

**Some Issues Relating to Public Enterprises
in Barbados**

by

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*"Government may fail either because they do too little
or because they do too much" Sir W. Arthur Lewis¹*

Introduction

The extent of public ownership in developing countries has been the subject of much debate in recent times. In the case of Barbados interest in the topic has heightened at this time because of the economic crisis and the need for structural adjustment, particularly in the public sector. Part of the adjustment requires a smaller public sector, in order to reduce the pressure on the taxpayers and on the

¹Theory of Economic Growth, 1955

balance of payments. The aim of this paper is to describe the operations of the public enterprises and evaluate the manner in which reform could be undertaken.

In Section 1, the rationale for government will be outlined. Section 2, looks exclusively at Barbados' public enterprises to determine how they have operated since their existence; particular emphasis is paid to the non-financial enterprises. In Section 3, some key issues pertaining to the operation of public enterprises, are examined. These include issues of efficiency, equity, financial balance and macroeconomic objectives. This analysis would inform the nature of intended reform since commercial non-financial enterprises are key targets for privatization.

1. Rationale for Government Involvement

There are two broad reasons on which government involvement in public enterprises is predicated. They are the economic and the political. Whilst these are not mutually exclusive, the economies of small states have over the past thirty years or so used political reasons to support the economic rationale for involvement.

Economic Rationale

The main economic rationale for the establishment of public enterprises in the existence of market failure. In this context, Jones (1982) notes that there are two important steps in the quest for what Tinbergen (1972) calls the quest for optimum organisation of the economy, the second being the satisfaction of optimality condition marginal conditions of Pareto efficiency, and the second being the choice of a mix of public and private institutions consistent with the desired outcome.

Market failure is most easily defined as the inconsistency of private objective function optimisation with that of the social welfare function. The two pertinent cases are those in which the market fails to generate a solution set at which marginal costs equal marginal benefits because of external effects, or because of the existence of decreasing cost technology. In the first case, there are costs and/or benefits which are not recorded in the calculus of the parties to a transaction. The second case is the well documented natural monopoly. However, the mere existence of market failure does not by itself justify public sector intervention as noted by Boadway and Wildasin (1984).

In terms of allocation of resources the lumpiness of capital and productive factors has been very integral in determining government intervention. When the initiative has not been seized by the private sector or they cannot muster resources on a sufficiently large scale (due to the thinness of the capital market), the government through indigenous banking institutions and financial institutions needs to "intervene" since private sector banks and financial institutions are usually risk averse and are not inclined to lend for projects which are development oriented and have a long gestation period vis-a-vis returns to investment.

The economic rationale for government intervention is usually a very strong one. Usually in the case where government has unnecessarily intervened it will have to justify its intervention since "it is not enough to know that the market is failing; it is necessary to be confident that the government can do better" (World Development Report 1991).

Political Rationale

A prominent role of government was seen as necessary by most Caribbean countries as a pragmatic response to economic problems in 1960's post independence period. It is significant that most of the MDCs in the Caribbean

gained independence during this period. The view espoused was that in the Caribbean after colonization (where the state of economies were depressed) the government should initiate economic development. The philosophy of controlling the "commanding heights" of the economy prevailed - this required that government being representative of the people should control the most important enterprises in the economy. This was largely in response to foreign dominance and or control by a small oligarchic group which were strongly linked to a colonial era.

Public enterprises were created to equip government with a cadre of well qualified professional in economics, finance and other specialization to augment the existing human capital requirement of central government. However, unexpected problems have arisen in the use of public enterprises in the extension of political patronage. In many cases Board appointments were rewards for those who performed creditably for the political parties. In addition, patronage has been extended so far that certain public enterprises are used as employment agencies.

In summation therefore, the economic rationale hinges on the market failure existing in the economies which create public enterprises. Public goods have to be provided and part of the allocation problem is dealt with by government intervention. In the development of the enterprises, given the peculiar Caribbean

experience political reasons cannot be excluded as a supplementary rationale for government involvement given the era of independence and the need to create institutions which have substantial development significance despite the attendant difficulties encountered.

2. Public Enterprises in Barbados

There are approximately thirty (30) public enterprises² in Barbados. This categorization comprises, the financial and the nonfinancial enterprises of government (see Table 1). The World Bank notes that

"In sharp contrast to the experience of many developing countries the public enterprise sector in Barbados is relatively small and in aggregate does not constitute a major drain on the public finances" (World Bank 1991).

²Public enterprises can be subdivided into three groups. Firstly, statutory corporations, which is the name commonly given to corporate bodies established to manage and operate institutions and commercial activities on the behalf of the public. Secondly, there are commercial entities which operate in the market providing goods and services at a "reasonable level of profit". Thirdly, state interests are enterprises which government usually has some stake. These are usually in the public utilities sector or in non-traditional areas like air services, flour-milling and oil exploration.

In 1991, the share of the public sector enterprises in GDP in Barbados is estimated at 14.2% compared to 55%, 46% and 41% in Guyana, Jamaica and Trinidad and Tobago respectively (Table 2).

The dates of establishment of these enterprises range from 1955 with the establishment of the Transport Board, to 1990 with the formation of the Caribbean Cotton Industries Incorporated. The development and growth of public enterprises occurred in phases. In the 1950's and 1960's the involvement was mainly in basic activities - Transport Board. As the economy became modernized and the need for consolidation of gains in past became apparent and opportunities which were not accepted by the private sector became the domain of the public sector, public enterprise expanded rapidly in the 1970's and 1980's. In 1970's alone nine enterprises were founded.

In Barbados there are enterprises which are core and other which are non-core. Core enterprises provide essential and important services for the maintenance of social welfare, such as utilities, transport and housing. These fall outside the direct control of the central government so as to be afforded some latitude in their operation. Most are non-financial entities and are expected to be socially efficient even if their operational efficiency is impaired. On the other hand, the non-core

entities are usually strictly commercial ones which are designed to "turn a profit". In order to examine the efficiency of the organization, it is necessary to look at the purpose for which the corporation/enterprise has been set up.

An outstanding feature of some public enterprises in Barbados, is the large amount of government transfers and subsidies which they require, in addition to a heavy drawdown of bank finance. For example, the Caribbean Broadcasting Corporation had a net outstanding bank balance of \$13 million at the end of 1990. Carsicot and Arawak Cement Plant had large outstanding net balances at the end of 1990, as is shown in Table 6. In terms of current subsidies and transfers, the Transport Board stands out as the only corporation with a greater than \$10 million transfer from central government. Total subsidies (current & capital) to all enterprises rose steadily from \$180.6 million in FY1980/81 to \$342.9 million in FY1990/91. As a percentage of GDP, subsidies fluctuated between 11.8% in FY1980/81 and 8.8% in FY1986/87 over the last decade.

The above issues are the ones which emerge from an examination of Barbados - a relatively small public sector but plagued by a few poorly performing enterprises. It would be misleading to imply that all the enterprises make losses, since some do make profits which are submerged in the consolidated losses of the

public enterprises sector as a whole. Since there is hardly a full information set on all the enterprises in Barbados, many of the enterprises are profiled in the appendix and other supporting data on their operation is provided.

Three areas are however highlighted - financial services, transport and air services. Some examination of these are necessary since there are the most readily attacked enterprises which are judged on private sector criteria.

Air Services

The operation of air services in Barbados has been cause for some scrutiny, since the inception of Caricargo in 1981, this joint venture with Trinidad and Tobago has steadily increased the volume of cargo loaded and unloaded. At present, the airline unloads twice as much cargo as the four major scheduled commercial carriers combined (Pan Am. B.W.I.A., Air Canada and American Airlines) from the North American continent (Table 4(a), (b)). Notwithstanding this contribution, however, the airline has been "hemorrhaging heavily" especially since 1987. The staff was cut from 71 in 1987 to 30 in 1990 at the Barbados station alone. Only the management and clerical staff have been retained whilst cargo handling has been contracted out to Airline Freight Services. Subsequent to

that, the company sold its aircraft and now operates on a ACMI (Aircraft Crew Maintenance and Insurance) contract. This "privatization" was necessary since the main cause of the "inefficiency" was the mistiming of the aircraft arrivals which in turn escalated the wage bill (through overtime). AFS is paid by pallet irrespective of the arrival time of the aircraft. Despite this new dispensation the airline remains a fiscal strain on the government because the government still has to service Caricargo's principal debt. However, Caricargo makes an operational surplus which becomes a net loss from repayment of the interest on debt (Tables 4(c), (d)).

Caribbean Airways started operations in 1970 exclusively to provide a support service for tourist travel out of Europe. During its operations it made tremendous losses which were financed primarily through bank credit. After the company sold its aircraft, it embarked upon a leasing arrangement which did not alleviate the financial burden the airline was undergoing. In 1987, the airlines closed its flight operations, with the Government liquidating its debt and embarked on projects which would allow it to become and remain viable, inclusive of airline handling the operation of a V.I.P. lounge and an in-bound duty free shop. At present the airline dividends to the government are in excess of \$100,000 per annum and it does not receive a subsidy.

Aero Services (1982) Limited currently is only partly owned by government (18%). In the most recent statement on the company, the government ceased subsidizing the company. To be found in the statement is an insight of government's policy on public enterprises:

"in accordance with its well established policy..... the taxpayers of Barbados should not be called upon to subsidize the operations of essentially commercial enterprises....." (Hansard, 1988)³

Any analysis of air services in Barbados must proceed with an appreciation for the purposes for which the entities were set-up. For example, Caribbean Airways was established to increase the flow of tourist traffic out of Europe. It is thus more instructive to examine the difference between incremental tourism earnings and operational costs than operating revenue and the latter.

³Statement by the Minister of International Transport in the House of Assembly, November 1988.

Transport

Transport Board has been faced with a dichotomy for a very long time - to provide a social service and at the same time remain financially viable. The Board has been incurring a substantial loss for many years and this has escalated in recent times. With the attendant issue of socially welfare maximization on a rigid pricing structure, making a profit is not feasible. Attention should be directed away from making a profit to minimizing losses in order to accommodate the environment in which the system operates.

A look at the Transport Board reveals that the operating deficits have been large over the past ten years, indicative of the insufficiency of revenues to finance current operations. This fact is inextricably linked to the fare structure which was standardized in the 1970s. Fares remained constant from 1983 to 1988, whilst fuel costs, competition, and wages have increased. The net effect was a substantial widening of the operational deficit from \$14 million in 1983 to \$21 million in 1988. It is equally significant to observe that a fare increase to \$1.00 in 1988 to 1989, saw a reduction in the operational deficit by \$6 million. Financing through subsidies was also reduced by a similar amount.

It would be erroneous to conclude that the reason for the inviability of the Board is the fare structure. The nature of regulation of the market has been instrumental in the quantum of losses of the Board. Since the earlier 1980's, the advent of minibuses and maxi-taxis have reduced the market share of the Board considerably. It has been difficult to compete with the other players in the market given their flexibility of schedules, proliferation on the profitable routes and their appeal to the travelling public. The Board's response to this was to maintain its route structure and attempt to compete with these new competitors.

Financial Services

Financial Services are probably the most widely discussed of all the public enterprises in Barbados. Apart from the Barbados Development Bank which was founded in 1963, the Barbados Mortgage Finance Company, Barbados National Bank and the Insurance Corporation of Barbados were all founded in 1978. The Barbados Development Bank was established as a supply-leading institution to accelerate the pace of development consistent with the argument of Patrick (1964). The role of the bank was to allow the sectors of the economy which save or earn foreign exchange, access to long-term funds and to implement and supervise projects consistent with the same. The main reason for the provision of long-term

funds was the aversion of commercial banks to do so in lieu of projects with short gestation periods. The bank therefore has a disproportionate number of smaller businesses in its loan portfolio.

The Asset Portfolio of BDB 1989

CATEGORY	\$M
Cash in Hand	1.5
Local Investments	6.9
Barbados Mortgage Finance	1.9
Development Enterprises	93.7
Other Assets	6.5

Source: Barbados Development Bank

Sectoral Distribution of Credit*

CATEGORY	\$M
Agriculture	5.6
Manufacturing	24.6
Tourism	37.2
Other including	
(a) small business	9.8
(b) small manufacturing	1.2
(c) fisheries	5.8

*This year is representative of the sectoral distribution on the whole.

Source: Barbados Development Bank

Tourism is one of the major areas to which the bank lends and this is in accordance with the development orientation of the bank. Many of the bank's loans are also \$50,000 loans, largely made to smaller businesses. This category of borrower currently records very high default rates, and the bank in turn has to incur administrative costs in an attempt to recover the funds.

Of principal concern as an operational feature of the BDB is the relatively high debt to equity ratio. This arises from the fact that development banks are not depository institutions and a large quantity of their liability structure is in borrowing and hence there is a need to mobilize supplementary resources against their equity base. The equity base remains relatively constant and is provided by government.

In terms of operational costs, the Development Bank borrows at concessionary rates, and lends at rates below commercial rates. This is aimed at helping the entrepreneur maintain adequate cash flow, which is especially difficult during the embryonic stages of project. However, interest rates tend to induce misallocation of resources. It is apparent from the loan portfolio, that funds disbursed are to undercapitalized firms and there is some delinquency in making loan repayment even if firms are making profits. The attendant cost associated with default risk tends to be between 30-60% of their lending cost. These costs include processing of applications.

The Barbados National Bank, though a commercial indigenous bank operates partially like a development bank. It has three divisions, commercial, agricultural and mortgage financing. Of particular note is the role of BNB in the financing of

the sugar industry. Since its inception, the BNB agricultural division (BNB-AD) had disbursed approximately \$172 million to the sugar industry. In addition, the bank through its commercial divisions, financed Caricargo, Carsicot and a number of other public enterprises (see Table 6). Whilst normal indicators of commercial banking performance ought to be applied to the commercial section of BNB, this is distorted by intergovernmental items in the bank's loan portfolio.

The main indicators of commercial banks performance are liquidity and profitability and the former should be balanced against the latter. The functional efficiency of the payments mechanism is critical in commercial banking and this essentially relates to the speed which the bank delivers its services. The speed of cheque clearings and the use of technology e.g. use of automatic teller machines. This can be measured by looking at the ratio of debits of demand deposits on the average deposit volume (Howard and Haynes, 1991).

$$\text{Deposit Turnover Rate} = \frac{\text{Debits of Demand Deposits}}{\text{Average Deposits}}$$

The higher the ratio the better it is for the bank since it is an indicator of the level of activity. If one relates this to the commercial banks in Barbados operating in an oligopolistic framework, the BNB's deposit turnover rate has not been very high given the fact that the bank has not kept pace with many of the technological advances of the other banks.

Operational efficiency relates to the system which the bank uses to minimize their cost. This type of efficiency can be measured by using operating cost to average earnings assets as a proxy for intermediating costs. The bank's objective function is to minimize their operation costs in cases where banks have significant bad debts and operating costs are high.

Allocative efficiency and social efficiency are one and the same in dealing with a government bank like BNB. More importantly the way the bank lends tells you how much it is contributing to economic development and increasing social efficiency. This can be measured by the sectoral distribution of credit going to each sector of the economy as is tabulated below:

BARBADOS NATIONAL BANK

SECTORAL DISTRIBUTION OF LOANS AS AT 31ST DECEMBER

	1987	1988	1989
Manufacturing	84.4	77.3	96.2
Personal	59.8	67.9	78.6
Tourism	8.8	9.3	9.7
Government	10.4	5.8	5.2
Distribution	11.3	11.5	12.9
Construction	14.9	15.9	16.2
Agriculture	86.3	89.6	93.7
Transport	74.3	52.8	65.8
Other	7.5	3.2	12.6
Total	357.7	333.3	390.9

Source: Barbados National Bank

3. Some Issues Pertaining to the Operation of Public Enterprises

Arising out of the discussion on the public enterprise sector of Barbados, according to Floyd (1983), the following issues have been identified as being among some of the most critical to the proper functioning of public enterprises:

(i) Financing

One of the most critical issues surrounding the existence of public enterprises is that of financing, since many of them incur very large deficits. The internal pricing mechanism is partly responsible for the usually poor state of the finances of many public enterprises and even in the case of efficiently run enterprises, losses will occur if administered prices are kept below cost and these losses then have to be covered by budgetary subsidies. Usually such subsidies militate against efficient allocation.

Subsidies and transfers are made to many public enterprises. Transfers are usually made to these enterprises because they are operationally inefficient. Subsidies, on the other hand, often result when government intervenes in the

pricing policy applied to goods and services. Subsidies and transfers on average account for 3% of GDP in developing countries.

Equity and debt financing are two other sources of funds to public enterprises. Bank credit to enterprises is of concern if it exceeds commercial requirements since excessive credit crowds out private borrowings. Both of these methods of financing are used by government but the question of the preservation of the equity shareholder is of little significance since the government is usually that shareholder.

The problems apart from the above relate to the fact that the bank financing is used to cover operating losses of public enterprises which result from the pursuit of non-commercial enterprises. As is the case with many commercial enterprises, their bankers themselves are government owned and sympathy is extended to their counterparts through Letters of Comfort. The equity capital option can be abused if the debt to equity ratio is large and thus yet another stumbling block to economic viability.

Several advantages arise from using a mix of debt and equity. The mix increases the enterprises ability to borrow in financial markets, checks against over

expansion, sharpens awareness of profit and enables a company to survive recessions (Ayub and Hegstad 1987).

(ii) Control

This issue can be examined from a management perspective. Prompt decision-making is vital to the success of any enterprise and public entities are no exception. The chief executive officer of the enterprise should be treated as such: there should be the elimination of interference by politicians. If they are to function effectively they must have a clear mandate and not be required to fulfil varied and conflicting task. Hemmings and Mansoor (1987) advocates that the "arms length principle" should be applied. This principle states that "while public enterprises are accountable to government, day to day decision-making should be left to enterprise managers". Politicians often interfere at very unnecessary levels in the administration of enterprises especially when many of the Board appointments are rewards for those who performs creditably for a party and furthermore have no or very little relevant experience in the administration of the enterprise over which they have been entrusted to manage.

This issue of control can also be examined from a regulatory perspective for there are many instances occurring where one government agency makes policy to impair the financial viability of another. In most cases, if a single regulatory body is established encompassing a number of tasks, such conflicts should cease. There is a need to avoid at all cost this type of conflict since the ultimate cost is borne by taxpayers through higher budgetary subsidies and transfers.

(iii) Information

As a major support system of the control and operation of public enterprises is the provision of and access to information. In order to allocate resources adequately, information needs to be consistent, timely and comprehensive. Too many lacunae currently exists in government reporting which can only impair decision-making and in certain circumstance retard the process of reform (if indeed such is the requirement). At present many governments often do not have readily available balance sheets and economic reports are seldom up to date. This state of affairs in many public enterprises is reflective of a lack of proper management information systems. Some government offices do not have a single computer, they do not engage in research and some collection and filing of important information is well below par. In other cases there is a lack of commitment to

transparency which includes disbursement of information that can inform a meaningful objective debate about the scale of assets and the cost of keeping enterprises in terms of explicit studies. In the absence of adequate information the ability of researchers to do proper analysis and government to make effective decisions is impaired.

(iv) Pricing Policy

In terms of pricing, the price of outputs and those of inputs are at great variance. The issue is a microeconomic problem, yet it is treated as a macroeconomic one. In many cases there is a divergence between social opportunity cost of production and private cost and this reflected by the market prices paid by resource inputs [Floyd, 1983]. Efficient resource allocation requires that all social opportunity cost be reflected in output prices. This approach is considered highly theoretical and for reasons of welfare and political expediency will not occur.

This discourse leads one to examine the effect on distribution of income. Equity or social justice of the distribution of incomes is one of the key issue for government intervention. In the performance of its distributive role, the market

structure is usually adequate to bring about the aims and objectives of equity in the economic system. This objective is usually met by government through the price system, through the subsidization of prices to many of its customers.

In recessionary times, it is queried whether or not the country can afford to subsidize by such a large amount and if it cannot whether those who are now being subsidized would be asked to bear a higher price.

It is not apparent that a pricing policy of output in the public sector enterprise exist. This is cause for concern. Are marginal cost or average cost principles applied? When an entity is not covering its operational cost by its revenues by a substantial amount, it becomes clear that output prices must be depressed or costs are inordinately high.

(v) Efficiency

A principal issue in the determining the economic performance of public enterprises' operation is efficiency. There are about three types of efficiency and in the analysis a view of approximately some type of measurement will be attempted.

Allocative efficiency relates to the manner in which inputs are skillfully used to produce certain desired outputs. In the absence of perfectly competitive markets, the alternative type of market structure and the nature of the capital market will be critical.

Technical or productive efficiency defines the optimal use of resources, that is, using the least quantity of inputs to produce any given output. Public enterprises have traditionally had severe problems with this type of efficiency.

X-efficiency focusses more on factors such as management and incentives for increasing output which rests outside the realm of technical and allocative efficiency (Leibenstein, 1966). This type of efficiency is especially analyzed in property rights theory since ownerships and management are pivotal. Since there seems to be little urgency in the public sector, there is no fear of "going out of business".

4. What is to be Done - An Agenda for Reform?

Administrative reform and privatization must be viewed from a multidisciplinary perspective. Whether there is administrative reform or

privatization of the existing government interests one has to fully cognizant that each case has its own history and dynamics (Nankani, 1990).

The success of privatization should not be judged in terms of the sale or contract itself or the price paid to the government or even the survival or expansion of the enterprise sold, rather the test is whether there are net benefits to the economy (Shirley, 1987). Since imperfect markets exists and allocative efficiency is a function of the market structure rather than ownership, privatization per se will not necessarily change the environment in which the enterprise operates unless the price system is altered.

When one speaks of privatization one can refer to the strong or weak definitions of the term. A drastic reduction in the interests of government via divestment is referred to as the strong variety whilst the weaker form focusses on the contracting out of services and the sale of shares to the public. Having defined the phenomenon, critical issues arise as to the criteria to be used to divest. Shirley (1987) notes that transparency is vital in the decision-making process. Further, it was noted (Howard, 1991) that developing countries should not adopt a program of "distress privatization". This refers to the forced sale of assets or enterprises under coercion from external sources.

From previous analysis the main challenge is not to privatize in the short-term as a stabilization measure. Significant administrative reform of Barbados' public sector institutions is necessary. According to Howard, Barbados is already a highly privatized economy as evidenced by the private sector involvement in banking and insurance, commerce and tourism and World Bank reports corroborate this view.

With impending structural adjustment, the Government of Barbados has been required to scrutinize the public sector and its operations. To this end, the assets of the telecommunications sector, the flour mill and the light and power company are targeted for sale. Active consideration is being given to the sale of Arawak Cement Plant, Caribbean Airways, Caricargo and the Pine Hill Dairy. Within the context on this discussion of divestment other enterprises emerged as "people's candidates" for privatization these are: the Bridgetown Port, the Transport Board and Caribbean Broadcasting Corporation.

The main question with respect to public enterprises is the objective of the sale/restructuring. Two main objectives emerge in Barbados, the need for macroeconomic balance and the streamlining of government operations with a view to reducing subsidies and transfers. The former related to attainment of foreign

exchange whilst the latter seeks to eliminate inefficiencies and improve public finances. Questions which are usually asked in tandem with reform are: what are we going to sell? Who are going to buy? What are we going to sell? The question of 'what' refers to the objectives set out, whilst that of who are going to buy is clearly left to persons having the necessary resources. In a thin capital market environment this means that prospective buyers will be persons with additional disposable income to buy shares. Government whilst vocalizing a desire to divest loss making entities with some alacrity, has expressed a desire to retain specific enterprises like the hotels - Hilton and Heywoods and the Insurance Corporation of Barbados that make a profit.

Conclusion

The discussion has been focussed essentially on the operation of the public enterprises of Barbados. The major problem facing such enterprises are financing, control and information as outlined. The highlighted areas of government, air services, financial services and transport all have varying and diverse roles. The air services can be divested whilst a more cautious approach must be taken to transport and financial services. Perhaps the most critical issue to consider in reforming public sector enterprises relates to the impact of the society as a whole

and whether or not a change in ownership through privatization, with price changes, will in fact bring about any substantial change in financial viability of the enterprises. In the context of Barbados therefore, large scale privatization of state ownership is not advocated but careful scrutiny must be given to reducing the quantum of subsidies and transfers and streamlining employment in light of structural adjustment.

APPENDIX

PROFILES OF STATUTORY CORPORATIONS, COMMERCIAL ENTITIES AND STATE INTERESTS

The National Housing Corporation

This corporation was established under the Housing Act (cap 226). The functions of the NHC include housing development for public purposes, maintenance and repairs to existing housing estates, construction of houses for sale under a commercial programme. In addition the corporation facilitates relocations and the development of lots for sale and rental.

The Barbados Industrial Development Corporation

The functions of the Corporation are to stimulate facilitate and undertake the development of industry in the island. The corporation was set up under the BIDC Act 1965-27. Within the ambit of the above, the Corporation is mandated to assist in the processing, marketing and engagement in research activity of products. It

also give assistance to persons who wishes to buy or lease land for the construction of an industry or for use as a hotel.

The Barbados Export Promotion Corporation

The principal function of the BEPC is to assist with the development of exports and therefore facilitate the earnings of foreign exchange and of employment in accordance with the Export Promotion Corporation Act 1979-22. In addition, and in fulfillment of the aims of the BEPC, they sponsor trade fairs in and out of Barbados, engage in the export of specific products and assist financially in the above mentioned activities.

The National Conservation Commission

The Commission established under 1982-8 Act is responsible for:

- (a) conserving the national beauty, topographic features, historic building sites, and monuments of Barbados;
- (b) maintenance of all beaches; provision of a lifeguard service at such of the Beaches of Barbados as it thinks fit;
- (c) controlling, maintaining and developing the public parks, public gardens and caves of Barbados.

The Commission also provides for the construction of beaches facilities, play parks upgrading of Harrison's Cave and Folkestone House and for the purchase of equipment.

The Sanitation Service Authority

Established under the Act 1974-46 is mandated to

- remove refuse from any premises authorized by the Minister;
- to sweep, clean and water streets;
- to provide and maintain in a sanitary condition suitable places for the deposit, disposal or destruction of refuse;
- to provide and maintain public paths and public sanitary conveniences;
- to provide and maintain cemeteries, burial grounds and crematoria.

In recent times, the capping of the Mangrove landfill fall under the jurisdiction of the SSA.

The Barbados Tourism Investment Corporation

Established under the Act 1979-24. The BTIC purchases, leases or otherwise acquires for its purposes any building or estate or real property to provide facilities for tourism services. In addition the BITC provides all necessary services for those

establishments under its control inclusive of facilities for bulk purchasing, marketing and collective sales, maintenance and landscaping of premises and training of employees.

The Barbados Development Bank

The overall corporate purpose of the bank as outlined in its Act 1963 is the promotion of economic development. It encourages the establishment and expansion of small business by the provision of medium and long-term loan and financial assistance and mobilizes domestic financial resources for long term financing by encouraging saving and investment.

The Barbados National Bank

This bank established in 1978 has three divisions. An agricultural banking, commercial banking and mortgage financing division. Whilst classified as a commercial bank it is really much more. It receives deposits; makes loans and advances or allows overdrafts with or without security; it acts as agents for any government or other authority and for public or private bodies or persons; it makes loans and advances for carrying on the cultivation or management of sugar

plantations or the management of sugar factories in Barbados on certain conditions determined by the Board.

The Barbados Board of Tourism

The functions of this Board under the 1958-31 Act are

- (i) to develop all aspects of the tourist industry of Barbados to promote efficiency.
- (ii) to adopt all/such measures as it may see fit to advertise and publicize Barbados as a tourist resort,
- (iii) to promote and secure shipping and airline facilities as will tend to increase tourist traffic to Barbados traffic to Barbados,
- (iv) to undertake research experiments and operations as may appear necessary to improve the basis of the tourist industry
- (v) to register, classify and grade hotels apartments and guest houses and other type of accommodation and do likewise for restaurants.

The Barbados Agricultural Development Corporation

The corporation provides for the establishment of an agency to stimulate, facilitate and undertake the development of agriculture, to develop and manage on a commercial basis Government plantations along the lines of the Government's agricultural policy and so as to stimulate and encourage the private sector inter alia.

The Barbados Marketing Corporation

The corporation is charged with the duty of improving the growing and marketing of produce in addition to securing arrangements for purchase handling transportation, exportation, shipping, and sale of said produce. To assist agricultural and fishery co-ops to dispose of their produce.

The Barbados Water Authority

The authority is mandated

- To obtain, analyze information and maintain records of the total water resources of Barbados;

- To manage, allocate and monitor water resources of Barbados with a view to ensuring their best development, utilization, conservation and protection.
- To operate efficiently the Sewage system of Barbados.

The Barbados Port Authority

The authority was established

- to provide, maintain, operate and improve lighthouses, port, harbour services
- to collect dues and charges authorized
- to develop and manage all land leased/vested in the authority.

The Insurance Corporation of Barbados

The Act 1978-8 provides for the establishment of the ICB charged with the functions of insuring the assets of the Government and certain statutory Boards and the undertaking and carrying on of all classes of insurance business.

The National Petroleum Corporation

This Corporation engages in

- the search for petroleum in natural conditions in strata

- refining or indirectly in business relating to the petroleum/petrochemical industry whether in exploitation, manufacturing refining, marketing or importing or exporting
- extraction, refining of petroleum, beneath the territorial waters
- providing or operating oil or gas pipelines tankers and refineries.

Caricargo

Caricargo is a freight company which is a joint venture between the Government of Trinidad and Tobago and Barbados. Ownership is equal i.e. 50% is owned by each country. From its inception in 1981 to 1988, the carrier has moved freight between North America and the Caribbean using its own aircraft. Now it flies using leased aircraft. In 1991, the company was considerably restructured and operates with a staff of 31, utilizing Airline Freight Services as its cargo agent.

Caribbean Airways

The airline which is wholly owned by Government, started flight operations in 1970 under the name International Caribbean Airways with its own aircraft.

Subsequently the company changed its name to Caribbean Airways. Leasing of aircraft was introduced as Ghana Airways provided the service. Subsequent to this various agreements as tour operators were negotiated inclusive of Airtours of Britain in 1987. At present the company does not have a airline identity but manages to a duty-free shop and an executive lounge at the airport.

Carsicot

Carsicot a joint venture between the Government of Barbados and Scothalls of Canada to develop a sea island cotton project based in Barbados, but involving other Caribbean islands. To this end, it was agreed in 1987 to have a shareholding structure as followed:

Scothalls	51%
Government of Barbados	33%
Government of Antigua & Barbuda	8%
Government of Montserrat	4%
Government of Nevis	4%

Caribbean Cotton Industries Incorporated

Subsequent to many controversies surrounding Carsicot, the Government of Barbados registered a company called Caribbean Cotton Industries Limited and the government became the majority shareholder. The objects of the company were stated:

- (a) the development of cotton industry in Barbados;
- (b) farming and spinning cotton;
- (c) the manufacturing of fabrics and garments made of sea island cotton.

Barbados Mills Limited

This company was incorporated in Barbados in 1979. The Government of Barbados owns 60% and 40% is owned by Maple Leaf Mills of Canada. The company was set up to supply the islands flour needs and operate a grain terminal. There are currently two subsidiaries of Barbados Mills - Super Poultry and Barbados Feeds Limited.

Barbados National Oil Company

The company is a limited liability company registered under the Company Act Cap. 308. At its inception in 1983, BNOC was owned 67% by National Petroleum Corporation (NPC) and 33% by the Government of Barbados. The company was initially acquired in July 1982 and its name was changed from the Mobil Exploration Barbados Limited to BNOC. Between 1982-1983 the company was managed by Mobil under management contract.

Today 69% of the equity in the company is held by the Government of Barbados and the NPC hold 31%. The main activities of the company are the production of crude oil, natural gas and liquified petroleum gas. The crude is sold to Mobil refinery while the natural gas is sold to NPC for distribution in their pipeline for industrial and domestic uses. Liquified Petroleum Gas (LPG) are sold to two local distributors - Shell and Texaco.

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TABLE 1

FUNCTION	CORPORATION/ ENTERPRISE	PURPOSE OF ESTABLISHMENT	DATE OF ESTAB. ACT	PERCENTAGE OWNERSHIP	
A.	MARKETING	BMC	Agricultural marketing	1961-40	100.0
		BEPC	Export promotion	1979-22	100.0
		BTIC	Tourism Investment	1979-24	100.0
		BOT	Tourism marketing	1958-31	100.0
B.	LANDSCAPING	NCC	Beautification	1982-8	100.0
C.	COMMUNICATIONS	CBC	Radio, T.V.	1963-36	100.0
D.	FINANCIAL SERVICES	BDB	Development Loan Financing	1963	100.0
		BMFC	Mortgage financing	1978-10	100.0
		BNB	Banking, Agricultural lending	1978-10	100.0
		ICB	General Insurance	1978-8	100.0
E.	HOUSING	NHC	Housing		100.0
F.	DEVELOPMENT	ADC	Agricultural Development	1965-21	100.0
		IDC	Industrial Development	1965-27	100.0
G.	MINERALS	BNOC	Oil	1982	69.0
		NPC	Natural Gas & Oil	1979-35	100.0
		Arawak	Cement	1982	51.0
H.	SANITATION	SSA	Sanitation Services	1974-46	100.0
I.	TRANSPORT	Transport Board	Transport (Public)	1955-37	100.0
J.	UTILITY	BWA	Water, sewerage		100.0
K.	OTHER	Barbados Mills Ltd. (a) Barbados Feeds Ltd. (b) Super Poultry Ltd.	Flour Milling	1979	60.0

TABLE 1 (Cont'd)

FUNCTION	CORPORATION/ ENTERPRISE	PURPOSE OF ESTABLISHMENT	DATE OF ESTAB. ACT	PERCENTAGE OWNERSHIP
OTHER	Pine Hill Dairy Ltd.	Producing dairy products		40.0
	Bartel	Telephone services		11.07
	Barbados Light and Power	Electricity Generation	1903	23.12
	BET	Telecommunications		25.0
	Caricargo	Air Cargo	1981	50.0
	Aeroservices	Air Transport	1982	12.0
	Carsicot	Planting/Ginning Cotton etc.	1987	33.0
	Caribbean Airways	Air Transport	1970	100.0
	Caribbean Cotton	Planting/Ginning Cotton etc.	1990	100.0
	Industries Incorporated			

Source: Holder (1990), Laws of Barbados, Registrar of Companies.

Legend

BMC	-	Barbados Marketing Corporation	ICB	-	Insurance Corporation of Barbados
BEPC	-	Barbados Export Promotion Corporation	NHC	-	National Housing Corporation
BTIC	-	Barbados Tourism Investment Corporation	ADC	-	Agriculture Development Corporation
BOT	-	Board of Tourism	IDC	-	Industrial Development Corporation
NCC	-	National Conservation Commission	BNOC	-	Barbados National Oil Corporation
CBC	-	Caribbean Broadcasting Corporation	NPC	-	National Petroleum Corporation
BDB	-	Barbados Development Bank	SSA	-	Sanitation Service Authority
BMFC	-	Barbados Mortgage Finance Corporation	BWA	-	Barbados Water Authority
BNB	-	Barbados National Bank	BET	-	Barbados External Telecommunications

TABLE 2**% IN GDP OF THE PUBLIC ENTERPRISE SECTOR IN
CARICOM COUNTRIES**

Antigua & Barbuda	16.0
Bahamas	7.4
Barbados	14.2
Belize	11.3
Dominica	5.8
Grenada	12.6
Guyana	55.0
Jamaica	46.0
Montserrat	N.A.
St Kitts-Nevis	N.A.
St Lucia	7.8
St Vincent	9.2
Trinidad and Tobago	41.0

Source: Caricad 1991

Note: N.A - no assessment

TABLE 3(a)

TOTAL TRANSFERS FROM CENTRAL GOVERNMENT

	Current & Capital Transfers*	GDP+	% of GDP
1980/91	180.6	1,535.9	11.8
1981/82	194.1	1,706.2	11.4
1982/83	176.6	1,784.2	9.9
1983/84	185.2	1,898.9	9.8
1984/85	196.0	2,074.6	9.5
1985/86	240.9	2,180.7	11.0
1986/87	202.2	2,297.3	8.8
1987/88	263.0	2,498.9	10.5
1988/89	296.0	2,667.7	11.1
1989/90	295.2	2,909.5	10.1
1990/91	342.9	2,965.3	11.6

Sources: + Barbados Statistical Service
 * Accountant General, World Bank and Central Bank of Barbados

BARBADOS - CENTRAL GOVERNMENT TRANSFERS, 1977-78 - 1989/90

(BDSS\$ Million)

Current Transfers - Non-Financial Public Enterprises

	NHC	WWD	BIDC	TB	BMC
1977-78	1.7	2.7	1.2	4.6	0.4
1978-79	2.6	2.7	1.2	4.5	0.5
1979-80	3.3	3.2	1.7	7.6	0.4
1980-81	3.9	7.3	2.9	11.9	0.5
1981-82	4.9	5.4	3.0	15.0	0.2
1982-83	2.9	1.3	2.5	14.5	0.0
1983-84	2.8	0.0	2.2	13.0	0.0
1984-85	3.2	0.0	3.1	10.8	0.0
1985-86	2.7	0.0	3.0	14.0	0.0
1986-87	3.1	0.0	3.4	12.4	0.0
1987-88	4.5	0.0	4.9	22.0	0.0
1988-89	3.0	0.0	3.6	12.9	0.0
1989-90	4.2	0.0	4.4	10.0	0.0

LEGEND: NHC -- National Housing Corporation
WWD -- Waterworks Department
BIDC -- Barbados Industrial Development Corporation
TB -- Transport Board
BMC -- Barbados Marketing Corporation

Source: Ministry of Finance and Planning and World Bank

BARBADOS - CENTRAL GOVERNMENT TRANSFERS, 1977-78 - 1989/90

(BD\$\$ Million)

Capital Transfers - Non-Financial Public Enterprises

	N.H.C.	B.A.D.C.	W.W.D.	B.I.D.C.	T.B.	B.M.C.
1977-78	3.7	0.5	3.2	3.5	4.5	1.5
1978-79	4.3	3.8	3.1	4.1	1.2	2.4
1979-80	6.6	0.2	4.0	5.7	2.0	0.4
1980-81	8.3	0.8	4.9	6.7	2.5	2.2
1981-82	6.0	5.1	3.7	5.8	4.1	0.1
1982-83	6.0	3.1	3.0	5.5	6.0	0.0
1983-84	3.6	4.2	2.1	7.3	6.7	0.0
1984-85	5.6	2.8	1.3	4.4	7.9	0.0
1985-86	12.9	2.8	1.3	2.9	0.0	1.0
1986-87	4.5	2.2	0.9	0.5	0.0	0.0
1987-88	5.4	3.1	0.0	2.4	0.0	0.0
1988-89	5.2	3.0	0.0	4.0	0.0	0.0
1989-90	8.7	3.2	0.0	5.0	0.8	0.0

Legend: NHC National Housing Corporation
WWD Waterworks Department
BIDC Barbados Industrial Development Corporation
TB Transport Board
BMC Barbados Marketing Corporation
BADC Barbados Agricultural Corporation
Source: Ministry of Finance and Planning and World Bank

SCHEDULED FREIGHT (KILOS)

LOADED					UNLOADED			
	AMERICAN AIRLINES	AIR CANADA	PAM AM	B.W.I.A.	AMERICAN AIRLINES	AIR CANADA	PAN AM	B.W.I.A.
1981	209,967	358,742	-	691,444	605,645	390,421	-	581,173
1982	215,204	43,284	556*	916,979	435,470	238,891	1,501	592,145
1983	167,176	69,747	312,941	958,063	470,386	200,428	211,151	653,496
1984	248,481	43,487	481,490	571,472	377,222	158,452	263,584	1,030,282
1985	249,920	38,512	338,172	1,083,084	377,187	156,366	371,221	1,376,967
1986	238,957	281,278	181,814	1,117,346	325,732	134,614	544,300	1,472,538
1987	232,957	44,636	114,657	1,026,159	403,364	143,664	519,442	1,612,052
1988	308,533	147,113	188,158	1,011,867	739,050	156,276	592,960	1,756,384
1989	340,723	300,889	300,884	944,423	706,172	118,700	632,055	2,120,064

*One month (December)

Source: Statistical Reports of the International Transport Division 1981-1989

TABLE 4(a)

CARICARGO
Non-Scheduled Freight (Kilos)

	Loaded	Unloaded	Total
1981	1,380,501	2,359,575	3,740,076
1982	1,467,989	2,805,341	4,273,330
1983	1,495,921	2,647,851	4,143,772
1984	2,424,120	3,720,791	6,144,911
1985	1,829,834	3,363,564	5,193,398
1986	1,592,903	2,981,915	4,574,818
1987	1,618,872	3,695,061	5,313,933
1988	2,254,020	4,671,329	6,925,349
1989	1,929,063	4,129,376	6,058,439

Source: Statistical Reports of the International Transport Division 1981-1989

TABLE 4(c)

**CARICARGO
NET PROFIT/LOSS (\$BDS)**

1981	-1,226,846.00
1982	229,022.00
1983	771,025.00
1984	-1,070,752.00
1985	-2,976,435.00
1986	-386,619.00
1987	-2,000,000.00
1988	-3,200,000.00
1989	-5,800,000.00
1990	-4,700,000.00
1991 ^P	-3,000,000.00
1992 ^P	-3,200,000.00
1993 ^P	-1,400,000.00

Source: Caricargo

P - Projected

TABLE 4(d)

CARICARGO FINANCING

(BDS\$M)

YEAR	CAPITAL	LOANS	INTEREST
1981	9.0	4.5	1.2
1982	0.0	17.6	2.3
1983	3.5	14.1	2.1
1984	1.5	17.1	2.4
1985	4.0	16.9	2.6
1986	5.5	28.9	2.5
1987	1.5	38.9	4.0
1988	6.0	44.8	4.8

Source: Caricargo

TABLE 5(a)

ADULT BUS FARES

BUS FARE (c)

1979-80	45.0
1980-81	45.0
1981-82	60.0
1982-83	60.0
1983-84	75.0
1984-85	75.0
1985-86	75.0
1986-87	75.0
1987-88	75.0
1988-89	100.0
1989-90	100.0

Source: Transport Board Annual Reports 1979-1990

TABLE 5(b)

OPERATING SUBSIDIES FROM GOVERNMENT TO THE TRANSPORT BOARD
(BDS\$)

1979-80*	3,576,011
1980-81	10,920,024
1981-82	15,000,000
1982-83	14,500,000
1983-84	12,950,000
1984-85	10,790,000
1985-86	14,000,000
1986-87	12,350,000
1987-88	21,985,939
1988-89	12,200,000
1989-90	10,000,000

* The financial year of the Board was changed from September to September to April to March. The data set for 1979-80 reflects only the six months from September 1979 to March 1980.

Source: Transport Board Annual Reports 1979-90

TABLE 6

PUBLIC ENTERPRISES
NET BALANCE AT COMMERCIAL BANKS
(BDS\$000)
AT DECEMBER OF EACH YEAR

	1985	1986	1987	1988	1989	1990
CBC	195	-5,677	-9,067	-15,641	-14,398	-13,594
BMC	213	641	156	260	114	163
BADC	1,340	901	1,393	1,205	819	268
NHC	4,700	3,623	1,977	3,263	8,036	10,706
BIDC	779	-105	-466	1,211	2,748	1,282
NCC	413	607	3,802	2,850	1,307	2,180
BEPC	0	547	33	732	1,051	379
TB	1,342	469	-193	1,914	1,131	1,906
BWA	4,239	2,938	2,046	1,415	3,248	2,271
PA	7,327	1,710	2,337	3,210	2,445	1,715
NPC	-4,129	-5,849	-3,816	-2,656	-3,006	-3,213
BNOC	6,875	1,932	1,173	1,127	1,412	3,308
CARSICOT	0	0	0	0	-5,276	-6,900
CA	0	0	0	1,625	1,531	1,105
ARAWAK	-1,762	-5,647	8,821	-9,409	-13,850	-14,094
CARICARGO	-9,334	-14,196	-30,599	-52,807	-52,963	-55,290

source: Central Bank of Barbados (1991)

Legend

PA	-	Port Authority
NPC	-	National Petroleum Corporation
BNOC	-	Barbados National Oil Company
CA	-	Caribbean Airways
CBC	-	Caribbean Broadcasting Corporation
BMC	-	Barbados Marketing Corporation
BADC	-	Barbados Agricultural Development Corporation
NHC	-	National Housing Corporation
BIDC	-	Barbados Industrial Development Corporation
NCC	-	National Conservation Commission
BEPC	-	Barbados Export Promotion Corporation
TB	-	Transport Board
BWA	-	Barbados Water Authority