

EXECUTIVE COUNCIL

CONFIDENTIAL

Title of Report: Review of the Falklands Islands Development Corporation:
proposed terms of reference
Paper No: 64/10
Date: 25 March 2010
Report of: Chief Executive

1. Purpose

- 1.1 This report set out the proposed terms of reference for a review of the Falkland Islands Development Corporation.

2. Recommendations

- 2.1 That Executive Council agree terms of reference for a review of the Falkland Islands Development Corporation.

3 Financial Implications summary

- 3.1 None specific to the review process.

4. Background

- 4.1 The Chief Executive was tasked by the previous Assembly to undertake a review of the Development Corporation as one of his objectives for 2009. However, the need to await the arrival of a new General Manager then followed by the development of the Economic Development Strategy (which the Corporation would need to be organised to achieve) meant it was agreed to defer it.
- 4.2 However with the imminent completion of the Economic Development Strategy it is now possible to proceed with a Review.
- 4.3 The original wish to undertake a review was driven by a perception that the Corporation was not necessarily 'fit for purpose' and also discontent at the relationship with Government: many feeling that the Board should be able to progress economic development within a strategic framework set by Government but without detailed involvement by Government.

4.4 These issues do call in to question to role, remit and governance of the corporation and remain unresolved.

5. Terms of reference

5.1 Appendix One contains detailed terms of reference for consideration by Executive Council.

5.2 These set out a short number of logical questions, together with some detailed explanation of each one, to which it is proposed the Review will seek answers through discussion and consultation with stakeholders including MLAs as a whole, business representatives, the Board of the Corporation, the staff of the Corporation and its clients.

5.3 Once this process was completed the Chief Executive would provide Executive Council with an analysis of the various views and options and recommend a way forward. It is too early at this stage to indicate in any way what this might involve, but there may need to be changes to the Ordinance.

5.4 With priorities for the new Assembly in the process of completion (and the setting of the Chief Executive's objectives awaiting the outcome of that process) it is not easy to be firm about a time-scale for the Review, but at this stage it would be intended to provide a report to Executive Council in September this year. Executive Council will be kept informed of progress.

6. Legal Implications

6.1 None specific to the review process.

7. Financial Implications

7.1 None specific to the review process.

APPENDIX ONE

Review of FIDC – terms of reference

1. Background

FIDC was established by Ordinance in 1983 to encourage and assist in the economic development of the Falkland Islands and to advise FIG as appropriate and required. Its actual role in the promotion of economic development has varied over the years, and it would probably be fair to say that, in recent years, its effectiveness, focus and reputation have diminished, possibly reflecting a lack of direction and clarity on its role, concerns about its associated capabilities, and requirements for it to carry out functions and activities that were not always part of its core remit. However a new General Manager was appointed in 2009 with a remit to put the administration into better order, provide some corporate direction, and work with FIG to assist in creating a strategic environment and framework in which an economic development organisation can be structured and can operate effectively. The anticipated completion of the EDS and RDS will provide that framework – and thus also provide the background for the FIDC Review and way forward.

2. Issues

The key issues which appear to need resolving are:

1. What is the role of Government in taking the EDS forward?

In almost all states government plays a major role in economic development, both at the strategic/policy level (e.g. an economic development strategy, fiscal policy) and in terms of more detailed implementation (e.g. investment funding, training, business advice).

But what government does and how it does it needs to follow from the economic circumstances, policies and priorities of the time.

With the imminent completion of an Economic Development Strategy it should shortly be clear what our priorities are and how they should be approached. With this, we can determine the role of government, the role of the private sector and where there is a joint role and how all elements should best approach their roles.

2. How should that role be organised (including internal/external governance)?

Here in the Falklands since the mid 1980's the approach has been that Government sets the strategic priorities and policies, but FIDC undertakes the detailed implementation.

But a number of options are available ranging from implementation being undertaken by government directly (for example an economic development department) at one extreme to simply leaving it to the private sector at the other. Various organisational types exist in between at different distances from government.

Going back to basics, we can now think about what approach will work best for the Islands going forward, bearing in mind the priorities and approaches to economic development shortly to be provided by the Economic Development Strategy.

3. If that involves an external body, what exactly should the role/objectives of that body be? And what should be the exact role of FIG?

This has lacked clarity and the Corporation has recently lacked clear objectives. But the Economic Development Strategy will determine economic priorities and how they should be approached. If it's determined that an independent or partially-independent entity such as FIDC is required, then its exact role and its priorities can be clarified, as can be the appropriate organisational structure to deliver those priorities. Once they have been clarified the organisation can develop a business plan which shows how that role can be achieved.

4. How should the relationship/accountabilities of that body be organised, with respect to Government and other stakeholders (and bearing in mind what is assumed about funding)?

If there is to be an external development body, there is a balance to be struck in how far the it works under Government direction (bearing in mind it is a public funded body) and how far its board and staff should be able to operate without 'interference'. Many feel the balance has not been appropriate and that has introduced tensions. In the light of a new strategic remit for FIDC or its successor provided by the EDS, it is a good time to review this and make recommendations which will provide for a sound, balanced, relationship for the next several years.

These may mean a fundamental change to the relationship with the Government. This could involve changes to board membership, remit and appointments. It could increase or reduce the ability of the Government to direct FIDC or its successor.

5. What capabilities/resources does it need including how it should organise them internally?

(or if there is to be no external body, what capabilities does government need and how should it organise them?)

Once the external body is clear about its overall future, its role and priorities in delivering the Economic Development Strategy, it can determine the resources and capabilities it will need to deliver that role. This may mean significant changes to the organisation and staffing of the current Corporation. If the conclusion is that no "external" body is necessary or appropriate, then FIG will need to clearly demonstrate how it intends to ensure the delivery of the EDS and the resultant growth, strengthening and diversification of the economy.

6. Approach

Questions 1 – 4 need to answered by Government in consultation with FIDC and other stakeholders such as the Chamber of Commerce, whereas Question 5 can, if the

existence of FIDC or other external body is confirmed, be considered by FIDC and approved by Government as part of the budget and business planning process.

It is proposed that this review consist of suggesting answers to Questions 1 – 4 and that the Chief Executive be tasked to consult with key stakeholders in preparing a report which does this and provides options for Executive Council and Legislative Assembly to consider.