Budget Allocation), viz., Education, Health Works and Agriculture.

9. A second plank is to mobilize budgetary and non-budgetary resources towards the previous levels of the PSIP ($130 million) by FY04/05. In order to achieve this efforts will be made (1)to introduce a general Value Added Tax; (2) to continue strengthening the capacity and efficiency of tax administration; (3) establish a Social Investment Fund to protect investment in Human resource development through training, delivery of social services, promotion of local development activities; (4) Focusing the resources of the extra-budgetary funds more specifically on local development goals. The principal measures recommended in this respect are:
   - Finalization of the Public Campaign to introduce the VAT
   - Greater coordination and sharing of information and data between the Customs Division and the Inland Revenue Service through computerized link up.
   - Allocate 10% of total Social Sector Spending (Budget for the Ministries of Education, Health, Community Development) to a Social Investment Fund
   - Seek counterpart funding from Donors for the Social Investment Fund
   - Ensure that extra-budgetary funds are used to promote local area development objectives.
10. A third objective is to improve the programming, implementation, control and transparency of the budget process and to ensure that public expenditure reflects the needs and compliments the commitments of other stakeholders. The measures being proposed are:

- Strengthen the public accounting process
- Consolidating the role of the MTPEF (Medium Term Public Expenditure Framework) as the effective and sustainable instrument for annual budget programme. This will involve the Ministry of Finance and Planning in consultation with the Private Sector and Civil Society completing the Matrix of Priority Measures, Programme of Priority Actions and Costs and the Macroeconomic Framework
- Develop an action plan to identify various sources of revenues (grants) and expenditures and to make indicative suggestions as to their effective use in pursuing national and local development/growth objectives.
- Require Ministries to conduct internal reviews of programme expenditures, identifying the Policies and the amounts of Sectoral expenditures, their geographic dispersion and tracking the potential flow of resources or benefits from the central level to local units. These reviews will be an effective tool for the Ministry to manage the involvement of other stakeholders in policy formulation and implementation

11. With respect to Debt Management the IDP proposes that a medium and long term strategy for the management of both domestic and external debt be devised and measures be taken to strengthen the system for control and management of the public debt. The principal means being proposed are:

- Preparation of a medium and long-term strategy setting out the overall parameters for a sustainable debt management policy and the post-IMF Debt reduction.
- Extraction from this strategy a “Code of Financial Management Practices” in the Public Sector and share this with the major stakeholders.
- Encouraging the Financial Institutions to generalize to their practices from this code and to establish a Code of Financial Management Practices in the Private Sector.

12. The IDP programme also calls on Government to re-establish a collective working relationship with financial service institutions, institute a system of information sharing particularly on the potential impact of Government’s policies on the system and for Government to become part of an informal network that ensure the development of financial services especially in the rural areas and those severely affected by the collapse of the Banana Industry. The principal measures to be undertaken are:

- An initiative to build a functioning network between the Government all financial service units (large, medium and small) be assigned to a Team comprising the Ministry of Finance and Planning, the Banking Association, Credit Unions and other small financial service units.
Compile and release for the information of the Banking Association, Local Governments and small business support institutions (NDC, NDFD) the analyses and comments reported to Government on the impact of the current fiscal crisis on the banking system and access to credit.

Carry out a study on the “Measures to promote the restructuring of loss-making but viable enterprises” and utilize the results of this study to establish an informal network of correspondents to issues of access to and application of credit for growth.
IDP Approach to Fiscal Stability

13. The IDP’s approach to Fiscal Stability is a very comprehensive one. It includes all measures to restore fiscal balance over the medium term among such as: Restoring Fiscal Balance; Mobilizing Extra-Budgetary Resources; Improved management of Public Expenditures; Developing a medium and long term strategy for the management of both domestic and external debt; Reestablishing a collective working relationship with financial service institutions; Instituting a system of information sharing; Instituting a system of cost-sharing; and Initiating Economic Recovery.
### A PARTNERSHIP MATRIX FOR ESTABLISHING FISCAL STABILITY

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INTEGRATED DEVELOPMENT PLANNING

IDP DISCUSSION PAPERS

#7

TAX POLICY AND FISCAL REVENUES

By

The Development Institute (TDI)
Team of Consultants

September 2002
Introduction

1. In our sensitization activities with communities and stakeholders, the IDP Team has met persons from all walks of life who have indicated that they wish to see and to help build a society and an economy that meets the needs of our people without comprising the chances for future generations to do the same. This same vision is applicable to the current fiscal situation.

2. In essence, it is rooted in three fundamental desires, which incidentally are universal. These desires are:
   - For a better quality of life;
   - For new and better ways of doing things;
   - For expanded horizons, greater opportunities and choices.

3. When we think of the Taxation side of the Fiscal equation (Taxation Policy), the IDP process will require that we simultaneously think about what effect we would like such Policy to have on the Macroeconomy and how it would improve Intergenerational Welfare\(^{29}\).

Mechanisms for Fiscal Transparency

4. Combining Taxation Policy with Macroeconomic goals and Intergenerational Welfare provides a workable framework for the active and meaningful involvement of the private sector and civil society. Indeed it essentially provides us with the foundation blocks for achieving a greater degree of Fiscal Transparency.

5. In The IDP Report on “Sensitisation, Research, Analysis and Planning” we indicated that the three major operational changes which the Government must undertake in order to be truthful to the spirit and the letter of the concepts of an Integrated Development Planning Process are:

   a) Ensure that the PSIP funding objectives find their justification in the Integrated Development Plan. This is not only necessary for attracting donor support but will provide credence to the participation of many individuals and groups in the IDP process.

   b) Become “intentional” in its enunciation of macro-economic policy in general and expenditure policy in particular. Stakeholders need to determine their

\(^{29}\) Intergenerational Welfare simply speaks to the desire that the welfare of the next generation, however defined, should reflect a marked improvement from ours. It can be considered synonymous with the phrase “Pro-Poor Growth” which implies that the poor should have a greater share of the next round of economic growth than they have had previously.
course of action on some level of predictability in terms of the instruments that the Government will use and the results that can be expected.

c) Bring into the picture of debt management other types of assets and liabilities that the Government manages and which can influence the credibility of the Government.  

6. A public position on Fiscal Transparency is an important first step and in our current situation we have identified seven components of an adequate position. These are:
   i. Create a process for the preparation of the Budget that would see the commitment of stakeholders expressed before the fact (i.e. its presentation in Parliament) not after the fact.
   ii. Determine Fiscal Expenditure levels both within the level of expected revenues and also within the context of medium term achievements.
   iii. Express as a New Code of Fiscal Conduct, Measures for Expenditure Control.
   iv. State the Adjustment that would be made to Expenditure Targets not only in the current fiscal year but also as part of a medium term plan.
   v. Improve the quality of reporting Fiscal Data so as to be in a position to share meaningful information.
   vi. Make public the procedure that we will follow in incurring any new public debt and be willing to share the results of work done by the Debt Management Unit of the Ministry of Finance and Planning
   vii. Make a commitment to reduce quasi-fiscal decisions wherever they may occur.

7. The Mechanisms for Fiscal Transparency are as follows:
   a) A Medium Term Public Expenditure Framework (MTPEF) reflecting a consensus between the Public Sector, Private Sector and Civil Society.
   b) The Overall Deficit as the preferred indicator of the Fiscal Stance.
   c) Sensitivity analysis of the MTPEF estimates.
   d) Expressions of the code of conduct that will govern future financial relationships between the Government and the NCB and the DSS.
   e) Sharing of Fiscal Data reflecting quarterly changes in net financial position (Cash Flow) of Government.

**Recommended Practices**

8. The first recommended practice to be developed is broad based participation in Budgetary Preparations;
   i. Fiscal Management must be governed by a Framework that has the consent of all major stakeholders (MTPEF)

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30 IDP Report on Sensitisation, Research, Analysis and Planning, p.28
ii. The annual budget is prepared in a three (3) year rolling projections of revenues and expenditure targets.

iii. The preferred indicator of the Fiscal position of Government should be the Overall Deficit on the Consolidated Account.

iv. Analysis of the sensitivity of these estimates to changes in economic conditions must be made clear as part of the vulnerability of Government operations.

9. The second recommended practice is to clarify the responsibilities of Government to each stakeholder group.

i. The Government must continuously define fiscal activities by specifying the role and responsibilities and potential use of public funds in any joint agreements.

ii. Efficiency, technical capability and a consumer-oriented public service must be an objective of fiscal adjustment.

iii. The financial relationship between the Government and the NCB and the DSS must be explained and be subject to a code of good fiscal practice.

iv. Government needs to establish better practices in discretionary concessions, regulations, licensing, state inspections, state-financed promotions.

v. An emerging principal of the budget must be the distribution of expenditure responsibilities between different levels of Government and the cooperation of various Extra-Budgetary Funds.

10. The third practice is to make information available to the public:

i. Fiscal data must be continuously explained to the public in a series of quarterly fiscal management report.

ii. Accountability in the performance management of Ministries must become a public function.

iii. These information packages can become a formal report submitted to Parliament.

11. The fourth practice is to ensure integrity in public finances.

i. Strengthen internal control procedures. This would include both the Auditor General’s role as well as contributions by the Debt Management Unit.

ii. Making the Report of the Auditor General submissable to a special review committee of Parliament before being presented to the full Parliament.

iii. Improvement in the quality of fiscal data with more graphical expression of the fiscal situation.

**Taxation Policy**
12. Taxation Policy in Dominica has three major impacts:
   a) Impact on Government Revenue collection and by consequence on the Fiscal situation
   b) Impact on domestic demand and consumption in as much as it reduces disposable income.
   c) Impact on resource allocation decisions.

13. The political attractiveness of Taxation policy would tend to favour taxes levied at the level of importation or consumption in which the tax burden appears more related to the decisions of individuals to consume and/or to import. The economic attractiveness of Taxation policy would tend to favour taxes, which deliver a resource allocation bias towards certain types of investments as against others. Property taxation would not only favour better resource allocation but will also bring much rationality into the real estate/housing market. The welfare attractiveness of Taxation policy would tend to favour taxes on incomes which provide definite advantages to investments in human capital through tax exemptions or tax credits for education, health costs and welfare support.

14. The qualitative effect of any specific Taxation Policy can be argued to be either negative or positive. Taxes on Capital can have a negative impact on the economy if they are not targeted and discriminatory. Consumption taxes may have a positive impact on political fortunes because their impact is not as uniform as is a Special Levy.

**Tax Incentives**

15. Within the context of an IDP process in Taxation Policy, the Macroeconomy and Intergenerational Welfare the question of Tax Incentives will always arise. Government has to be willing and open to deal with this question on a sound and consistent basis. If we are speaking about influencing the behaviour of investors both local and foreign, we should recognize that tax incentives are a very small part of the determinants of that behaviour. Investors are known to show more concern about sound and consistent economic policies which will keep the economy growing, knowledgeable public officials and an efficient and responsive administration that can process applications without unreasonable delay. It is better to work on these problems directly than to attempt to utilize tax incentives to leverage inefficiencies.

16. The pressure mounts for tax incentives specifically when:
   - The current tax regime seems to be out of line with norms or averages in other CARICOM territories;
   - Poor infrastructure or deficient administration directly adds to the cost of doing business;
- Flawed legal and regulatory arrangements tend to overburden a compliance process.

17. The legitimate reasons for tax incentives occur when we have problems that cannot be easily fixed. For instance when we are seeking to achieve broader goals than the market mechanism will achieve. These can include the use of environmental friendly technologies, location in rural less-endowed areas, hiring staff, which would require significant training. Market weaknesses or market failures can also require us to use tax incentives. Most importantly, however, is the case in which we are anxious to encourage the use of technologically advanced methods.

18. There are also times when tax incentives are totally ineffective. Their use has failed to attract any worthwhile investments. Such incentives are very dangerous because they open the door for abuse and once that process becomes common knowledge, it becomes very difficult to dismantle them.

19. Direct tax incentives would have the attraction of lowering the effective corporate income tax burden on business investments. The options are:
   - Corporate tax rate incentives (Tax Holidays and Tax Exemptions)
   - Preferential Tax Rates
   - Investment Cost-Recovery Incentives
   - Investment Allowances
   - Investment Tax Credits
   - Investment Subsidies.
INTEGRATED DEVELOPMENT PLANNING

IDP DISCUSSION PAPERS

#8

THE COMPREHENSIVE IDP (CIDP) FRAMEWORK

By
The Development Institute (TDI)
Team of Consultants

September 2002
Background

**Purpose of the Consultancy**

- To define and establish a participatory process for Integrated Development Planning where the private sector and wider civil society play an enhanced role in the design and delivery of more transparent, accountable and decentralized development Planning.

- The Important Aspects of this Consultancy are:
  
  * People embracing the initiative;
  
  * People becoming actively engaged;
  
  * People staying involved.

**What is the difference in The Integrated Development Plan**

- There is broad participation in developing the contents of the Development Plan
  
  o Public Sector participation
  
  o Private Sector participation
  
  o Civil Society participation
  
  o Youth participation.

- The Holistic Cross Cutting Approach is engaged
What is the IDP Process

- It is the process of engaging individual citizens (Stakeholders) in:
  - Identifying ISSUES
  - Determining PRIORITIES
  - Defining a shared VISION
  - Proposing MEASURES

BUT MORE IMPORTANTLY

- It is INSTITUTIONALISING a participatory process
- It is people BECOMING INVOLVED
- It is people STAYING INVOLVED

What Informs this Process?

- The Need to revive Growth in the National Economy
- The Need to empower people to contribute to their own development
- The Continou Agreement
Our Methodology – Stakeholders Meetings

- Public Sessions with Stakeholder Groups:
  - Communities
  - Civil Society Groups
  - Media Workers
  - Political Parties (UWP, DLP, DFP)
  - Private Sector
  - Religious Leaders
  - Bankers
  - Catholic Priests

- Workshops to Come up with solutions
  - Private Sector Workshop – December 6, 2001
  - Youth Symposium – December 8, 2001
  - Civil Society Workshop – December 12, 2001
  - Public Sector Workshop – December 13, 2001

Our Methodology - Surveys

- Public Sector Survey
  - Sample from Ministry of Agriculture and the Environment, the Ministry of Communications and Works and the Ministry of Community Development and Gender Affairs.
  - Objectives: To determine the public sector’s perception regarding it’s role, modernization of the sector, level of linkages inter, intra and extra ministerial, and it’s knowledge of reforms undertaken in the sector

- Civil Society Survey
  - Sample from organizations at the Micro, Village and National Level
  - Objective: Assess their organizational capabilities and linkages.
Our Methodology – Reference Groups

- Reference Groups
  - Civil Leadership (President of Dominica)
  - Broad-based committee
  - Staff members of Planning Department
  - Civil Society groups

- Media Support: Need a more structured approach
- Cabinet Members: Desirable but not yet achieved
- Steering Committee Interaction:

Expressions of a VISION

- Harmony among people and between people and God
- System organized to meet people’s needs without compromising the future
- Stability and Justice, Discipline and respect for the individual
- Dignity, Pride, Patriotism and a sense of belonging.
EMERGING THEMES

Constitutional Reform

- Governance Structures
  - Political Process/Selection of Representatives
  - Decentralization & Community Empowerment
  - Coordinating Physical and Economic Development Planning

EMERGING THEMES

Management Of the Economy

- Stake-holders’ Participation in the process of formulating the Budget;
- PSIP Justifications arising from the Integrated Development Plan;
- Public Sector Managers reporting on their Ministry’s progress in achieving the goals of the IDP
- All stakeholders involved in job creation, productivity and competitiveness.
EMERGING THEMES

Economic Stabilization

- Stakeholder participation in rebuilding Creditor Confidence for the resolution of Debt-Management Issues
- Stakeholder participation in implementing changes in revenue collection system
- Stakeholders assurance in expenditure policy and expenditure control policy
- Sharing of economic information for full and effective participation in development Planning.

EMERGING THEMES

Civic Pride & Responsibility

- Dignity
- Recognition of Success at every level
- Ethics and the Renewal of our Culture
- Family Values
- Spirituality
- Transparency and Accountability
EMERGING THEMES

DEALING WITH VULNERABILITY

- Making provisions for major vulnerable groups:
  - The Elderly
  - Women and children
  - Indigenous Peoples
  - Displaced farmers in the banana industry
- Making provisions for major vulnerable resources:
  - The Environment
  - Coastal Region
  - Fisheries

EMERGING THEMES

Public Education Programme
For National Development
Through the IDP

- Institutionalize the IDP Process
- Set up a Committee to manage the IDP
- Mount a Public Education Programme
- Getting all parties to agree to accept the IDP as a national plan
Developing a Comprehensive IDP Framework

1. The Comprehensive IDP (CIDP) Framework provides a mechanism for ongoing stakeholder involvement in the preparation of the plan, definition of programs and projects, implementation of associated actions and, in the review of performance for possible corrective action.

2. Previous approaches to planning have managed to distil out the application of values and vision of the people as key determinants of the direction and strategy for national development, the CIDP Framework reflects the priority issues as determined by the stakeholders themselves.

3. The CIDP Framework encourages stakeholders to shift from a paradigm that is focused on narrow local, institutional or Sectoral issues to an approach to development planning and implementation that accepts the comprehensiveness and complexity of integration. It simply recognizes that each stakeholder group is likely to have an opinion on each aspect of the plan and these need to be included.

4. The CIDP Framework also addresses another critical element of the emerging new planning process, the need for an approach that is both cross-cutting and cross-sectoral. The Framework suggests that action by stakeholders in one sector, say civil society, to improve the human resources available for community-based organizations, can and should be complemented by action from their counterparts in the private and public sectors. Practically, this can mean, that a Village Council and a private company get together to identify the need for institutional strengthening as an important prerequisite for decentralization or localization of human resource development services. The private sector and civil society together can provide trainers and training materials in partnership with say, the Public School providing facilities and administrative support. The net result would be a sharing by all in the “burdens and benefits” of a successful program of human resource development. Such a partnership approach is potentially more responsive to local needs and cost-effective.

5. The CIDP Framework that is presented here illustrates how these and other critical elements of the new, holistic and participatory approach is indeed possible.

6. In summary, the CIDP Framework as an approach to planning will:
   - Captures the emerging vision of the people;
   - Reflects the values that shape that vision;
• Identifies the key issues facing the people;
• Focuses on areas for priority action at the local household and community level; the enterprise and sector levels as well as the inter-sector, national and regional levels;
• Applies the criteria and principles of IDP that will guide actions at these levels;
• Promotes the institutionalization of the IDP process at the sector and organizational levels;
• Facilitates an environment where public, private and civil society enterprises seize opportunities for implementation of programs and projects that address identified economic and social priorities;
• Describes the role of the various sector stakeholders in the process of design, implementation and monitoring of the Plan;
• Requires the continuation of the IDP process at the national, sector and community levels;
• Defines timelines for implementation;
• Identifies resources for implementation;
• Ensures performance review and accountability;
• Reduces duplication and waste;
• Fosters local commitment to programmes and projects.

8. The Comprehensive IDP (CIDP) Framework presented below is the guide that was used to collect, coordinate and integrated the different stakeholders’ interests in the various objectives of the Plan.
### Framework For Integrated Development Plan - Dominica

#### SUSTAINABLE DEVELOPMENT

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The Integrated Development Plan (IDP)

GUIDE TO THE COMPOSITION OF
THE MEDIUM TERM PUBLIC EXPENDITURE FRAMEWORK

MTPEF

THE DEVELOPMENT INSTITUTE (TDI)
TEAM OF CONSULTANTS

July 30, 2002
1. FRAMEWORK FOR MACROECONOMIC GROWTH

2. BOOSTING THE PRIVATE SECTOR PARTICIPATION

3. MAINTAINING BASIC INFRASTRUCTURE

4. SUPPORTING GROWTH INITIATIVES

5. PRIORITY AREAS FOR PUBLIC EXPENDITURE
   a. Banana Recovery Strategy
   b. Social Investment Fund
   c. Education
   d. Health
   e. Local Development Planning Initiatives

6. CROSS SECTORAL THEMES

7. INSTITUTIONAL CAPACITY BUILDING

8. OUTLOOK FOR 2003/2006
   a. Priority Measures
   b. Risks
   c. External Financing Requirements

9. Appendices:
   a. MTPEF: Matrix of Priority Measures.
   b. Programme of Priority Actions and Costs
   c. Macroeconomic Framework
   d. Economic Achievement Framework for Health
   e. Economic Achievement Framework for Education
Introduction

1. The determination of the National Budget is critical to the process of formulating an Integrated Development Plan. This is because the Budget defines national goals, particularly public investment goals which are critical to economic recovery. The mechanism which would allow the Private Sector and Civil Society to join with the Public Sector in determining the National Budget is a “Medium Term Public Expenditure Framework”. This Framework will do two things:

- Provide all actors with an indicative level of aggregate spending over a 3-year period on the major thematic categories; Social welfare; Economic Services and Administration of Public Affairs;
- Allow a joint decision on what programmes within the budget we wish to protect, what expenditures we wish to see mandatory and how we will allocate fiscal capacity for dealing with vulnerability issues

2. Medium Term Expenditure Frameworks are nothing new. They are the logical extension of Medium Term Strategic Plans. In our situation we have simply added the term “public” before expenditure because we find this tool to be a most suitable instrument for private sector and civil society participation in the budget formulation process.

3. This construction of the Medium Term Public Expenditure Framework generally takes this path:

- Government decides on its proposed strategy for growth and development based on the contents of the IDP
- The Ministry of Finance and Planning formulates its Macroeconomic Framework which basically is a table showing the recent past and the desired future levels of the basic indicators.
- The Ministry of Finance and Planning then decides what are the priority action programmes that will contribute most to the economy producing this unique set of indicators in the immediate future.
- The Ministry of Finance and Planning then costs the public expenditure contributions to these actions.

4. Essentially we have three matrices in the Medium Term Public Expenditure Framework (MTPEF)
a. **Macroeconomic Framework** (a quantitative matrix of basic economic indicators projected over the next 3 years.

b. **Matrix of Priority Actions** organized along the major themes of the growth and development strategy.

c. **Matrix of Public Expenditure Allocations** to Priority Actions projected over a 3-year roll-over period.

**Framework for Macroeconomic Growth**

5. Much of the Framework for Macroeconomic Growth has been formulated in terms of concepts and ideas expressed by the stakeholders through the various sensitization activities of the IDP Team (Community Meetings, Workshops, Focus groups presentations).

6. We suggest, as a starting point, the following ten (10) desirable events:

   - The Fiscal Imbalance is reduced;
   - Macroeconomic indicators improve;
   - Institutional Framework for a “modernized” Public Service is put in place;
   - Economy starts recovering;
   - Financial System is seen to be stable;
   - The business environment opens up new Market opportunities;
   - Exports become strong again;
   - Unemployment is reduced;
   - Foreign direct investment and portfolio inflows increase;
   - Chances of a future crisis are significantly reduced.

7. The major components of the Macroeconomic Framework which follows from the desire to make these event happen, are:

   a. Stabilizing the Economy: One side considers this as getting the necessary help (IMF) to bring the Government’s Balance Sheet back into manageable proportions; An other side considers this as getting spending and investment going again so that the private sector can see some actions towards reviving the economy.

   b. Boosting Private Sector contribution to growth and development; One side sees this as getting the Private Sector to commit resources towards diversifying the economy (diversify agricultural exports and increase the contribution of Tourism sector); Another side sees this as coming up with
mechanism for private sector and civil society to the planning, programming and implementation of the strategies for growth and development.

c. Improving the quality of services delivered by the Public Sector; One argument is that the entire budgetary expenditures in the Public Sector (Public sector investment is a major determinant of Growth) can have a greater impact on the society and economy if the administration of the Public Service is modernized and improved. There is also a strong argument that quantitative increases in social sector services (Education and Health) are not feasible under the present budget constraint, but that the quality of these services and their delivery can be improved with the active participation of the other stakeholders.

8. The macroeconomic framework would therefore have four logical parts:
   a. The basic indicators telling us that the fundamentals are changing;
   b. Budget indicators telling us how we expect fiscal stabilization to proceed;
   c. Trade indicators showing both a renewed capacity of exporting and also a more diversified production/export structure

9. One additional component of the Macroeconomic Framework will be a Matrix indicating Priority Objectives and Performance Indicators in Poverty Reduction. Some of these will overlap with the basic indicators but donor support will require that these be explicitly stated as part of the framework for action on the economy. This can be easily compiled from the current work being done in Assessing the level of Poverty (World Bank)

Matrix of Priority Actions

10. All areas may appear to be “priority areas” so how do you go about setting priorities. Well not in the simplistic way of giving subjective values to each area, but rather by following a thematic approach. The IDP Phase 1 Report and the activities in Phase 2 have suggested five broad-based themes.
   a. Accelerating the rate of economic activity.
   b. Anchoring economic growth in expanded export activities.
   c. Anchoring economic growth in poverty reduction strategies.
   d. Improving human resource development and the delivery of social services.
   e. Strengthening institutional capacity for non-State interventions.

11. The first theme sounds strictly economic. However the remaining four are intended to provide the cross cutting and cross Sectoral approach to Priority Actions.
12. The Matrix is organized in terms of:
   a. Objectives for 2003-2006
   c. Priority Action Planned for 2003
   d. Desired Stakeholders’ Participation

**Matrix of Public Expenditure Allocations**

13. This is the expenditure framework that is reflecting how Public funds will be used to pursue Priority Actions so that the objectives identified in the Macroeconomic Framework are achieved.

**Institutional Strengthening**

14. The IDP is developed through a continuous process of consultation. For this process to bear fruit in the implementation of projects and programmes within the MTPEF, it would be essential for the Ministry of Finance and Planning, responsible for supporting economic activities and for social sector spending, to manage Policies in an inclusive manner. In terms of methods of operations, the management of Policies means performing two very important technical functions:

   a. Managing the constructive involvement of stakeholders in the implementation of Policy.

   b. Managing the service support to policy goals and targets which cut across Ministerial and/or departmental lines (cross-cutting issues).

15. The economic and social responsibilities of the Cabinet would include the following:

   - The Integrated Develop Planning Process
   - Policy Development Process
   - Medium-Term Public Expenditure Framework
   - Preparation of the Annual Budget
   - Special Relationship with the Carib Community
   - Social and Economic Vulnerability Response

16. As a consequence the first level of institutional support for the IDP Planning Process should be found at the **level of Cabinet** and included in a written “Manual of the Office of Cabinet”. The second institutional support for the Planning process is at the **legislative level**. The third level of institutional support has to come from the **procedural objectives of the Ministries** of Government
## POVERTY REDUCTION OBJECTIVES

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<th>Priority Objectives &amp; Performance Indicators</th>
<th>Referenced Situation</th>
<th>Quantified Objectives</th>
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<tr>
<td></td>
<td>Date</td>
<td>Quantity</td>
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<tr>
<td>1. Reduce Poverty</td>
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<td>▪ Number of Poor (in thousands)</td>
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<tr>
<td>▪ Incidence of Poverty</td>
<td>2000</td>
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<td>▪ Incidence of Extreme Poverty</td>
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<tr>
<td>2. Accelerated Economic Growth:</td>
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<tr>
<td>▪ Annual Economic Growth Rate</td>
<td>2001</td>
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<td>▪ Annual Per Capita GDP Growth Rate</td>
<td>2001</td>
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<td>▪ Investment rate (as % of GDP)</td>
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<td>3. Maintaining Fiscal Stability:</td>
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<td>▪ Fiscal Balance (as % of GDP)</td>
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<td>▪ Current Account Deficit</td>
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<td>▪ Debt/GDP Ratio</td>
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<td>▪ Debt Service Ratio (as % of Revenues)</td>
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<td>4. Improving the Quality of Education</td>
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<td>5. Improving overall Health Status</td>
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<td>▪ Life Expectancy at Birth</td>
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<td>▪ Infant Mortality Rate</td>
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<td>▪ Prevalence of HIV-AIDS</td>
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<td>▪ Number of fully staffed Health Clinics</td>
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<td>6. Improved living Standards and increased incomes in rural areas</td>
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<tr>
<td>▪ Income earned from Banana Production</td>
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<td>▪ Estimate of displaced Banana Farmers</td>
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<td>▪ Estimate of displaced Banana Workers</td>
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<td>▪ Agricultural GDP Growth rate</td>
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<td>▪ Small Farm Loans disbursed</td>
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<td>▪ Rural access roads serviced</td>
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<tr>
<td>▪ Communities targeted for income support</td>
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</tbody>
</table>
### 1. Performance Indicators
- Real GDP Growth Rate
- Inflation Rate
- Primary Budget Balance as % of GDP
- Current Balance excluding official transfers (% of GDP)
- Exports as % of Imports
- Agriculture Export Earnings (EC$ million)
- Tourism Foreign Exchange Earnings (EC$ million)

### 2. Budget (in % of GDP)
- Government Revenues
- Expenditures & net loans
  - Wages and Salaries (% of Expenditures)
  - Operations (% of Expenditures)
  - Capital Budget (% of Expenditures)
- Budgetary Support
- Social Sector Expenditures (% of GDP)
  - Expenditure on Health (% of Expenditures)
  - Expenditure on Education (% of Expenditures)
  - Expenditure on Community Development (%)

### 3. Trade Capacity
- Total Value of Exports
- Total Value of Imports
- Agricultural Export Earnings
- Manufacturing Export Earnings
- Tourism Export Earnings

### 4. Memo Items
- Nominal GDP
- Government Arrears to DSS
- Net change in Public Debt
# MATRIX OF PRIORITY ACTIONS UNDER THE MTPEF: 2003-2006

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<td>Theme 2: Economic Growth Anchored in an expanded Export Capacity.</td>
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<td>Training, Research and Extension:</td>
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<td>Expansion under the CARICOM Single Market Initiative</td>
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<td>Rural Infrastructure:</td>
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<td><strong>Theme 5: Strengthening Institutional Capacity for non-State Intervention</strong></td>
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<td>Performance Indicators:</td>
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# MEDIUM TERM PUBLIC EXPENDITURE FRAMEWORK

Matrix of Priority Actions and Costs

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<th>Priority Areas</th>
<th>Priority Actions</th>
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INTEGRATED DEVELOPMENT PLANNING

IDP DISCUSSION PAPERS

#10

By
The Development Institute (TDI)
Team of Consultants

September 2002
Introduction

1. A primary objective of the strategy for economic growth and inclusion is to mobilize budgetary and non-budgetary investment resource towards the previous levels of the PSIP ($130 million) by FY04/05. In order to achieve this, efforts should be made (1) to introduce a general Value Added Tax; (2) to continue strengthening the capacity and efficiency of tax administration; (3) to establish a Social Investment Fund to protect investment in Human resource development through training, delivery of social services, promotion of local development activities; (4) to focusing the resources of the extra-budgetary funds more specifically on local development goals.

2. The overall development objective of the Social Investment Fund (SIF) is to provide funds (grants, revolving loans, guarantees) to local development groups, community organizations and NGOs to fully participate in the supply of basic social and economic infrastructure and services.

3. The following measures have been proposed to initiate the SIF:
   - Establish the Social Investment Fund with an allocation equivalent to 10% of the total social services expenditures.
   - Establish the financing agenda of the SIF along thematic lines.
   - Invite donor support for either direct individual projects or for project activities along thematic lines:
   - Utilize the SIF to support small-scale projects, identified and implemented through community participation.
   - Include in the SIF Grant Portfolio community sub-projects sponsored by eligible NGOs and CBOs for demand-driven investments in education, health/nutrition, small scale infrastructure, agriculture productivity, natural resource management, developing social capital, empowering women, providing economic opportunities for youth.

4. The Social Investment Fund has a very important part to play in economic recovery:
   - It can become an instrument for targeting social and economic investment as well as for sharing both the costs and the responsibility for implementing some social investment projects.
• It can become a source of funding that is relatively independent of the budgetary priorities of the Government and is run by a Board of Directors responding to the development needs of other stakeholders,

• Government can increase the level of the Fund by seeking donor support for either the SIF or for project components in the SIF outside of the framework of its own mutual obligations to bilateral and multilateral funding sources.

• The SIF can become an effective instrument for maintaining the focus of the various non-budgetary funding opportunities on the major themes of the IDP.
### Some Indicative Goals of the Social Investment Fund

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<th>Targeting</th>
<th>Generating Employment and Income</th>
<th>Supporting Investments</th>
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<td>Support to include rural labour and youth</td>
<td>Support to direct infrastructure improvements initiated at Community level</td>
<td>Addressing local areas with serious employment problems</td>
<td>Supporting local government efforts at attracting enterprises</td>
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<td><strong>Social Projects</strong></td>
<td></td>
<td>To support enterprise development</td>
<td>To increase cohesion among local community organizations</td>
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<td><strong>Agricultural Inputs provision</strong></td>
<td>Support labour supply to targeted banana farms</td>
<td>Support enterprise development in input supplies (Organic farming)</td>
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<td><strong>General Food Security</strong></td>
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<td>Skills acquisition programmes</td>
<td>Supporting small investment in on-farm structures</td>
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<td><strong>Risk reduction</strong></td>
<td>Reducing debt/equity ratios in small enterprises</td>
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<td>Promoting complimentary production (livestock production)</td>
<td>Covering Technical assistants to small scale production investments.</td>
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<td>Identification of demand driven programmes</td>
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INTEGRATED DEVELOPMENT PLANNING

IDP DISCUSSION PAPERS

#11

PUBLIC SECTOR MODERNISATION

By
The Development Institute (TDI)
Team of Consultants

September 2002
Introduction

1. The question of better governance is also an integral part of the Stabilization and Economic Growth programme. The belief that decentralization hinders fiscal consolidation is not supported in the analysis of the experiences of countries. A most recent study of the experiences of 174 countries on this issue (using cluster analysis) concluded as follows:\footnote{Macroeconomic Management and the Devolution of Fiscal Powers, Paulo Drummond and Ali Mansoor. IMF Working Paper WP/02/76. April 2002}:

- For low-income countries, the association between decentralization and degree of fiscal consolidation is not statistically significant. However, \textit{countries with better governance are associated with lower variability in the government balance}.

- For middle-income countries, the more decentralized cluster is associated with better governance, less variability in government balance and better fiscal consolidation (small improvement in government balance compared with a deterioration for the more centralized cluster with worse governance).

2. The IDP’s approach is that “better Governance” has to be reflected in the ability of the Public Service to administer and manage policies and programmes in support of stabilization and growth in the economy. This would encompass a wide range of activities:
  - The ability to collect the statistical information needed for effective policy implementation, and to share these with the private sector and civil society;
  - The ability to effectively plan government expenditure and the delivery of public services at both the central and local government levels;
  - The financial, planning and human resource capability of Ministries to effectively carry out their proposed “Mission Statements”;
  - Public sector's aid absorption and project implementation capacity;
  - The effectiveness of agencies to fight corruption and enhance governance;
  - The establishment and operation of appropriate regulatory and/or prudential frameworks for companies and banks;
  - The making and enforcement of rules and laws and judicial reforms;
  - The protection of property rights;
• The promotion of competition and of a market-based economic system in general.

3. The IDP’s concern is with institutional capacity at the level of Policy Making, at the level of administrative effectiveness and at the level of Public Service efficiency. Public Sector modernization is the agenda item referring to the last two. It becomes a critical issue because the implementation of the IDP requires a change in some of the approaches currently familiar to the Civil Service.

4. The major challenge is to reorient the Public Service towards becoming a “Customer-driven” service. However this cannot be achieved if some of the old issues of encouraging innovation, involving staff and selecting Permanent Secretaries are not addressed.

Immediate Measures

5. The IDP identifies seven (7) immediate interventions in respect to modernizing the Public Service. The first is to cultivate the sense of a customer driven public service. The IDP recommends that:
   • A Customer Clients Charter to be prepared by each Division detailing measures for improving service to the customer. Charter to address such questions as long response time to requests and applications, lack of caring and respect by front line staff
   • Customer Services Training be provided.
   • Programmes be prepared in close consultation with private sector and civil society
   • Regular customer satisfaction surveys be conducted.

6. The second is to encourage Innovation and Initiative by:
   • Introducing Award System for recognizing innovative ideas. Criteria to be established for qualifying for the award and made public.
   • Implementing a system for staff appraisal
   • Organizing programmes to sensitize staff for change management
   • Giving managers greater freedom to make decisions within a prescribed framework thereby allowing staff to act creatively and in a timely manner.

7. The third is to promote interdepartmental cooperation by:
   • Encouraging regular staff meetings between departments
   • Developing programmes of cooperation for discussion on issues of concern among senior staff of Ministries.
   • Involving private sector and civil society in defining the broad cross-Sectoral approaches and in requesting meaningful inputs from other Departments and Divisions.
8. The fourth is to achieve greater involvement of Staff in key activities such as preparation of Mission statements, corporate plans etc. In this regard, the IDP recommends:
   - Organizing strategy sessions with staff on issues affecting departmental efficiency.
   - Encouraging the staff to study any Comprehensive IDP Framework emerging from the stakeholders to obtain a vision of the scope for integration of action.
   - Giving staff more responsibility for implementation and reporting.
   - Encouraging staff involvement in design of mission statement and corporate plans and devise programmes for staff commitment to outcomes.

9. The fifth is to change the way Public Sector Managers are appointed. It is recommended that:
   - A Policy circular by Cabinet should address the criteria for selection and future appointments to the post of Permanent Secretaries on contract.
   - Permanent Secretaries should be prepared to present Annual Report on activities and performance of Ministries to Select Committee Parliament in open public session.
   - Measures should be instituted to tap the knowledge and expertise of the private sector on procurement of goods and services.
   - The Private Sector should be invited on a regular basis to advise on trade negotiations and steps to advance public sector modernization.
   - The Private Sector should be invited to sessions to cultivate better understanding of how the machinery of government functions.

10. The sixth is to improve Personnel Recruiting Practices. The IDP recommends that the Public Service Commission encourage openness by publishing Annual report on the functioning of the Commission. This should be complemented by the Public Service Commission undertaking regular strategic sessions with the Establishment, Personnel and Training Department with the objective of raising standards of personnel administration impacting thereby on recruitment, promotion and discipline for a modern public service.

11. The seventh is specific actions at selected Divisions. These include:
   - Customs reorientation for business facilitation. Measures already proposed to commence action on this objective to be implemented.
   - Registry initiatives to computerize system for issue of Birth Certificates to be given priority.
   - Training of Registry Staff in Customer relations to be undertaken
   - Computerizing the issuance of Passports be given priority.
- The Public Service Reform Unit be equipped with staff and resources to transform it into effective Agency for public service modernization

**Ministries’ Mission Statements**

12. An IDP approach requires the review of Mission Statements of the Ministries and adjustments where necessary to fit the new planning process and plan.

13. The Mission Statement and Corporate Plans of most of the Ministries, - Agriculture, Communication and Works, Foreign Affairs, Trade, Finance and Planning - require review to meet the criteria of partnership with private sector and civil society and a more holistic approach to development.

14. In the case of the Ministry of Communication and Works, with responsibility for infrastructure, telecommunications and housing, the intervention of the social partners is critical. It is therefore recommended that a session be held with those partners for review of the mission statement.

15. The Ministry of Education and the Ministry of Health have organized extensive sessions with the civil society and to some extent with the private sector. In fact the Ministry of Education’s Mission Statement precisely reflects the IDP criteria. That of the Ministry of Health would need some adjustment to take into account, the extensive consultations held and the involvement of civil society in particular. Reference to the collaboration of stakeholders, which the Ministry has undertaken, would meet those criteria.

16. The Ministry of Community Development also needs to review the Mission Statement, factoring in the strong role of partnership with Civil Society and private sector.

17. The Ministry of Tourism requires review to reflect the significant role of the private sector and civil society in its mission objectives. Private Sector involvement in the crafting of the policy and mission of the Ministry and that of civil society is important. It is recognized that there was a level of engagement and consultation with the civil society in tourism, specifically to do with the Eco-Tourism Development Programme, a critical policy of the Ministry. Nonetheless, the Mission Statement needs to be redesigned to reflect in an IDP context, the critical role of the private sector and civil society.

18. The new Ministry of Industry Enterprise Development and Physical Planning has not as yet produced its Mission Statement. This provides an excellent opportunity for sessions to be held with private sector, civil society, in the formulation of a Mission Statement that recognizes the significant role of the social partners in the execution of the portfolio responsibilities of that Ministry.
INTEGRATED DEVELOPMENT PLANNING

IDP DISCUSSION SERIES

#12

PRODUCTIVITY

AND

PERFORMANCE

By

The Development Institute (TDI)
Team of Consultants

September 2002
Introduction
1. Productivity is an issue of serious dimensions in the country. It is an issue that provides positive solutions to higher incomes, higher profit margins, competitiveness in overseas markets and competitiveness in terms of imported products. Within a trade regime that essentially removes all protective tariffs (CET being reduced to 5%) productivity must be seen as the cornerstone to future success.

2. But the issue of productivity is not simply an issue relating to labour. The status of enterprise productivity is reflected in the nature of labour relations, the skill training programmes in place, the level of investment in productivity enhancing technology, the attraction of higher skilled labour through offering higher wages. The intervention of the IDP would be to address the issues of:
   - Improving quality and quantity of employment;
   - Raising competitiveness;
   - Reducing poverty

Improving skills levels
3. One of the main objectives of the IDP is to improve skill levels and flexibility to cope with market demand and technology changes in both private and public sectors. Some of the measures being recommended are:
   - Carefully design skills improvement programs and expand existing technical and vocational skills training programs with collaboration of businesses, unions and government and link training to each country’s overall development strategy;
   - Improve the quality of education programs and develop policies and frameworks for the private sector to do more in education and training;
   - Raise the present low rate of tertiary education as this group is the principal source of skilled labour, managerial persons and potential entrepreneurs;
   - Introduce systematic evaluation of training program effectiveness

4. A second objective is to expand high-paid employment opportunities otherwise, an increased supply of unskilled workers will only bid down wages and undermines both the incentive to work and to be trained. In this respect the IDP recommends that measures be undertaken to:
   - Promote business formation and development, particularly in the small to medium-size enterprise sector by providing well-designed packaged assistance.
- Promote foreign direct investment, which can play a key role in technology transfer and in improving the culture of management and work ethics.
- Develop policies to attract return migrants who have benefited from foreign training, not merely from academic or vocational training but in the wider sense of learning on the job and assimilating more of the global business culture.

**Mobilizing Resources**

5. The challenges associated with mobilizing financial resources for development have been addressed in several important agreements between the donor and recipient States. Dominica is signatory to several of these multilateral agreements and in the context of the partnership approach that is a central feature of the IDP approach, the country’s stakeholders can now give serious consideration to extending this element of the development strategy to the task of resource mobilization.

6. The Cotonou Agreement contains provisions for accessing investment funding which are currently under-explored. Collaboration on the preparation of submissions, the negotiations and the management of resources from this and other sources should see representatives of the private sector and civil society working with the relevant public sector agencies to mobilize the resources needed to continue the process of IDP to the point of converting many of the recommended actions in the Plan into concrete projects.

7. To concretize this approach, the IDP recommends the creation of the **IDP Continuation Commission**, with one of the specific items of its Terms of Reference being to take the Programmes and Project Briefs included in the IDP and institute a strategy for resource mobilization for private sector and civil society implementation, starting with project preparation, submission, negotiation and implementation.

8. The IDP also encourages the **Private Sector** to identify international partners who may wish to participate through equity, management or other suitable form in the launching of projects in sports, health, agriculture, tourism, energy to name a few. **Civil Society** too, has options under Cotonou under the envelope of Decentralized Cooperation which allows that sector to collaborate with its international partners in Europe to design and implement programmes and projects that can parallel or compliment public and private sector initiatives.

9. Finally, the Dominican Diaspora is a vast untapped source of finance and expertise. The National Commercial Bank has taken initiatives to mobilize resources from that pool of Dominicans for development in the country. This needs to be encouraged as one avenue for resource mobilization. The Credit Union movement is a prime candidate for this approach. In addition, working through organizations of Dominicans overseas (DAAS, DUKANS and many others in other Caribbean countries and beyond), skill banks can be setup that will allow for the best available
expertise from the overseas community to be available to the country’s private sector, civil society and public sector for application to development needs. Such areas as the new enterprises associated with knowledge-based industry, tourism marketing, trade negotiations, diplomatic and other levels of representation are just indications of the potential for this skills bank approach.

10. Resource mobilization on the local level is also an important part of achieving productivity gains. The IDP proposes that the Private Sector, in cooperation with civil society, operated Full Service Resource Centers (FSRCs) servicing agricultural enterprises and other sector activities in the multi-sector, multi-enterprise zones. This could be achieved by:
   - Encouraging Local area development committees to promote the outsourcing and contracting of professional and technical services required by farming enterprises in the zones.
   - Encouraging Private professionals to take up these opportunities and to create jobs by providing services.
   - Government to eventually divest the Ministry of Agriculture of the major volume of extension services, transferring this into private hands and utilizing the skills of the Ministry in research, policy management and identifying enterprise opportunities.

11. The IDP sees the establishment of Bankers’ Association could constitute a platform for discussions about financial issues, the organization of activities of common interest to all members of the financial community and to enhance dialogue with the monetary authorities, public sector, private sector and wider society on financial sector-related policies and strategies. Financial institutions should enhance their contacts with capital providers such as EU’s financial support organizations: IFC and EIB. Linkages with other professional organizations within the industry such as DALU, Insurance Companies Association, CU League and the wide public institutions would be necessary.

12. The overall objective of the IDP programme in the financial sector is the creation of a competitive financial sector with affordable services and products aimed to simulate economic growth operating within a well-regulated system.

13. To Improve lending to Small and Medium size Enterprises the IDP proposes:
   - Reformulation of policy to reflect close complimentarity with priority economic activities
   - AID BK, NDC and Government departments and agencies modernized- service-driven, facilitation oriented
   - Support institutional strengthening of DUTC, CU, NDFD
   - Create a Guarantee Fund for enterprise development in Carib Territory
   - Prepare institutions for competition from HRD initiatives and interventions
• Invest in modernization effort, cross-training,
• Creation and support Service Resource Centres
• Partner in “Business Incubator” Programme- AIDBK, NDC, NDF, DEXIA, Service Resource Centres
• Advocate interests of gender, youth, elderly and disadvantaged

14. To prepare for technology changes in the banking sector and to provide product diversification and modernized customer services in Financial Services the IDP proposes:
• Effect legislation for e-banking
• Improve supervisory skills
• Prepare for E-Government
• ICT policy developed Prepare infrastructure to accept e-transactions ICT providers, learning institutions, etc
• Skills improvement, training and re-training Collaborate in massive educational drive and acceptance
• Employment creation

15. To introduce longer term borrowings to finance investments the IDP proposes:
• Legislation for Venture Capital, Leasing be passed
• Tax relief provided- depreciation of assets
• Facilitate company registration
• Registration of companies encouraged
• Develop appropriate skills to operate and participate market
• Insurance companies increase local investments
• In conjunction with private and public sector educate populace to participation in market creation
• Coverage and products designed for national health care

Enterprise Development

16. The IDP sees the need to promote new institutional mechanisms and sources of financial support for small and micro business. In pursuit of this objective, the IDP proposes that:
• The design of Programmes through public education, and direct departmental interventions to enable the services sector to draw on new sources of finance available for micro credit for the services sector.
• Establishment of a framework for technical assistance and advice to would-be entrepreneurs to respond to demands for services in tourism, agri-business, information technology, film, music and information processing
• Collaboration with private sector and selected agencies to prepare inventory of resources available for setting up business in the services sector
17. On the Policy and programme level the IDP proposes:
   - The creation of necessary policy instruments for comprehensive one-stop institution for services sector in all its aspects. This would include preparation of business plans, financing, advice on design, accounting and inventory control, marketing etc.
   - Working with private sector to concentrate the institutional and technical assistance to small business within a private sector/civil society group with widespread outreach capability.
   - Increasing awareness on the part of community development officers of the various extra-budgetary funding sources available and mounting a programme to train such officers to assist youth, women and the unemployed in putting together their own financial packages for funding by more than one funding source.

Raising Competitiveness

18. It is essential that we adopt an integrated approach to raising the level of competitiveness of domestic enterprises. The IDP seeks to motivate the relevant authorities to undertake institutional reforms that would facilitate labour market flexibility and job creation. Some of the measures being recommended are:
   - Initiate local area surveys to identify the job skills in the area and provide information to the local authority and local development committees to consider in their local area planning exercises.
   - Develop effective systems through the creation of job banks and job-matching in collaboration with the private sector, unions and Government to better utilize skills distribution and to raise productivity.
   - Research and table for consideration by employer organizations and trade unions compensation schemes for workers that allow businesses to react quickly to changing circumstances while ensuring that the schemes are fair and protective of workers’ rights.
   - Establish a tripartite social dialogue and provide adequate training for all stakeholders for the arrangement(s) to work so as to improve industrial relation management, reduce strikes and create conditions for improved productivity and growth.

19. The IDP also calls for collaborative action to increase the competitiveness of local enterprises. In the Tourism industry this would focus on increasing occupancy levels by:
   - Putting in place programmes for destination marketing supported by the Eco-Tourism Project and working with Stakeholders to implement other strategies aimed at increasing stay-overs from the present level of 68,000 to 85,000 within the next five years.
   - Encouraging Private Sector initiatives to engage the airlines, tour operators, and other tourism providers in strategic alliances to service the Dominica route.
20. The IDP also calls for the mounting of a Joint Ministry of Tourism/NDC and DHTA project to conduct a Visitors’ Survey to support Tourism investment decisions. The DHTA’s participation may already be supported by the Eco-Development Project and its own Institutional Building Capacity project. This effort would involve:
   - Coming to a consensus with the membership of DHTA on the data that should be collected.
   - Designing the survey instrument
   - Utilizing professional services to conduct the Survey and do the analysis of the data
   - Share the results with the membership of DHTA and other stakeholders in the industry.

21. The IDP also proposes some indicative goals in the Tourism Sector:
   - Increasing visitor arrivals, occupancy levels and new investments
   - Satisfying customer needs by providing quality product and services, collaborate with Government in planning, promoting and marketing tourism;
   - Identify tourism resources and attractions within rural communities;
   - Opening up of new sites and ensuring that user fees are collected
   - Creating new opportunities for purchases of tourism items
   - Organising training for small business providers for the tourism sector;
   - Optimizing opportunities for new tourism entrepreneurs to attract business from visitors.
   - Using civil society expertise in small business to train entrepreneurs to provide some of the range of services required by the visitors.
INTEGRATED DEVELOPMENT PLANNING

IDP DISCUSSION PAPERS

#13

LIST OF MEASURES
RECOMMENDED IN THE IDP

By
The Development Institute (TDI)
Team of Consultants

September 2002
**LIST OF RECOMMENDED ACTION**

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*Integrated Development Plan*

**VOLUME 3: Annexes**

Discussion Papers Volume one and two
INTEGRATED DEVELOPMENT PLANNING

IDP DISCUSSION PAPERS

#17

BUILDING INSTITUTIONAL AND ORGANIZATIONAL CAPACITY

By
The Development Institute (TDI)
Team of Consultants

September 2002
Introduction

Labour
1. The transition challenge of the IDP in respect of labour is to incorporate measures, which will impact on the various roles of labour, as;
   - An economic resource whose productivity is essential to recovery;
   - A source of income and an actor in the reduction of poverty;
   - An organized base for participating in industrial activities;
   - A representative stakeholder in social, cultural and environmental sustainability.

2. Maintaining labour stability and social protection as well as providing equity and economic inclusion, are as important as ensuring that labour as an organized institution contributes fully to developing flexibility and cost competitiveness in our industrial/productive structures. So the IDP gives priority to human resource development, organizational strengthening, social and economic inclusion (enterprise formation) and encourages the reform of labour policies and employment practices within the framework of a more open economy and a more democratic environment.

3. Within that context, IDP proposes the following Sector-specific action agenda:
   - Redefine the mandate and role of the Ministry of Labour (Mission Statement) to include it in the decision-making environment for improved national productivity, consistent work ethics and enterprising work attitudes and for defining the host-environment for foreign direct investment.
   - The Ministry of Labour enters into cluster networks with other ministries to jointly produce core labour standards, human rights at the workplace, environmental standards that compliment measures at poverty reduction, enterprise development and environmental sustainability.
   - The Ministry of Labour make provisions for an independent diagnostic analysis of the labour market, comparisons with markets in other OECS and CARICOM regions, and the implications for flexibility in wages and other production costs and competitiveness of Dominican industry in the CARICOM Single Market and Economy.

4. The IDP also proposes that all social partners with the public sector taking the leadership role should seek to engage in an exercise the objective of which would be to:
   - Maximize the output of social dialogue to involve other non-state actors in the organized segment of economic production at all levels.
   - Modernize labour legislations to increase the capability of Labour organizations to be able to channel its membership to and mobilize resources for the
development of SME and micro-entrepreneurs as part of the changing landscape for income generation.

- Encourage the HR Management as a core of national development.
- To embrace the concept of skill development in planning and implementation of Service Resource Centres.

**Local Authorities**

5. Local Government is geared to empower people and is rooted in the doctrine of promoting active participation of the citizens in the development of the country and prides itself in its motto “Community Development is People in Development”. The Councils, both by their legal and administrative standing are the principal community-based development agencies in the communities in which they exist. However, because of the diverse nature of Dominica’s communities, special interest or general community development groups often develop. The Councils are therefore challenged to establish active working relationships with these community-based groups.

6. Councils have the authority to co-opt other groups and organizations as well as professionals in the communities to serve on special needs sub-committees. Another way in which Councils work with other groups is by participating in community coordinating committees. These committees comprise of representative from each of the groups and organizations in the community to coordinate development activities in the community. These arrangements do not in any way compromise the primary and essential authority of the Council.

7. Building on the existing capacities, a transition strategy should be worked out between the Government and the Dominica Association of Local Authorities that would focus on, inter alia,:
   - Legislative amendments to give effect to administrative and institutional changes for the reform of local government;
   - Institutional strengthening at Central Government and Council levels in upgrading the skills of the administrative and support staff;
   - Allowing Civil Servants to serve on the council as nominated members;
   - Encouraging private sector participation on the council;
   - Decentralizing some Central Government functions, responsibilities and services to councils with the necessary capacity to acquire and effectively utilize resources.

**Civil Society**

8. Institutional and organizational capacity is essential if any civil society organizations are to partner with public and private sectors in an IDP situation. This means training, information sharing, and the provision of an institutional
framework, both legal and resource based, to facilitate intra-sectoral coordination and inter-sectoral support. In this regard the recent passage of the NGO Act 2000 of Belize by the Belize Parliament can serve as a starting model for legislation to provide the basis for recognition, validation and strengthening of civil society.

9. Networking among and between sub-sectors of civil society, i.e. NANGO, must be encouraged, as it is in these environs all the ingredients can be mobilized for a focused input in an IDP approach.

10. The many examples of constructive partnering of civil society organizations, with the public sector in particular, attest to the value of such organizations in catalyzing public sector workers to attain new achievements and engage in creative new approaches to development. Where organizational sustainability is a concern, the public sector must consider criteria and mechanisms for financial support to these entities. Capacity can only be built if the organization exists and has the possibility of ongoing programming.

**Private Sector**

11. The emerging liberalized economy requires enhanced competitiveness in exports, services, promotion and marketing and it is the private sector that will ultimately produce the competitive products/services in this new environment. Governments of Caribbean countries are forging new linkages with the private sector as they recognize the need to facilitate the efforts of the private sector, which is expected to play a major role in generating economic growth and development in the economy.

12. The private sector sees the call for an “enabling environment” as implying more that the convergence of macroeconomic indicators. A new dynamic must be fashioned between partners of public-private sector/civil society in which dialogue and cooperation become the focus of their relationship. In this respect the IDP seeks to respond to the wishes of the Private Sector to have:
   - An opportunity to inform Government what their development needs are;
   - An opportunity to determine the national development direction;
   - A mechanism through which to communicate with the political directorate and the administrative staff;
   - A mechanism through which they can measure the performance of Government and its machinery;
   - Policies and programmes fashioned on acceptable IDP goals and which can provide them reliability and confidence to make investment decisions.

**Utilizing the Diaspora**

13. The Diaspora constitutes the most singly endowed group of Dominican. They have demonstrated in concrete terms their capacity to deliver goods and services to
communities in support of development goals. Furthermore, they have readily adopted the approach of consultation and collaborative efforts, which the IDP itself flags as the hallmark of an inclusive planning process and are expected to be receptive to efforts at involving them in all stages of the process.

14. With respect to the further involvement of the Diaspora in Dominica’s development, the IDP proposes as part of the transition strategy the establishment of a Unit at the highest level of the public sector, to facilitate the participation and eventual re-entry of members of the Diaspora into Dominican society. This Unit can be the conduit and mechanism for addressing and resolving the problems faced by returning Dominicans. The Unit should also have the capability to address expeditiously the need for mechanisms that will facilitate investments of expertise and finances by the Diaspora in the local economy. Additional transition measures that can be taken with respect to the Diaspora are:

- Expand the roster of Dominicans in the Diaspora with skills and experience of relevance to the development focus of the country;
- Strengthen links between the Diaspora and local community organizations;
- Identify, track and recruit young Dominicans who have been trained in fields relevant to the country’s development needs;
- As a special focus, recruit women in the Diaspora, many of whom are already engaged in matters of trade and who can be particularly important to Dominica in enhancing opportunities for trade in goods and services;
- Continue to recruit youth in the Diaspora to represent Dominica in the field of international sports and actively engage them in a programme aimed at providing role models to the youth at home.
INTEGRATED DEVELOPMENT PLANNING

IDP DISCUSSION PAPERS

#25

DEBT RECOVERY

AND

PUBLIC SECTOR SAVINGS

By

The Development Institute (TDI)
Team of Consultants

September 2002
Introduction

1. Three major challenges to Government at this time are to reduce the burden of the national debt, increase public savings and reduce public sector expenditures. These are not “stand-alone” measures that can be taken outside of the context of their resultant impact on stabilization and growth. The IDP’s recommendations are structured within a framework that allows Government to achieve acceptable levels in these issues with the cooperation of the other major stakeholders.

Fiscal Adjustment

2. Debt Recovery\textsuperscript{32}, increasing Government savings and reducing public expenditures are all part of a programme of fiscal adjustments. The objective is to reduce the fiscal imbalance and re-introduce a sustainable position in the Government’s fiscal budget.

3. The IDP programme for fiscal adjustment has five initiatives: \textit{The first initiative is to seek short-term debt relief}. Some of the measures that need to be considered in order to reduce the internal Balance include:

- Accessing immediate financial support from CARICOM member states both on a bilateral basis but preferably through the CARICOM \textbf{Regional Stabilisation Fund};
- Concluding a \textbf{Standby Agreement} with the IMF to cover current liabilities;
- Gaining access to \textbf{PRGF funds} for a 3-year period based on clear commitments within an Integrated Development Plan;

4. The second initiative is to \textit{enhance internal surveillance and assessments of the impact of both domestic and external debt}. Here, the IDP seeks to combine qualitative analysis of the country’s circumstances with vulnerability indicators and other quantitative tools. The main objective is to develop a medium and long-term strategy for the management of both domestic and external debt and to strengthen the system for control and management of the public debt. The measures proposed include:

- Strengthening the role of the Debt Management Unit by ensuring its opinion on current and future debt becomes part of the decision process of incurring public debt.
- Strengthening internal control procedures. This would include both the Auditor General’s role as well as contributions by the Debt management unit.
- Making the Report of the Auditor General submissible to a special review committee of Parliament before being presented to the full Parliament.

\textsuperscript{32} The TOR uses the terminology “Debt Recovery” which we are interpreting to mean measures for the Government to recover from its debt crisis.
- Improvement in the quality of fiscal data with more graphical expression of the fiscal situation.

5. The third initiative is on standards and codes, where among other things the IDP seeks to provide a stronger basis for Government to make judgments about the allocation of Public Sector investment options. The measures include:
   - Preparing a medium and long-term strategy setting out the overall parameters for a sustainable debt management policy and the post-IMF Debt reduction.
   - Extracting from this strategy a “Code of Financial Management Practices” in the Public Sector and share this with the major stakeholders.
   - Encourage the Financial Institutions to generalize to their practices from this code and to establish a Code of Financial Management Practices in the Private Sector.

6. The fourth area is that of rebuilding the confidence of the financial sector. A key initiative in this regard is for Government to reestablish a collective working relationship with financial service institutions, instituting a system of information sharing particularly on the potential impact of Government’s policies on the financial sector and for Government to become part of an informal network that ensures that financial resources are made available to entrepreneurs and “development committees” especially in the rural areas and those severely affected by the collapse of the Banana Industry.

7. The fifth area is that of fiscal transparency. Here, the IDP is requiring that Government make a fundamental shift in its approach to fiscal management and seek to actively involve the private sector and civil society in policy and programme decisions. The three major operational changes which the Government must undertake in order to be truthful to the spirit and the letter of the concepts of an Integrated Development Planning Process are:
   
   d) Ensure that the PSIP funding objectives find their justification in the Integrated Development Plan. This is not only necessary for attracting donor support but will provide credence to the participation of many individuals and groups in the IDP process.
   
   e) Become “intentional” in its enunciation of macro-economic policy in general and expenditure policy in particular. Stakeholders need to determine their course of action on some level of predictability in terms of the instruments that the Government will use and the results that can be expected.
   
   f) Bring into the picture of debt management other types of assets and liabilities that the Government manages and which can influence the credibility of the Government.33

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33 IDP Report on Sensitisation, Research, Analysis and Planning, p.28
8. A public position on Fiscal Transparency is an important first step and in our current situation we have identified seven components of an adequate position. These are:
   i. Create a process for the preparation of the Budget that would see the commitment of stakeholders expressed before the fact (i.e. its presentation in Parliament) not after the fact.
   ii. Determine Fiscal Expenditure levels both within the level of expected revenues and also within the context of medium term achievements.
   iii. Express as a New Code of Fiscal Conduct, Measures for Expenditure Control.
   iv. State the Adjustment that would be made to Expenditure Targets not only in the current fiscal year but also as part of a medium term plan.
   v. Improve the quality of reporting Fiscal Data so as to be in a position to share meaningful information.
   vi. Make public the procedure that we will follow in incurring any new public debt and be willing to share the results of work done by the Debt Management Unit of the Ministry of Finance and Planning 
   vii. Make a commitment to reduce quasi-fiscal decisions wherever they may occur.

9. The Mechanisms for Fiscal Transparency are as follows:
   a) A Medium Term Public Expenditure Framework (MTPEF) reflecting a consensus between the Public Sector, Private Sector and Civil Society.
   b) The Overall Deficit as the preferred indicator of the Fiscal Stance.
   c) Sensitivity analysis of the MTPEF estimates.
   d) Expressions of the code of conduct that will govern future financial relationships between the Government and the NCB and the DSS.
   e) Sharing of Fiscal Data reflecting quarterly changes in net financial position (Cash Flow) of Government.

**Improving Cash Management**

10. Cost-effective cash management is a foundation building block of any effort at budgetary consolidation. Fiscal management issues fall into four key areas;
   - Line-item expenditures
   - Revenue collection performance
   - Sharing the tax burden
   - Sharing programme costs

11. The expenditure components of Government which attract attention are as follows:
   - Wages and salaries continue to exceed 50% of current expenditures. In 2001 this component comprised 53.2% of current expenditures and 17% of GDP. Government continues to experience difficulty finding in excess of $10 million each month to pay its public sector employees;
Interest payments on both domestic and foreign debt have increased. Over the period 1996-1999 the cost of servicing the public debt averaged EC$18 million annually. In 2000 the cost of servicing the public debt increased to EC$41.478 million;

- Capital expenditures have all been funded from external grants;
- The bottom line is an overall deficit of EC$62 million in 2001 compared to the average budget deficit for the previous 5 years (1995-2000) of EC$13.5 million.

12. The standard measures to to in fiscal adjustments along line-item expenditures are:
   - Wages and salaries:
   - Across the board reduction in salaries of public officers
   - Reduction in overtime pay
   - Reduction in the size of the Public Sector Employment
   - Reduction in the size of casual workers.
   - Acquisition of Goods and Services
   - Reduction of Foreign Travel
   - Tighter control of the use of Telephones
   - Elimination of abuse of local travel claims

13. When approached this way, the public sector salaries reduction effort becomes a matter primarily of industrial relations (involving the PSA). In the case of the hiring practice of casual workers, there are two Ministries which together account for 80% of the casual workers, a bill amounting to approximately EC$10 million.

14. The improvement of revenue-collection performance should include measures to:
   - Reduce outstanding arrears to Inland Revenue currently at EC$38 million (offering an amnesty to taxpayers to rectify their tax liability status);
   - Reform the operations of the Customs Department
   - Suspending discretionary concessions in the absence of transparent Policy guidelines to the same.

15. The improvement of the system of sharing tax burden has to do with the introduction of a Value Added Taxation (VAT) system. The demand for telecommunication and television services and for petroleum products may be relatively inelastic to produce an increase in revenue from an increase in the tax rate. However, if we are anticipating a recovery that is broad-based, it seems logical to shift our thinking to broadening the tax base.

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34 Only two Ministries have a high percentage of casual workers, Ministry of Works, Communications Housing & Physical Planning (24% of budget estimates) and Ministry of Agriculture and the Environment (23% of budget estimates)
16. The improvement in the system of sharing programme costs is distinguishable from proposed systems of shifting programme costs. User fees for Health and Education services are methods of shifting programme costs. Sharing programme costs has to do with the involvement of local government, NGOs and CBOs in such areas as:
- The management and delivery of child-care health services (para-health workers);
- The delivery of nutritional support services (preventative health);
- The management of school curricula (local training, tutoring);
- The maintenance of facilities for social services (schools, health centers, etc.).

New Opportunities for Government Savings

17. The IDP reminds all that the fiscal crisis has two major sources of concern. The first is the composition of expenditure and the second is the manner in which Government has sought to finance the budgetary gap. Any programme that seeks to give credibility to fiscal policy must do so on both the revenue and expenditure side. The theoretical framework for our approach is simple. It is that all fiscal adjustment measures can effect short-run growth through:
- Its effects on private sector behaviour and.
- Its direct impact on human and physical capital formation.

18. IDP recognizes that judgments on whether debt relief combined with strong expenditure adjustment policies, will be sufficient to restore financial and economic viability to the country is never a clear-cut proposition. As such, the IDP also seeks to propose new measures for increasing public sector savings without endangering the prospects for economic recovery.

19. Here, the IDP focuses on three core areas: Instituting a Social Investment Fund; Coordinating the efforts of the current extra-budgetary funds and facilitating Private Sector and Civil Society’s participation in national budget exercise through the Medium-Term Public Expenditure framework.

20. The **Social Investment Fund** differs from any other development intervention in that it does not pre-determine the specific nature of investments to be carried out in any community but rather establishes a multi-Sectoral range of investment options. Depending on the particular social fund, communities can express their priorities in two ways; they can form a community project committee and develop a project proposal, or they can submit a project proposal through a local intermediary agent such as the local government, an NGO, the PTA at a local school or some other grass-roots organization.

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35 CBO = Community-based Organizations
21. Both mechanisms contrast with the more centralized investment choice model in which a central Ministry or central planners alone determine the size and location of public investments. This more decentralized form of investment selection is known as “demand driven” to denote its derivation from a local set of preferences and actions that emerge more closely, if not directly, from the beneficiaries themselves.

22. The overall development objective of the Social Investment Fund (SIF) is to provide funds (grants, revolving loans and guarantees) to local development groups, community organizations and NGOs to fully participate in the supply of basic social and economic infrastructure and services.

23. The following measures have been proposed to initiate the SIF:
   - Establish the Social Investment Fund with an allocation equivalent to 10% of the total social services expenditures.
   - Establish the financing agenda of the SIF along thematic lines.
   - Invite donor support for either direct individual projects or for project activities along thematic lines:
   - Utilize the SIF to support small-scale projects, identified and implemented through community participation.
   - Include in the SIF Grant Portfolio community sub-projects sponsored by eligible NGOs and CBOs for demand-driven investments in education, health/nutrition, small scale infrastructure, agriculture productivity, natural resource management, developing social capital, empowering women, providing economic opportunities for youth.

24. The Social Investment Fund has a very important part to play in increasing public sector savings:
   - It can become an instrument for targeting social and economic investment as well as for sharing both the costs and the responsibility for implementing some social investment projects.
   - It can become a source of funding that is relatively independent of the budgetary priorities of the Government and is run by a Board of Directors responding to the development needs of other stakeholders.
   - Government can increase the level of resource mobilization of the Fund by seeking donor support for either the SIF or for project components in the SIF outside of the framework of its own mutual obligations to bilateral and multilateral funding sources.
   - The SIF can become an effective instrument for maintaining the focus of the various non-budgetary funding opportunities on the major themes of the IDP.
   - Government is able to reduce some social investment/maintenance expenditures while transferring the responsibility to local authority and local groups who can mobilize funding through the SIF.
Macroeconomic Growth Strategies

25. The major stakeholders (Private Sector, Public Sector and Civil Society) have been very expressive in the IDP sensitization sessions when it came to the question of what needs to be done to get the economy moving again. The IDP has attempted to distill these ideas into what appears to be three workable models of economic recovery and growth. These models are not exclusive of each other and should be pursued simultaneously.

The Export Growth Model
d) Increase Export Earnings → Investment Funds → Capital formation expenditures → Employment → Growth;
The major platform of this strategy includes the following:
- Stabilizing banana export earnings at EC$25 million with the participation of 1200 growers and yields approaching 8 tons per acre;
- Broadening the participation of income earners in the tourism industry (opportunities for agriculture, agro-forestry; music/entertainment and sports)
- Building on investment initiatives identified by “regional” development committees (e.g. South-West Tourism Development Committee) comprising local area private sector members, civil society organizations and local government in local area planning.
- Spurn capital formation expenditures in response to local area (village councils) planning initiatives to attract investment to their areas.

The Human Resource Development Model
e) Health/Education Services → Investment in Human Resources → Multiple levels of service exports → Earnings → Consumption → Growth;
This strategy suggests a key focus on mobilizing all human resources that are identified as Dominican, regardless of whether they are resident in the State or overseas. It will seek, among other things, to:
- Utilize those health and education workers who have migrated or are being recruited abroad to support the improvement of the systems they left behind in remittances in cash or kind through the work of NGOs and other civil society organizations;
- Invest in quality training in construction skills, agricultural support skills (private extension, marketing and farm-management support), personal
service skills (tourism), performing arts skills (music/culture/art) and information technology skills.

- Target the CARICOM Single market (as our extended domestic market) to export these skills or import them as opportunities in the country reveal themselves.
- Promoting income-earning activities at a broad level of society.

The Social Recovery and Growth Model

f) Targeted Social & Economic Recovery Expenditures $\rightarrow$ Effective demand of poor & not-so-poor increases $\rightarrow$ Indigenous enterprises addressing employment and production $\rightarrow$ new Global market niche $\rightarrow$ Growth.

This strategy puts heavy emphasis on rebuilding the level of effective demand in the rural economy. It seeks to do so by utilizing the Social recovery programmes to be funded by the EU in the banana affected areas, as a springboard for rebuilding economic activity in the rural economy.

This strategy recognizes that the Rural Economy is more than Agriculture. It encompasses all of the opportunities for creating income and wealth in a land-based environment. The strategy targets:

- Income support on the demand side to boost family incomes of the poor and not-so-poor, tempering their perceptions of personal risks and increasing local area demand for goods and services;
- The provision of education and health services under the social recovery programme which will rebuild the human resource component.
- Support to enterprise initiatives (such as farm inputs supplies) responding to local area demand and which can release new products for national or international commercialization.
INTEGRATED DEVELOPMENT PLANNING

IDP DISCUSSION PAPERS

#26

REVIEW OF

STABEX CONDITIONALITY

By

The Development Institute (TDI)
Team of Consultants

September 2002
Introduction

1. When the funds that a Government seeks to use to implement its public policies are not its own, then the issue of aligning the preferences of the aid donor and those of the recipient Government becomes very pertinent. Herein lies the case for “Conditionality” as well as the fear of the same.

2. If the social preferences of the donor and the recipient Government differ significantly, then the donor may use the leverage associated with the aid programme (debt relief) to influence, through conditionality, the policies of the recipient. However, because aid is fungible and not all the relevant actions of the recipient Government can be observed or contracted upon, conditionality needs to balance the benefits of imposing a certain pattern of social spending with the costs arising from a distorted allocation of resources.

3. The overriding principal objective, which can greatly assist in aligning donor and recipient social preferences, is that of maximizing the social impact of the aid.

Conditionality on Contractible Components

4. The “Contractible Approach” to conditionality makes sense when the recipient Government’s track record is either not available or cannot be used to infer its preferences with regards to social expenditure. In terms of quantitative indicators, it encourages parties to agree to their expression as a continuum in time and level, i.e., as being either above or below a certain threshold level.

5. The IDP expresses two distinct sets of implicit “contracts” of Government. These are:

   a) **The Social Contract to establish:**
      - Medium-Term Public Expenditure Framework
      - Social Investment Fund
      - Mechanism for information sharing

   b) **The Economic Contract to implement:**
      - A code of Financial Management Practices in the Public Sector;
      - Commission for Agriculture;
      - Codification of a common approach to environment, physical planning and disaster mitigation;
      - Broader economic participation in Tourism services and Agriculture
6. The review of Stabex Conditionality, therefore, seeks to introduce these contractible components.

<p>| Objectives, Requirements and conditions FMO Stabex- 1995, 1996 |
|-----------------------------------------------|-----------------|-----------------|
| <strong>Original Condition</strong> | <strong>Reported Status</strong> | <strong>Reviewed Conditions</strong> |
| <strong>Macroeconomics:</strong> | | <strong>Macroeconomics:</strong> | Reach agreements with stakeholders on Matrix of Priority Actions under the MTPEF 2003-2006 |
| Medium-Term Economic Strategy Plan, 1998-2000 | Conditionality 1st tranche; have been met. A new Medium-Term Strategy Paper has been written covering the period 2000-2002 | Medium Term Public Expenditure Framework (MTPEF) |
| Public Sector Current Account Balances (% GDP): | | |
| - Consolidated Public Sector | Conditions have been met: | <strong>Supplementary Actions:</strong> |
| 1997/98: -0.9%; 1998/99: 0.6%; 1999/00: 1.3% | Savings Consolidated Public sector achieved for 1997/98 and 1998/99 | • Initiative to obtain short-term debt relief |
| - Central Government | 1997/98: 4.0%; 1998/99: 3.2%, but most likely not for 1999/2000 | • Initiative to enhance internal surveillance and impact of new debt |
| 1997/98: 1.1%; 1998/99: 0.8%; 1999/2000: -2.3% | | • Initiative on rebuilding confidence of the financial sector |
| Reducing wage bill to below 50% of Government current expenditure | Realisations: | Quantitative objectives can stand |
| 50.8% 50.4% n.a | Central Government: | <strong>Discussion Papers Volume one and two</strong> |
| 53.3% 53.0% 51.1% | | <strong>Page 207 of 346</strong> |
| Improving tax administration | Study on VAT has been formulated | Proceed to next step in implementing |</p>
<table>
<thead>
<tr>
<th>Original Condition</th>
<th>Reported Status</th>
<th>Reviewed Conditions</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public enterprises and services will be auto-financing</td>
<td>Consolidated Operating balances Public Enterprises are positive</td>
<td>VAT</td>
<td>No Comments</td>
</tr>
<tr>
<td>Commercialisation &amp; Privatisation of Public Enterprises</td>
<td>No major progress recorded yet</td>
<td>Indicative programme of Cost-Sharing with other stakeholders</td>
<td>Mitigates to some extent the across the board implementation of cost recovery mechanisms</td>
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<tr>
<td>Introduction cost recovery mechanisms Government services</td>
<td>No major progress recorded yet</td>
<td>Indicative programme of Cost-Sharing with other stakeholders</td>
<td>No Comments</td>
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<tr>
<td>Downward trend deficit current account</td>
<td>Realisations:</td>
<td>Indicative programme of Cost-Sharing with other stakeholders</td>
<td>Mitigates to some extent the across the board implementation of cost recovery mechanisms</td>
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<td></td>
<td>1995 1996 1997 1998 1999</td>
<td>Indicative programme of Cost-Sharing with other stakeholders</td>
<td>Mitigates to some extent the across the board implementation of cost recovery mechanisms</td>
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<td></td>
<td>As % of GDP:</td>
<td>Indicative programme of Cost-Sharing with other stakeholders</td>
<td>Mitigates to some extent the across the board implementation of cost recovery mechanisms</td>
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<tr>
<td></td>
<td>-20.8% -17.0% -13.9% -5.9% -9.4</td>
<td>Indicative programme of Cost-Sharing with other stakeholders</td>
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<td>Downward trend deficit external debt</td>
<td>1995 1996 1997 1998</td>
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<td></td>
<td>Debt % of GDP</td>
<td>Indicative programme of Cost-Sharing with other stakeholders</td>
<td>Mitigates to some extent the across the board implementation of cost recovery mechanisms</td>
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<td>46.3% 43.3% 36.3% 35.1%</td>
<td>Indicative programme of Cost-Sharing with other stakeholders</td>
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<td>Debt service % GDP</td>
<td>Indicative programme of Cost-Sharing with other stakeholders</td>
<td>Mitigates to some extent the across the board implementation of cost recovery mechanisms</td>
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<td></td>
<td>3.3% 3.8% 4.4% 3.1%</td>
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<td>Mitigates to some extent the across the board implementation of cost recovery mechanisms</td>
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<tr>
<td>Implementation of Common External Tariff as agreed by Caribbean Community</td>
<td>3rd phase, reducing maximum tariff to 25% has been implemented</td>
<td>Indicative programme of Cost-Sharing with other stakeholders</td>
<td>No Comments</td>
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<td></td>
<td>The introduction of the last phase has been postponed Uncertain when it will be implemented</td>
<td>Indicative programme of Cost-Sharing with other stakeholders</td>
<td>No Comments</td>
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<td>Conditionality Table continued: Dominica: Objectives, requirements and conditions</td>
<td>FMO Stabex-1995, 1996;</td>
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<td><strong>Reported Status</strong></td>
<td><strong>Reviewed Conditions</strong></td>
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<td>Diversification of the economy</td>
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<td>Stimulating Economic Recovery</td>
<td></td>
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<td>Development of Private sector development strategy (with private sector)</td>
<td>Direct Financing Agreement signed</td>
<td>Social Investment Fund (SIF) established</td>
<td>Financing local area initiatives</td>
</tr>
<tr>
<td>- Preparation of business plan Dominica Association of Industry and Commerce</td>
<td>Business plan has been prepared</td>
<td>Social Recovery Strategy in rural areas (banana industry) initiated</td>
<td>Stimulating rural demand</td>
</tr>
<tr>
<td>- Technical assistance for Bureau of Standards</td>
<td>Project implementation started</td>
<td>Eco-Tourism Development project implemented</td>
<td>Broadening the participation in Tourism</td>
</tr>
<tr>
<td>- Technical Assistance for the Ministry of trade and Marketing</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Agriculture</td>
<td></td>
<td>Agriculture</td>
<td>Multi-sectoral &amp; Multi-enterprise zones created.</td>
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<tr>
<td>Productivity enhancement banana sector</td>
<td>Euro 3.6 mln. From Stabex-95 allocated through project support</td>
<td>Establishing a Commission for Agriculture</td>
<td></td>
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<td>Agricultural diversification:</td>
<td></td>
<td>Natural Resource Inventory System</td>
<td>Seeking donor support</td>
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<tr>
<td>- Strategy for the meat/poultry/livestock sub-sector</td>
<td>A strategy document for the sector as a whole has been drafted, in which these sub-sectors are discussed</td>
<td></td>
<td>Strategy Still Stands</td>
</tr>
<tr>
<td>- Strategy for the flower/herbs/spices sub-sector</td>
<td></td>
<td>Strategy Still Stands</td>
<td></td>
</tr>
<tr>
<td>- Investment facility utilised as guarantee fund</td>
<td>An investment promoting unit has been established and it has started to supply credits</td>
<td></td>
<td>Strategy Still Stands</td>
</tr>
<tr>
<td>Institutional strengthening</td>
<td></td>
<td>Public Sector Strengthening</td>
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</tr>
<tr>
<td>Public sector: MoF co-ordinates initiatives</td>
<td>Project Economic Management Information System almost completed</td>
<td>Aligning Ministry Mission Statements with IDP</td>
<td>Ministerial review of stakeholder involvement</td>
</tr>
</tbody>
</table>

*Integrated Development Plan*

**VOLUME 3: Annexes**

Discussion Papers Volume one and two
<table>
<thead>
<tr>
<th>Original Condition</th>
<th>Reported Status</th>
<th>Reviewed Conditions</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Public sector: TA for NGOs</td>
<td>some progress</td>
<td>compatibility</td>
<td></td>
</tr>
<tr>
<td>Education and Youth Training</td>
<td></td>
<td>Economic Inclusion</td>
<td></td>
</tr>
<tr>
<td>The north of the country has been identified as a key area for economic growth. Provision of educational and youth skills</td>
<td>Northern Education Development Plan for 875 students comprises secondary school and Facilities for technical and vocational training. Some tertiary education is under consideration.</td>
<td>Economic Action plan in the Carib Community Raising competitiveness initiatives in Tourism and Labour Market Establishing Full Service Resource Centers</td>
<td></td>
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<tr>
<td>Programme should be increased in this region, complementing the OECS Education Reform Programme</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social and Community Development for Poverty Reduction</td>
<td></td>
<td>Civil Society Institutional Capacity Building</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Support to local area planning and to local development committees</td>
<td></td>
</tr>
<tr>
<td>Community Resource Centres and Training</td>
<td>Series of activities and sub-projects in various stages of implementation</td>
<td></td>
<td>No Comments</td>
</tr>
<tr>
<td>Government Commitments:</td>
<td></td>
<td>Government Commitments:</td>
<td></td>
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<tr>
<td>Macro-economic policy to promote public savings</td>
<td>Expenditure and tax policies with a view to improve the Government current account</td>
<td>Utilizing the SIF to share costs and responsibility for social services Equivalent of 10% of Social Sector expenditures allocated to</td>
<td></td>
</tr>
<tr>
<td>Original Condition</td>
<td>Reported Status</td>
<td>Reviewed Conditions</td>
<td></td>
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<td>------------------------------------------------------------------------------------</td>
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<tr>
<td>Funds for Education should &gt; 13.07% of Central Government Total Expenditure</td>
<td>1997/98 1999/00</td>
<td>SIF Indicative programme for a common approach to Environment, Physical planning and Disaster mitigation</td>
<td></td>
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<tr>
<td>Funds for Health should &gt; 11.95% of Central Government Total Expenditure</td>
<td>2000/01 Education % Total 13.9% 16.5% 17.6% 16.1%</td>
<td>Indicative level still stands</td>
<td></td>
</tr>
<tr>
<td>Guarantee counterpart funding Stabex projects</td>
<td>1998/99 Health % Total 11.0% 12.3% 11.1% 13.0%</td>
<td>Indicative level still stands</td>
<td></td>
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<tr>
<td>Present to EC a programme for macro-economic stability, including a</td>
<td>1999/00 Programmes for achieving savings target</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Seek Donor support of SIF and its sub-projects Formulate indicative programme to implement growth recovery strategy</td>
<td></td>
</tr>
<tr>
<td>Policies for public and general savings</td>
<td></td>
<td>Indicate potential savings from cost sharing</td>
<td></td>
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</table>