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PROGRAMME PLANNING

Country and intercountry programmes and projects

FIRST COUNTRY PROGRAMME FOR ANGUILLA*

<u>Programme period</u>	<u>Actual resources programmed</u>	\$
January 1986-December 1990	IPF for 1987-1991	902 000
	Carry-over from 1984-1986	510 000
	Other resources programmed	52 000
	Total	1 464 000

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* Detailed listings of projects and other related data prepared as part of the country programming exercise are available on request. These listings include: (a) ongoing projects; (b) proposed projects; (c) distribution of resources by objective; (d) distribution of new country programme by sector.

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I. DEVELOPMENT TRENDS, STRATEGIES AND PRIORITIES

A. Current economic trends

1. Anguilla, with a land area of 35 square miles and a population of 6,700, has undergone marked transformation within the last 10 years as evidenced by the major infrastructural developments in electricity and water distribution, transport and communication and health and education facilities. The restricted physical resources, small market size and a labour force complement of only 2,779 define the very restricted parameters for productive economic activity. With limited prospects for agriculture and manufacturing, the economy has evolved with a services orientation, spearheaded by a buoyant tourism industry and a burgeoning offshore companies sector. In the last two years, direct and indirect government revenue from this service sector and from electricity and philatelic sales were sufficient to offset recurrent public sector expenditure which grew an average of 15 percent annually between 1981 and 1984. Although predictions of a significant surplus may be difficult, present trends, if sustained and supported by higher levels of public-sector efficiency, will assure continued balancing of the current account without recourse to borrowing.

2. The foreign trade sector exemplifies the dependence of the economy on the services sector as measured by the substantial merchandise trade deficit which, according to the Caribbean Development Bank (CDB) Economic Memorandum (1985), amounted in 1984 to \$6.5 million (i.e., more than 10 times the value of 1984 exports).

3. While there are no reliable national income data, crude approximations by CDB suggest that tourist spending in 1984, estimated at \$5.5 million, could approach the level of 60 percent of the Gross National Product (GNP). Tourism, therefore, occupies a place of prominence in the economy as the main growth sector in terms of direct and indirect employment in the service industries and construction trades and also as a generator of government revenue in the form of licensing and embarkation fees, accommodation taxes and import duties. According to the Caribbean Tourism Research and Development Centre (CTRC), visitor arrivals have increased steadily from 8,172 in 1980 to 11,346 for the first eight months of 1985. Compared with farming, fishing and manufacturing, which collectively absorbed less than 10 percent of the labour force in 1984, hotels, bars and restaurants accounted for approximately 12 percent in the same year and, when the indirect contribution of tourism growth to the construction, transportation and communication sectors is aggregated, a conservative estimate of the total employment opportunities generated by tourism would be approximately 30 percent of the labour force.

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4. The contribution from fish, lobster, live animals, salt and boat-building, the other principal economic activities, was far less than tourism and its ancillary services in absolute terms; precise output data are not available but the value of all exports, recorded as \$520,000 in 1984, indicates an order of magnitude of the marginal non-tourism sector.

5. Apart from tourism receipts, the second most important contribution to the GNP derives collectively from remittances from nationals abroad, capital aid flows, mainly from the United Kingdom Government and to a lesser extent from other donors including CDB concessional loan funds, and foreign private investment.

6. The resolve to reduce the current unemployment level of 26.4 percent to introduce efficiency measures in the public sector simultaneously with efforts to maintain economic and social infrastructure adequately even in the face of rising costs, and at the same time to cope with soaring consumption expenditure associated with tourism expansion, underscores the need to devise a carefully structured approach whereby a measure of internal dynamism in the economy may be achieved. External aid flows will, however, continue to play a major role in Anguilla's development.

B. National development strategies

7. Anguilla's development priorities centre around the creation of an environment in which the country's natural potential for tourism will be effectively harnessed to the betterment of the quality of life of the nation. While a macro-economic development plan does not now exist, successive Throne and Budget Addresses declare the Government's intent to influence the economy's productive capacity within the following policy framework:

(a) Increased tourism revenues to meet recurrent expenditures and to promote development activities which will guarantee better living standards for the people of Anguilla;

(b) Optimization of physical, financial and manpower resources and efficient allocation of external aid, thereby ensuring that scarce resources are utilized to the full benefit of the economy;

(c) Creation of employment opportunities to absorb trained nationals whose services may otherwise be lost given the pattern of emigration in search of lucrative job offers.

8. The related operational strategy is twofold: firstly, the upgrading of economic and social infrastructure as the basis for attracting foreign private sector tourism investment and, secondly, the encouragement of greater local participation in all areas of the industry.

9. The former is borne out by the public sector investment programme, 1985/86-1987/88, requiring 27.4 million East Caribbean dollars for water

exploitation and distribution, electricity generation and distribution, road rehabilitation, seaport and airport improvements, and health and education facilities. These capital investment requirements are met entirely from external sources, foremost among them the United Kingdom Government with a capital aid programme of around 1 million pounds sterling annually. Other sources include the Canadian International Development Agency (CIDA), the United States Agency for International Development (USAID), the European Development Fund (EDF) and CDB. In terms of economic and social infrastructure, therefore, the priorities and financial commitments are well established as the basis for attracting foreign private sector investment in the tourism industry. With regard to local private investment in the industry, the CDB Economic Memorandum observes that current developments are not always consistent with the stated objective - local investors show a tendency to promote small establishments whereas the Government's tourism marketing strategy promotes Anguilla as a luxury destination for the upper-income visitor. Local participation is therefore less well represented at the ownership and managerial levels than is the case in the service occupations. Sustained growth levels in the short to medium term will be predicated on Anguilla's being able to launch a progressively stronger tourism promotion and marketing strategy in North America and Europe. Room capacity and standards should also keep pace with demand to ensure high occupancy rates throughout the year. While current promotional efforts and major hotel investments are aimed at the upper-income segment of the tourism market, the existence of a number of smaller establishments may suggest the need to devise an appropriate marketing solution.

10. Priority in the agriculture and fisheries sector and in manufacturing is to ensure that plans and programmes are supportive of tourism expansion. With only six square miles of arable land, the limits of increased food production are narrowly circumscribed but productivity and farmer income may be improved through proven agronomic techniques, soil and water conservation management and the gearing of production to local demand, particularly tourism consumption. Fishing, especially lobster, also has good potential for tourism demand. In terms of manufacturing, the Government has emphasized handicraft production whereby Anguillan artisans could benefit from tourist expenditure.

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C. Technical co-operation priorities

11. The technical co-operation needs which follow were drawn from various sources including discussions with the Government, the CDB Economic Memorandum and sector studies on fisheries, education and tourism done by the Commonwealth Fund for Technical Co-operation (CFTC), the British Development Division (BDD), and CTCR/EEC respectively:

(a) Tourism. Training of personnel in the Department of Tourism; study of linkages with other sectors, production of marketing promotional materials; hospitality skills training (CIDA); handicraft design, production and marketing (EDF); formulation of a tourism development plan; development of special interest site, Shoal Bay (CIDA phase I and EDF phase II);

(b) Agriculture. Land use capability study (UNDP/Food and Agriculture Organization of the United Nations (FAO)); plant propagation unit; small farmer development (UNDP); livestock development;

(c) Fisheries. Comprehensive development programme focusing on institution-building, legislation, marketing and storage and training of fishermen; feasibility study of brine shrimp for export;

(d) Industry. Revitalization of the salt industry; investment promotion;

(e) Public policy and Management. Project identification, preparation and monitoring (UNDP/United Nations); statistical development (UNDP/United Nations); financial services adviser; customs tariff advisory services (UNDP/United Nations); tax adviser;

(f) Transport, communication and public works. Road inspection training; training of mechanical engineers; training of draughtsman; wreck salvage (USAID); training of airport services personnel (CIDA);

(g) Electricity generation. Mechanical engineer for electricity power station (UNDP/United Nations); technician training (UNDP);

(h) Physical planning. Establishment of a town and country planning unit (BDD);

(i) Education. Curriculum development and in-service teacher training (UNDP/United Nations Educational, Scientific and Cultural Organization (UNESCO)); technical and vocational education (CIDA); planning and administration (BDD);

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(j) Health. Health education in schools (United Nations Fund for Population Activities (UNFPA)/Pan-American Health Organization (PAHO); solid waste management; food safety training (PAHO); nursing practitioners' training (UNFPA);

(k) Employment. Income generating programmes for women;

(l) Water. Comprehensive water supply and distribution programme (CIDA); engineering training;

(m) Social security. Administration and legislation (UNDP/International Labour Organisation (ILO)).

12. Many of these requirements will need to be elaborated and refined into firm proposals. Notwithstanding this, the total estimated cost is \$2.5 million. UNDP resources amounting to \$1.4 million will be applied to public policy and management, with particular emphasis on strengthening the planning capability and project preparation, identification and monitoring; tourism promotion; small-farmer production; electricity generation maintenance; education and social security. Where other specific donors have been, or are about to be, approached to meet some of the technical co-operation needs listed above, this is so indicated and on that basis an additional \$600,000 in commitments is envisaged to be forthcoming. UNDP will assist in mobilizing the remaining \$500,000 through Project Annotated Listing (PAL), whereby priority projects are brought to prospective donors' attention and through the Caribbean Group for Co-operation in Economic Development (CGCED) which seeks to match technical assistance needs with financing sponsors.

II. THE COUNTRY PROGRAMME

A. New programme proposal

13. The Territory of Anguilla was formally separated from the Associated State of St. Kitts-Nevis-Anguilla in 1980. Anguilla, therefore, reverted to the status of a dependency of the United Kingdom. The Governing Council approved a separate IPF allocation of \$80,000 for Anguilla in June 1983. The present programme is, therefore, the first country programme for Anguilla. It is the culmination of a consultation process begun in late 1983 and made protracted by a combination of circumstances, among them, a change in government administration following elections in mid-1984 and severely strained public management capability. In these exceptional circumstances, UNDP initiated several projects to meet some of the immediate needs identified by Government while working to finalize this country programme document. Projects in development planning and social security began in 1984 and projects in public administration and electricity generation monitoring began in 1985. Of the \$640,000 third cycle resources approved for Anguilla,

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\$130,000 had been spent on these projects by end of 1985. The balance of \$510,000 is available for programming during the first country programme, beginning in 1986.

14. The experience gained since 1984 demonstrates that the strained technical and managerial capability in the public sector poses a significant constraint on project development and implementation.

Public policy, management and implementation

15. The primary objective of the country programme is to influence output and balanced growth through the development of an effective public policy, management and implementation capability. This is especially important given that the national development strategy emphasizes private sector-led tourism as the catalyst for economic and social development. The onus rests on Government to ensure not only that the basic infrastructure and essential services in support of tourism are provided, but also that projects which succeed in attracting investment are consistent with national development priorities, are timely in their implementation, and have the potential for contributing to higher levels of national income, employment of Anguillans and public revenue. The country programme therefore addresses the need for a coherent approach to the decision-making process, the ordering of sectoral priorities and a strengthened technical and managerial capability within Government. This has specific reference to the Ministry of Finance, which holds the main responsibility for resource allocation, and the Ministry of Public Utilities and Works, which has responsibility for planning and implementing the country's economic infrastructural projects amounting to over \$EC27 million, as mentioned previously.

16. A UNDP-assisted ongoing project, Strengthening the decision-making machinery of the Government of Anguilla, which provides for the services of an economic adviser and specialized consultancies, is designed to (a) improve the institutional capability for sectoral economic analyses to aid in policy formulation; (b) assist in project identification, preparation and monitoring; (c) provide support to the Ministry of Finance in the efficient allocation of resources, both public finances and external aid flows; and (d) training. The UNDP contribution is approximately \$500,000 for 1986-1989.

17. Another ongoing project, Electricity generation, assists the Government in developing the technical and managerial capabilities to ensure that electricity supply is adequate, reliable and capable of satisfying projected demand associated with investment plans in the main productive sectors. The services of a mechanical engineer assigned to the power station for training an Anguillan technician to oversee operation and maintenance of generating equipment are estimated at \$385,000 for 1986-89. These technical assistance

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inputs are directly related to capital investment projects funded by the BDD and CDB. Collaboration between UNDP and CDB contributed to the latter's decision to approve loan funds for an additional generator.

18. A proposed project in statistical development will be composed of a United Nations Volunteers statistician, a training allocation and a modest provision for equipment to produce data essential for planning but which do not now exist, in such areas as trade, tourist expenditure, banking, agriculture and fishing statistics and the consumer price index. The estimated cost of a four-year project is \$100,000.

19. Anguilla will also benefit from ongoing regional programme activities in the area of fiscal policy formulation through the economic advisory services project (RLA/76/007). In addition, the Caribbean Centre for Development Administration (CARICAD), which is supported by UNDP (RLA/84/004), will be involved in the implementation of training workshops for public sector managers.

20. It is envisaged that, as the decision-making project evolves, new technical assistance needs in the public policy area will be identified. For this purpose, an allocation of \$150,000 is reserved for the last two years of the programme cycle.

Tourism expansion and employment opportunities

21. The second objective of the country programme relates to tourism expansion. In addition to room-capacity expansion geared to a realistic assessment of demand, there is need for careful planning to ensure that the external competitiveness of the Anguillan tourism product is maintained so that hotel capacity is fully utilized throughout the year, thereby reducing seasonal unemployment. Important considerations are that standards must be consistently upheld and the industry's growth can be supported by the small labour force without undue upward pressure on real wages and domestic progress in other sectors of the economy. Another aspect of tourism expansion is the realization of deeper linkages with other economic sectors, namely agriculture, fisheries and manufacturing (handicrafts). These linkages will contribute to the national development objective concerning optimization of the benefits which may accrue to Anguillans from tourism.

22. A proposed tourism promotion project will provide for the preparation of promotional materials to be used in support of intensified marketing activities in North America and Europe to attract larger numbers of stay-over visitors and boost low-season occupancy rates. This will have a positive impact on employment and income. The required UNDP contribution is \$45,000.

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23. Assistance will also be provided for a proposed tourism linkages study estimated to cost \$7,000.

24. UNDP assistance will be complementary to the ongoing CFTC programme of support which provides for the assignment of a tourism planning adviser. A tourism policy paper was prepared recently and this sets the stage for the next major output, a tourism master plan. UNDP promotional inputs will be co-ordinated with other marketing assistance planned to be carried out by CTRC with EDF support.

25. Pipeline proposals related to the country programme objectives are (a) the establishment of a physical planning unit to monitor and regulate land development with respect to environmental protection and other spatial issues; (b) the development of Shoal Bay Park (a natural cave) as a special interest tourist attraction; (c) a programme of support for handicraft design, production and marketing to follow up on the preliminary handicrafts survey conducted by CTRC/EDF; and (d) women's self-help programmes, for example, in garment making.

Increased agricultural output, productivity and incomes

26. As previously mentioned, the Government's priority is to encourage agricultural programmes and projects which are directly supportive of tourism expansion.

27. A proposed project will establish soil fertility and offer recommendations which would guide the extension service on crops best suited to soil conditions and rotation patterns for efficient land use. The estimated cost of this preparatory assistance is \$10,000.

28. Linkages will be established with the ongoing Multi-island small farmer development programme (CAR/81/002), and the technical expertise at the disposal of that programme will be available to augment the Anguilla IPF resources. The major investment planned for the water sector with CIDA support will also have a direct bearing on irrigation water requirements, and therefore close linkages are envisioned. Another related pipeline proposal consists of a comprehensive package of support for the fisheries subsector covering the technical, administrative and legislative aspects, marketing and storage facilities, training, etc.

29. An amount of \$65,000 is reserved for the operational phase of assistance to small farmers consequent on the outcome of the preparatory soil fertility and land use survey.

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Social services and amenities

30. The fourth objective of the country programme relates to the provision of more enlightened social services and amenities deemed to safeguard living standards commensurate with the levels of growth in the economy.
31. An ongoing project in curriculum development and in-service teacher training project will assist in modifying the existing education system to ensure equal educational opportunities for all Anguillans at the primary and secondary levels, so that individual talents and skills may be optimized and the labour force appropriately prepared for gainful employment. The UNDP contribution of \$40,000 will provide for training curriculum revision, in-service upgrading of teaching techniques, development of a system of school-based assessments and student profiles, and prevocational education.
32. An ongoing social security project will provide short-term consultancies in the legislative and administrative aspects of operating the newly established social insurance scheme to protect income during periods of unemployment. The estimated cost is \$15,000.
33. A continuation of UNFPA support for an ongoing project for the training of nursing practitioners is foreseen. The estimated cost is \$10,000. The Government will also approach UNFPA for a proposed new phase of the health education programme for schools, designed to inculcate among the nation's youth attitudes conducive to responsible adulthood. The required contribution is \$34,000.
34. A proposed food inspection project, with assistance from PAHO, will assist in developing public health regulations and training of national personnel to enforce them. The estimated cost is \$8,000.
35. UNDP support for the education sector will complement and function within the framework of the BDD programme of assistance for the introduction of a system of comprehensive education. In addition to capital investment for construction and remodelling of buildings, the BDD programme will consist of technical assistance for educational administration, planning and training of specialist teachers. There has also been collaboration with the Caribbean Examinations Council which, in association with CIDA, will also be involved in teacher training to implement new curricula.
36. Support is also required for educational materials on the use and abuse of drugs. This is being explored with the United Nations Fund for Drug Abuse Control (UNFDAC) in the context of a possible programme of technical assistance in the wider Caribbean.

B. Unprogrammed Reserve

37. An amount of \$80,000 is reserved for unforeseen contingencies.

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FINANCIAL SUMMARY

I. ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING

A.	<u>UNDP-administered sources</u>	\$
	Third cycle IPF balance	510 000
	Fourth cycle IPF	902 000
	Subtotal IPF	1 412 000
B.	<u>Other sources</u> (UNFPA and PAHO)	52 000
	TOTAL ACTUAL RESOURCES TAKEN INTO ACCOUNT FOR PROGRAMMING	<u>1 464 000</u>

II. USE OF RESOURCES

A.	<u>Programmed</u>	
	Ongoing projects	950 000
	New project proposals	204 000
	Programme reserve	230 000
	Subtotal, programmed resources	1 384 000
	Unprogrammed reserve	80 000
	TOTAL USE OF RESOURCES	<u>1 464 000</u>

