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BRIEFING NOTE NO. 2 ON THE NATIONAL LONG-TERM PERSPECTIVE STUDY

MINISTRY OF ECONOMIC PLANNING & DEVELOPMENT
PORT LOUIS MAURITIUS
BRIEFING NOTE NO 2 ON THE NATIONAL LONG-TERM PERSPECTIVE
STUDY (NLTPS)

Readers will recall that a Briefing Note on the NLTPS project was published in Issue No.128 of the "Economic Indicators". In line with the participatory character of this exercise, a National Workshop on the NLTPS was held at the Maritim Hotel, Balaclava, between 24 and 28 February 1992, to (i) sensitize the major public and private sector institutions on the need to prepare an NLTPS and the methodologies to be used for its preparation; and (ii) to discuss further the initial NLTPS project proposal.

The outline of the project, which was published in the Briefing Note, has been amended to incorporate the recommendations of the National Workshop, relative to the contents, methodology, institutional framework and time-frame of the NLTPS. It is this amended project proposal which is now being published.

This proposal has been circulated to the "African Futures", an organisation which has the responsibility for the co-ordination of the NLTPS project at the regional level. It will be also presented at the next meeting of the "Global Coalition for Africa", a political platform established for the purpose of building consensus on the main issues that affect Africa's development, scheduled for 8 - 9 May 1992.

Periodical publications will inform readers of major developments on the NLTPS. The Ministry of Economic Planning and Development would welcome comments on the project proposal.
BACKGROUND

In the 1960's and early 1970's prevailing conditions in the developing world were conducive to the elaboration of long-term development strategies: the Government of freshly-independent countries were keen to establish a framework for the realisation of the aspirations of their people for a better economic and social environment; international development agencies were very supportive of development planning and the relatively stable international economic situation was propitious for long-term forecasting of economic variables.

2. The international economic crisis, which started in the first half of 1970's but whose full impact on the developing world was felt only in the late 1970's, with the internationalisation of the debt problem, compelled the Governments of developing countries to concentrate on the pressing issues of the day. Short-term economic management became the primary focus of decision-makers. This dramatic change was expected to be short-lived. But the persistence of acute economic and financial disequilibria made short-term adjustment programmes a permanent feature of the economic management of developing countries. In the process, relevant issues requiring a longer-term perspective were gradually abandoned.

3. After a decade of short-term economic management, there is a growing consensus on the urgent need to take a longer-term look at economic development issues. Cursory examination of the performance of major economic success stories of the last fifty years reveals that sustained growth has always been achieved within the framework of clear medium to long-term development strategies. It is also true, however, that long-term strategies in the past have often been unsound or unrealistic, or their proper implementation marred by inefficient bureaucracies, unstable Government, or unpredictable adverse economic conditions. The elaboration of a long-term development strategy is certainly not a sufficient condition for economic success: it is becoming increasingly clear that it is a necessary condition for sustainable growth over a long period.
1. THE EXPERIENCE OF MAURITIUS

4. In post-war Mauritius attempts to put the economic and social problems in perspective were made in the early 1960's when several high-level missions led by eminent social scientists, such as Meade, Titmuss, Balogh, submitted their findings. But a comprehensive ten-year development strategy was prepared only in 1970 after the establishment of a Ministry of Economic Planning and Development, following the country's accession to independence in 1968. On the basis of this strategy two five-year plans (1971-75 and 1975-80) were prepared and successfully implemented during the 1970's. A third one (1980-1985) was already under preparation but had to be abandoned in favour of a short-term rolling plan whose time horizon was closer to that of the Stand-by Arrangement and Structural Adjustment Loan agreement entered with the IMF and the World Bank respectively.

5. In 1983, a new development strategy was prepared (Towards Increasing Self-Reliance, 1983). This had little or no influence on the country's policies which continued to be pre-occupied by short-term economic management issues based mainly on policies advocated by the IMF and the World Bank. The relatively high growth rates recorded during the period 1983-1990 (6.4% on average) have led to the widespread belief -- which is quite natural in periods of prosperity -- that economic development is a self-sustaining process which does not require a long-term strategy.

6. New economic and social problems are emerging. Their true dimension can only be appreciated, and appropriate remedial policies devised, if they are analysed in proper perspective. Among the most pressing of these problems are the following:

- the export-oriented development strategy followed in the past was based on labour-intensive manufacturing industries: What will be the impact of the current labour shortages on this strategy?

- the competitive edge of exporting industries is being gnawed away by increasing costs of production: how can industry adjust to this change in costs?

- increasing pressure on the land caused by population growth, urbanisation and industrialisation is threatening the long-term preservation of the environment: how can the needs of development be reconciled with those of the environment?

- the dismantling of trade barriers and the possible phasing out of subsidies on agricultural products under the current GATT negotiations may have serious
long-term repercussions both on the sugar and export manufacturing sectors: how can these key sectors be strengthened to weather such major external shocks?

- the social and economic infrastructure, already under heavy pressure needs substantial upgrading to satisfy the growing needs of the next generation: how best can these investments be accommodated to achieve maximum efficiency?

- in a fast changing world where micro-electronics, biotechnology and high-performance materials are bound to play an increasing role, local industries need to increase their capacity to respond to such changes: how best can this be achieved?

7. In response to emerging problems several studies have been identified. Some of these have been completed or are at different stages of implementation. Others are still unfunded or are yet to start. The studies can be grouped as follows:

(i) Human Resources Development Strategy;
(ii) Social and Cultural Dimensions;
(iii) Science and Technology;
(iv) Industrial Development Strategy;
(v) Services Sector Development;
(vi) Agricultural Development Strategy;
(vii) Marine Resources Development;
(viii) Rodrigues and the Outer Islands;
(ix) Physical Planning and Protection of the Environment; and
(x) Long-Term Macro-Economic Modelling.
8. Gender considerations will be incorporated by disaggregating data by gender wherever there are significant differences between the roles, contributions and benefits of men and women.

(i) **Human Resources Development Strategy**

9. The availability of human resources has been one of the main driving forces in the recent economic development of the country. Any mismatch between the size and quality of these resources and the future needs of the economy would seriously jeopardise future growth prospects. Given the existing situation on the labour market, growth of the economy can only come from increasing productivity at all levels and better quality products. Productivity and quality, as well as other labour issues, will receive special attention. Two major studies in this sector have been completed:

(a) An Industrial Training Strategy; and

(b) A Human Resources Development Programme.

10. A Master Plan on education was completed in November 1991. Its objective is to educate each Mauritian to his maximum potential so as to ensure that the country's human resource base continue to be a prime asset to the long-term economic development of the economy.

(ii) **Social and Cultural Dimensions**

11. There is a growing awareness that man is not only the means of development but also its end. There is a need to assess the social impact of the development process to formulate remedial action so as to ensure that the quality of life is not adversely affected. A Master Plan for Health is being prepared to ensure the attainment of the "Health for All" objective. It will contribute to the promotion of better mental, physical, social and spiritual health for every citizen, with due consideration to the specific needs of mother, child and the senior citizen.

12. A study on the economic and social impact of industrialisation and a companion study on the tourism sector will examine the social impact of the development within these two sectors. A project has also been initiated to develop a set of 'Social Development Indicators' to keep track of happenings on the social front. A review of the existing social support programmes will be carried out with a view to enhancing their effectiveness.
13. In a fast-changing world, the access to advances in science and technology will be
determinant in the overall performance of individual countries. Given its limited resource base,
Mauritius cannot aspire to develop new technologies, except in a very few specific cases. It will
have to initiate new measures to attract more technology transfer from countries which will be
leaders in innovation, and favour the import, adaptation and optimum use of new technologies.
The proper knowledge of advances in science and technology is a pre-condition for taking
advantage of such advances. The establishment of a 'Mauritius Research Council' will promote
up-to-date knowledge of the state of the art in as many fields as possible.

14. The export-oriented manufacturing sector has been the main engine of economic growth
over the last two decades. It appears unlikely that another economic sector would be able to take
over this role in the foreseeable future. It is, therefore, important that appropriate measures be
taken to consolidate this sector.

15. Several studies had been initiated prior to the LTFS project to help to reformulate the
future industrial development strategy:

(a) an industrial development strategy has been prepared and published by the
Ministry of Industry and Industrial Technology;

(b) industrial diversification studies in agro-industry, informatics and electronics
have now been completed; and

(c) a study on the economic and social impact of industrialisation is being
implemented.

It is now important to initiate a study which, drawing from the above studies, will help determine
future industrial policy orientation and pave the way for its periodic review and adjustment.

16. Experience elsewhere indicates that as a country moves up the ladder of economic
development, the services sector takes an increasing share of the national economic activity.
Mauritius may be well-poised to move into the services sector in a much bigger way. Already, the tourism sector is a major income earner. Financial services and other offshore activities, such as data entry, offer considerable growth potential.

17. A study on the 'Economic and Social Impact of Tourism' has already been initiated as a companion study to the one being undertaken for the industrial sector. Other studies, especially on export services, (free port, offshore financial services, etc) will be carried out to guide future policy in this sector.

18. Given the international trade environment, there is an urgent need to integrate the development of the services sector into the overall development strategy. Sub-sectors of interest, potential and need will be identified and appropriate policies will be devised for their development.

(vi) Agricultural Development Strategy

19. The objective of this component will be the formulation of an overall agricultural development strategy that will promote greater efficiency in the pattern of use of all resource inputs required by the sector while addressing current constraints facing it. Particular attention will be paid to the needs of the sugar sub-sector, which continues to predominate in the agricultural sector, and to the potential of the agricultural sector to contribute resources for the development of other sectors. The strategy formulation will take into account changing trends in relative prices of agricultural imports and exports of the country. It will have also to reckon with changes that may be reasonably expected to occur in market access as well as in agricultural technology.

(vii) Marine Resources Development

20. As a small island economy with a comparatively vast exclusive maritime zone, Mauritius must in future lay greater emphasis on the development of its marine resources and on ocean sciences. The surveillance, protection and exploitation of these resources entail the recourse to technical, financial and human capabilities which are often not affordable at the national level. Studies have been initiated to obtain the base-line data on the state of health of the lagoons and coral reefs of Mauritius. There is also a mangrove propagation project, both for Mauritius and Rodrigues, which aims at protecting and enhancing the coastal marine environment. Finally, several studies have been initiated at the Indian Ocean Commission on regional protection and exploitation of marine resources.
21. Rodrigues and the Outer Islands form an integral part of the State of Mauritius and their development will be largely influenced by happenings in the rest of the Mauritian territory. However, given the specific socio-economic conditions prevailing in these islands, long-term development policies need to be guided by an in-depth analysis of the current situation. A comprehensive techno-economic survey of Rodrigues and Agalega has just been completed. The findings of the survey will help in the formulation of a long-term development strategy for the outer islands.

(ix) Physical Planning and Protection of the Environment

22. The limited size of the country and its fragile ecosystem warrant a judicious use of existing physical resources. A National Environmental Action Plan (NEAP) is being implemented to ensure that economic development takes place in an environmentally sustainable manner. It aims at establishing the requisite policy and institutional framework for managing and coordinating physical planning, land use and infrastructural investment.

23. The NEAP includes the preparation of a National Physical Development Plan (NPDP) which will seek to assess the long-term needs for land in the various sectors of development, propose the optimum locational needs, and provide a guide for the long term sustainable physical development of the country. Its time-frame will be the year 2010 and the study is scheduled to be completed in the last quarter of 1993. Other studies which have already been completed or are under way on the development of the social and economic infrastructure (Master Plans for Energy, Water and port development, Housing, as well as studies on telecommunications, construction, etc.) will provide valuable inputs for the NPDP.

(x) Long-Term Macro-economic Modelling

24. The sectoral programmes, policies and strategies formulated solely from the studies under (i) to (ix) above would inevitably lead to inconsistencies given the interdependence of the development of the various sectors and their claim on the same limited resources. Consistency and coherence can only be ensured through a macro-economic framework. Medium-term and long-term macro-economic models will provide such a framework. Furthermore, the macro-economic models are useful tools in the hands of policy-makers: by projecting the movements in the broad economic aggregates under alternative scenarios, they help to locate the nodal points at which policy intervention or adjustments may be necessary or useful; at the same time, they can also provide useful insights about how alternative policies or unforeseen contingencies may affect
the economic aggregates or a specific project or sector.

25. The MEPD has been using a number of short-term and medium-term macro-economic models. These models require substantial changes and new and more performing ones need to be developed. The preparation of a new medium-run model has just been initiated.

26. Some studies, which have been initiated or are under way, would certainly provide some answers to these crucial issues. However, they can only be addressed effectively within a coherent overall policy framework.

II. THE NATIONAL LONG-TERM PERSPECTIVE STUDY PROJECT

27. The National Long-Term Perspective Study (NLTPS) constitutes an attempt to formulate a long-term coherent overall policy framework which can guide the day-to-day economic policies of African countries. This approach was unveiled at a high-level meeting on Africa held in Maastricht, the Netherlands, in July 1990. Mauritius was among the very few countries which presented a detailed proposal for a national LTPS at that meeting.

28. At the meeting, UNDP was entrusted with the leadership of a joint effort of the international community to assist individual African countries in the preparation of national LTPS's. As a follow-up to the Mauritian proposal submitted in Maastricht, a Workshop was held in Mauritius from the 24th to the 28th February, 1992 to familiarize the Mauritian participants with the methodologies for preparing the NLTPS and to discuss further the Mauritian project.

III. METHODOLOGY

29. It should be stressed that the exercise is not meant only to produce a long-term development scenario (or even several such scenarios) 'cooked' by a few local technocrats or foreign consultants. Its objective is to enlist the participation of all levels of society so that the final document resulting from that national exercise reflects as far as possible the aspirations of the population at large. The involvement of the community in the actual preparation of the LTPS would also enable the people to come to grips with the long-term perspectives of the country and generate a greater commitment on their part to implement the policies and programmes formulated within these long-term perspectives.

30. Through this participatory process, the NLTPS will help both the public sector and the private sector to improve decision-making by reaching consensus on a set of desired national development goals, policies and strategies.
IV. INSTITUTIONAL FRAMEWORK

35. Given the scope and complexity of the NLTPS, an appropriate institutional framework needs to be set up to ensure the coherence of the whole exercise and its timely completion. A three-level structure is proposed as follows:

(i) a high-level leadership group;

(ii) a national core team; and

(iii) several sector working groups.

36. The most appropriate leadership group is the 'Economic Committee of the Cabinet' (ECC) which has the responsibility to overview all economic issues. The ECC will be expected to:

- provide policy directions to the NLTPS;

- inform the Government on the progress being made in the NLTPS and enlist its support for the project; and

- provide high-level support for the implementation of the project.

37. The 'National Core Team' (NCT) will comprise fifteen Members, one from each of the main technical ministries, private sector institutions, labour unions and research institutions. The Director of the Ministry of Economic Planning and Development will be the Chairman of the NCT.

38. The NCT will be responsible for the actual production of the NLTPS. More specifically, it will have to:

- monitor the work of the sector working groups to ensure that the sectoral and issue-based studies are completed on time;

- ensure coherence to the whole process of producing the NLTPS;

- keep the ECC regularly informed of the progress registered in the implementation
and issue-based studies already identified, as well as those which will be eventually proposed by the Sector Working Groups, will be completed. The pace at which the three-loop process described at paragraph 32, will be actually carried out, will also affect the time-frame of the NLTPS. On the basis of the progress registered in the various studies already initiated, it is expected that the NLTPS can be completed over a period of 18 months. However, this target can only be met if adequate human resources are devoted to the project.

VI. ESTIMATED COSTS

43. The latest estimate of the project amounts to US $ 5.7 million, of which US $ 3.7 have been secured. Financing for the remaining US $ 2 million has yet to be arranged. However, a more precise figure can only be arrived at once the Sector Working Groups have had the opportunity of working on the detailed costs of sectoral studies.

MEPD, Port Louis, Mauritius
24th March, 1992