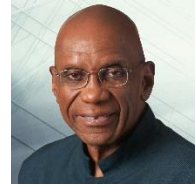




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The Barbados Government's Assets Exceed its Debt

Perhaps the most influential report presented at the recently concluded IMF meeting in Bali was the *Fiscal Monitor*. The report, presented by Vitor Gaspar, Director of the Fiscal Affairs Department, makes the comparison between what Governments owe and what they own. It matches the public sector debt against all the assets that the public sector owns.

Judged by this standard, the picture of global financial viability changes dramatically. The *Fiscal Monitor* presents the rankings of net worth - assets minus liabilities - for thirty-one countries. The picture is very different from that presented by conventional debt statistics.

Portugal is the country with the worst negative net worth, followed by the UK, The Gambia, France and Austria. Germany, the US and Brazil also have net liability positions, that is, their assets are insufficient to cover liabilities.

Although Japan has the world's largest debt to GDP ratio, its net position is stronger than any of these countries: Japan has assets that almost match the full amount of its liabilities. Of governments with positive net worth, Norway has the largest net asset position, followed by Russia, Kazakhstan and Australia. Peru and South Africa have stronger net asset positions than do New Zealand, Canada and Finland.

Barbados is not among the countries in the *Fiscal Monitor*. However, we can make inferences about our Government's net worth from the items included in Government's assets and liabilities. Assets include financial assets, Government nonfinancial assets and public corporation assets. Liabilities include debt instruments and national insurance liabilities.

The Central Bank of Barbados records the identified debt and contingent liabilities of the public sector as \$15 billion. The NIS's liabilities to pensioners are less than \$3.5 billion. Government's total liabilities are therefore less than \$18.5 billion. The financial assets of Government, the NIS and the Central Bank of Barbados are recorded at about \$7 billion. The difference between the liabilities and Government's financial assets is a net liability of \$11.5 billion.

Let us now take account of the physical assets of the public sector. The following list is probably not exhaustive:

- All public buildings;
- All NIS properties;
- The QEH and all health facilities;
- All publicly owned educational facilities;
- Roads and other infrastructure;
- The Port and airport;
- All public sector vehicles and equipment;
- Water, natural gas and sewerage systems;
- Sanitation service facilities and equipment;

All other public infrastructure;
 The Hilton Hotel, BNTCL and other Government enterprises;
 Publicly owned heritage properties;
 Parks, public playing fields and other recreational facilities;
 Crown lands including beaches;
 Agricultural lands held by public corporations.

What we learn from the IMF's *Fiscal Monitor* is that we should compute the full value of all these assets, and match them against the public sector debt and NIS liabilities. We would then know our Government's net worth, which offers a more accurate picture of Government's financial position.

Admittedly Government has an uncomfortably high level of debt and NIS obligations. However, the Barbados Government has an enormous store of physical assets of many kinds, far in excess of its debt and NIS liabilities. Government can improve the fiscal position by developing strategies to increase income from these assets. As with individuals and companies, Governments may sell assets to pay down debt. But a better strategy for the long term is to use the assets more efficiently to generate more revenue.

The *Fiscal Monitor* points out that Australia, New Zealand, the UK and Uruguay have used this approach to public wealth to improve public finances. They have identified the size and nature of public assets, and set about to increase revenue by better management of these assets.

These countries offer examples that Barbados might do well to emulate. The list of Barbados Government assets suggests numerous opportunities for earning additional revenue for the public sector, bettering public finances and stimulating economic growth. More profitable and efficient management of public assets is another reason why a thorough, top-down reform and modernisation of public services must be given high priority.

