

**A Proposed New Structure for the Delivery of
Economic and Rural Development Assistance
in the
Falkland Islands**

Incorporating
**The Falkland Islands Development Corporation,
The Falkland Islands Department of Agriculture,
and
Falkland Landholdings Ltd**

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A paper for discussion.

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Economic Overview

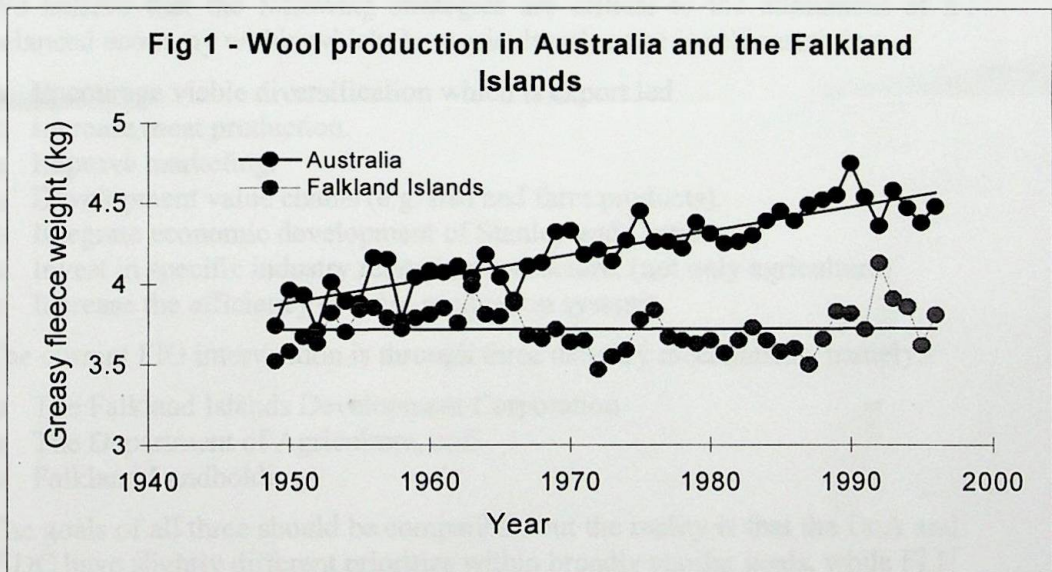
The Falkland Islands' economy is dependent on the income from fishing, dominated by the Government, has a small but growing private sector service industry, but very few other viable foreign currency earning products. Of the other two export earners, Tourism is profitable but Agriculture is a net loss maker.

The wool market is unlikely to improve within the next ten years (if at all), and there is clearly an imperative that the Falkland Islands economy diversifies into other export based industries.

In the camp, Agriculture has ceased to be sustainable due to:

- Wool Price Decline
- Production Costs Rising
- Outdated Technology
- Little Diversification
- Resistance to Change
- Dependency Culture
- Lack of Knowledge

It is also self-evident that in world terms we have not been able to keep up with the competition. This is illustrated in Fig 1 below.



Since 1950 our performance has been effectively static while our major competitors have increased productivity per sheep by 20%. This has been achieved through improved management techniques, and investment in modern technology. Even in this time of low wool prices, 20% of Australian wool producers are still profitable.

The Vision

There are tremendous, largely un-exploited, opportunities for the Falkland Islands to produce high quality items recognised the world over. Through encouragement and the adoption of world best practice, in partnership with the farming community *and* the business community, we (FIG) should aim to contribute significantly to the following:

- The achievement of a Sustainable Agricultural Economy
- An increased Camp population
- The establishment of successful small businesses
- The development of export products, and
- A reduction of the dependence on fishing licences.

The Mission

Our mission should be to create a fully integrated economic development policy, and a delivery mechanism that will facilitate the symbiosis between Stanley and Camp in relation to Agribusiness. For example establishing enterprises that are agriculturally (e.g. cashmere), or natural resource based (e.g. sphagnum), which will create job opportunities for the urban community and new income streams for farmers.

Strategies

We believe that the following strategies are critical to the attainment of a balanced economy within which the Agricultural sector is self sustaining:-

- Encourage viable diversification which is export led
- Increase meat production.
- Improve marketing.
- Development value chains (e.g. fish and farm products).
- Integrate economic development of Stanley and Camp.
- Invest in specific industry related infrastructure. (not only agriculture)
- Increase the efficiency of wool production systems.

The current FIG intervention is through three delivery mechanisms, namely:-

- The Falkland Islands Development Corporation
- The Department of Agriculture, and
- Falkland Landholdings

The goals of all three should be compatible, but the reality is that the DoA and FIDC have slightly different priorities within broadly similar goals, while FLH is seeking to become a successful commercial enterprise without regard for national development issues. Investment in DoA and FIDC has been successful but there has been too much time spent on non-developmental activities and duplication has resulted in inefficient use of people and resources.

How can this situation be improved?

This paper has been discussed with the FIG Government Management Team. In consultation with senior FIG officers, we have identified three possible

delivery mechanism models, examined variations to these themes and considered their relative merits.

These models can be described as:-

- ❑ **Virtual Co-operation**
 - ☞ No radical change - "Lets all pull together – but more effectively."
- ❑ **Functionally Integrated Rural Development Agency**
 - ☞ Agriculturally orientated with little emphasis on developing successful sectors of the economy.
- ❑ **One Integrated Economic Development Agency**
 - ☞ Focused on the whole economy with priority to solving problems of Camp and agriculture; marketing and small business support.

Model 1 – Virtual Co-operation

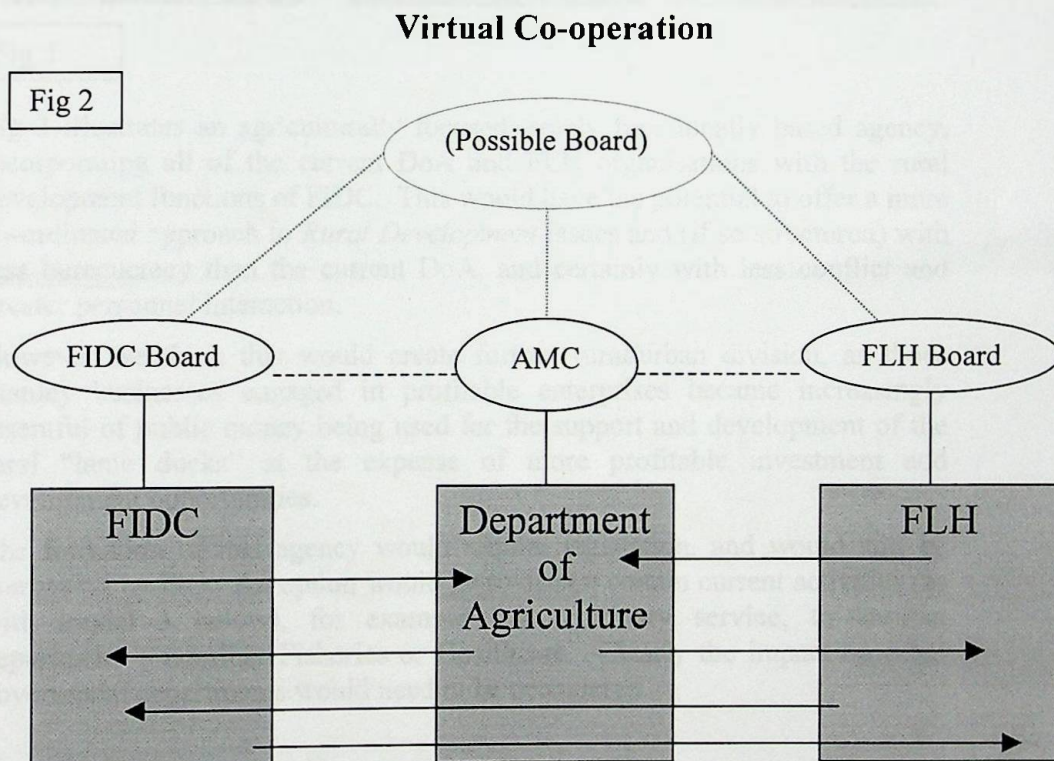


Fig 2 illustrates the retention of the separate identities of the agencies with current functions having improved interactions. The chief advantages of this model are that there would be minimal disruption, and no legislation would be required. The disadvantages would be the preservation of old practices and expectations, and the improbability of achieving the above objectives.

Frankly we think nothing new would happen.

Model 2 – Functionally integrated

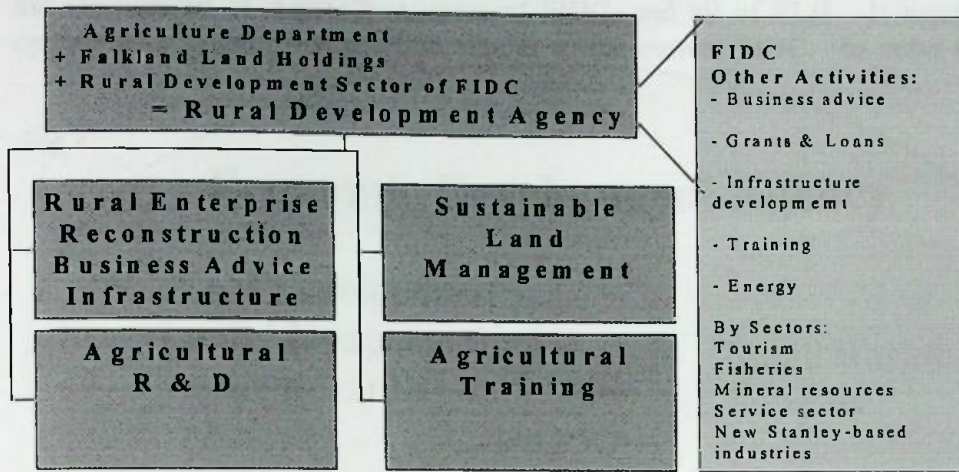


Fig 3

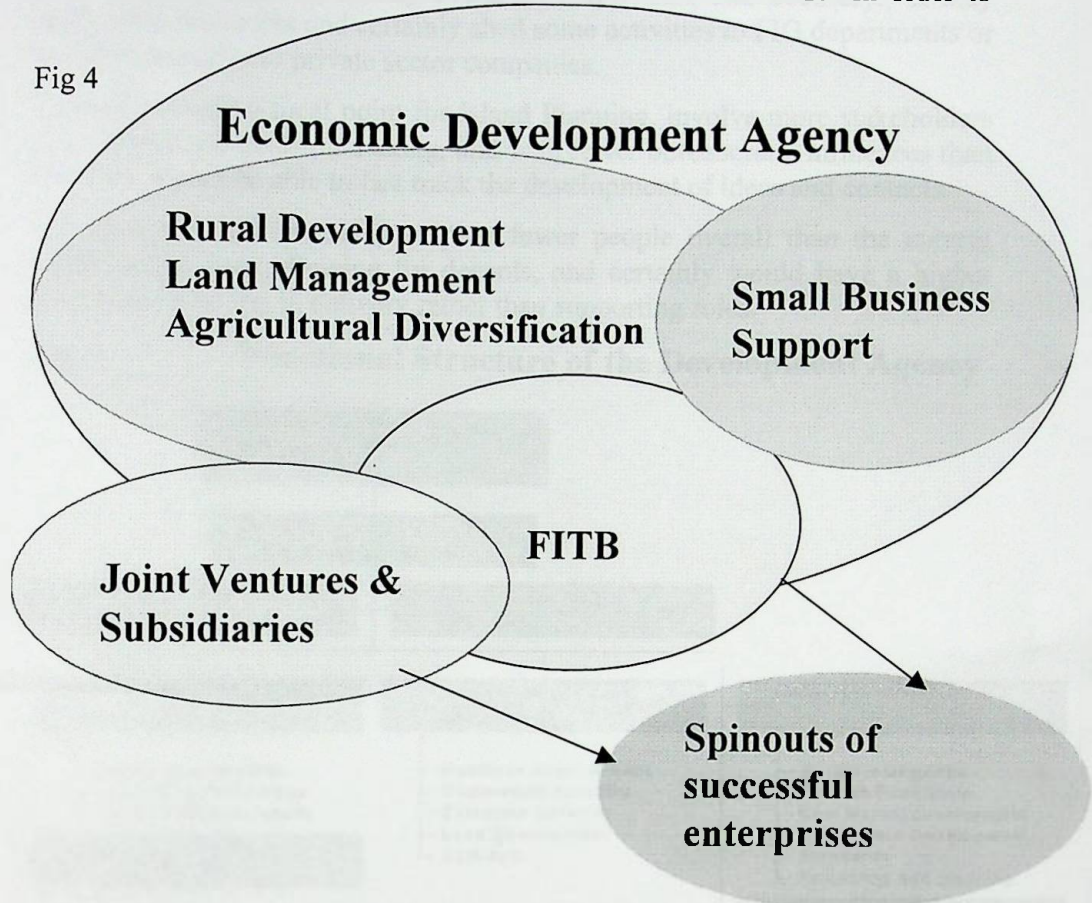
Fig 3 illustrates an agriculturally focused, solely functionally based agency, incorporating all of the current DoA and FLH organisations with the rural development functions of FIDC. This would have the potential to offer a more co-ordinated approach to *Rural Development* issues and (if so structured) with less bureaucracy than the current DoA, and certainly with less conflict and greater personnel interaction.

However we think this would create further rural/urban division, as those Stanley businesses engaged in profitable enterprises became increasingly resentful of public money being used for the support and development of the rural "lame ducks" at the expense of more profitable investment and development opportunities.

The formation of this agency would require legislation, and would still be dominated by FIG. An option would be to decant certain current activities (as with model 3 below), for example the veterinary service, to another department - possibly Fisheries or Healthcare. Clearly the impact on other government departments would need to be considered.

Model 3 – One Integrated Economic Development Agency.

Figure 4 illustrates the fully integrated agency which would include most of the Department of Agriculture, most of FIDC, and all of FLH. It would operate as a statutory corporation similar to the current FIDC. In order to



focus on development issues and avoid conflicts of interest, it would not include several current functions of DoA and FIDC. Examples of current functions which might be moved elsewhere are:-

- Vets/regulatory activities
- Meat and Fisheries inspection
- Some FIG Statistics
- Administration of Livestock ordinances
- Maintenance projects in FIDC e.g. Lookout camp.
- Management of subsidiary companies
- Energy programme
- Banking
- Some training (FIDC)

As enterprises and joint ventures moved beyond break-even they too would be “spun off”.

The new integrated agency would avoid duplication, be able to be more proactive and responsive than the current DoA, more focussed on development

than the current FIDC, and would send a clear signal internally and externally that it could and would deliver change for good. The agency would cover both economic development and wider issues of rural development and reconstruction.

On the other hand like model 2 it would require legislation, would impact on other FIG departments, chiefly Fisheries, PWD, HR, and Treasury. It may adopt some new roles and certainly shed some activities to FIG departments or wherever possible to private sector companies.

It would provide a focal point for Island Planning, involve more stakeholders in its affairs and decision making, and with fewer bureaucratic influences than the Do A would be able to fast track the development of ideas and contacts.

The agency would probably employ fewer people overall than the current organisations even allowing for decants, and certainly would have a higher percentage working in delivery rather than supporting roles.

Fig 5 Functional Structure of the Development Agency

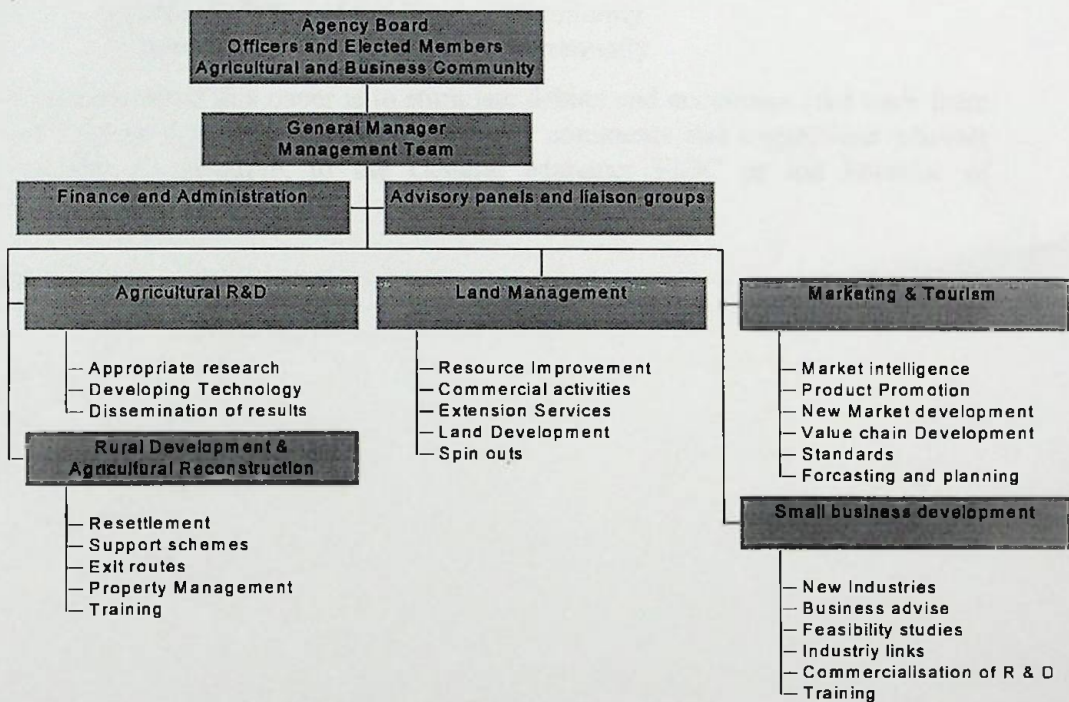


Figure 5 mainly illustrates the functional structure of the proposed agency. It is envisaged that skills and individuals would move between functional teams as the circumstances dictated rather than operating within a rigid reporting structure. There would need to be an organisational structure, the details of which will need to be formulated following consultation with stakeholders and staff.

At the interface with FIG and the public there will need to be a Board representing FIG Elected Members and officers, and the business and agricultural communities, in addition to advisory and liaison groups. In the initial stages a “shadow” Board will need to be formed to work through the

details. Having considered the options we recommend retaining the Chief Executive of FIG as *Non Executive* Chairman.

We believe that despite the initial pain resulting from any reorganisation, this proposal can be managed with minimum disruption. However, the implementation will be complex, and wide ranging discussions with all stakeholders is essential. Executive Council has requested that this process starts immediately, and this paper is being circulated to the FIDC Board, the AMC, FLH, members of the farming and business communities, the Chamber of Commerce and FIG Departments.

If implementation is to go ahead, it may need to be phased. During the transitions stages a Shadow Board is proposed, which may consist of

- The Chief Executive
- 2 Elected Members
- The Director of Agriculture
- The General Manager of FIDC and one FIDC Board member
- The Managing Director of FLH and one FLH board member
- A representative of the farming community
- A representative of the business community

The purpose of this paper is to stimulate debate and encourage feed back from all interested parties. Please address any comments and suggestions whether positive or negative, to the General Manager FIDC or the Director of Agriculture.