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THE IMPLICATIONS OF PRIVATISATION FOR THE EASTERN CARIBBEAN COUNTRIES

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ABSTRACT

This paper examines public enterprises that have been privatised in the Eastern Caribbean. Central to the efforts of privatisation are the role of government and the role of the private sector (particularly as they pertain to the member countries of the ECCB with the exception of Antigua). Historically, the colonial government's contribution to the development of these countries was not extensive. In more recent times government's role has been challenged. This, in most cases is due to the deteriorating financial situation of some state owned enterprises. The paper analyses the institutions within the Eastern Caribbean that have undergone the transition from a fully/partly owned public enterprise to some form of privatisation. The paper compares the experience in Jamaica and Trinidad with that of the Eastern Caribbean Countries and points to the constraints that small economies can face in their efforts to privatise state owned enterprises.

Keywords: privatisation, public sector, government, private sector, state owned enterprises

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I. Introduction

For some time now the concept of privatisation has been increasingly emphasized on the economic and political agenda of the governments of the Eastern Caribbean countries. The debate surrounding privatisation is based on limited empirical evidence and is often grounded in a questionable analytic framework (Adam, Cavendish & Mistry; 1992). Despite this, privatisation has won the favour of some governments, and some international financial institutions, the World Bank and International Monetary Fund (IMF), have embraced it. The philosophy of privatisation explicitly accepts that private sector is superior to the public sector in the provision of goods and services. For many, this belief has become almost axiomatic. According to Nankani (1990:43), the record of those nations that have undertaken privatisation programmes during the 1980s is quite mixed. And even for the more successful ones, no clear blueprint for success emerges. Each privatisation seems to have its own history and dynamics, arguing the need to adopt a case-by case approach rather than trying to formulate a simplified model. Therefore, only through a detailed evaluation of the fundamentals and practices of privatisation as its pertain to the Eastern Caribbean countries can a better understanding of the process be achieved.

In this paper privatisation will be examined from an economic standpoint. Central to the approach is a careful evaluation of the theoretical underpinnings which to a large extent determined the role of the government and the role of the private sector in the development of the countries of the Eastern Caribbean. The paper will then examine the reasons why at different points in time, both the private sector and the public sector failed to contribute significantly to the process of economic development. Additionally, the paper will attempt to define "privatisation, its objectives and the different forms in which this process can be achieved. Finally, it reports on a survey buttressed by in depth interviews that were carried within the countries of the Eastern Caribbean that have undergone the transition from a fully owned public enterprise to some form of privatisation and the impact which the divesture has had on the entity and the economy as a whole.

II. Theoretical Framework

The Role of the Public Sector

The role of the public sector[1] can be found in the principles underlying welfare economics. Welfare economists argue that public goods differ greatly from private goods and therefore the provision of such goods by private markets can be sub-optimal. It is argued that private goods such as furniture, automobiles, etc. are efficiently produced and allocated by markets as along as externalities, such as pollution are controlled. Private goods are deemed to be exclusive, that is persons can be prevented from the use of the goods unless they pay for them and if suppliers can obtain the full value of the goods from those persons who are willing to buy them, then the goods are distributed to the persons who want them the most. Secondly, one person's consumption of a private good, prevents or reduces another's consumption of that good.

On the other hand, public goods have two distinctive characteristics. First, a public good is nonexclusive, it cannot be withheld from any member of society once it is supplied to the society. A good example of a public good is national defense. Once an army or the police force is established, it is beneficial to all persons in society, whether or not they pay for it. Second, one person's consumption of a public good does not affect another's consumption. That is, the enjoyment or benefit of a public good is shared by all members of society, whether or not some members of the society choose to pay for it. Therefore, because one person's consumption of a public good does not preclude anyone else's consumption, the cost of providing the public good for an additional consumer is zero. In addition, many welfare economists argue that government provision of goods that have a public nature increases total social welfare. In the neoclassical view, apart from supplying "public goods" such as defense and national security, education, basic research, market information, the legal system and environmental protection, the essential economic functions of

[1] The Public Sector and Government will be used interchangeably in this paper.

government are to :

1. maintain macroeconomic stability
2. provide physical infrastructure, especially that which has high fixed costs in relation to variable costs, such as harbours, railways, roads, irrigation canals and sewers.
3. contribute to the development of institutions for improving the markets for labour, finance, technology, etc.
4. offset or eliminate price distortions which arise in cases of demonstrable market failure.
5. redistribute income to the poorest in sufficient measure for them to meet basic needs.

The basis for government to provide these essential functions points to the fact that market systems produce and allocate resources which may not be pareto-efficient. The self-seeking nature of individuals and firms will not achieve the highest level of welfare for society as a whole insofar as market failure is prevalent. For example, when one examines technological development, market failure may occur because knowledge and know-how is not static, it finds its way to other firms and subsequently leaks to the rest of society.

If one examines a firm which invests in acquiring technological mastery over a new invention or process, for the short run, the firm will enjoy the benefits of its new invention. However, it will be difficult for the firm to keep the benefits of its new investment to itself. As a result of technological leaks, other producing firms can develop the same or similar products. Additionally, employees can leave their firm and apply on the job new skills which they have acquired from their former work place. So, while the firms bear the cost of the innovation, they do not capture the full benefit and therefore under-invest in technological efforts. Additionally, there are instances where the development of new forms of technology requires a minimum scale of effort. In these circumstances government can institute a number of tax incentives to increase the rate of returns for private investors. In cases where the private sector is under-developed or too small, an argument can be made for the coordination of public and private technological expertise.

When one examines manpower development, market failure may occur if the benefits to society of having an educated population exceed the benefit which educated individuals can capture in the forms of higher incomes. These benefits may include a healthier population, lower fertility and a better informed citizenry. Lending institutions are normally reluctant to lend to individuals against uncertain and distant future income returns, thereby making it increasingly difficult to obtain financing for the training and educational enhancement of individuals. As a result of this, market forces generally lead to under-investment in human capital. Government can correct this by offering a number of subsidies.

In the case of industries where the costs per unit fall as output expands, thereby creating an imperfectly competitive industrial structure those lower costs are able to drive other firms out of business. A case can be made for government ownership, or price regulation, or other measures to help the firms to operate at an optimal level. For infant industries, the justification for government intervention rests on a demonstration that the pace or patterns of decline generated by the market are in some way socially inefficient or unacceptedly disruptive, especially with respect to employment.

According to Hume, individuals left to themselves would lay the whole burden on others and therefore the solution to this problem, which is the "inefficient allocation of resources" would come from the "political society"[2] who would remedy these inconveniences posed by self seeking individuals and firms. In so doing, the political society has taken up the responsibility to build bridges and harbours, create employment, grant subsidies and form armies in an effort to provide both economic and national security for all.

The Role of the Government in the Eastern Caribbean Countries.

The responsibilities which were bestowed upon the governments of the Eastern Caribbean have their beginnings in the colonial era and the collapse of the plantation system. After the collapse

[2] The term "political society" is seen as another way of defining the word Government.

of the plantation system, many of the islands suffered in different degrees from poor housing and health conditions, inadequate provision of utilities, such as water, electricity and communications. Educational facilities were insufficient and the road and transportation network left much to be desired. The Moyne Commission reporting in the early part of this century pointed to the deplorable conditions which the large majority of the population faced. This prompted the British Government to undertake, through its colonial administration, a number of social reforms, including improvements in Education, Health, Housing and a number of public amenities. These responsibilities were adopted as the people of these countries moved to self-governance. According to (RIPA International 1996:2), the transition from colonial administration to self-government and finally to political independence heightened the consciousness of community leaders as to the social responsibility of government to provide basic services to a highly dependent population. Additionally, there was a profound wish to move toward the welfare state form of capitalism, a philosophy which is bound up in the West Indies with the fact that, in the past, exploitation of class was also exploitation of the majority race by the minority. Nationalism and welfare politics were closely linked (O'loughlin,1968). Therefore, there existed an added consciousness among the leaders to provide a more even distribution of wealth for the masses.

Governments in the islands were seen as the only social partner to provide and undertake these great responsibilities as the collapse of the plantation economy left an extremely weak, vulnerable and unorganised private sector dependent on protected markets, import trading and various forms of government largesse. The region did not have the advantage of significant industrial progress (as in many other countries) before entering into a fully democratic and liberal system of self-governance. Therefore, throughout the region governments had to assume a role much beyond that of regulator and facilitator to the point where their influence dominates every aspect of social and economic life.

The Role of the Private Sector

The role of the private sector as a social partner in providing economic growth is extremely important. According to Basil Springer (1993), the private sector has the responsibility of "doing business" and to be the engine of growth. In doing so, the private sector has a special role to play in the development of industries, as well as its role as the producer in the competitive sectors, such as manufacturing and commerce. As was mentioned earlier, the domestic private sector in these countries was extremely weak. The ex-patriate private sector of the colonial era was only interested in sending profits abroad; therefore, the investment climate in the countries was extremely poor. According to O'loughlin, (1968:19) estate owners in the Leeward and Windward Islands did little in the past to reinvest profit in the territories concerned. The then private sector was left with a huge responsibility which they could not adequately address. Therefore, the need for more direct foreign investment became increasingly apparent. In an attempt to address this, the governments put in place a number of fiscal concessions, subsidies and other incentives aimed at stimulating private foreign investment. At the same time, private investment was subjected to a number of other taxes, (ie Alien Land Holding Tax) legal, regulatory and administrative provisions. Although unintended, the impact of these taxes were sometimes negative. It is important therefore, to assess the net effect of these measures, and it is equally important to determine in the overall level of private foreign investment.

It is against this backdrop that the role of foreign direct investment is analysed as to its contribution to growth and development in the Eastern Caribbean. In looking at the role of FDI, it is very apparent that the countries have gained significantly from FDI. According to Williams and Williams (1998), for the countries of the ECCB region, FDI inflows were estimated to have increased from EC$183.8m in 1986 to EC$464.7m in 1996 and as a share of GDP rose from 6.5 per cent to 7.5 per cent over the same period. The sectoral composition of FDI flows was not readily available, but based on limited information the increase in FDI flows largely reflected inflows to finance hotel development, particularly in Antigua and Barbuda, St. Kitts and Nevis and Anguilla, as well as improvements to the telecommunications system and the purchase of land. The largest concentration of FDI in the region during the period appeared to be in hotel development, reflecting, to some extent, the impact of governments' policies towards the development of the tourism industry to support the agricultural and manufacturing sectors.

As was mentioned earlier, governments' influence dominated every aspect of social and economic life, including enterprises engaged in production and commerce. Although, the domestic private sector has made strides in these sectors, to a large extent, the survival of these industries are still dependent on high levels of protection and quasi-monopolistic privileges in the home market. This type of climate has allowed the survival of high cost, inefficient firms, which by themselves cannot compete internationally. Therefore, the behaviour of the private sector is still influenced by the experience of past. It is felt by many that the domestic private sector has not fulfilled its role as the engine of growth in this area as this behaviour has only stifled rather than enhanced growth. Therefore, in order for the private sector to adopt a more appropriate role, there is a need for governments to review legislation and regulations with a view towards the removal of certain inconsistencies which act against the private sector playing the required role and redesign the existing systems to address their concern. However, the private sector has to be more proactive.

In examining the experiences of the state enterprises before privatisation, it is evident that most of the enterprises were not generating a profit. The survey which was carried out in 1998, revealed that 54.5 per cent of the enterprises were making a loss. Therefore, the question to be asked is: What is the magnitude of the financial burden imposed on the public sector by these unprofitable enterprises? The following section examines transfers to public enterprises from the period 1985 to 1996[3].

III. The Rise and Fall Of The Public Sector

The progress which many governments of the Eastern Caribbean made in the late sixties and early seventies in providing social and economic development for the populace was increasingly under attack in the eighties. More and more persons were questioning government's ability to be the mainstay of economic development. While a few public enterprises have been successful, the analysis revealed that the majority of them had been mismanaged and were known to be subjected to undue political influence. This led to choronic inefficiencies and operating losses which had to be underwritten by government. In addition, some enterprises received huge transfers from government in order for them to operate. It was felt that privatising these enterprises would reduce the financial burden imposed on the public sector. Therefore, an examination of current transfers from the central government to public enterprises during the period 1985 to 1996 is essential.

In reference to Charts4 1 and 2, current transfers from the central government to public enterprises as a percentage of current revenue and current expenditure fluctuated between countries. However, the ratios of transfers to current revenue and current expenditure are quite similar due to the fact that for most of the countries, revenue receipts and expenditure outlays are almost the same. From the charts, it is evident that current transfers to public enterprises were the highest during the periods 1985 – 1986 and 1989 to 1991, approximating 2.2 per cent to 6.1 per cent of current revenue and 2.2 per cent and 5.8 per cent of current expenditure. For both periods, St. Kitts and Nevis recorded the largest percentages as a result of transfers made to the St.Kitts Sugar Manufacturing Corporation

CHART 1
Transfers from Central Government to Public Enterprises

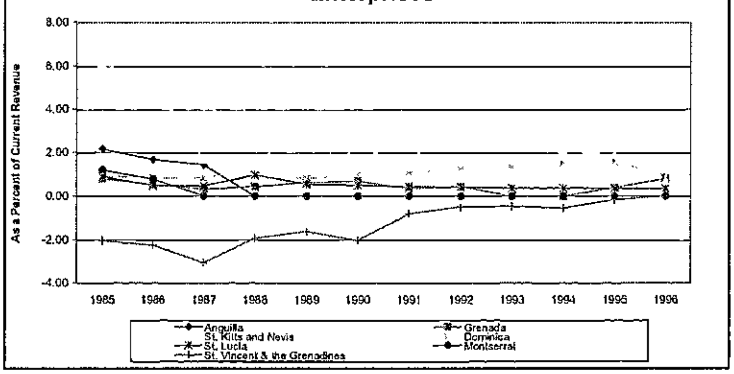
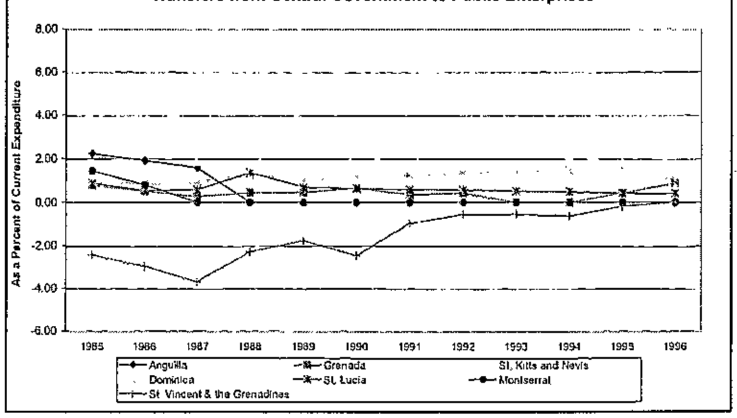


CHART 2
Transfers from Central Government to Public Enterprises



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3 This period was chosen based on the availability of actual data for the countries.
4 Source: IMF RED and ECCB's Annual Series

(SSMC) by the government to assist the enterprise in reducing its debt burden.

On average, for the period 1990 – 1996, Dominica accounted for the largest percentages, as current transfers averaged 1.3 per cent of current revenue and 1.4 per cent of current expenditure. Whereas, St Lucia accounted for the lowest percentages, as current transfers averaged 0.4 per cent of current revenue and 0.5 per cent of current expenditure. The level of transfers for most of these countries steadily declined from 1985 to 1996 with some fluctuations during that period. For example, current transfers for St. Kitts and Nevis fell substantially between 1986 to 1988 and rose to 3.3 per cent of current revenue and 3.7 per cent of current expenditure in 1989. This development was due largely to transfers made to SSMC.

As a percentage of current revenue and current expenditure, charts 1 and 2 show that Dominica was the only country which recorded steady increases in transfers from central government to public enterprises during the period 1986 to 1991. During that period, government consistently made transfers to the Dominica Export and Import Agency, the Tourist Board and the Industrial Development Corporation. As a result of incomplete data, a full analysis could not be carried out for the islands of Anguilla and Montserrat. For the periods for which data were available, transfers to public enterprises for Anguilla averaged approximately 1.4 per cent of current revenue and 1.9 per cent of current expenditure. For Montserrat, transfers to public enterprises as a percent of current expenditure averaged about 1.1 per cent.

St Vincent and the Grenadines was the only country which deviated from what seemed to be the normal trend. During the period 1985 – 1996 the public enterprises made transfers to government instead of receiving transfers from government. This is a result of transfers made to government by the Central Marketing Corporation and the Philatelic Services. During the period 1985 to 1990, transfers as a percentage of current revenue averaged 2.2 per cent and as a percentage of current expenditure, averaged 2.6 per cent. During the latter period transfers to government declined substantially averaging 0.5 per cent of current revenue and 0.6 per cent of current expenditure. Therefore, with the exception of St Vincent and the Grenadines, the data seem to suggest that the public enterprises imposed a burden on government's finances.

IV. Privatisation

Definition of Privatisation and its Objectives

Privatisation is a process of asset divesture. It is a process of shifting ownership, either fully or in part, from government-owned enterprises to the private sector. In analysing the practices of privatisation in the Eastern Caribbean, it is essential to ask one fundamental question. What does privatisation seek to accomplish? In answering this question, it must be understood that privatisation is seen as an instrument geared towards both short-term stabilization through expenditure reduction and also medium term supply side improvement by promoting more efficient resource allocation (Adam,Cavendish and Mistry 1992). With this in mind it is important to examine the number of objectives which the process of privatisation seeks to achieve.

The first major area on which privatisation is expected to impact positively is that of efficiency. Efficiency in a very real sense lies at the heart of the whole privatisation issue. In the countries of the Eastern Caribbean, privatisation is expected to impact positively on productive efficiency. Anticipated gains in productive efficiency pertain to the notorious "x-inefficiencies" for which public enterprises are well known. The argument here is that public enterprises tend to misuse production inputs because they are protected from competition, enjoy privileged access to subsidised capital and often have social welfare objectives or non-commercial functions such as employment creation or income redistribution. Management performance is not subjected to the regular scrutiny of shareholders, so there is no incentive to maximize profits and minimise costs (Ryan & Brown 1992: 271). In many cases, public enterprises experience problems such as over-staffing, low worker productivity and incompetent management. These problems are perpetuated by government's ability to intervene in the affairs of the enterprise and use it for non- economic[5] ends; privatisation of

[5] Non-economic ends are viewed as objectives which are inconsistent with the efficient and financially viable performance of an enterprise. Some examples of these are employment maximization, non-competitive price setting aimed at keeping input prices low for other sectors and uneconomic investments.

the management operations of the enterprise is expected to yield efficiency.

The second major area which privatisation is expected to impact is the reduction of the financial burden of the government. In the early to mid 1980's governments of the Eastern Caribbean received large amounts of concessional aid to fund their public sector investment programme. The data revealed that for most of the countries in the study there was a marked deterioration in the current account from as early as 1981, thus making it even more difficult for government to provide counterpart funding for capital projects. At the end of the 1980's governments saw a drastic reduction in such aid flows, therefore the government's commitment to provide adequate resources for a large number of public sector projects to ensure continued economic growth imposed a heavy burden on its financial resources as they had to provide more funds from the current account to finance the public sector investment projects and secure new loans. The rapid growth of government expenditure for some of the countries far exceeded the growth in revenue resulting in a widening of the resource gap. This development prompted the governments to find new approaches in relieving i financial burden. Privatisation was considered to be one of the most effective ways of doing so. Therefore, in order to meet the objective of maximizing revenue and reducing their financial burden, governments opted to sell public enterprises. It must be noted that whilst the immediate effect of an asset sale is indeed a reduction in the current budget deficit, it is a short-term correction measure. It can be argued that if governments invested money in making enterprises viable, and ensure that the new measures are sustainable, then the benefits which would be derived from the future earnings stream of the enterprises, would more than offset the debt which was incurred to make the enterprises profitable. One can also argue that if government were to privatise the enterprise and invest the proceeds in income-earning assets, and if capital markets are efficient, then the net earnings from investing the proceeds from the asset sale in, say, bonds will generate a profit stream of equal net present value (Adam, Cavendish and Mistry 1992).

The third major benefit of privatisation is said to be the ability to stimulate private sector growth and activity, to promote economic democracy through broadening of participation in the ownership of national assets and to develop a spirit of entrepreneurship. It spells a renewed commitment to the magic of the market (Ryan and Brown 1994). This is an intriguing argument when it is noted that in the countries of the Eastern Caribbean, public enterprises were established in the first place because the private sector was very weak and unwilling to enter certain activities which called for large investments carrying a high degree of risk. However, according to Adam, Cavendish and Mistry, in developing countries privatisation is seen as an instrument to "crowd-in" a nascent private sector, and thus reverse the downward trend in aggregate private sector investment which has been such a characteristic of the 1980's. It is viewed, therefore, as a means not only of enhancing the marginal efficiency of existing investment (by switching its sources of supply), but also as a means of increasing the total volume of investment. The increase in investment would not only come from the domestic private sector, but as governments seek to remove restrictions conferring preferential market access, cross-subsidization and other high degrees of protection enjoyed by state-owned enterprises, then foreign private investors will be encouraged to exploit these previously protected opportunities for monopoly profit, thereby increasing the level of foreign exchange in the islands.

Closely tied to the objective of stimulating private sector growth is the view that privatisation, especially in the countries of the Eastern Caribbean, will be the vehicle through which local capital markets may be developed and domestic savings mobilization enhanced. For many of the islands, the problem which presents itself is the absence or shortage of tradable stock. It is felt that the sale of government equity will be the ideal starting point for the capital market development. However, given the size of the islands, privatisation and capital market development will be more successful if it is done on a large scale. In light of this, the Eastern Caribbean Central Bank is developing a securities market for its member countries. It is expected that its implementation would seek to improve the quality of government debt management and to reduce fragmentation in government securities market by integrating government securities market in the sub-region. More pertinent to the study is capital market development. In creating this market it is important to take into consideration the ability of the market to mobilize savings for investment and at the same time provide price signals to enhance resource allocation.

Different Methods of Privatisation

The methods of privatisation adopted by each country depended on the country's objectives and the particular characteristics of the enterprise, such as its financial position and state of operations, the sector in which it operates and the structure of the market at the time the process was implemented. Therefore, the various methods of privatisation used are as follows:-

Sale of Equity: This refers to the transfer of equity. This is usually done by the sale of shares. The government decides on the percentage of shares which it is willing to issue. Once this is decided, the issue can take the form of a public offering of shares or a private placement of shares. The issue can be divided into four categories. First, the issue can be offered to the domestic private sector, second, the issue can be offered to the foreign private sector, third, the issue can take the form of a private placement to the domestic sector and fourt, the issue can take the form of a private placement to the foreign private sector. However, in all instances, government can take a decision to retain a percentage of the shareholdings. For particularly large and financially sound enterprises, a public offering of shares may be more attractive to the government, because finding investors capable of acquiring the company by themselves may be difficult. Additionally, the government may prefer a wider dispersion of ownership. The listing of the company can be limited to the domestic market or extended regionally or internationally.

Sale of Assets: This refers to a direct sale of a public enterprise's assets (in its entirety or in part) to a private investor or an investor group. The sale is normally conducted in a competitive manner, where a tender or auction process is used to allow the government to receive a fair price for its assets while keeping the process equitable from the perspective of the potential buyers.

Concessions and Lease Agreements: These are normally used when the government decides against a complete transfer of ownership. This may happen where the process of privatisation involves natural resources or infrastructure enterprises, a complete sale may be politically difficult especially when foreign investors are involved. As an alternative, the government can rent out the assets for a specific period of time in return for specified payments. While ownership remains with the state, a private operator is responsible for the management and carries out desired improvements. While investors are generally more keen on ownership in whole or in part, a concession or lease arrangement can be made palatable by giving the investor the option to purchase the company after the agreements ends.

Management Contract: This involves contracting out of private sector management expertise to manage a government entity for a specified fee. It entails the transfer of management responsibility and generally may not involve the transfer of personnel.

Franchising or Contracting out the provision of Certain Goods and Services: This involves a government's decision to relinquish its responsibility to provide certain goods and services to the public and to transfer that responsibility to the private sector. Contracting out, is usually used for services such as road maintenance, vehicle and machinery repairs, garbage collection and disposal and health services. Contracting out can also be used in the operation of enterprises such as utilities and other productive enterprises, whereas the method of franchising is often used in road transport where a specific business arrangement takes advantage of cooperation between large and small entrepreneurs.

V. Analysis Of Country Case Studies

In analysing the process of privatisation for the countries of the Eastern Caribbean it is important to examine the experiences of other countries and what factors drove the move to privatisation. In doing so, one can assess whether the process of privatisation in larger industrial countries and the wider CARICOM region ad an impact on the thrust to privatisation in the Eastern Caribbean. The process of privatisation has its origin in the late 1970s and 1980s with the coming to office of strong right wing governments in the United Kingdom and the United States (Lewis, 1990) Under leaders like Margaret Thatcher of Great Britain and Ronald Reagan of the United States, privatisation took shape as a process of shifting ownership from government-owned businesses to the private sector. Countries like the USA and the UK fostered this alternative in an effort to eliminate the financial strain on governments, which had to their enterprises at the expense of public funds. Once this burden was lifted the proponents of privatisation felt they could focus their attention on the more profitable venture of restructuring their economies so as to cater to international markets. According to Linden Lewis (1990), the inception of privatisation in the region was largely the result of influence on the part of advanced industrial countries. In his essay, "Privatisation in the Caribbean: A Response to Global Restructuting" he states that these countries:

> *Convinced of the soundness of their actions the advanced industrialised countries have used their influence to make privatisation a condition of further financial assistance to peripheral capitalist countries in the Caribbean, Africa and Latin America.*

Based on his analysis it seems to suggest that for countries such as Jamaica and Trinidad and Tobago the process of privatisation was influenced by the deteriorating state of the economy and a shift of economic policy as a result of a change of government in 1980 for Jamaica and 1986 for Trinidad and Tobago. However, the catalyst behind the privatisation process for both countries was their decision to undergo a structural adjustment programme with the International Lending Institutions. Embodied as a policy conditionality in the reform programme was the general restructuring of State Owned Enterprises (SOEs) with a view to privatisation.

In examining the countries of the Eastern Caribbean, it is clear that the process of privatisation was not entirely influenced by the same factors as those for Jamaica and Trinidad. Of the seven countries that were surveyed, only Grenada and Dominica stated that their privatisation effort was part of a home grown structural reform on the part of the policy authorities. Although the privatisation effort in Grenada and Dominica was not part of a structural adjustment programme with the international monetary authorities, as was the case for Jamaica and Trinidad, it had been recommended on numerous occasions. In an effort to reverse the deteriorating state of their public finances, the authorities decided to undergo their own reform.

For Grenada, their Structural Adjustment Programme was designed with assistance from the Caribbean Development Bank (CDB), the University of the West Indies (UWI) and the OECS Economic Affairs Secretariat. The main goal of the programme was to improve government finances. To achieve this goal, the programme focused on fiscal reform, privatisation of state-owned enterprises, rationalization of employment in the Civil Service and reduction of arrears of debt and contributions.

In the case of Dominica, the government was considering accessing funds through the IMF's Enhanced Structural Adjustment Facility. Therefore, an Economic Adjustment Programme Document was designed. Embodied in the document was a structural adjustment programme. The main areas of focus for the programme were public sector reform, tax reform, fiscal administration, trade liberalisation and trade and exchange liberalisation. Of the many focus areas, public sector enterprise reform included the privatisation of several enterprises. Therefore, it was based on this document that the Dominica Electricity Services was privatised.

In 1998, a total of 13 public enterprises were surveyed within the countries of the ECCB with the exception of Antigua. Of the 24 respondents, 46.2 per cent stated that the effort to privatise was part of a structural reform programme. In examining the companies, the results of the survey revealed that of the 46.2 per cent most of the companies were from Grenada. Therefore, the privatisation programme in Grenada was largest of all the countries surveyed with a total 5 public enterprises privatised during the period 1985 to 1997. For the other countries combined, 53.8 per cent reported that their privatisation effort was an isolated event and for Anguilla, and St. Kitts and Nevis two was the maximum number of enterprises that were privatised. In the case of Montserrat, St. Vincent and the Grenadines and St. Lucia only one public sector was privatised during the period 1985 to 1997. (see Table 1 and Appendices)

Table 1 Number of Privatisations by Country and by Function of Enterprise

	Total	Tele-Communication	Electricity	Waste Disposal	Manufac-Turing	Broad-Casting	Banking
Anguilla	2		1	1			
Dominica	1		1				
Grenada	5	1	1		1		2
St. Lucia	1		1				
Montserrat	1			1			
St. Kitts and Nevis	2	1				1	
St. Vincent & TheGrenadines	1				1		
TOTAL	13	2	4	2	2	1	2

Source: Based on the1998 survey

For Anguilla, the decision to privatise the solid waste collection and disposal services and the electricity services was largely influenced by a number of problems which plagued the delivery and management of both services. Prior to 1989, the public works department was responsible for the collection and removal of solid waste. However, the frequent breakdowns of waste disposal vehicles and high maintenance cost consequently led to infrequency in the collection of waste matter around the island. Therefore, in order to maintain the natural beauty of the island and to mitigate the health risks which were likely as a result of the large piles of solid waste lying on the side of the road, the government decided to privatise the operation of waste disposal. After a negotiation period of about 2 years, the government decided to award a lease and management contract to two private companies in 1989. In the case of the electricity services, prior to 1991, there was a large number of outstanding bills, coupled with a high degree of equipment failures and outgages. As a result of the problems experienced by the electricity department, government sought help from the Commonwealth

Development Corporation (CDC) to help rectify the problems. In 1991, government decided to privatise the electricity services by offering a private sale of shares and management contract to CDC.

From the discussions with the public sector and private sector officials we discovered that there was an improvement in the delivery of services after both operations were privatised. In the area of solid waste disposal, it was evident that the solid waste was picked up more frequently and therefore, less piles of waste were seen on the side of the street. It was noted that services provided by the Anguilla Electricity Co. were more reliable and a more effective collection procedure was introduced. In addition there were less frequent outages and the company had put together a better maintenance programme by increasing the capital works and adding additional equipment. As a result of the privatisation effort the two objectives that were met were one of efficiency and debt reduction on the part of the government.

In St Kitts and Nevis the privatisation effort started as early as 1985 with the privatisation of the telecommunication services. This was done in an effort to improve the telecommunication services between St. Kitts and Nevis and the rest of the world. Within the agreement the government gave St. Kitts and Nevis Telecommunications Co Ltd. (SKANTEL) full control over the telecommunications services until the year 2015. The new company was also exempted from the payment of withholding tax and all imported vehicles, equipment and related material were exempted from customs and other import dues and stamp duty. The new company was responsible for the telecommunications services within St. Kitts and Nevis and was to provide, install, maintain operate and augment the international telecommunications services between St. Kitts and Nevis and places or mobile stations within or outside St.Kitts and Nevis.

From our discussions with both the public and private sector officials revealed that the process of privatisation was beneficial to all parties involved and achieved four broad objectives which were efficiency, revenue enhancement, broaden ownership and attract investment. SKANTEL replaced the existing analog system with the Eastern Caribbean Microwave System.

Subsequently, the local system was further improved with the laying of fibre optic trunk lines and the installation of new digital exchanges. As a result, the citizens of St. Kitts and Nevis enjoyed direct-dial world wide access.

The privatisation of the broadcasting station (ZIZ) came about 12 years later and the method of privatisation which was agreed upon was a management contract awarded to Caribbean Communications Network Limited (CCN). The agreement stated that CCN will enter into a management contract for a period of three years and will work towards the rehabilitation of ZIZ's production facilities and the general rationalization of the current radio and television organisations. Additionally, CCN is also expected to turn the company into a profitable venture. At the time when the research was being done the company was relatively new, therefore, the officials agreed that it was too early to determine whether or not the objectives of privatisation were achieved.

In Montserrat, the privatisation of the solid waste collection services was somewhat similar to that of Anguilla, although the problems were not as pronounced as those in Anguilla. Prior to 1995, the collection and disposal of solid waste was plagued with a number of problems. In looking at the potential health risk, a study was done by the Ministry of Health. As a result of the study, a proposal to privatise the services was made to the Executive Council. After lengthy discussions, the council agreed to contract out the provision of waste disposal and collection services to two private entities in 1995. Our survey results revealed that the objectives that were met as a result of the privatisation were efficiency and competition.

In St. Vincent, there is no explicit privatisation policy, therefore the decision to privatise St.Vincent Distillers in 1996 was an isolated event. Prior to 1996, St.Vincent Distillers accumulated a huge amount of debt with the Caribbean Development Bank. The situation was not sustainable and it posed a serious threat to the maintenance of government savings. Government agreed to privatise the company by selling 99.0 per cent of its shares to a private company. In doing so, the funds received from the sale of the enterprise were used to offset the debt. The privatisation of the enterprise met government's objectives which were the reduction of debt and attracting investment.

In discussions with the private officials, it was pointed out that the new company has improved its management and administrative skills, enhanced the training and skills of its employees and replaced capital equipment. As a result of positive returns and increasing demand for its products, the company is planning to manufacture a new rum. Therefore, both parties involved benefited from the privatisation effort.

Legislation passed in 1994 provided the opportunity for St. Lucia Electricity Services Limited (LUCELEC) to operate as a private business. The company operates under an exclusive statutory licence, which expires in 2045, for the exercise and performance of functions relating to the supply of electricity in St. Lucia and operates throughout St. Lucia .In 1994, LUCELEC offered 3,300,000 ordinary voting shares at $10.00 per share. After the issue, the shareholding was as follows, CDC (44.9%), the Castries City Council (16.6%), Government of St. Lucia (12.4%), National Insurance Scheme (12.5%) and the public (13.6%). The level of profitability has increased within the past three years and the officials are confident that this trend will continue.

We set out to answer the question, Why privatise? To answer that question, it is important to examine the enterprises that were profitable. Of the 13 officials that were surveyed, 11 responded to the question "Was the enterprise generating a profit/surplus before privatisation? The results revealed that of the five companies that made a profit prior to privatisation, four were utility enterprises. Six of the companies were not profitable and this was evident for the manufacturing and broadcasting corporations, the national banks and two of the six utility enterprises. A closer look at the analysis revealed that three of the five enterprises that were making a profit before privatisation were the telecommunications enterprises.

Therefore, it is no surprise that all of these companies attracted foreign private investors, and therefore adding to the regions stock of FDI. It might be argued that the foreign investors were attracted to these enterprises for other reasons than their profit margin. Although, there may be some element of truth in the argument, it does not take away from the fact that a profitable company is by far more attractive to investors that one that is unprofitable. Therefore, it can be argued that in an effort to privatise an unprofitable enterprises, government will be forced to compromise its position. The analysis revealed that of the 9 of the 13 public sector officials that responded to the question "Did the government receive a fair deal for the privatisation effort?" all said that government received a fair deal. In spite of the fact that the officials felt that the government received a fair deal, 6 of the respondents stated a number of things which upon reflection would have done differently regarding the privatisation effort. Most of the responses were in reference to the telecommunications companies. The officials stated that more time should have been taken in negotiating the agreement. It was felt that due to the urgency in which government needed the financial resources, the ability to better negotiate was lost. In addition, it was felt that the granting of the exclusive rights to offer telecommunication services should have been for a shorter period and possibly should not have entailed the wide range of services which the contract covered. For the waste disposal companies, the officials stated that they would have extended the contract to include street cleaning. In the case of the broadcasting company, the officials stated that it was too early to decide as the privatisation of the company was very recent relative to the time the survey was administered.

The analysis and discussions with the officials also revealed that most of the enterprises operated in an inefficient manner. This finding was more prevalent in the electricity, solid waste and banking enterprises. For the 4 electricity enterprises, the major problems stated were frequent outages, equipment failure and unreliable service. In the area of solid waste collection, the public works department reported many problems such as very high maintenance cost due to constant breakdowns, infrequency of collection and inadequate amount of garbage collection vehicles. For the 2 banking enterprises, the major problem stated was the increasingly large delinquency portfolio.

The decision to privatise these enterprises was largely dependent on government's overall fiscal and development policy and its financial position. Of the 13 government officials that responded, 6 stated that the decision to privatise was part of a general structural reform on the part of the policy authorities. Additionally, the analysis revealed that of the 8 objectives that were met by the privatisation effort (see appendices), the maximization of revenue and the achievement of efficiency recorded the highest percentages of 53.8 per cent. The objectives to achieve a more competitive environment and access foreign exchange recorded the lowest percentages of 7.7 per cent, while the development of capital markets was not chosen as an objective of the privatisation effort.

The study then sought to draw a linkage between the type of enterprise and the eight stated objectives. In examining the results, for the privatisation of the utility companies, the maximization of revenue was the objective with the highest frequency. From the six utility companies in the survey 5 of the 6 officials selected the maximization of revenue. The other objectives with the exception of the "the development of capital markets" were split equally as 50.0 per cent of the official stated that attracting investment, efficiency, reducing the debt and broadening the ownership as the other objectives that were met, whereas 50.0 per cent of the officials did not feel that these objectives were met as a result of the privatisation effort. For the two manufacturing companies the only objectives which were met as a result of the privatisation effort were reducing the debt and attracting investment. For the national banks and the waste disposal companies efficiency was the objective which recorded the highest frequency. The other objectives that were met were maximisation of revenue, reduction of debt and broadening of ownership. In respect of the broadcasting company the objective that was met as a result of the privatisation effort was that of efficiency.

Of the six stated methods of privatisation, only the sale of equity, lease and management contract and contracting out goods and services were used by the countries within the study. Therefore, in analysing the linkage between the length of time the privatisation process was implemented and method of privatisation used, one can deduce from the survey results that contracting out the provision services and lease and management contract took a shorter time to implement than the sale of equity as both methods were completed within 3 to 12 months. In the case of the sale of equity, with the exception of the public offering of shares by the St Lucia Electricity Services Ltd. which took less than 12 months to be implemented, most of the enterprises the privatisation process lasted more than 12 months. This is not surprising as the discussions with the officials revealed that undertaking a public or private offering of shares takes time to implement e.g notification of offer, preparation of application forms, etc.

The analysis of the countries reveals that the privatisation process for the seven countries within the study is a relatively new one. In looking at the period 1985 to 1997, of the 13 public operations that have been privatised, 8 per cent were done between 1994 and 1997 and included all types of public enterprises within the study. However, for the period 1985 to 1993, 7 of the enterprises that were privatised were the utility enterprises. The methods of privatisation which were used were the sale of equity, lease and management contract and contracting out the provision of services. The method which was most widely used was sale of equity, as 10 per cent of the privatisation was done through a sale of shares. The sale of shares is one of the best ways in which government can increase its revenue intake and the inflows of foreign investment. It is no surprise that of the 8 objectives the four which recorded the highest frequency were maximise revene (53.8 %), efficiency (53.8 %) , reduction of debt (38.5 %) and attract revenue (30.8 %).

VI Telecommunications in St. Kitts and Nevis – A Case Study

The Privatisation of the telecommunications services in St. Kitts and Nevis has been the first of all countries in the study and therefore offers an interesting opportunity to explore the telecommunication sector before and after privatisation.

A Historical Perspective of the Telecommunication Services in St. Kitts and Nevis

Telegraphic communication first came to St. Kitts and Nevis in the early 1870's with the laying of a cable chain by the West India and Panama Telegraph Company Limited. The laying of this cable provided links to the islands of the Eastern Caribbean from St. Thomas in the North to Trinidad in the South. Cable communication between St. Kitts and the rest of the world continued until 1925 when the first wireless telegraphy link was established, under the supervision of the British Post Office, as part of the Pacific Cable Board's West Indian System. By 1932, the cable and wireless system operators had become part of the Cable and Wireless Group, and the West India and

Panama Telegraph Company Ltd which changed its name to Cable and Wireless (West Indies) Ltd; (CWWI) assumed control of all existing internatonal communications systems in the Federation of St. Kitts and Nevis in 1985.

In the 1950's and early 1960's, CWWI introduced VHF and UHF radio equipment to St. Kitts and Nevis thereby increasing the efficiency of its international telephone and telegraph service. Links were established to Antigua and Montserrat via VHF radio and to St. Maarten via UHF radio. In the latter part of the 1960's and 1970's further improvements to the international service were seen with the commissioning of an analog microwave link to Antigua. This 300 channel link gave St. Kitts and Nevis access to the Analog Eastern Caribbean Microwave System which connected the islands of the Caribbean to the continental USA. The international telecommunications operation in St. Kitts and Nevis ran as a branch of CWWI until 1985. The national telecommunication system (operated by the Government of St Kitts and Nevis) covered only Basseterre and the immediate rural areas in the early 1960's. The system was expanded in 1969 and again in 1980 to satisfy the great demand for telephone service in other rural areas and Nevis. At that time, (1969 – 1980), revenue generated from the provision of telecommunication services averaged approximately $399,623.00, while total expenditure (including current and capital expenditure) averaged approximately $322,197.00. An overall profit of $77,426.00 was realised. The average number of employees were 24 and the number of lines connected at the end of 1980 were approximately 1700. From the period 1981 to 1984, the telecommunication sector continued to realise a small profit.

On July 2, 1985, the telecommunication sector was privatised and St. Kitts and Nevis Telecommunications Limited (SKANTEL) was incorporated and acquired the assets of the CWWII in St. Kitts and Nevis and of the St. Kitts and Nevis Telephone Department from the Government. As a result of the privatisation effort, SKANTEL owned 80% of the company while the government of St. Kitts and Nevis owned 20%. In July 1989, SKANTEL made a bonus issue of 3.3 million shares and in December 1990, an offer for public subscription in SKANTEL of 3,323,077 shares was made. At the date of the final closing of the offer a total of 2,023,700 shares had been applied for and in May 1991 the Board of Directors of SKANTEL allotted in full the 2,023,700 shares. Further to the public subscription, under the terms of an agreement between CWWI and Government dated 1st December 1990, 138,461 shares were issued to the Government, and as a result the shareholdings in the company were CWWI 12,000,000 shares (70%), Government of St. Kitts and Nevis 3,138,461 shares (18%) and the public 2,023,700 shares (12%). On January 4, 1993 SKANTEL made an offer of 1,299,400 shares at a price of $2.00 per share. Upon full subscription of the issue, the new shareholdings in the company were CWWI 65%, Government of St Kitts and Nevis(17%) and the public (18%).

Growth in the telecommunication sector after privatisation in 1985 has been phenomenal. From 1986 to 1998, the rate of growth in revenue has been substantial, revenue stood at $73.0m in 1998 from $3.5m in 1996. The high level of growth has been attributable to the improvements in the delivery of telecommunication services and a high increase in the number of new customers which increased to 17,181 in 1998 from 2,200 in 1996. Total expenditure moved from $2.7m in 1986 to $52.1m in 1998. The growth in expenditure is evidence of the huge capital outlay undertaken by SKANTEL over the period under review. At the end of 1998, SKANTEL realised a profit of $20.9m compared with a profit of $0.8m in 1986. Consistent with the growth in telecommunications services, the number of employees more than tripled to 191 at the end of 1998.

St Kitts and Nevis is a small open economy and hence its heavy reliance on trade. The substantial growth in telecommunications has had a positive impact on the economy of St. Kitts and Nevis as it helped in providing the impetus for trade by generating access to regional and international markets and thereby sustaining growth in the wholesale and retail sector

VII Conclusion

Comparing the experiences in the seven Eastern Caribbean Countries with those of Jamaica and Trinidad, it is clear that the privatisation effort in the Eastern Caribbean has been influence by many different factors. For most of the countries, the privatisation process was an isolated event and therefore speaks to the fact that most of the countries did not have an explicit privatisation policy. A number of SOE's are targeted for privatisation over the medium and long term (see Appendices). The issue regarding the formulation of a privatisation policy is extremely important. The problems which were experienced by most of the countries that initiated the privitisation process could have been mitigated if these countries had in place a specific policy regarding the privatisation of SOE's. In its efforts to restructure and privatise a number of SOE's in St Lucia, the government outlined in its 1998/99 budget statement a policy decision in reference to privatisation. It is hoped that the other countries would endeavour to follow the part which St Lucia has taken, as it is a step in the right direction.

The privatisation programme in the Eastern Caribbean demonstrates the point that the constraints to privatisation are also tied to the economic structures of our small developing countries. The first of these constraints speaks to the length of time it takes for the privatisation process to be implemented. For most of the enterprises, the privatisation process lasted between 12 and 24 months as government sought to redraft legislation and correct a number of administrative bottlenecks. Second, the process was built around the small absorptive capacities of economies of each country. Therefore, sales or small contracts were given to domestic entrepreneurs, whereas, the privatisation of utilities which involved extensive capital outlays were achieved by a public issue of shares and or foreign participation.

It is clear that the privatisation process in the Eastern Caribbean seem to have met its objectives laid out by the authorities. Its success will ultimately be judged by the net contribution to the welfare of all in regards to the performance and efficiency of the companies. In addition the privatisation effort was deemed to be more successful when it formed part of a general structural reform programme.

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APPENDICES

STATE OWNED ENTERPRISE TARGETED FOR PRIVATISATION AFTER 1997

Territory	SOE'S Targeted for Privatisation
Anguilla	Water Services, Health Services and Ports
Antigua and Barbuda	N/A
Dominica	Dominica Water and Sewerage Company (DOWASCO).
Grenada	Postal Services
Montserrat	School Bussing, Quarry and Radio Montserrat
St. Kitts and Nevis	St. Kitts Sugar Manufacturing Corporation (SSMC),Quarry and Electricity Department.
St. Lucia	St. Lucia marketing Board, St. Lucia Banana Growers Association and The National Commercial Bank
St. Vincent and the Grenadines	Water and Sewerage Authority

PRIVATISATION OF STATE OWNED ENTERPRISES BETWEEN 1998 - 2002

Territory	SOE's That Were Privatised
Grenada	National Commercial Bank of Grenada
	Grenada Bank of Commerce
Nevis	Nevis Electricity Department
St. Lucia	National Commercial Bank

CONFIDENTIAL

SURVEY FOR PRIVATE INSTITUTION

PURPOSE

This questionnaire is intended to evaluate and examine the institutions which have been privatised in the countries of the Eastern Caribbean.

NOTE

Please respond by circling a category for each question or writing your response on the line(s) provided.

1. What type of institution?

a)	Utilities Corporation	b)	Broadcasting Corporation
c)	Manufacturing Corporation	d)	Agricultural Corporation
e)	Transportation	f)	Other_________________

2. How long has your institution been in the private sector?

a)	0 - 5 yrs	b)	6 - 10 yrs	c)	11 - 15 yrs
d)	16 - 20 yrs	e)	21 - 25 yrs		

3. In what year was your institution bought? ______________________________

4. What method of purchase was used? (See notes at back for description of methods)

a)	Sale of equity	b)	Sale of Assets
c)	Lease of Assets	d)	Lease and Management Contract
e)	Build- Operate and Transfer		

f) Franchising or contracting out the provision of certain goods and services

g) Other ____

5. If the method used was the sale of equity, what percentage of the shares were transferred? ____

6. If the method used was the sale of assets, what was the value of the assets sold?

____

____

7. If the method used was the lease of assets, what is/was the length of the lease period and what was/is the monthly payments?

____

____

8. If the method used was one of a management contract, what fees were charged in order to manage the entity and did it involve a transfer of personnel? ______________________

____

____

9. If the method used was one of Built-Operate and Transfer, what was the cost of constructing the new project and how long was the concession period before the project was transferred to government? ____

____

____

10. Kindly indicate if there were any other method used besides the ones stated above_______

____

____

11. How long was the implementation of the privatisation process?

a) 3 - 9 months b) 12 months c) 18 months

d) 24 months e) greater than 24 months

12. What method was used to evaluate the institution before it was privatised?

____

13. How was this done? ____

____

____

____

14. What were the reasons why the implementation period took that duration of time?

____

____

____

____

15. What is the total wage bill? ____

16. What is the staff compliment?

____

17. Is the company currently generating a profit? ___________________________

____

METHODS OF PRIVATISATION

1. ***Sale of Equity***: This method of privatisation refers to the transfer of equity. This is usually done by the sale of shares. The government decides on the percentage of shares on which they are willing to issue. The issue can be in the form of public offering of shares or private sale of shares.

2. ***Sale of Assets***: This method of privatisation refers to the sale of a public enterprise's assets to a private corporation. For example, this may involve the sale of a quarry or a public bus service.

3. ***Lease of Assets***: This method involves the transfer of rights to use assets for a specified period of time in return for specified payments.

4. ***Management Contract***: This method of privatisation involves contracting of private sector management expertise to manage a government entity for a specified fee. It entails the transfer of management responsibility and generally may not involve the transfer of personnel.

5. ***Build-Operate and Transfer***: This privatisation method involves the private sector constructing a facility using its own funds, operate the facility for a concession period and later on transfer it to government.

6. ***Franchising or Contracting out the Provision of Certain Goods and Services***: This involves a government decision to relinquish its responsibility to provide certain goods and services to the public and transfer that responsibility to the private sector.

CONFIDENTIAL.

SURVEY FOR GOVERNMENT OFFICIAL

PURPOSE

This questionnaire is intended to evaluate and examine the public enterprises which have been privatised in the countries of the Eastern Caribbean.

NOTE

Please respond by circling a category for each question or writing your response on the line(s) provided.

1. What type of public enterprise was privatised?
   - a) Utilities Corporation
   - b) Broadcasting Corporation
   - c) Manufacturing Corporation
   - d) Agricultural Corporation
   - e) Transportation
   - f) Other ________________

2. How long has the enterprise been privatised?
   - a) 0 - 5 yrs
   - b) 6 - 10 yrs
   - c) 11 - 15 yrs
   - d) 16 - 20 yrs
   - e) 21 - 25 yrs

3. In what year was the enterprise privatised? ____________________________________

4. What method of privatisation was used? (See notes at back for description of methods)
   - a) Sale of equity
   - b) Sale of Assets
   - c) Lease of Assets
   - d) Lease and Management Contract
   - e) Build- Operate and Transfer
   - f) Franchising or contracting out the provision of certain goods and services
   - g) Other ____

5. If the method used was the sale of equity, what percentage of the shares were transferred?

6. Were any of the shares issued to the general public?

a) Yes b) No

7. If the answer is yes, what percentage of the shares was issued to the general public?

8. If the answer is no, what was the reason why a percentage of the issue was not offered to the public?

9. If the method used was the sale of assets, what was the value of the assets sold?

10. If the method used was the lease of assets, what is/was the length of the lease period and what was/is the monthly payments?

11. If the method used was one of a management contract, what fees were charged in order to manage the entity and did it involve a transfer of personnel?

12. If the method used was one of Built-Operate and Transfer, what was the cost of constructing the new project and how long is the concession period before the project

is transferred to government? ____

13. Kindly indicate if there were any other method used besides the ones stated above________

____

____

14. Listed below are eight (8) objectives of privatisation dependent on the method of privatisation used. Please indicate if any of the objectives were met by the privatisation effort.

1) Efficiency	2) Competition	3) Broaden Ownership
4) Maximise Revenue	5) Reduce Debt	6) Attract Investment
7) Develop Capital Market	8) Access Foreign Exchange	9) Other

15. Kindly illustrate what was done to achieve the objective(s) which you have circled.

____

____

16. Was this privatisation effort an isolated event or was this part of a general structural reform on the part of the policy authorities? ______________________________

____

____

17. How long was the implementation of the privatisation process?

a) 3 - 9 months b) 12 months c) 18 months d) 24 months

e) greater than 24 months

18. What were the reasons why the implementation period took that duration of time?

____

____

____

19. What type of structure was put in place for the management of the privatisation process? ____

20. What was the total wage bill before the enterprise was privatised? ______________

____

21. What was the staff compliment before the enterprise was privatised? ______________

____

22. Was the enterprise generating a profit/surplus before privatisation ______________

____

23. How long did the enterprise existed before it was privatised? ______________

____

24. Did the government received a fair deal for the privatisation effort?

____

25. Upon reflection would there be anything regarding the privatisation effort which you would have done differently? ____

____

____

____

METHODS OF PRIVATISATION

1. ***Sale of Equity***: This method of privatisation refers to the transfer of equity. This is usually done by the sale of shares. The government decides on the percentage of shares on which they are willing to issue. The issue can be in the form of public offering of shares or private sale of shares.

2. ***Sale of Assets***: This method of privatisation refers to the sale of a public enterprise's assets to a private corporation. For example, this may involve the sale of a quarry or a public bus service.

3. ***Lease of Assets***: This method involves the transfer of rights to use assets for a specified period of time in return for specified payments.

4. ***Management Contract***: This method of privatisation involves contracting of private sector management expertise to manage a government entity for a specified fee. It entails the transfer of management responsibility and generally may not involve the transfer of personnel.

5. ***Build-Operate and Transfer***: This privatisation method involves the private sector constructing a facility using its own funds, operate the facility for a concession period and later on transfer it to government

6. ***Franchising or Contracting out the Provision of Certain Goods and Services***: This involves a government decision to relinquish its responsibility to provide certain goods and services to the public and transfer that responsibility to the private sector.