

# Privatization in the English- Speaking Caribbean: An Assessment

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## Introduction

Over the last fifteen years privatization has taken on increasing importance as a worldwide phenomenon, a trend which has involved a re-definition of the role of the state in the economy. Privatization in this context is one form of divestment and refers to the transfer of ownership of state-owned entities to the private sector.

Beginning in the mid-1970s there was a questioning of the efficacy of state-led development strategies, because they failed to achieve the objectives of greater national control over the economy and increased efficiency. Furthermore, far from contributing to government revenue, many state-owned enterprises (SOEs) proved to be a drain on government resources. The regime of General Pinochet in Chile commenced the first comprehensive program in 1974 as part of a wider economic liberalization strategy and an attempt to mobilize foreign investment. After the initial phase of privatization (1974-1978), a second round took place between 1985 and 1989 (Larrain, 1995).

By the early 1980s, to varying degrees, there was a retreat from a belief in the state as the engine of growth, and a commitment to state intervention in the economy. It was no longer accepted that the state needed to be directly involved in the production and distribution of goods and services. Rather, the view was that the state should confine itself to the role of facilitator.

While Chile was among the earliest programs to be implemented, the industrialized countries, led by Britain, dominated the process through the mid-1980s in terms of value of assets transferred. In 1981 for example, the partial privatization of British Aerospace raised US\$245 million, and it launched a sweeping divestment program by the Thatcher government. This resulted in the privatization of several major enterprises—British Telecommunications, British Airways, Rolls Royce, and British Gas by 1986 (Chapman, 1990). Since then, other OECD countries—France, Germany, Italy, and Japan, have followed suit.

Privatization has also proceeded quickly in Russia and in the former Eastern Bloc since 1990. Russia undertook a large-scale divestment program between 1992 and 1994, for example, transferring ownership of over 15,000 firms through the distribution of ownership vouchers (Nellis, 1999, p. 17). By 1994 the so-called transition economies in Eastern Europe accounted for 16.5 percent of total privatizations worldwide (*Wall Street Journal*, October 2, 1995, p. R4).

Privatization initiatives have been a more recent occurrence in the developing world. In many instances, governments in Lesser Developed Countries (LDCs) have only embraced privatization as part of the conditionality attached to International Monetary Fund (IMF) and World Bank-designed structural adjustment programs. These multilateral institutions have maintained that privatization, as a vital component of a wider program of economic liberalization, is the path to self-

sustained growth. In its 1994 *World Economic Outlook*, the IMF maintained that countries which had firmly committed themselves to privatization, such as Chile and Mexico, had experienced higher rates of growth than countries in Sub-Saharan Africa where progress with respect to divestment was slow (IMF, 1994, p. 50).

According to the International Finance Corporation (IFC), between 1988 and 1993 industrialized countries accounted for 15 percent and developing countries 85 percent of 2,655 divestment transactions worldwide. In addition, these transactions yielded US\$271 billion in revenue, with industrialized countries accounting for US\$175 billion of the total (IFC, 1995b). To date, most of the privatization activity in the developing world has occurred in Latin America and the Caribbean. Between 1988 and 1993 this region accounted for more than half of total privatizations in the Third World in terms of dollar amounts (*The Journal of Commerce*, Sept. 29, 1995, p. 3A).

This study analyzes privatization initiatives in the English-speaking Caribbean. With the exception of Jamaica, none of the countries in question has pursued divestment strategies for more than a decade. In most cases, any significant reduction in SOEs has only occurred within the last five years. However, tentative conclusions can be drawn about lessons learned from the process. The study examines the various modalities which countries have utilized for private sector involvement in the state sector and examines the impact on employment, economic efficiency, and the availability of goods and services.

## **Objectives of Privatization in Developing Countries**

Privatization in developing countries is usually motivated by a desire to: 1) improve company performance and efficiency in terms of reliability of delivery, quality, and price; 2) introduce competition in areas long monopolized by government; 3) raise income as an alternative to raising taxes or incurring further debt; 4) reduce the burden on the government's budget; 5) settle foreign debt; 6) expand or develop the local equity market; 7) encourage industrial development; 8) attract foreign investment; 9) promote growth; and 10) increase equity by narrowing gaps in income and access to resources (Berg, 1988, p. 185-209). The relative importance of any or all of these objectives will depend on the country in question, and can also vary over time within the same country.

### ***Forms of Divestment***

In addition to privatization, divestment can be undertaken in a number of ways. For example, services traditionally provided by government or the management of state-

owned enterprises can be contracted out to the private sector. Worker-owned enterprises can also be established, either through Employee Stock Ownership Programs or where government employees form a company to purchase the SOE. Furthermore, an entire SOE or parts of it can be leased to the private sector, or the government can enter into a joint venture with private sector interests or with workers.

### ***Privatization in the English-Speaking Caribbean***

Privatization of state-owned entities in the English-speaking Caribbean must be understood in the context of the nationalism prevailing in the first decade of independence in these countries. Barbados, Guyana, Jamaica, and Trinidad and Tobago became independent between 1962 and 1966, and the smaller Eastern Caribbean states in the 1970s. Government involvement in the economy grew in the early years after independence, largely as an outgrowth of ideology and the political imperative to assert sovereignty and economic independence. In some instances, however, governments felt obliged to take over the facilities of foreign owners wishing to close their operations. In Trinidad for example, the government's acquisition of a controlling interest in British West Indian Airways (BWIA) and its take-over of British Petroleum's holdings on the island were efforts to protect the income and employment of workers who would be displaced by these companies' withdrawal. The public sector therefore came to play a prominent role in Jamaica, Trinidad and Tobago, and Guyana by the mid-1970s as the state became directly involved in a wide range of commercial and industrial activities.

Public sector ownership in Trinidad and Tobago began before independence with the 1960 acquisition of the Telephone Company of Trinidad and Tobago (TELCO) and BWIA. By 1972 the Trinidad government held investments in thirty-five companies—hotels, telecommunications, petroleum, sugar, banking and finance, as well as manufacturing and industrial development. The Third Five-year Plan (1969–1973) stated that the public sector would not “hesitate to enter either alone or in partnership with foreign or local private capital into the productive fields of industry, tourism, and agriculture.” In addition, all public utilities would be owned or substantially controlled by the public sector (Henry, 1990, p. 256). A White Paper on Public Sector Participation in Industrial and Commercial Activities pointed to the need for state intervention because of “innate deficiencies in the private sector.” In other words, the private sector could not be relied on to be the engine of growth needed to safeguard the country's independence, stimulate economic growth, increase employment, and create an equitable distribution of income (Henry, 1990, p. 256).

The OPEC oil price increase in 1973—resulting in higher levels of domestic crude oil production and a new tax regime for the petroleum sector— significantly augmented government revenues and provided the resources necessary for further expansion of the state sector. By 1975 the government held 100 percent ownership in major enterprises such as the Trinidad and Tobago Television Company Ltd., the Trinidad and Tobago Telephone Company, and BWIA. Steps were also taken to increase state participation in natural resource-based industries. Fertilizers of Trinidad and Tobago (FERTRIN) was established as a joint venture with AMOCO. TRINGEN, a manufacturer of ammonia, was created as a joint venture with W.R. Grace and Company. Between 1973 and 1983, the Trinidad and Tobago government invested TT\$7.3 billion (US\$1.25 billion) in equity, loans, and advances in the SOE sector (Republic of Trinidad and Tobago, Ministry of Finance–Investments Division, 1995, (pp. 7-8).

Led by Michael Manley, the Peoples' National Party (PNP) government came to power in Jamaica in 1972, and by 1974 adopted a democratic socialist platform. The Principles and Objectives of the PNP stated that “in the economic sphere, socialism requires social ownership and/or control of the means of production, distribution, and exchange, which must begin with a dominant public sector which owns and/or controls the commanding heights of economy” (PNP, 1979). Accordingly, the government targeted the banking system, public utilities, the sugar industry, and bauxite companies for public ownership. By 1974 the government had acquired all the outstanding foreign-owned shares in the island's only electric company, Jamaica Public Service Company Ltd. (JPSCo). Three years later, the government purchased the shares of Barclay's Bank and renamed the institution National Commercial Bank Ltd. (NCB). NCB therefore became the first wholly state-owned commercial bank. Sugar plantations were converted into workers cooperatives while major changes occurred in the bauxite and alumina industries. In 1974 the government also imposed a production tax on Kaiser, Reynolds, ALCOA, and ALCAN—the bauxite companies operating in Jamaica—and announced plans to purchase just over half of their mining operations, as well as all of the foreign bauxite lands.

By 1979, 185 state enterprises had been established in Jamaica. The state owned all utilities, the largest commercial bank (NCB), 51 percent of bauxite mining operations, 75 percent of sugar output, and 48 percent of hotel capacity. The government also created Jamaica Commodities Trading Corporation, a state trading company responsible for the import of basic commodities (Bernal, 1985, p. 119). Government services, which accounted for less than 7.7 percent of Gross Domestic Product (GDP) in 1953, rose to 19.22 percent of GDP by 1980 (Sampson, 1993, p. 265).

The Forbes Burnham regime in Guyana also pursued efforts designed to give the government more control over the economy. Following the creation of the Cooperative Socialist Republic by the ruling Peoples' National Congress (PNC) in 1970, nationalization of foreign-owned assets became an important priority. By the mid-1970s, the key activities earning foreign exchange, such as sugar and bauxite production, public transportation, much of the import trade, and a significant portion of distribution and communications, had been taken over by the state (Thomas, 1988, p. 252). Furthermore, through a group of enterprises under the supervision of the Public Corporations Secretariat, government control extended to pharmaceuticals, timber and log processing, fishing, livestock, and printing. In essence, the state dominated much of economic life.

In Grenada the Maurice Bishop regime came to power in 1979 and pursued a “mixed economy” approach. However, the Peoples' Revolutionary Government (PRG) stressed that the state would be the dominant sector and would lead the development process. In late 1979 the government established a state-owned bank by acquiring the Canadian Imperial Bank of Commerce, which was about to close its operations on the island. In the tourist sector, the Holiday Inn was purchased and five other hotels were confiscated from former Prime Minister Gairy and his supporters. The government also became directly involved in trade through the establishment of a state-owned marketing and import authority. The state became the sole importer of basic consumer items (sugar and rice) and production inputs such as cement and fertilizer. By 1982 there were 32 state-owned firms, including the electricity and telephone companies (Thomas, 1988, pp. 241-244).

This high level of government participation throughout the Caribbean in the 1970s was a reaction to what was seen as the negative impact of foreign ownership of sectors and large enterprises. However, it was also a response to the perceived shortcomings of the “industrialization by invitation” development model. This entailed import-substitution industrialization through direct foreign investment attracted by generous incentives such as tax holidays, unrestricted repatriation of profits, and duty free concessions on imported inputs. It was believed that this type of foreign investment had resulted in “dependent” development by reinforcing foreign ownership and a concomitant denationalization of decisions about resource allocation (Manley, 1982, p. 25-37). This was most strongly felt in the mineral exporting economies—Jamaica, Guyana, and Trinidad and Tobago—where the mineral sector remained essentially an enclave within the larger economy, more integrated with the international markets than the domestic one (Girvan, 1976, p. 30).

By the early 1980s the conviction about the benefits of state ownership and control came to be questioned. Several factors were at play. State-owned enterprises had become overstaffed, inefficient, and a drain on public finances. With large and

persistent fiscal and trade deficits, as well as mounting foreign debt, governments could no longer afford to subsidize unprofitable operations. The weak performance of state-owned enterprises also coincided with a world-wide shift toward the “market.”

In the United States, Ronald Reagan had been elected U.S. president in 1980, and he held a firm belief in private sector-led growth and a “free” market to allocate resources. This approach was evident in the conditionality attached to U.S. bilateral assistance to the Caribbean, which stressed economic reform. Similar trends appeared with multilateral institutions such as the World Bank, the Inter-American Development Bank, and the International Monetary Fund. Countries had to accept privatization and economic liberalization as part of the loan terms from these multilateral institutions.

New trends in the Caribbean toward large-scale divestment of government holdings in various sectors of the economy must therefore be seen in this context. By the early 1990s several countries had already undertaken structural adjustment or economic reform programs which included divestment plans. Accordingly, at the 1994 World Bank-sponsored Caribbean Group for Cooperation in Economic Development (CGCED) meetings in Washington, Trinidad and Tobago, Jamaica, Guyana, and Grenada were able to strongly endorse privatization and private sector-led growth as part of their medium-term strategies for economic development.

## **Privatization Initiatives**

### ***Guyana***

In Guyana the government initially formulated a divestment policy as part of a structural adjustment program in 1989. In previous decades, the high level of public sector control of the economy was associated with declines in both local and foreign investment. SOEs had consistently performed poorly. Twenty of the twenty-eight enterprises under the Public Corporations Secretariat had never been able to pay either taxes or dividends to the central government since the late 1970s. This had contributed to fiscal deficits, which increased from 12 percent of GDP to 55 percent of GDP from 1975 to 1989 (Hope, 1992, p. 20).

By the October 1992 elections, fourteen public enterprises had been either fully or partially privatized or liquidated (See table 1). These initial divestitures include the Guyana Telecommunications Corporation, Guyana Transport Services Ltd., Guyana Stockfeeds Ltd., (partial) and Demerara Woods Ltd. Guyana Telecommunications Corporation was the first to be divested in 1990 through an asset sale arrangement for US\$16.5 million. In 1991, 70 percent of Guyana's largest

bank—Guyana Bank for Industry and Commerce, previously acquired from Barclays—was sold through a public offering (Esau, 1994, p. 160).

Privatization became a controversial issue as many Guyanese expressed serious concerns about: 1) the speed with which these early divestments had taken place; 2) the absence of a framework for the process; 3) the lack of transparency of many of the transactions; 4) the failure to achieve optimal prices for state assets; and 5) the fact that the public was uninformed about the benefits of divestment. Accordingly, the government of Cheddi Jagan, which came to power in 1992, halted the divestment process. In the view of the government,

A policy objective of raising money for the fiscal budget is not sufficient to explain privatization to a population which has been conditioned in the past to regard state ownership as beneficial in and of itself...The objective of raising money alone raises the spectre of ad-hocism, recklessness, and of desperation, giving rise to doubts as regards the reasonableness of the amounts received from divestment of assets/interest in Public Corporations (Cooperative Republic of Guyana, Ministry of Finance, June 1993, p. 4).

While the government was still committed to privatization in principle, it was felt that any such strategy should not be based simply on budgetary concerns, but be placed in the broader context of a desire to improve SOE efficiency and productivity through a private sector-led development program.

Revised objectives and guidelines for privatization were outlined in a ministry paper tabled in the Guyana Assembly in June 1993. A Privatization Unit was established to coordinate the process with a cabinet-level Privatization Board. The latter was chaired by the Ministry of Finance with representatives from labor unions, consumer groups, and the private sector. Phase I began with ten companies in distribution, transportation, rice milling, paint production, fisheries, and food processing, netting proceeds of close to US\$30 million. Phase II began in 1993 and involved sixteen more profitable companies. However, the process initially has encountered some difficulties, partly because of a critical shortage of experts qualified in various aspects of the divestment process.

In spite of some delays, since 1995 the process of privatization in Guyana has been proceeding fairly well (See table 2). During the 1995-96 fiscal year alone, the government divested all its shares in the Guyana Pegasus Hotel and six other enterprises, including Demerara Distillers Ltd. The major assets of the Guyana National Engineering Corporation and 19 percent of the government's shares in Guyana Stores Ltd. were also divested. In 1997 the government sold its shares in the National Bank of Industry and Commerce and divested its share of Guyana Stockfeeds for US\$900,000. As part of the conditions of debt relief under the Highly

Indebted Poor Countries (HIPC) Initiative, the government made a commitment to continue with the privatization program in 1998 and 1999. This began with bringing the bauxite companies—LINMINE and BERMINE—once more to the point of sale, along with seven other major companies—Guyana Airways, Guyana National Printers Ltd. (GNPL), Guyana Pharmaceutical Corporation (GPC), the Versailles Dairy Complex, GNCB Trust, the Wauna Oil Palm Estate, and Guyana Stores Ltd., which will be divested of the remaining government shares. All these entities were brought to the point of sale by the end of 1998 (*Financial Gleaner*, April 9, 1999). Guyana Airways was privatized early in 1999, and as of October 1999, bids had been received for Guyana Pharmaceutical Corporation and Guyana Stores Ltd. There have also been expressions of interest for BERMINE from both ALCAN and ALCOA bauxite companies.

Most significantly, the privatization of the Guyana Electricity Corporation (GEC) which should have been completed in 1998, was delayed until fall of 1999. The Commonwealth Development Corporation (CDC) of the U.K. and the Electricity Supply Board International Ltd. (ESBI) of Ireland were chosen in 1998 as the preferred bidder for a 50 percent equity interest in the GEC. The CDC/ESBI consortium initially indicated that they would invest about US\$23 million in the new company. However, concerns about the political situation, coupled with a devaluation of the Guyanese dollar, has led the CDC/ESBI Consortium to conclude that it will not be able to realize in the near future the 23 percent return on investment stipulated in its agreement with the government. As a result, the consortium has proposed new financial arrangements to invest US\$9 million initially and the remainder through a letter of credit over the next four years. Final agreement was reached with CDC/ESBI early in October 1999 when the government accepted these new terms.

Privatization of GEC had previously stalled toward the end of 1997; a Canadian firm, SaskPower Commercial, withdrew its bid for 50 percent of GEC in the wake of the political uncertainty after the opposition contested the election of Janet Jagan as president of Guyana (*Power in Latin America*, Issue 45/23, March 1999).

So far, the effects of privatization have been positive. There have been no large-scale layoffs, as was expected. In some instances, wages have risen substantially. For example, after privatization Demerara Woods raised wages by over 120 percent in 1991 and another 55 percent in 1992. Company efficiency has increased. Likewise, telephone service in Guyana has improved since the privatization of the Guyana Telephone and Telegraph Co. Ltd.

However, the government has been criticized for literally “giving away” some enterprises, facilitating speculators who have resold companies. There have also been questions about the logic of selling profitable enterprises. In addition, the

privatization process has not been seen as completely transparent. Observers claim that some of the larger transactions have taken place in private negotiations outside of public bidding procedures. These difficulties have made privatization a serious political issue (World Bank, April 10, 1992, pp. 42-43; World Bank, May 6, 1994, pp. 28-29).

The political nature of privatizations can clearly be seen in the debate about the divestment of government-owned holdings in the sugar industry. In this regard, there were public concerns that the sale of sugar lands to the private sector would benefit those Guyanese with the financial means to make purchases. As a result, shortly after assuming office the government of President Janet Jagan stated that sugar exports were too important a source of government revenue; therefore sugar companies would not be privatized and sugar lands would not be sold to the private sector. Plans for the partial divestment of GEC to the CDC/ESBI Consortium also encountered initial resistance from the unions and the political opposition. They opposed one of the main conditions of the arrangement, namely, a progressive increase in electricity rates.

### ***Trinidad and Tobago***

The Trinidad and Tobago government continued to acquire equity in various companies until the early 1990s. Indeed, by January 1992 its portfolio consisted of shares in eighty-seven enterprises with a value of TT\$6.5 billion (US\$1.12 billion), in addition to sizeable investments in the four public utilities—water, power, transport, and ports. Nevertheless, privatization began in 1987 under the National Alliance for Reconstruction (NAR) government. Forty-nine percent of TELCO was also divested for US\$80 million, and via a merger with Cable and Wireless, a new company formed—Telecommunications Services of Trinidad and Tobago (TSTT). The government's controlling interest in Trinidad Cement was transferred to private hands through a public offering in 1988 and plans were formulated to divest the remaining 29 percent through a strategic partnership (20 percent) and public offering (9 percent) (Esau, 1994, p. 162).

This divestment policy continued under the Peoples' National Movement (PNM) government, which took office in 1991. In that year the government outlined its approach to ownership of state enterprises stressing the role of the state as a facilitator for economic activity. Accordingly, the state would reduce its holdings in the commercial sector except in areas of strategic importance, such as oil and gas, telecommunications, or crucial social services. If an operation was important for diversification of the economy and the private sector could not mobilize resources to undertake the investment, or if a foreign investor required the participation of the state in a particular project to minimize country risk, state participation in the

commercial sector would continue. However, this participation by the state would not be long-term in nature, and divestment to the private sector would take place as soon as it was feasible.

By 1993 the government had identified thirty SOE's for divestment and twelve for liquidation. A Divestment Secretariat was created in the Ministry of Finance to coordinate the process. By mid-1995 several companies had either been fully or partially privatized including, Trinidad and Tobago Urea Company Ltd., Trinidad and Tobago Methanol Company, BWIA international, and the Electricity Commission. In the energy sector, the exploration and production activities of Trinidad and Tobago Oil Company (TRINTOC) and the Trinidad and Tobago Petroleum Company (TINTOPEC) were merged into a new company— Petroleum Company of Trinidad and Tobago Ltd. (PETROTRIN). The non-petroleum assets of both TRINTOC and TINTOPEC have been divested. (Republic of Trinidad and Tobago, Ministry of Finance-Investments Division, 1995, pp. 8, 10, 22; Republic of Trinidad and Tobago, May 1994, pp. 12-13; Republic of Trinidad and Tobago, Status of Divestment Secretariat, p. 20).

Several methods of divestment are being utilized, such as competitive bidding, sale of shares on the Trinidad and Tobago stock exchange, sales to former lessees, and the formation of strategic alliances with either local or foreign partners. Under a World Bank-funded US\$138 million Water Supply and Sewage Rehabilitation Project, the government undertook an examination of the water sector for possible privatization. As a result, in April 1996 a management contract was awarded to a private company to operate the Water and Sewage Authority. Government holdings in National Flour Mills were sold in two further offerings in 1996 and 1997, and the privatization of additional operations are also planned by the end of 1999, including sale of the Iron and Steel Company of Trinidad and Tobago, the sale of PETROTRIN assets, and the sale of additional shares of the National Flour Mills (See table 3).

Trinidad's privatization program has raised over TT\$3.39 billion (US\$542.4 million) as of summer 1999. Employment losses have so far been minimal. When Trinidad and Tobago Printing and Packaging and National Fruit Processors were divested, the government settled all outstanding obligations with employees. Furthermore, the divestment of the Trinidad and Tobago Methanol Company will result in increased employment through the construction of an additional methanol plant (Public Participation in Industrial and Commercial Activities, pp. 42-44). However, in some instances divestment has had a negative fiscal impact, and the government has had to assume outstanding liabilities of SOEs to financial institutions or settle obligations to employees. In the case of BWIA, for example, the government had agreed to provide funds totaling TT\$360 million (US\$62.07 million) to cover outstanding loan liabilities, statutory payments, and severance costs, in addition to liquidating loans totaling TT\$500 million (US\$86.2 million) (Valley, 1995).

## **Grenada and the Eastern Caribbean**

After the overthrow of the Maurice Bishop government in 1983, the new government in Grenada committed itself to privatization. At that time, the state portfolio of twenty-nine enterprises was reviewed with assistance from the U.S. Agency for International Development (USAID). The government decided to utilize various privatization modalities—full divestment for seven companies, the sale of several enterprises, conversion of three entities to statutory bodies, liquidation, management contracting, and the sale of shares. By 1992, in response to a weak fiscal situation, Grenada had begun a “self-imposed” three-year structural adjustment program in which privatization of SOE's was an integral component. In that year, 90 percent of the shares of the National Commercial Bank were sold, with the majority shares going to the Republic Bank of Trinidad and Tobago, and 10 percent to Grenadians and others from the Eastern Caribbean. In addition, most of the government's shares in Grenada Breweries Ltd. were sold. Fifty percent of the shares in the power company, Grenada Electricity Services Ltd. (GRENLEC), were sold to an American Company—WRB Enterprises, Inc.—in 1994 (Ministry of Finance, Grenada, May 1994, pp. 3-4, p. 10). The sale of an additional 40 percent of government shares in GRENLEC occurred the following year.

In 1996 the government sold 15 percent of the equity in Grenada Broadcasting Corporation (GBC), and an additional 50 percent in 1997 to the Trinidadian firm Caribbean Communications Network. GBC is now called the Grenada Broadcasting Network. Majority shares in Grenada Telecommunications Ltd. (GRENTEL) have been divested to Cable and Wireless and the new company is now known as Cable and Wireless Grenada Ltd. Divestment of shares in the Grenada Bank of Commerce Ltd. and the Grenada Sugar Factory Ltd. are also underway. Government services such as road maintenance, garbage collection, security, school maintenance, and computer services are also to be privatized. It is expected that the net proceeds from all these transactions should total EC\$28 million (US\$10.4 million) in 1996 and 1997, and EC\$7 million (US\$2.6 million) in 1998.

Coming to power in 1995, the government of Dr. Keith Mitchell has proceeded carefully out of concerns with terms under which the previous government concluded privatization agreements involving entities such as GRENLEC. In fact, the Mitchell government held a commission inquiry into the sale of GRENLEC, originally with a view to re-acquiring the company. After mid-1998 negotiations, the government indicated it would honor the terms of the original sale, based on an agreement to reduce electricity rates to consumers (Government of Grenada, May 1998, pp. 4, 8).

The privatization program in Barbados is a recent development. In contrast to other islands in the Caribbean, public utility companies in Barbados—electricity, telephone, and telecommunications—have always been privately owned, and the history of public sector ownership has been based on pragmatism, rather than any commitment to a socialist philosophy. For example, the Barbados National Oil Company was taken over by the government after Mobil Oil Company, the original investor, decided to sell its shares due to Barbados' relatively low oil reserves. Nevertheless, the government of Owen Arthur, first elected in 1994, has committed itself to a divestment program as part of a comprehensive strategy to mobilize local and foreign private investment.

State enterprises, which were purely commercial in nature, will be privatized using various methods, giving priority to the small investor and SOE employees. Initially, plans were formulated to sell the government's interest in the Caribbean Broadcasting Corporation (CBC), but the transaction was placed on hold until the institution's financial situation improved. However, in April 1999 the Caribbean Communications Network, which had acquired majority shareholding in the Grenada Broadcasting Network and made a bid for 60 percent ownership of the television division of CBC. This proposal was made as part of a larger plan to develop a Caribbean Television Network. The government responded that any proposal for private ownership had to fall within the parameters outlined in the 1997 budget speech of Prime Minister Owen Arthur. At that time he had indicated that no entity in Barbados would be divested to a single owner and that any such transaction had to involve the broad participation of Barbadians. With respect to CBC, the prime minister had stated that in any divestment of the company, a block of shares would have to be reserved for the staff of CBC, credit unions, trade unions, and individuals. If necessary, the government would retain a minority shareholding with a "strategic" partner.

In instances such as the Barbados National Oil Company, the government has stated that it will encourage joint ventures to attract needed skills and technology. In 1997 the Arawak Cement Plant was sold to Trinidad Cement. The Haywards Resort Hotel on the Northwest coast is now privately-owned, and the repair services of the Transport Board have been divested. This is owned cooperatively by the transport workers operating under a repair contract to the Board. There are no plans for further privatization in the transport sector. Indeed, as early as 1994 the government emphasized that some SOEs such as the Transport Board or the Sanitation Services Authority had a valuable contribution to make to national development, and therefore would remain under government ownership (Barbados Labour Party, 1994, pp. 16-17, p. 42; *Daily Nation*, September 6, 1995, p. 1).

St. Lucia and Dominica have also embarked on a divestment program as part of the economic reform process. St. Lucia has established an Office of Privatization and Private Sector Relations in the Office of the Prime Minister, and the government sees privatization as one of the ways in which it can develop and strengthen the local private sector. In this regard, there are plans to privatize the operations of the St. Lucia Marketing Board over the next three years. In addition, a portion of the government's shares in the National Commercial Bank and the St. Lucia Development Bank will be sold to the public. In order to encourage broad local participation in divestment operations, St. Lucians will be offered tax deductions for the purchases of shares in SOEs. The government intends to create a new National Development Fund with divestment proceeds (Government of St. Lucia, 1998, pp. 19-20).

The Government of Dominica sold its shares in the Dominica Electricity Company to the Commonwealth Development Corporation for US\$21 million in 1996. The private sector is to take on a greater role in the imports of basic commodities, and as a result, the Dominica Export and Import Agency will no longer have a monopoly on the imports of rice and sugar. The government is also exploring the feasibility of merging the Port and Airport Authorities under private management (Government of The Commonwealth of Dominica, 1998, p. 45).

### **Jamaica**

Jamaica's privatization program began in 1981 with the election of Edward Seaga as prime minister. In campaigning against the Manley regime, Seaga committed himself to reducing the government's role in the economy and to privatizing state-owned enterprises. With a slump in the tourist industry, divestment commenced with the leasing of several state-owned hotels to the private sector. While in principle Seaga's government was firmly committed to privatization, it came into office in December 1980 with no long-term privatization policy. At the time it was explained that privatization would occur purely on a case-by-case basis, selecting only those enterprises which would be most attractive to private sector buyers (Leeds, 1991, p. 89). In addition, the Seaga regime had the enthusiastic support of the multilateral institutions (IMF and World Bank) and USAID. Beginning in 1981 with a World Bank Private Sector Development Adjustment Loan (PSDAL), disbursements for several loans were linked to the government's progress on its divestment agenda and its efforts to stimulate private sector investment. With an Export Development and Investment Promotion project, USAID also became directly involved in the divestment process, including technical and financial assistance for the government's privatization team.

Other divestments during the Seaga Administration included local government services, such as cleaning of public facilities. The operations of public markets were placed in private hands through service management contracts and short-term leases, and several agricultural properties were also either leased or sold. These early divestment efforts were not undertaken in a coordinated fashion and were not executed in the context of an overall economic strategy. Furthermore, the government took a rather low-key approach to the program, and as a result, the public was largely unaware of its existence.

However, privatization accelerated, and by 1985 the process began to attract increasing attention. With Phase I of the divestment of the National Commercial Bank in 1986 by share offering, public awareness of a national policy on privatization finally took hold. The government sold 51 percent of its equity in NCB in the largest public issue on the Jamaican stock market at that time. The offering was oversubscribed by 170 percent and attracted 30,000 individual and institutional investors, including 98 percent of the bank's own employees (Leeds, 1991, p. 86). Phase II took place in 1991, with the government reducing its non-voting shares by selling six million shares to NCB Trust and Merchant Bank, the trustee for the NCB Employee Share Scheme. This increased employee ownership from 3 percent to 10.5 percent. In Phase III, the remaining government shares (49 percent), originally to be sold by public offering, were disposed of through a private arrangement between the government and a local investment syndicate. There was speculation that the government needed the J\$526 million (US\$13.2 million) in privatization proceeds to meet the budgetary targets in its IMF program.

Within ten years after the first divestments, 201 entities and activities had been divested in categories as follows: markets (80); public cleaning services (33); farm holdings (50); hotel properties (14); and corporate entities (24) (Stone, 1992, p. 1). During this period over fifty major companies had been handed over to the private sector, including the National Commercial Bank (NCB), the Caribbean Cement Company, and the Jamaica Telephone Company (See table 4).

The Manley government was re-elected and immediately presented a new institutional framework for privatization in Parliament. Privatization was now being placed in the broader context of liberalization of the economy, within the framework of the government's goal to transform Jamaica from a state-centered to a more private sector-led, market-driven economy. This strategy was based on three principles: a) streamlining the public sector through an extensive administrative reform program; b) removing unnecessary bureaucratic intervention in the market without compromising the government's role as regulator; and c) broadening the base of ownership in the local economy (Government of Jamaica, June 1991, p. 3). To support privatization efforts macro-economic reforms were also initiated: liberalization of the foreign exchange market; deregulation of several areas of the

economy; and progressive reduction elimination of import duties on most goods and raw materials.

It was the government's view that an aggressive privatization program involving SOEs would provide more efficient enterprises, reduce the drain on public sector resources, secure access to foreign markets, technologies, and capital, and increase equity participation in the economy by Jamaicans. Working with the World Bank and a private sector adjustment loan, the government identified fifty-seven entities, assets, and activities for privatization, representing about 50 percent of the total assets of the public enterprise sector (See table 5). These included utilities (power and water), major loss operations (such as Air Jamaica), sugar factories, the Jamaica Railway Corporation, and the Petroleum Corporation of Jamaica. At the time the government announced that all these transactions would be completed by 1996. While most privatizations would take place through outright sale, other modalities would be considered, such as long-term leases (particularly for land, government services, and utilities), leasing with an option to buy, concessions, joint ventures, or contracting out services.

The ministry paper on the privatization process tabled in Parliament emphasized that all transactions would be public, fully transparent, and open to local and foreign investors. Both market and book values would apply when establishing the disposal price of SOE assets. Transactions would occur at “arm’s length” and be fair with respect to equal opportunity to all parties, except in cases with special foreign exchange requirements and special arrangements for employees. Finally, in cases of possible conflicts of interest, the parties involved would not be allowed to participate in the transaction.

In an effort to accelerate private sector development in Jamaica, the government decided that: 1) all relevant regulatory issues would be dealt with either prior to, or simultaneously with, any privatization; 2) neither direct financing nor loan guarantees would be provided to purchasers; 3) except in public utilities, no new public sector investment, excluding maintenance, would be undertaken prior to privatization; 4) sale of SOEs to other public sector entities would not be considered privatization; 5) unsolicited offers for any enterprise or activity would not be accepted prior to the official advertisement; 6) direct sale or negotiation could not take place without publicly solicited bids unless the assets involved were small, making it more economical; 7) when the sale was completed, all aspects of the transaction would be public; and 8) any minority shares which the government maintained would not carry special voting rights.

The formal presentation of this framework marked the second phase of privatization in Jamaica, where the government began to take a more centralized and systematic approach. It was decided that: 1) the National Investment Bank of Jamaica (NIBJ)—which had been involved in several previous divestment

transactions—would be the coordinating institution for all privatizations—responsible for the administrative and operational aspects of the program, and accountable to the Office of the Prime Minister; 2) a privatization committee, drawn from members of the Cabinet, would be established to advise the government on the list of entities or activities to be privatized, the modality proposed for each, and whether to accept or reject offers from private sector investors; 3) for each divestment, an “Enterprise Team” would be established to conduct the necessary analyses, recommend the appropriate privatization strategy to the Cabinet, and coordinate its implementation as approved by government. The team would be led by NIBJ personnel and would be comprised of representatives from relevant government agencies, the SOE, and external consultants.

This latest phase of the privatization program has progressed well. Of the fifty-seven identities targeted for privatization by 1998, over half have either been sold or leased. Between 1981, at the inception of the program, and 1996, divestment by sector occurred as follows: agriculture, 10 percent; manufacturing, 39 percent; services, 51 percent (NIBJ, 1994–1995). By 1999 twenty-seven additional entities were scheduled to be divested, including the Jamaica Railway Corporation. Bids for the privatization of the electric utility—Jamaica Public Service Company (JPSCo)—were received in 1996, and it was expected that JPSCo would be a private company by the end of that year. In fact, by October 1996, the short list of prospective buyers had been reduced to two—Houston Industries Energy Inc. and Southern Electric. However, after several weeks of extensive negotiations, the government announced that these bids would be rejected, because the offer prices were too low, the proposed electricity rates for consumers too high, and the dividend policy unacceptable. It is not expected that JPSCo divestment will resume in the near future, as the government wants to take certain policy decisions prior to re-starting the bidding process.

In the interim, however, divestment is proceeding in other areas. Government holdings in Jamaica Grain and Cereal Ltd. were sold to Seprod Ltd. in December 1997. As part of the decentralization and reform process in the health sector, catering services, maintenance, equipment management, and security services in all public hospitals are being turned over to private providers. The privatization of Sangsters International Airport in Montego Bay has resumed. Pre-qualification bids have been received, the evaluation process was completed in 1998, and an information memorandum has been prepared. The government has received a technical assistance grant from the Multilateral Investment Fund (MIF—administered by the Inter-American Development Bank) to draft the legal framework for the privatization of the Norman Manley Airport in Kingston. The studies presently underway will be completed by late 1999, after which the government will determine how to proceed with privatization of the facility.

The privatization of the free zones in Jamaica is also on the agenda as part of the terms of a World Bank loan for export development. The vehicle inspection services of the Island Traffic Authority was brought to the point of sale in 1998 and negotiations are underway with the investor. The leasing of sugar lands has proceeded well. Over 300 acres have been leased in Trelawny for a major eco-tourism project. Elsewhere, lands have been leased for freshwater fish production, sea island cotton, and the growing of yams for export. Finally, the Jamaica Railway Corporation was the subject of a study commissioned by the NIBJ. This called for partial rehabilitation of what is essentially the Kingston-Spanish Town-Linstead segment of the line, which would initially be privately operated after privatization of the entire operation. In 1999 the government signed a memorandum of understanding for a joint venture with Rail India Technical and Economic Services. The NIBJ is seeking US\$20 million in loan financing for the project. Also in 1999 the government sold its 43.5 percent shareholding in the Caribbean Cement Company to Trinidad Cement Company for US\$29.4 million.

Overall, the benefits of privatization have far outweighed the difficulties. First, increased employment in agriculture, hotels, and telecommunications has offset job losses in other areas. Second, excluding the privatization of lands, local government operations, and other transactions conducted outside the purview of NIBJ, proceeds from the program since 1981 are estimated at over US\$300 million. This has had a positive impact on the government's fiscal position. Third, customer surveys have revealed noticeable improvements in service since privatization, particularly in public cleaning, garbage collection, and hotel service (Stone, 1992).

Jamaica is one of the few countries in the region in which there is widespread public support for privatization. At first, however, there was little public endorsement of privatization when the program began in 1981. This change in perspective has been due to a public education program, as well as early divestment successes (such as NCB), attempts to include small investors in the process, an increase in transparency, and finally, a firm commitment to the process by both the government and the opposition.

In spite of the benefits, a major shortcoming of the program has been that, in many cases, the design and implementation of the appropriate regulatory framework has not kept pace with the privatization process. However, since 1993 the government has made some progress in this regard. For some privatization transactions, such as Telecommunications of Jamaica (TOJ) and the sugar companies, regulatory mechanisms and legislation have been included in the agreements. Steps have also been taken to protect and strengthen worker participation in the privatization program. In 1994, an Employee Stock Ownership Plan Act was drafted and passed, as part of a ESOP program funded by the Inter-American Development Bank's Multilateral Investment Fund (MIF). The program

includes training for employers, employees, and trade union officials. An ESOP Secretariat has also been established at NIBJ.

Other initiatives undertaken in the aftermath of economic liberalization also create the right environment in which subsequent privatizations can take place. A Fair Competition Act was passed in Parliament in 1993, and a Fair Trading Commission established to protect consumer rights. The Office of Utility Regulation has been created, again with MIF assistance, to regulate all utilities—energy, telecommunications, water, transport, and ports. Finally, securities legislation is in place and a securities commission is operating to protect investors and to ensure transparency in securities trading.

## **Conclusion**

The Caribbean has well over a decade of experience with privatization, and it has been a process of learning. What has become apparent is that the state has simply taken on a new role in the economy, rather than being replaced by the private sector. According to Jamaican prime minister Hon. P. J. Patterson, this new role,

... implies a movement toward catalytic government—one that concentrates on facilitating, on regulating, and on monitoring; one more given to “steering than to rowing.” But this does not mean, however, that there are not certain situations in which the government must be involved in rowing rather than in steering.

There are areas, where because of either the size of the investment or the special facilities that are peculiarly available to the state, some government involvement is both logical and inescapable—e.g. the bauxite industry...and airports (Patterson, 1993, p. 6).

It is clear that there is a need for consensus across the political spectrum, and society at large for any comprehensive privatization program. The apprehension and potential dislocation which can accompany privatization can be avoided by a carefully orchestrated process of dialogue with all the affected parties. The Jamaican experience demonstrates the value of public education and transparency in the initial stages of privatization for individual transactions and the program as a whole to be successful.

Furthermore, rapid and extensive divestment without a proper framework can lead to disastrous results—as Eastern Europe has illustrated (Nellis, 1998, pp. 16-19). For each transaction, proper planning, execution, monitoring, and assessment are critical. Furthermore, each privatization must be evaluated carefully to

determine its relevance to future cases. However, it is important to consider appropriate modalities and the timing for privatization according to sectors' size of enterprises. The Latin American experience shows that small firms in areas such as manufacturing can often be sold quickly in the early phases of a privatization program, while the divestment of public utilities and larger entities with monopoly control are considerably more difficult (Edwards, 1995, p. 175).

Moreover, public perceptions of success are important for subsequent transactions. In Jamaica, for example, the initial privatization of the Caribbean Cement Company in 1987 by share offering was widely viewed as unsuccessful, in spite of the fact that 72 percent of the shares were sold. This divestment was being viewed against the experience of the oversubscribed National Commercial Bank (NCB) share offering in 1986 (Leeds, 1991, p. 120).

It is also important to ensure that there is a proper context in which privatization can take place. A competent executing agency with qualified staff is needed, together with the appropriate regulatory framework and the necessary safety nets to protect displaced workers.

### ***Additional Considerations***

Three additional issues need to be considered. First of all, every effort must be made to encourage the involvement of small investors, so that private sector monopolies do not replace those held by the state. Where investment opportunities are spread as widely as possible, particularly to include the participation of employees and small investors, support for the privatized enterprise is widened, equity markets strengthened, and new forms of savings and investment encouraged. Where this cannot be done at the time of transfer, the enterprise should be committed to do so in the near future. For example, in Trinidad, the investment agreement with the Acker/Loeb Group for the privatization of BWIA provided for worker ownership of 25.5 percent of the airline, through the creation of an ESOP and the purchase of shares with surplus from the BWIA's existing pension plan (Valley, 1995, p. 8). By contrast, Phase III of the NCB share offering in Jamaica was highly criticized by the public, not only because of a perception of a lack of transparency and the apparent financial expediency of the transaction, but also due to the lack of broad-based investor and employee involvement.

Second, foreign participation in the investment process must be carefully considered and planned. In Guyana and Grenada, for example, serious concerns were expressed by the public about the haste with which early privatizations were undertaken. In the Caribbean, there have often been lively public debates about whether "strategic" industries and activities should be sold to foreign interests, or whether they should be privatized at all. Governments can mute criticism in this

area by ensuring that local investors have the first opportunity to purchase state-owned enterprises, even if requirements dictate a purchase price in foreign exchange. The Grenadian government, for example, is taking an interesting approach by encouraging regional investors to participate in its privatization program.

Third, governments must take steps in any privatization effort to protect the interests of the consumer. As such, privatization without a proper regulatory framework can lead to a lack of accountability and standards, and ultimately to a breakdown in efficiency and performance, much as happened to the urban bus system in Jamaica (Anderson, 1990, p. 234-248). The need for adequate regulation and supervision of newly privatized sectors is particularly important in the financial sector as the Chilean experience illustrates (World Bank, 1995, p. 93).

### ***The Gains Under Privatization***

Overall, privatization has had positive effects in the Caribbean. First, generally speaking, there have been net gains in terms of employment. Initial divestment of agricultural lands in Jamaica resulted in employment increases of 150 percent (Stone, 1992, p. 30). As a result, the trade unions have been generally supportive of the government's efforts.

Second, efficiency and company performance have improved. In the hotel sector in Jamaica, for example, occupancy levels in privatized hotels are now over 85 percent, as a result of aggressive marketing strategies, tighter management, and physical refurbishing (Stone, 1992, p. 19). The privatization of Guyana Telephone and Telegraph Co. Ltd. has expanded service and improved service quality. The number of subscriber lines have increased from 21,000 in 1991 to 53,600 at the end of 1994 (Tyndall, 1995). In Trinidad, in the first quarter after privatization (February to April 1995), BWIA posted a profit of US\$2.04 million, compared to the previous twelve months when the airline lost US\$25.6 million (*Caribbean Update*, September 1995, p. 2).

Third, privatization has also contributed significantly to the reduction in fiscal deficits, not only because of the initial injection of funds after sale, but also due to the elimination of government financing for unprofitable enterprises. Fourth, it has also brought foreign exchange from foreign, as well as local, investors.

Yet it is important to note that privatization is not a panacea. Government priorities must be clear, as there are often important tradeoffs between divestment objectives. Government-owned enterprises cannot be sold indiscriminately based on political expediency or without regard to the financial strength of bidders, the quality of management, or the overall economic system being created. This is a prescription

for failure and only serves to undermine any program. The Caribbean experience shows that under the right conditions, privatization objectives can be met.

**TABLE 1**  
**GUYANA: PUBLIC CORPORATIONS DIVESTED**  
**1989-1992**

1	Guyana Timbers Limited
2	Guyana Telecommunications Corporation
3	Guyana Nichimo Limited
4	Guyana National Trade Corporation Limited
5	Guyana Leather Craft Limited
6	Livestock Development Company Limited (partially)
7	National Paint Company
8	Demerara Woods Limited
9	Guyana Transport Services Limited
10	Quality Foods (Guyana) Limited
11	Sijan Place Restaurant
12	Guyana Fisheries Limited
13	Guyana Rice Milling & Marketing Authority
14	Guyana Stockfeeds Limited (partially)
15	Soap and Detergents Limited

**Source:** Cooperative Republic of Guyana, Ministry of Finance, June 1993, *Privatization Policy Framework Paper*, June 1993, Appendix IV

**TABLE 2**  
**GUYANA: ENTITIES EARMARKED FOR PRIVATIZATION/RESTRUCTURING**  
**1994-1998**

1	Guyana Stores Limited (GSL)
2	Guyana National Engineering Corporation
3	Guyana Glassworks
4	Shares in Demerara Distillers Limited
5	National Edible Oil Company
6	Guyana National Printers Limited
7	Guyana Mortgage Finance Bank
8	Guyana Pharmaceutical Corporation
9	Guyana Cooperative Insurance Services (GCIS)
10	Shares in National Bank of Industry and Commerce
11	Guyana National Co-operative Bank (GNCB)**
12	Guyana Cooperative Agricultural and Industrial Development Bank (GAIBANK)
13	Guyana Oil Company Limited
14	Guyana Electricity Corporation (GEC)
15	Soap and Detergents Limited
16	Linden Mining Company (LINMINE)
17	Guyana Airways Corporation
18	Guyana Sugar Corporation (GUYSUCO)
19	GUYSUCO's Livestock Dairy Project
20	Shares in Seals and Packing Industries Limited
21	Versailles Dairy Complex
22	Wauna Oil Palm Estate

**Source: Embassy of Guyana, Washington, D.C.**

**\*\*Merged with GAIBANK, restructuring underway**

**TABLE 3**  
**PRINCIPAL DIVESTMENTS IN TRINIDAD AND TOBAGO**  
**AS OF DECEMBER 1998**

<b>Company</b>	<b>T&amp;T Share-holding</b>	<b>Percentage Divested</b>	<b>Timing</b>	<b>Buyer</b>
T&T Urea Co.	100%	Full	March 1993	Arcadian L.P.
Fertilizers of Trinidad & Tobago	51%	Full	March 1993	Arcadian L.P.
Trinidad & Tobago Printing & Packaging	100%	Full	November 1993	
Caribbean Hotel Development Co. Ltd.	99.2%	Partial (Hotel Assets)	June 1994	Bella Forma Resorts
Ethanol Co.	100%	Partial	Completed	Ferrostaal/Helm
BWIA International	100%	Partial	July 1994	Acker & Loeb
Petrotrin	100%	Partial	1994/95	
Trinidad & Tobago Forest Products	100%	Partial	1995	
Trinidad Cement	29.1%	Partial	August 1994	20% to Cementos Mexicanos
Telecommunications Services of Trinidad & Tobago	51%	Partial	1995	
Electricity Commission	51%	Partial	Completed	Southern Electric/Amoco Business Dev. Co.

**TABLE 3 Cont'd**  
**PRINCIPAL DIVESTMENTS IN TRINIDAD AND TOBAGO**  
**AS OF DECEMBER 1998**

<b>Company</b>	<b>T&amp;T Share-holding</b>	<b>Percentage Divested</b>	<b>Timing</b>	<b>Buyer</b>
National Flour Mills	100%	Partial	20% 1995 15% 1996 14% 1997	
Trinidad and Tobago Methanol	100%	Full	69% Jan 1994 & May 1997	Ferrostaal/Helm/C MC Consortium
Shipping Corporation of Trinidad & Tobago	100%	Partial	Jan. 1997	

**Sources: Ministry of Finance, Trinidad & Tobago**  
**Divestment Secretariat, Trinidad & Tobago**

**TABLE 4**  
**MAJOR PRIVATIZATIONS IN JAMAICA**  
**1981-1997**

<b>Entity/Activity</b>	<b>Method</b>	<b>Proceeds</b>
Versair Flight Ltd. (1981)	Sale of shares	JS\$1,600,007
Southern Processors Ltd. (1981)	Sale of assets	JS\$1,573,993
Zero Processing & Storage Ltd. (1986)	Sale of assets	JS\$3,990,000
National Commercial Bank (1986)	Sale of shares (51%)	JS\$156,000,000
Caribbean Cement Co. Ltd. (1987)	Sale of shares (89.6%)	JS\$142,651,000
National Hotel Supplies (1987)	Sale of assets	JS\$6,000,000
Telecommunications of Ja. (1987)	Sale of shares (19%)	JS\$285,816,808
Royal Caribbean Hotel (1987)	Sale of assets	JS\$23,000,000 + US\$4,200,000
Serge Island Dairies (1988)	Sale of shares (30%)	JS\$1,779,000
Telecommunications of Ja. (1988)	Sale of shares (13.10%)	JS\$92,752,000
Casa Monte Hotel (1989)	Sale of assets	JS\$5,000,000
Casa Montego Hotel (1989)	Sale of assets	JS\$22,400,000
Telecommunications of Ja. (1989)	Sale of shares (20%)	JS\$231,764,160
Inn on the Beach (1989)	Sale of assets	JS\$7,000,000
Wyndham Rose Hall Hotel (1989)	Sale of assets	JS\$21,900,000 + US\$18,000,000
Eden II Hotel (1989)	Sale of assets	JS\$27,700,000 + US\$5,000,000
Jamaica Jamaica Hotel (1989)	Sale of assets	JS\$45,000,000 + US\$8,000,000

**Table 4 (Cont'd)**  
**MAJOR PRIVATIZATIONS IN JAMAICA**  
**1981-1997**

<b>Entity/Activity</b>	<b>Method</b>	<b>Proceeds</b>
Montego Inn (1989)	Sale of assets	J\$2,700,000
Hedonism II (1989)	Sale of assets	J\$63,200,000 + US\$10,750,000
Trelawny Beach (1989)	Sale of assets	J\$29,800,00 + US\$5,000,000
Ja. Gypsum & Quarries (1989)	Sale of shares (100%)	J\$4,000,000
Wyndham Kingston (1990)	Sale of assets	J\$65,000,000
Telecommunications of Ja. (1990)	Sale of shares (20%)	US\$42,760,915
Jamaica Frozen Foods (1991)	Sale of assets	J\$8,000,000
Mallards Beach Hotel (1991)	Sale of assets	US\$16,000,000
Americana Hotel (1991)	Sale of assets	US\$11,000,000
Workers Savings & Loan Bank (1991)	Sale of shares (75.4%)	J\$45,000,000
West Indies Glass (1991)	Sale of shares (61.4%)	J\$40,000,000
Negril Cabins (1991)	Sale of assets	J\$15,000,000
RJR "B" Shares (1991)	Sale of shares (25%)	J\$15,700,000
Government Printing Office (1992)	ESOP	
Caribbean Steel Co. (1992)	Sale of shares (51%)	J\$15,700,000
Cornwall Dairy (1993)	Sale of land, bldg., machinery	J\$9,493,424
Jamaica Soya Products (1993)	Sale of shares (60%)	J\$49,500,000
Skyline Hotel (1993)	Sale of assets	J\$100,000,000 approx.
Caribbean Cement Co. (1993)	Sale of shares (9.95%)	J\$168,000,000

**Table 4 (Cont'd)**  
**MAJOR PRIVATIZATIONS IN JAMAICA**  
**1981-1997**

<b>Entity/Activity</b>	<b>Method</b>	<b>Proceeds</b>
National Computer Center (1993)	ESOP	
Sugar Estates- Frome, Monymusk, Long Pond, Bernard Lodge (1993)	Sale of factory, equipment, cane lands; lease of cane lands	J\$1,360,000,000
Holiday Inn Hotel (1994)	Sale of assets	US\$22,000,000
Water Valley (1994)	Sale of land	J\$14,000,000
Grains Jamaica Ltd. (1994)	Sale of shares (51%)	J\$33,915,000
Eastern Banana Estates (1994)	Sale of shares (50%)	J\$287,000,000
Victoria Banana Co. (1994)	Sale of shares	J\$43,000,000
Air Jamaica Ltd. (1994)	Sale of shares & assets (70%)	J\$270,562,500 + US\$18,125,000
Police Garage - partial (1994)	Service contract	
Ashtröm Building Systems Ltd. (1995)	Capital Reorganization	N/A
Trans-Jamaica Airlines (1995)	Sale of shares (80%)	J\$20,000,000
Tanners Limited (1995)	Sale of shares (17.5%)	J\$494,910
Digital Computer Systems (1996)	Liquidation	J\$250,000
NIBBI tractors (1996)	Sale of assets	J\$2,478,000
Jamaica Grains & Cereals Ltd. (1996)	Sale of shares (20%)	J\$12,000,000
Long Pond Poultry Assets (1997)	Sale of buildings	J\$4,500,000

Source: National Investment Bank of Jamaica, Ltd., 1997

**TABLE 5**  
**REMAINING SOEs TO BE FULLY PRIVATIZED IN JAMAICA**  
**AS OF 1999**

<b>Entities</b>	<b>Form of Privatization</b>
Abattoirs	Lease of services
Aqualapia Limited (Fish Farm)*	Sale of assets
Ariguanabo Company of Jamaica Ltd.*	Lease of assets with Option to Purchase
Bath Fountain Hotel and Spa*	Lease of assets
Black River Upper Morass Dev. Co. Ltd.	Sale of assets
Catering (Hospitals)*	Provision of services
Collection Management (Hospitals)	Provision of services
Caymanas Track Limited	Sale of shares
Cotton Polyester Plant*	Sale of assets
Geochemical Laboratory	Provision of services
Government Electrical Inspection (non-regulatory)	Provision of services
Hospital Services	Provision of services
Innswood Vinegar Limited*	Sale of assets
Kingston Industrial Works Ltd.	Sale of shares
Kingston Port Royal - Portmore Ferry Services	Provision of services
Jamaica Railway Corporation*	Sale of assets

**TABLE 5 (Cont'd)**  
**REMAINING SOEs TO BE FULLY PRIVATIZED IN JAMAICA**  
**AS OF 1999**

<b>Entities</b>	<b>Form of Privatization</b>
Maintenance of Hospitals & Clinics	Provision of services
Management of Health Equipment	Provision of services
Milk River Bath Hotel & Spa*	Lease of assets
Natural Cane Products Ltd. *	Sale of assets
Sangster International Airport Terminal *	Sale of assets
Spring Plain/St. Jago *	Sale of Properties
Sugar Estates *	Lease of non-cane lands and residual assets
Tropiculture Limited *	Sale of Shares
Vehicles Inspection services of the Island Traffic	Contracting services

**Source: National Investment Bank of Jamaica, Ltd., May 1999**

**\* Brought to point of sale**

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