
Catalogue of Development Policies 1946-1979

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1. The Policy Framework

Development policy is concerned with measures to improve the long-term economic health of the economy. For a small open economy it is felt that the priorities should centre around measures which attempt to augment and diversify the income generating base in a way which will reduce the susceptibility of the economy to external shocks while at the same time reducing the level of dependence unemployment and inequality. For Barbados, a study of development policy should begin with an understanding of the origins and perspectives of the planning machinery which produced the first sketch Plan of Development 1946-1956. The planning machinery of 1946 - a transplant of the colonial bureaucracy in Britain - had absorbed the latter's preoccupation with social reform typified (on the expenditure side) by tax-induced income distribution through the extension of social services to the masses. This preoccupation with social services continued throughout the islands' history of development planning and, partly as a result of this, the growth of expenditure on economic services lagged behind the growth of overall public expenditure.

The planners of 1946 sought to rationalize their perceived social welfare obligations with the need to emphasize expenditure which was developmental per se. The main problem was seen to be unemployment due to fertility based over crowding so they recommended efforts to stimulate migration. In addition there was the problem of under employment due - in large measure - to the seasonality of the dominant sugar sector. The planners recommended agricultural diversification and the development of secondary indigenous industry although conceding that existing industry was "... mainly

ancillary to agriculture with little prospects...". Finally, measures such as the development of irrigation facilities to increase the yield of sugar cane as it was felt that sugar would be the life blood of the economy for some time to come.

By the late fifties however, industrialization had come to be accepted by the planners as the way to diversify the economy and generate income and employment. The development board was set up to guide the industrial thrust and provide loans to manufacturers, complementary infrastructural development was started and the first fiscal incentives legislation was passed. There was some emphasis on import substitution but this was later superceeded by the notion of export manufacture through the invitation of foreign labour intensive manufacturing enterprise.

In the late sixties, institutional efficiency was improved with the division of the functions of the Development Board. The Development Bank was established to provide concessionary finance to the productive sectors and to generate domestic savings through the sale of development bonds. The other functions of the Development Board were taken over by the Industrial Development Corporation, which became largely specialized in foreign promotion from overseas offices and the development of industrial estates providing subsidised rental of factory space.

There was further development too in the fiscal framework culminating in the Fiscal Incentives Act, 1974, which was passed to implement the CARICOM Harmonization of Fiscal Incentives to Industry Agreement. This Act granted a tax holiday and duty free imports of raw materials, fuels components etc., for a specified period, in relation to the estimated

value added of the enterprise. However enclave manufacturers were automatically granted the maximum period of ten years. In addition fiscal protection to resident industry is given through the imposition of prohibitive tariffs or quantitative restrictions on imports.

The first development plan (1978-1982) of the Industrial Development Corporation set ambitious targets for employment generation and the growth of output and exports. To achieve these goals, the Corporation intended to continue to invite foreign industries while placing greater emphasis on indigenous entrepreneurship. The Corporation's activities may best be understood when divided into the following four areas: foreign promotion, indigenous entrepreneurship, factory space provision and the co-ordination of institutional support services. Foreign promotion was to be strengthened by an intensive campaign of cost comparison studies and an extension of promotion efforts further afield to Europe and Japan.

Indigenous entrepreneurship had in the past been encouraged by the provision of management training and consultancy, concessionary finance and fiscal incentives, but with little success. In its plan, the Corporation proposed to identify investment opportunities through import substitution feasibility studies, joint ventures, and contract manufacturing with foreign firms. In addition the Corporation planned to join locals in equity investment and recommend that government reserve certain activities particularly for locals (See attachment).

The Corporation provides about 90% of the factory stock in Barbados and plans to establish new estates near population centres as appropriate. In addition to this service the Corporation has emerged as the co-ordinator

of support service institutions which impact on the industrial sector. The Corporation will be especially concerned with technical assistance, internal and external transport, export promotion and the procurement of raw materials:

Finally, the export promotion drive was complemented in 1977 with the establishment of the Credit Insurance and Guarantees Department of the Central Bank. Pre-shipment finance guarantees facilitate exporters in obtaining finance, while credit insurance insulates exporters against commercial and political risks.

2. The Policy Effect

The proponents of an industrial strategy relying on foreign investment have made ambitious claims about the benefits of such a policy. The benefits to the recipient country of foreign manufacturing are thought to be the generation of income and employment and the transfer of skills and technology for the establishment of indigenous entrepreneurship. Barbados has been fairly successful in the first goal. The manufacturing sector has moved from insignificance to a contribution of 10% of GDP in 1970 and in 1980 the IDC boasted a job creation of 10,000, nearly 10% of the labour force. There have been problems with the achievement of the second goal. Foreign based enclave producers alone accounted for nearly half of IDC assisted employment in 1980. These firms operate at a high level of technology requiring substantial capital investment but generating low skilled employment for over 90% of their work force. In addition, the linkage generation by these companies is similarly low skilled - i.e. handymen - when it does occur.

The entrepreneurship that has developed, is largely concentrated in traditional areas - garments, furniture and now food processing - requiring no great investment initially benefiting from a significant home market and requiring a low level of technology with which local entrepreneurs are to some extent familiar.

INDUSTRIAL ACTIVITY RESERVED FOR NATIONALS

For Sole Barbadian Ownership

Garments	Ice making
Furniture manufacture	Nails, tacks, staples, nuts, screws, barbed wire, chain link fencing
Sundry leather goods	Wrought iron furniture
Toy manufacturing	Alcoholic and non-alcoholic beverage
Exercise books	Building supplies of clay or cement
Confectionery	Animal feeds
Commercial printing and book binding	Food processing
Brewing	Lime production
Dairy products	Quarrying
Foundry	Paint, enamels & varnishes
Handbags, purses, satchels	
Phonograph records	

For Majority Barbadian Ownership

Ceramics manufacturing	Tyre manufacturing
Textile milling	Pharmaceutical products
Rebuilding of automotive parts	Detergents
Assembly of electrical appliances	Plastic products
Sporting goods	Shoe manufacture
Fish and other food processing	Shipbuilding
Costume jewellery	Cosmetics