

**REPORT OF SUB-COMMITTEE ON BUSINESS FACILITATION  
TO THE JOINT WORKING COMMITTEE  
of the  
MINISTRY OF INDUSTRY AND INTERNATIONAL BUSINESS**

*“Working Together – Stronger Together”*

**Recommendations on How to Improve Facilitation and Support for  
the International Business Sector in Barbados**

**April 30, 2005**

## **International Business Facilitation**

### **“WORKING TOGETHER – STRONGER TOGETHER”**

#### **TABLE OF CONTENTS**

- 1. Executive Summary**
- 2. Introduction**
- 3. Objectives of the Sub-Committee**
- 4. Value of International Business to Barbados**
- 5. Establishing a Competitive Advantage**
- 6. Summary of Issues Presented by the International Business Sector**
- 7. Summary of Findings from Meeting Public Service Providers**
- 8. Recommendations of Sub-Committee**
  - 8.1 Public Awareness**
  - 8.2 International Business - Facilitation Unit**
  - 8.3 Inter-Agency Information Sessions**
  - 8.4 Comprehensive Corporate Information Brochure/Manual**
  - 8.5 Public Sector Service Standards**
  - 8.6 Strengthening of the Registrar of Corporate Affairs’ Office**
  - 8.7 Immigration and Customs**
  - 8.8 Education**
  - 8.9 Double Taxation Treaties & Regulatory Controls**
  - 8.10 Welcome Wagon for Expatriates**
  - 8.11 Barbados’ Vision for International Business**

#### **APPENDICES:**

- Appendix A – BIDC Report – Constraints to Doing Business in Barbados**  
**Appendix B – BIBA Report – Realizing Barbados Potential as an IFC**  
**Appendix C – Focus Group Findings – Summary Report**

# **International Business Facilitation**

## **“WORKING TOGETHER – STRONGER TOGETHER”**

### **1.0 EXECUTIVE SUMMARY**

In March 2004, the Minister of Industry and International Business formed a Joint Working Committee to recommend to him how Barbados can increase International Business to the benefit of the economy. To complete its work, the Committee formed 4 working Sub-Committees: Business Facilitation, Strategic Planning, Research & Development and Marketing.

The Business Facilitation Sub Committee investigated the current environment that international business operates within, with the vision to develop a support infrastructure for the sector that ultimately would become a competitive advantage in attracting new entrants to Barbados. The Sub-Committee conducted focus groups, including senior public service employees and international business leaders to obtain their views, and reviewed recent research reports on this subject from the BIDC, BIBA and other internationally minded organizations.

All of this research pointed to the need for better understanding and a closer working relationship between the international business and the public service. Our Report entitled “Working together – Stronger Together” recommends: new practices that will improve communications between the private and public service sectors; changes to the support structure and new processes that will result in a better working environment for everyone; mechanisms to better educate investors on “how things work”; and techniques to support families who move to Barbados. Implementation is critical. The formation of a Business Facilitation Unit is core to these recommendations. This unit, with a “Club Caribbean” styled mandate will be responsible to assist international investors from start to finish, in getting established in Barbados. Fundamentally is the need for every Barbadian to understand the importance of international business to the economy and strategic plan of Barbados. Government must lead and reinforce this message with a passion.

The Sub-Committee was delighted to discover a genuine interest and commitment from the international business community and the Public Service to develop these initiatives into a successful and working platform for all of Barbados. We thank these visionaries for the comments and passion to make Barbados the country of choice for international business.

## **International Business Facilitation**

### **“WORKING TOGETHER – STRONGER TOGETHER”**

#### **2.0 INTRODUCTION**

It is envisioned that Barbados will transition from an economy supportive of an international business sector to a domicile that generates economic activity and foreign exchange across the entire commercial landscape. According to Prime Minister Owen Arthur, “The overall objective is that of fashioning Barbados into a center for international business and financial services and a regional hub for CARICOM commercial enterprise”. In its draft National Strategic Plan for 2005-2025 Government has identified specific objectives and strategies to make this vision a reality.

As part of its strategic objective to increase international business in the country, the Government of Barbados has over the years introduced several incentives and statutory instruments to improve the island’s competitive stance relative to other offshore domiciles. And whilst these legislative frameworks have certainly attracted foreign direct investment to Barbados, it is recognized that these offerings will not foster the level of growth and expansion desired since competitors can erode any advantage gained through these provisions by simply duplicating a country’s effort in this regard. Thus any competitive edge may only be fleeting. Barbados must therefore find a way to compete which provides a distinct advantage over and above statutory provisions.

In outlining his Financial and Economic Programme for 2004, Prime Minister Arthur noted that the cost of doing business and the level of investment depend on the existence of best practices in Government, the private sector and the trade unions. Against this backdrop it is clear that Barbados must commit to creating and maintaining an environment that facilitates and expedites legitimate business that distinguishes the country as a hub of excellence and efficiency.

## **International Business Facilitation**

### **“WORKING TOGETHER – STRONGER TOGETHER”**

#### **3.0 OBJECTIVES OF COMMITTEE**

Business Facilitation is a Sub-Committee of the Joint Working Committee that was established by the Ministry of Industry and International Business and approved by Cabinet. The Committee’s mandate is to analyze opportunities for improving Barbados’ competitive positioning to foster a more effective business environment for the International Business Sector (IBS).

The Business Facilitation Sub Committee examined the operating processes and support mechanisms that international businesses require in setting up and doing international business in Barbados. While many instances were identified that work well and in some cases better than other jurisdictions, the Sub-Committees identified a number of impediments to business efficiency and has drawn up recommendations on how to remove or ameliorate these impediments.

#### **Business Facilitation Sub-Committee:**

Thomas Sears (Chairman)	- CEO RBC Insurance & Head of BIBA Insurance Group
Andrew Alleyne	- Managing Director, DanCap Bank (former BIBA Executive)
Dr. Jeannine Comma	- CEO & Director, Centre for Management Development - UWI
Anthony Sobers	- CEO Barbados Investment & Development Corporation
Ellsworth Young	- Retired (former Permanent Secretary)

## **International Business Facilitation**

### **“WORKING TOGETHER – STRONGER TOGETHER”**

#### **4.0 VALUE OF THE INTERNATIONAL BUSINESS SECTOR TO BARBADOS**

Historically, the Barbados economy was heavily dependent on sugar from the middle of the seventeenth century. Over the years successive governments have sought ways to diversify the economy and in the 50s and 60s there was a concerted effort to move away from total dependence on sugar and offer incentives to attract foreign investment in manufacturing, tourism and later Information Communications and Technology (ICT) and Financial Services. The production of sugar is still important as an earner of foreign exchange. However greater dependence is now placed on tourism and international business. The passing of the International Business Companies Act in 1965, together with subsequent legislation, created an environment in which foreign companies and professionals were encouraged to invest and establish a commercial presence in Barbados. This framework was enhanced by tax and bilateral investment treaties designed to provide Barbados with quantifiable benefits.

The development of the international business and financial services sector began around 1977 when the first significant amendment to the 1965 Act was made. Other legislation has been enacted to facilitate the registration of international business companies, international banking, exempt insurance and management companies, ship registration and societies with restricted liability. The sector has grown over the years and now contributes significantly to employment, foreign exchange earnings, collection of taxes and NIS benefits. Despite the low rate of taxes, the sector contributes approximately 40% of corporate taxes paid to government compared to negligible amounts almost ten years ago. It generates employment for about 4000 persons, creating high value and highly skilled jobs through the transfer of technical skills particularly in the areas of investment management, wealth management and international insurance.

**International Business Facilitation**

**“WORKING TOGETHER – STRONGER TOGETHER”**

## **International Business Facilitation**

### **“WORKING TOGETHER – STRONGER TOGETHER”**

#### **4.0 VALUE OF THE INTERNATIONAL BUSINESS SECTOR TO BARBADOS (Cont.)**

Available statistics for 1985 reveal that 500 active companies were registered at that time. Direct government revenue from incorporation fees was approximately \$0.25 million and licensing fees approximately \$0.50 million. However no information on tax revenue is readily available for this period. The sector has expanded considerably since then. By the end of 2003, some 5,403 offshore companies were licensed, annual application and licensing fees totaled \$4.9 million and tax revenue \$93.6 million.

A review of licence statistics for 2003-2004 reveals that whilst Barbados has made progress, it remains far behind leading international business centers and is lower in the rate of growth by new domiciles such as the BVI. A closer look at statistics for 2003 reveals a contraction in new companies licensed in all categories with the exception of Exempt Insurance Companies.

Research has shown that from a statutory and regulatory perspective, all of the major domiciles offer similar provisions and any statutory provision that provides an advantage is quickly mirrored by competing domiciles. It therefore follows that if Barbados is to be competitive it is unlikely to achieve any distinctive edge based solely on its statutory provisions.



## **International Business Facilitation**

### **“WORKING TOGETHER – STRONGER TOGETHER”**

#### **5. ESTABLISHING A COMPETITIVE ADVANTAGE**

Competition for international business in the Caribbean/Atlantic region is highly competitive and is dominated currently by Bermuda, Cayman Islands and the Bahamas. The presence of virtually every Fortune 500 company in Bermuda and the expansion of its international business sector has had positive spin offs, stimulating other sectors of the economy especially construction and tourism. Establishing Barbados as the destination of choice for international business in the Caribbean has challenges. One crucial challenge is to build an international business sector which can be robust and yet sufficiently regulated to maintain a reputation for probity and good governance. The increased concern about terrorist attacks, the implementation of the US Patriot Act, challenges from the OECD and the FATF and other recent changes in the global marketplace resulting in new legislation, have created a very complex and challenging environment for jurisdictions like Barbados that wish to compete and expand in this market.

Recognizing these unique challenges, Government’s efforts to enhance the international business environment must not be centered solely on legislative or statutory provisions but as importantly on the atmosphere and efficiency of the environment business operates in the support network that facilitates the success of international business in Barbados. To this end Government must seek to ensure that business facilitation systems are world class in design and performance and are recognized as such across the international business community.

## **International Business Facilitation**

### **“WORKING TOGETHER – STRONGER TOGETHER”**

#### **6.0 Summary of Issues Presented by the International Business Sector**

The Business Facilitation Committee canvassed the Barbados Investment and Development Corporation (BIDC) and the Barbados International Business Association (BIBA) for their comments and was provided with recent reports authored by these two organizations (See Appendices A and B). Further, the Sub-Committee interviewed members of the international business community who have established businesses in Barbados within the last twelve (12) months regarding their experiences (See Appendix C). The Sub-Committee also sought comments from other practitioners in the international business community and received their documents and suggestions (Appendix D). These materials were compiled and reviewed for consistency. The Sub-Committee concludes that the points listed here accurately represent the main issues that face international businesses in Barbados, especially during the start up phase.

**The following comments have been delineated by organization and by area of greatest concern:**

#### **6.1 Ministry of Industry and International Business**

- Prior to coming to Barbados or on arrival, new investors are inadequately informed on how to get things done in preparation for doing business in the country. This lack of understanding causes frustration for both the investors and the service agencies.
- Investors are not aware of how to access relevant information.
- There is no “corporate package” on how to set up a company and what official documentation is required. Furthermore there are no guidelines on how to expedite the processes within government and other agencies.
- Registering a new business is not a “client friendly” process. Electronic On-line registration is not available as it is in other jurisdictions.
- Interrelating government ministries are often seen as not working together for the mutual benefit of the new investor and themselves.

## **International Business Facilitation**

### **“WORKING TOGETHER – STRONGER TOGETHER”**

#### **6.0 Summary of Issues Presented by the International Business Sector (cont)**

##### **6.1 Ministry of Industry and International Business (cont.)**

- There is currently no single unified system or process for facilitating the introduction and “set-up” of a new investor.
- The success of new business ventures can be tied to the smooth transition of families taking up residence in Barbados. Many international business ventures are impeded because the international family has not settled properly.
- There are no clearly communicated expectations between investors and public service providers.
- Whilst double taxation treaties are critical for making a decision to locate in Barbados, they may not always work as effectively as intended.
- Barbados is still blacklisted by certain countries and that inhibits investors from selecting the country as a jurisdiction of choice.

##### **6.2 Ministry of Finance**

- Tax convergence threatens to eliminate a most critical tax ingredient in the decision to invest in Barbados. While tax incentives are not the only reason for selecting the country, such benefits are a critical ingredient for sponsors moving to an international jurisdiction such as Barbados.
- International investors’ expatriate employees are required to deposit funds in order to obtain public utility services, credit cards and other lending products even when their local organization and/or parent organizations have strong credentials. This is expensive and irritating to the employees in their first months of arriving in Barbados.
- The incentives that some international companies enjoy differ based on the status and the law under which they are registered. This can be easily misleading to new entrants.

## **International Business Facilitation**

### **“WORKING TOGETHER – STRONGER TOGETHER”**

#### **6.0 Summary of Issues Presented by the International Business Sector (cont.)**

##### **6.2 Ministry of Finance (cont.)**

- Securing VAT refunds is time consuming, frustrating and expensive for the companies that have been granted this benefit.
- Tele-communications costs continue to be too high and uncompetitive, negating the benefits of operating an international business in Barbados. Call centers choose other locales due to these higher operating costs.
- Work permits do not automatically extend to other family members. Most Commonwealth countries offer work permits that allow the extended family to work. With the increase of dual income families this is an increasingly important need for international families.

##### **6.3 Immigration Department**

- The quality of the reception that business travelers receive at Immigration upon arrival in Barbados is erratic. Queues are long and frequently slow moving. Customer service is inconsistent. Attitudes are reported to be uneven and service can be lacking. This is a visitor’s “first impression” of Barbados. International business leaders have learned they must use “Club Caribbean” to reduce any risk of inconsistent service to their customers
- Often immigration forms are not available on board aircraft. This can become a source of irritation and argumentation between weary travelers and busy immigration officials.
- Immigration stations at the airport are often under manned.
- It is a grave inconvenience and worry for work permit applicants to have to surrender their passports to the Immigration Department for lengthy periods of time. International families anticipate the need for unexpected international travel at any time. Consideration should be given to withholding passports for no longer than 48 hours.
- To be allowed into the country an investor and his family are required to provide a series of original documents. It is thought to be unnecessary to have to resubmit the same original documentation at time of renewal of a work permit. Most Commonwealth countries utilize the original files when reviewing existing cases.

## International Business Facilitation

### *“WORKING TOGETHER – STRONGER TOGETHER”*

#### 6.0 Summary of Issues Presented by the International Business Sector (cont.)

##### 6.4 Customs Department

- It was recorded that in many instances the reception business travelers receive at Customs at the airport is unwelcoming. A poor reception or inadequate service leaves a lasting impression.
- The “Nothing to Declare” line is not clearly obvious to travelers. All travelers are stopped by a Customs Officer, which slows down the arrival process.
- The duty-free status available to offshore companies is difficult to understand and operate. Duties are charged then have to be reclaimed rather than allowing expeditious release of the goods duty free.
- International companies and individuals experience lengthy undue delays in processing and receiving their imported goods. By contrast, courier packages clear through international centers like New York, Toronto and London without delay. In Barbados office furniture can get tied up in customs for extended periods.
- The rules pertaining to promotional items are not clear nor consistent. For example, Barbados invites companies or schools to participate in trade shows for promoting their products. Some participants will clear their booth and other materials through Customs with complete ease, while others will be stopped and materials taxed or withheld. It has been said that “this only happens in Barbados”.

## International Business Facilitation

### “WORKING TOGETHER – STRONGER TOGETHER”

#### 6.0 Summary of Issues Presented by the International Business Sector (cont.)

##### 6.5 Corporate Affairs Registry

- Currently the registration process takes too long. In the Cayman Islands, one can register a new company or fund in 48 hours. In Barbados that is scheduled to take five (5) days. However with current processes that time can extend to weeks.
- International businesses feel they get lost in the volume of domestic business and issues within Corporate Affairs.
- The current paper-based process requiring original signatures is seen to be out of date and lengthy.
- Investors dealing with the Corporate Registrar do not know the status of their documentation and if they must initiate follow up.
- Investors are not aware of the established standards for registering companies
- There is an undue delay between the date of submission to the Registrar for share transfer and the date of adjudication. The vendor is without the use of monies during this period. (Usually withheld by an attorney).
- Currently there are also differing rules governing directorships between international and local companies. These are restrictive and confusing.
- There are also differences between the **Business Names Registration Act** and the **Companies Act** as it regards ownership of a business name.
- There is a recurring complaint about an excessive need for documents to be Notarized. This is compounded by the lack of ready access to Public Notaries and the need to acquire postage stamps to pay for the services.
- It is not well understood that the law requires the Registrar to only accept applications on A4 paper, with specific font and ink styles. Neither is it understood why regulations would be so specific. The vast majority of international businesses in Barbados operate with North American standards. A4 is virtually impossible to obtain in the USA and Canada and this has been a surprise and source of frustration to investors.

## International Business Facilitation

### *“WORKING TOGETHER – STRONGER TOGETHER”*

#### 6.0 Summary of Issues Presented by the International Business Sector (cont.)

##### 6.6 Central Bank

- While effective Bank regulatory standards are important to maintain a reputation as a high quality jurisdiction, the length of time required to gain a banking licence discourages companies from investing in Barbados.
- Many international investors refuse to bring investment assets or other funds into Barbados simply because of the existence of foreign exchange controls. The Central Bank disagrees that this is an issue.
- Foreign exchange controls are an administrative burden on international business and its employees. Letters must be issued for employees who travel on business to international locations and are required to use their own funds in part for their travels (and later reimbursed). Also it can take up to one year to receive the necessary approval to extract \$1 million of foreign investment from the country.
- Electronic and Internet banking are not readily available at North American standards.
- It is an irritant and appears inefficient that international investors have to fill out several forms to deposit the relatively small amount of \$10,000 (\$US 5000).
- Regulatory approvals - especially relating to repatriation of capital and taxation of compensation packages are seen as burdensome.

## **International Business Facilitation**

### **“WORKING TOGETHER – STRONGER TOGETHER”**

#### **6.0 Summary of Issues Presented by the International Business Sector (cont.)**

##### **6.7 Education**

- In many cases the requirement for a student visa is a complete surprise and can be very stressful to incoming international families, resulting in students missing school.
- The time frame for processing and approving a Student Visa is too long, particularly after a Principal or Head Teacher has agreed in principle to accept the student(s). The inability to apply at the same time and “conditional upon receiving the work permit” seems like an opportunity we are missing.
- Barbados is believed to have an excellent education system. However international families want choice for their children’s academic progress. Most jurisdictions that cater to international business offer an “International School” curriculum. Short-term assignees whose children are coming from a high school program cannot afford an interruption of the education process for their children.

##### **6.8 Other**

- The backlog of work in the Attorney General’s Department can retard drafting of international business legislation for years deterring international business from selecting Barbados. Many “old laws” that exist on the books need revision and there is no fast track method for updating such legislation.
- The International business sector often feels that it is not as seriously considered as it should be. Prior recommendations and consultations in the past from this sector addressing various elements of Barbados’ future are neither acknowledged nor implemented. Much of what this report contains has been recommended previously.
- It is difficult for Barbadians employed by international business companies to travel at short notice to some European and other countries that have visa requirements for Barbadians. Visa applications take a week or more and employees often have to send the passports to Trinidad, Venezuela, or some other country for processing.
- Traffic congestion is becoming a serious deterrent to business investment. A dynamic business environment requires an efficient public transportation system.



## **International Business Facilitation**

### **“WORKING TOGETHER – STRONGER TOGETHER”**

#### **7.0 Summary of Findings from Meeting with Public Service Providers**

In light of the range of services provided to the international business sector by Public Service organizations, senior representatives of a number of the main service providers were invited to meet with the sub-committee to be briefed on the issues raised during the international businesses focus group and to seek their views on the issues concerning the provision of services by their respective Government ministries and agencies.

The meeting was held on March 9, 2005 and was attended by:

- Mrs. Avril Gollop – Head of the Civil Service and Cabinet Secretary
- Mrs. Maureen Crane-Scott, Registrar of Corporate Affairs and Intellectual Property
- Mr. James Best, Acting Deputy Comptroller of Customs (Technical)

The Ministry of Finance and the Immigration Department were also invited to the meeting but were unable to send representatives.

Against the background of the main concerns communicated to the Sub-Committee by representatives of the focus group of the international business sector (see section 5 above), Public Service representatives provided valuable insights on internal operations of their respective organizations. They discussed legal, operational, communication and human resource initiatives that could help improve their ability to deliver service to international business groups.

We thank these senior members of the Public Service for their time, candor, suggestions and willingness in working with our Sub Committee and their obvious interest to work closer with international business for the mutual benefit of business and Barbados.

The following key points emanated from the discussions:

## **International Business Facilitation**

### **“WORKING TOGETHER – STRONGER TOGETHER”**

#### **7.0 Summary of Findings from Meeting with Public Service Providers (cont.)**

##### **7.1 Legal Structures**

The arrangements regulating conduct, responsibilities and duties of government agencies are fixed by law and by their very nature do not readily permit expeditious provision of service in accordance with the perceived needs of the business sector.

Furthermore, in cases where it is recognized that the demands of businesses warranted amendments to legislation, the procedures for changes to such laws do not readily permit expeditious implementation as a consequence of which, inconvenience is experienced by both provider and consumer. In short, there is no institutionalized “fast track” method of legislative change at the moment.

With respect to documentation and the need to permit acceptance of electronically generated materials, the law specifies what type of documents (e.g. A4 Forms) are to be accepted and there is no latitude to contravene these requirements.

##### **7.2 Staffing**

The case for staff increases to fulfill the mandates of agencies was accepted in principle. However, public sector staff complements are fixed by law and while there is provision to add temporary posts to meet critical needs, such action is subject to the approval of the Ministry of the Civil Service and there is no guarantee that such requests for additional posts would be approved.

## **International Business Facilitation**

### **“WORKING TOGETHER – STRONGER TOGETHER”**

#### **7.0 Summary of Findings from Meeting with Public Service Providers (cont.)**

##### **7.3 Performance Standards**

There is general agreement on the need to improve the standard for incorporation of new businesses but it is thought to be contingent on the availability of staff. One method of facilitating high performance standards and staff commitment to excellence might be to change the system of compensation in the Public Service to one that rewards excellent service. However such a possibility is preempted by existing compensation policy.

It was noted that the Office of Public Sector Reform had embarked on a programme of establishing service charters for public service agencies. Properly implemented, this would create a culture of service excellence in the operations of the agencies and enhance Barbados' reputation and ability to compete against leading international business centers.

##### **7.4 Awareness of Public Sector Operations**

The need for the business sector to develop a better understanding of the operations of the public sector is seen as crucial to appreciating the culture of public administration and the factors that influence the delivery of services. A number of remedies are possible, for example:

- Convening joint public/private sector awareness seminars to sensitize the private sector to public sector procedures and practices
- Establishing a system for promoting inter-sectoral partnership and dialogue

##### **7.5 Joint Public Sector/Business Interaction**

It was emphasized that strengthening and sustaining the international business sector depends substantially on co-operation between the private and public sectors and a willingness to continue working towards those goals.

## **International Business Facilitation**

### **“WORKING TOGETHER – STRONGER TOGETHER”**

#### **8.0 RECOMMENDATIONS OF SUB-COMMITTEE**

The Sub-Committee presents the following recommendations to Joint Working Committee of the Ministry of Industry and International Business for consideration:

##### **8.1 Public Awareness**

The Committee recommends that Cabinet be asked to take the lead in promoting International Business within Government. Cabinet members should take advantage of public speaking opportunities to promote International Business as one of the strategically important areas of the Barbadian economy and its importance to the Nation’s future. A slogan should be developed in an effort to raise public awareness of the sector. To build an international reputation for business facilitation will require Cabinet support and a driving passion at all levels of Government for change.

##### **8.2 International Business Facilitation Unit**

The Committee recommends the creation of an International Business Facilitation Unit (IBFU). This is the key recommendation emanating from this report. This unit would take responsibility for coordinating and facilitating the requirements of prospective, new and existing investors in dealing with the various ministries of Government and other public and private sector service providers. This unit needs to be given some latitude to act and as such we recommend that it be located in the agency responsible for investment and promotion. Most critical to the success of this unit would be the individuals selected to work in the unit. The employees would need to be Barbadians who possess a unique blend of sales and administrative skills, are university educated, present a good corporate image to international investors, are results orientated, entrepreneurial and energetic. The unit’s staff would need to be trained in all aspects of Government, legislation, systems and procedures, be provided key contacts in various ministries and agencies and be motivated by Government’s strategy to grow the international business sector.

## **International Business Facilitation**

### **“WORKING TOGETHER – STRONGER TOGETHER”**

#### **8.3 Inter-Agency Information Sessions**

The Committee recommends the establishment of inter-agency information sharing sessions between the Government and the private sector. It is recommended that BIBA hold monthly information sessions and invite various public sector officials to educate the private sector on the operations of various public sector operations. In addition it is recommended that key public sector agencies host quarterly sessions and invite various private sector individuals. The sessions would provide an opportunity to exchange information and to provide periodic updates on issues affecting international business.

#### **8.4 Comprehensive Corporate Information Brochure or Manual**

The Committee recommends the compilation of a composite manual that would document procedures on how to do business with the various organizations of Government. This manual or brochure would provide contact information on all key Government ministries and service providers and provide “Helpful Tips” on setting up a business in Barbados. It will provide important information to both investors prior to coming to Barbados, as well as to existing businesses that have already established operations in Barbados. The Business Facilitation Unit would be responsible for compiling and updating this information to ensure that it remained current and accurate. Web based access should be considered.

#### **8.5 Public Sector Service Providers**

It is recommended that Public Sector Service Providers publish charters which outline their mandates, standards and operating procedures, where these do not exist. Service providers as part of the Public Sector Reform process should develop mechanisms to measure and review their service standards. There should also be regularly scheduled meetings between public service providers and periodic audits of agencies to ensure standards are being met and areas requiring improvement are being corrected. We recommend there should be a mechanism for rewarding or recognizing excellence within the Public Sector.

## **International Business Facilitation**

### **“WORKING TOGETHER – STRONGER TOGETHER”**

#### **8.6 Strengthening of the Registrar of Corporate Affairs’ Office**

The Committee also recommends increasing the resources of the Corporate Affairs Registry to reduce the number of days required to register a company. The Committee recommends the establishment of a sub-unit within corporate affairs that deals exclusively with registering new companies. The Committee further suggests that increasing the number of Government services that are available online to provide faster service within the existing staffing complement. In addition, the Corporate Affairs Registry needs to address the following:

- Implement a timely feedback mechanism to applicants
- Publish standards for registering a company (we recommend 3 days)
- Install Notaries Public in all major legal firms
- Develop on-line registration
- Standardize rules governing directorships for international and local companies
- Review the legal and process constraints inhibiting the registration process

#### **8.7 Immigration and Customs**

The Immigration and Customs Departments should consider the following, as appropriate:

- Adopt a customer friendly “marketing” approach to all passengers.
- Ensure that there are suitable numbers of officers and adequate supplies of forms in the Arrivals Hall at all times. Locate a “trouble shooter” on the floor during busy times
- Reduce the time required to surrender passports (48 hours) for various permits.
- Ensure consistency of practice on customs rules for conference participants.
- Extend (conditional) work permits to direct family members of expatriate workers.
- Remove the need for original documents on work permit renewals
- Introduce new clearance processes for Duty Free and VAT exempt companies.
- Streamline the delivery process for regular shipments from corporate headquarters.

## **International Business Facilitation**

### **“WORKING TOGETHER – STRONGER TOGETHER”**

#### **8.8 Education**

There is a need for expeditious processing of student visas for international businesses. We recommend the Immigration Department to collaborate with the Ministry of Education, Youth Affairs and Sport to approve student visas for children of international expatriates so they are issued immediately and conditionally with the awarding of the parent’s work permit.

Consideration should also be given by the Ministry to allowing public secondary schools to include some elements of standard international curricula or consider special schools that offer the American High School or Baccalaureate programs.

The Committee recommends that the Ministry of Education, Youth Affairs and Sport, the University of the West Indies (UWI) and the International Business sector collaborate to address skill shortages identified by the international business sector (international investment management, international insurance skills, etc.). This can be done through the development of relevant curricula at UWI Cave Hill and the provision of national scholarships.

#### **8.9 Financial Review of double Taxation Treaties and Current Regulatory Controls**

The Central Bank of Barbados should work closely with the Ministry of Industry and International Business and the Ministry of Finance to develop mechanisms which would facilitate easier flows of money while operating within the Bank’s regulatory controls.

Continued effort needs to be exerted to expand the network of the Dual Tax Treaties.

As a matter of urgency, Barbados needs to be removed from any “Black List” held by individual country.

Barbados needs to actively reply to any unfair negative press that taints its reputation.

## **International Business Facilitation**

### **“WORKING TOGETHER – STRONGER TOGETHER”**

#### **8.10 Welcome Wagon for Expatriates**

The Committee recognizes the critical need for families to settle well to ensure the success of the international business initiative. We recommend that the Business Facilitation Unit take responsibility for providing information and assistance to prospective and new families in areas such as housing, schooling, family transition, cultural differences, customs, immigration and other family related issues.

There are numerous clubs and social groups that will help new families with their transition, including the Canadian Women’s Club, The British Women’s Association, The American Women’s Club, and so on. The relevant High Commissions and Embassies are valuable sources of information in helping incoming families settle and to be introduced to other similar families.

#### **8.11 Government’s Vision for International Business**

The Committee recommends that the Government make more public both in Barbados and around the world its vision for the growth of the international business sector. Locally there should be clear benefits including the sector’s contribution to Gross Domestic Product (GDP), the number of jobs to be created, the contribution to Government revenues and to foreign exchange earnings. These benefits and objectives for this sector should be easily understood.



**International Business Facilitation**

**“WORKING TOGETHER – STRONGER TOGETHER”**

**APPENDIX “A”**

**Business Facilitation**

**Barbados Investment & Development Corporation (BIDC)**

**“Constraints to Doing Business in Barbados” – Revised**

**BARBADOS INVESTMENT AND DEVELOPMENT CORPORATION**

**CONSTRAINTS TO DOING BUSINESS IN BARBADOS - REVISED**

**1. INTRODUCTION**

Further to Board Paper (BP 2002/68 “Constraints to Doing Business in Barbados – Revised”) previously presented to the Board of the BIDC, this paper discusses the constraints identified so far with a review of government initiatives that were taken to address these issues. It also presents an assessment of the impact, in the form of opportunity costs or benefits foregone, associated with specific constraints to the extent possible. Such analyses are of necessity mostly qualitative, given the types of constraint and the data availability. However, quantitative analyses are also presented in a limited number of cases where the constraint and the data available permitted such rigour. Wherever possible, comparative information has been included and recommendations made for further improvement.

The constraints highlighted have been categorised as follows:

**A. Operating Costs**

1. High data transmission and telecommunication costs
2. High utilities costs: electrical, telephone, water
3. High air, sea freight and port costs
4. High costs associated with a lack of economies of scale in the Manufacturing Sector
5. High cost of funds

**B. Labour/Human Resource Issues**

1. High employment costs
2. Hidden Costs, e.g. cost of transportation for staff on second or third shift
3. Inability to operate on public holidays
4. Workforce attitude, e.g. workers easily frustrated and unwilling to perform when instructions are not clear
5. Unavailability of skills

**C. Issues Relating To Agencies**

1. Tardiness in the provision of telecommunications services, e.g. long delays in the installation of telephones, repairs and extreme difficulty in obtaining additional lines
2. Customs clearance problems, e.g. lengthy delays in both exporting and importing
3. Deteriorating infrastructure, e.g. particularly roads, and increase in the level of traffic
4. Tardiness in receiving VAT returns
5. Slowness in getting approvals from the Town and Country Planning Office

# International Business Facilitation

## **“WORKING TOGETHER – STRONGER TOGETHER”**

### 2. DISCUSSION AND PROBLEM ANALYSIS

The local Industrial Sector, comprising manufacturing and information services, has been the source of important social and economic benefits to the Barbados economy. These include quantifiable benefits of job opportunities created, foreign exchange earnings, goods consumed locally and fiscal revenue to Government, among others. In addition to these, there have been social and economic benefits not easily quantified. This latter group includes skills development, technology transfer, career development and social mobility, modernization and increased self-esteem. On average, the Sector is estimated to have contributed annually in excess of 9.0% to the Gross Domestic Product of Barbados. The Sector has also supported 13,000-15,00 jobs for Barbadians.

The constraints identified have been seen as reducing the competitiveness of Barbados in attracting foreign business and our propensity to sell our products locally and abroad and causing the relocation of existing firms from Barbados. As such, it may be said that the constraints have associated opportunity costs in the form of benefits foregone.

An exact quantification of these opportunity costs would be a very complicated undertaking and beyond a certain point, of academic value only. For practical purposes therefore, the present exercise will be limited to the benefits/costs that lend themselves to relatively easy quantification and for which there is some data available. The parameters most eligible for quantification in this case are job opportunities and foreign exchange earnings.

#### **A. Operating Costs**

##### **High Data Transmission And Telecommunication Costs**

Modern telecommunications services are facilitated by way of computer-based infrastructures which support voice and data transmission. The pricing of these telecommunications services in Barbados has been a contentious issue in the Information Services Sector for some time and continues to undermine the industry's progress.

In Barbados, the price of broad bandwidth, an integral part of the sector's capability to deliver its services promptly and efficiently, is competitive with the prices of other regional locations. The T1-Line, one of the most modern of data transmission media, is priced at US\$15,000 per international line per month. Trinidad and Tobago has a rate of US\$30,000. The Corplan Study on Barbados' Competitiveness in the IT and Electronics Sectors quotes a rate of US\$33,000 per month for Costa Rica, for T-lines. But CINDE, the industrial development agency for Costa Rica provides the following monthly rate structure: US\$14,000 for a one-year contract, US\$13,300 for a three-year contract and US\$12,600 for a five-year contract. Trinidad and Tobago is however not a significant regional IT competitor, but Costa Rica's IT and other high technology industries have shown promising growth over the five year period 1995 to 2000. Well-known computer chip manufacturer Intel Corporation established a plant in Costa Rica during this period. Other major high technology companies currently operating in Costa Rica are C & K Components, Hewlett Packard and DEK. Costa Rica is also able to provide telemarketing services to such companies as Visa, Mastercard, Unisys and 3M.

Costa Rica's rates quoted by CINDE could present Barbadians with serious competition especially when it is noted that CINDE has made the statement "we tailor-make services to suit the investor". It seems likely that there may be added attractions such as best practice facilitation services. However, in the time available these could not be confirmed but such practices could make a significant difference when negotiations are being conducted. The North American competitors researched have significantly lower rates than Barbados.

## International Business Facilitation

### “WORKING TOGETHER – STRONGER TOGETHER”

A promising segment of the Information Services Sector in Barbados is the call centre business. There are two types of call centres; the outbound call centre and the inbound call centre. In Barbados, the viability of each type of call centre depends on a minimum usage of 85,000 minutes per month to qualify for the first tier rates of US\$0.12 and US\$0.43 respectively. The outbound call centre is essentially the low-end of the market, providing either the opportunity for data accumulation and management and/or the sale and fulfilment of goods and services. Recent rates instituted by Cable & Wireless (Barbados) Ltd. for outbound call centres have changed the tranches, lowering the entry level by US\$0.05 to US\$0.12. However, having widened the range to exceed 2.5 million minutes per month, the anomaly created suggests that an operation hovering about the 1 million minutes per month will pay US\$0.102 compared with the old rate of US\$0.10, whilst to achieve the lowest rate of US\$0.084, the operation would have to increase volume by 150% to 2.5 million minutes per month.

Operators in the industry are however concerned that this recent rate adjustment is still not enough to make Barbados really competitive. One operator indicated that it would take a rate of about US\$0.06 for companies within the 1.5 million minutes per month to be competitive with companies in other locations like Jamaica and New Brunswick, Canada. Barbados’ operating position relative to Jamaica and New Brunswick is illustrated by the simulated Model Income Statement, presented below in Table I. This is based on the following assumptions:

- (a) A Call Centre with 200 agents
- (b) 27,500 sq.ft. Office Space
- (c) Fringe benefit 20% Payroll Costs
- (d) Telecommunications: One (1) T1-Line & Lowest rate/min
- (e) Production 1.5 million minutes/month

New Brunswick telecoms costs are based on four (4) T-1lines per call center.

**Table I**  
**Model Income Statement**  
**(US\$)**

	New Brunswick	Barbados	Jamaica	Costa Rica
Weighted average weekly earnings	376	160	156	160
Annual base payroll costs	3,910,400	1,664,000	1,622,400	1,664,000
Labour Costs –FRINGE 20% Payroll	782,080	332,800	324,480	332,800
<b>Total Annual Labour Costs</b>	<b>4,692,480</b>	<b>1,996,800</b>	<b>1,946,880</b>	<b>1,996,800</b>
<b>Total Energy Costs*</b>	<b>82,407</b>	<b>115,200</b>	<b>115,200</b>	<b>80,640</b>
Equipment Amortization	960,000	960,000	960,000	960,000
Telecommunications	1,111,068	1,914,000	1,447,860	2,196,000
Office Rent	356,125	275,000	316,250	330,000
<b>Total Operating Costs</b>	<b>7,202,080</b>	<b>5,261,000</b>	<b>4,786,190</b>	<b>5,563,440</b>
Additional Assumption: Sales US\$20M				
Gross Profit US\$17M	17,000,000	17,000,000	17,000,000	17,000,000
Total Operating Costs	7,202,080	5,261,000	4,786,190	5,563,440
Pre-tax Profit	9,797,920	11,739,000	12,213,810	11,436,560
Corporate Provincial Tax 4.5%	(440,906)			
Corporate Federal Tax 28%	(2,743,418)	(2% tax) 234,780	0 tax	0 tax
<b>After Tax Profit</b>	<b>6,613,596</b>	<b>11,504,220</b>	<b>12,213,810</b>	<b>11,436,560</b>

\* Includes basic unit cost for electricity, heating and air conditioning

Sources: Boyd Company Inc. ( Site Selection Consultants, Princeton, New Jersey in conjunction with

New Brunswick Department of Economic Development and Tourism), BIDC, JAMPRO, CINDE

## International Business Facilitation

### **“WORKING TOGETHER – STRONGER TOGETHER”**

The simulation could also reflect an inbound call centre’s cost summary and profitability. The information available thus far does not differentiate between inbound and outbound rates. Barbados’ inbound rates reflect the long distance international pricing plaguing the telecommunications industry. At a start-up rate of US\$0.43 per minute and broadband connectivity costs of US\$15,480 monthly, a Canadian company is, in the face of the provincial Governments’ efforts to keep businesses at home and providing equal opportunity at much lower rates, hard-pressed to undertake such risk without a guarantee of significantly lower rates.

**International Telephone Services:** The Information Services Sector is also constrained by rates offered in the local market for the use of international direct dialing. Rates in Barbados are said to be a disincentive to operators who argue that as much as 30% of their daily operations include overseas communications with clients.

The following rates provided by Jamaica and Costa Rica are much lower than Barbados’, particularly to the USA and Canada where rates can be as low as US\$0.04 per minute from Jamaica and US\$0.55 for Costa Rica or 59% cheaper than Barbados’ US\$1.35 per minute. See Tables II and III.

## International Business Facilitation

### “WORKING TOGETHER – STRONGER TOGETHER”

**Table II**  
International Direct Dialling Rates for Jamaica  
(US\$)

Country	World International Toll Free Service: From the country to Jamaica	International Direct Dialling (IDD): To the country from Jamaica
UK	0.26	0.46
Germany	0.25	0.84
Ireland	0.27	0.46
Japan	0.33	1.10
Hong Kong	0.30	1.10
Singapore	0.34	1.17
USA	-	0.04

Source: Jamaica Digiport International

1.

2. Table II

**International Direct Dialling Rates for B'dos & Costa Rica**  
(US\$)

BARBADOS		COSTA RICA	
Country	Customer Dialed Station US\$/min.	Reduced Monday to Friday	Super-Reduced Evenings 10:00 p.m. – 7:00 a.m.
Canada	Day - 1.35 Evening - 1.21 Weekend - 0.98	0.55	0.50
USA, Hawaii	Day - 1.35 Evening - 1.15 Weekend - 0.87	0.55	0.50
UK/Ireland	Day - 1.56 Evening - 1.38 Weekend - 1.14	0.80	0.60
Germany	Day - 1.84 Evening - 1.56 Weekend - 1.19	0.80	0.60
France	Day - 1.87 Evening - 1.67 Weekend - 1.14	0.80	0.60

Source: CINDE, Cable & Wireless (Barbados) Ltd.

**Day - 8:00 a.m. – 6:00 p.m. Mon-Fri;**  
**Evening - 6:00 p.m. – 7:59 a.m. Mon-Fri**  
**Weekend - Midnight Fri. – Midnight Sun**

## International Business Facilitation

### “WORKING TOGETHER – STRONGER TOGETHER”

Barbados’ sole provider Cable and Wireless (B’dos) Ltd. offers discounts between 5% and 30% depending on the monthly charge. See Discount Schedule in Table IV.

#### 3. Table IV

**Discount Schedule  
(BDS\$)\***

Band	Monthly Bill (Bds\$)	Standard Plan	Year 1	Year 2	Year 3
A	500-999	5%	10%	15%	20%
B	1,000-4,999	5%	12%	17%	22%
C	5,000-9,999	5%	14%	19%	24%
D	10,000-24,999	5%	16%	21%	26%
E	25,000-49,999	5%	18%	23%	28%
F	50,000 and above	5%	20%	25%	30%

Source: Cable & Wireless (Barbados) Ltd.

\*1US\$ = 2BDS\$

The conclusion to be drawn from this data is that Barbados does not have competitive international direct dialing rates to complement the efforts to lower volume based rates in the sector. Applying the maximum 30% discount on the daily unit rate of US\$1.35 for USA and Canada, gives a rate of US\$1.17, which is not competitive with Jamaica’s US\$0.04 or Costa Rica’s US\$0.55. In general, it may be argued that the root cause of the problem is the lack of competition in the local market, even though the regulating machinery telecommunications’ reform currently being discussed is expected to redress the imbalances which make Barbados an uncompetitive jurisdiction.

**Opportunity Costs Analysis:** This Section seeks to estimate the value of benefits foregone as a result of the constraint. The estimation is based on a sample of 39 companies contacted over the period of a year, 2001/2002.

In moving to estimate the benefits foregone in the Information Services Sub-sector due to high telecommunications costs, some consideration was given to the constraint of space unavailability. In short, it cannot be assumed that the total opportunity costs is the total of all benefits projected by the sample of companies that by-passed Barbados, since the Corporation would have been unable to accommodate all of the companies if they had decided to locate in Barbados and it is unlikely that they would have found accommodation in privately hosted space.

The average B IDC space occupied per firm during 2001/2002 was around 7,000 sq ft. That means that the B IDC would only have been able to accommodate eight (8) firms since it was estimated that the B IDC had only about 56,000 sq ft of space available. Consequently, 7 of the 15 companies referred to above would have been lost due to space unavailability and any associated benefits foregone would need to be treated under an analysis of that constraint.

**Estimation of Potential Foreign Exchange Earnings Foregone:** The estimation of the foreign exchange foregone due to the high telecommunications rates is along the following lines:

Over the period, the Corporation could only have accommodated about 8 companies, on account of a constraint on space. Hence, of the 15 companies citing high telecommunication rates, about 7 would have been lost due to the space constraint.

## International Business Facilitation

### **“WORKING TOGETHER – STRONGER TOGETHER”**

According to available data for 1996 & 1997, 45 companies contributed an estimated US\$35 million in foreign exchange or an average of US\$666,667 per company per year. Adjusted for the effects of general inflation over the period, this is equivalent to US\$756,454 per company per year in 2001 purchasing power terms. Consequently, for the 8 companies estimated to have been lost due to the stated high telecommunication rates, the total would be US\$6.05 million in 2001 purchasing power terms. This is based on an assumption of 1996 company financial performance rates and local spending practices throughout the period 1996/97. It may be noted, however, that in the period since 1996 there have been some notable contraction in the domestic sector evidenced by the closure of Sanga, CDS, and the restructuring and downsizing of PRT (Enherent) which was during the early part of the period the “flagship” of the local Sector. A likely question is whether the estimated US\$6.05 million in 2001 purchasing power terms is a reasonable estimate of the potential foreign exchange earnings for the year 2001/2002. Indications are that this estimate is only a “ball park” figure as the local Sector, since about 1998, had experienced much change including contractions as the market had prepared for Y2K. Consequently, spending rates may not yet have returned to 1996/97 levels. Other complicating factors are set forth below:

During 1996/97, PRT was expanding its Barbados operations and its generous spending might have influenced spending patterns in the sub-sector as a whole, especially in the case of housing rentals, transportation etc. There is no way of knowing how companies that could have been accommodated but diverted would have performed financially and what amount of taxes Government might have collected, and what level of rents they would have paid. Furthermore, it is conceivable that a small percentage of companies might have found accommodation in private industrial space. It is also noted that for the companies that could have been accommodated, commencement of operations would be on a staggered basis. It may also be noted that in the case of PRT, apart from housing, transportation, utilities etc. the benefits of salaries had mostly accrued to non-Barbadians. These latter factors indicate the complexity in estimating the foreign exchange earnings foregone.

**Job Opportunities Foregone:** According to the data available the 15 companies that complained of high telecommunications rates specifically, had a stated total of 3,140 projected job opportunities, an average of 210 jobs per company. Our analysis indicates that only about 8 companies could be accommodated for a total of about 1,680 job opportunities. However, based on experience, a 60% achievement level or 1,008 job opportunities are estimated to have been missed.

**Recent Initiatives:** Agreements were recently concluded to permit the full implementation of the telecoms sector reform. This is an important initiative given the industry’s price sensitivity. Government and Cable and Wireless have entered the transition process to surrender the existing Cable and Wireless licenses for the new liberalised environment introducing competition in a three-phased approach. What is important to the industry at this critical stage is that the deadlines set for the implementation be adhered to. The last budgetary proposals indicated that phase one would introduce competition in cellular services, resale of services and the provision of telephone sets, i.e. customer premises equipment (CPE). More importantly Call Centres within the information services sector would be permitted to operate their own telecommunications equipment, such as VSATs for international communications, among other reforms. This phase was scheduled to be concluded by October 31, 2002.

The introduction of individual ownership of VSAT infrastructure would be a welcomed development in the industry. However, the proposal still needs to spell out the conditions of ownership. Whether or not that reform will result in rates as low as those in Jamaica and Costa Rica is left to be seen. If not, then what can Barbados do to offset the relatively higher rate here.

**The Way Forward:** The issues identified argue the case for a comprehensive plan to address them. Firstly, the programme to liberalize the sector would need to be implemented without delay. This by itself however, is no guarantee that rates will fall to the most competitive level. Small domestic market size may be a limiting factor, although there is the possibility that arrangements may be developed where the Caribbean region as a whole may inter-connect and create economies of scale that attract individual large carriers. In examining options, the model of the Jamaica Digiport International (JDI) was said to be



## International Business Facilitation

### **“WORKING TOGETHER – STRONGER TOGETHER”**

no longer relevant with the introduction of the relatively new Very Small Aperture Terminal (VSAT) technology although Drs Leith Dunn and Hopeton Dunn, in their ILO Working Paper No.86 “**Employment, Working Conditions, and Labour Relations in Offshore Data Services Enterprises, Barbados and Jamaica**”, 1999 had observed – “*Jamaica’s investment in the International Digiport has provided some advantages over Barbados in terms of cost, but these services are still expensive in comparison with Mexico and other competitors*”.

The above statement would tend to suggest that Barbados might have been able to make some gains but countries such as Mexico would still be serious competitors. Indeed, the same writers point out that – “*Trade agreements such as NAFTA, have reduced global competitiveness of Caribbean countries. Mexico’s preferential trade status with the USA has encouraged some companies operating in the Caribbean to relocate their operations. The study also shows that Corporate decisions play a major role in the location of back offices and outsourcing decisions over which developing countries have little control*”.

Also noting that Costa Rica, despite its relatively high telecommunications costs has been able to further its high technology sectors, a study of that country’s *modus operandi* could be of assistance.

The way forward will be very challenging and finding solutions will involve financial, economic, social, technological and political considerations.

#### **Further Recommendations:**

In light of the foregoing, the following actions are recommended:

1. Policy makers present a cohesive process of integration that entices the participation of the telecommunications services provider with the input from the players in the Sectors.
2. Government ensures that the first phase of projected reforms are completed by October 31, 2002.
3. Press for a regional arrangement which fosters the inter-connection of jurisdictions to create economies of scale attractive to large carriers.
4. A study of the Costa Rica IT and other high technology Sectors, their policy framework and *modus operandi*.

### **High Utilities Costs**

#### *Electricity*

High utilities costs continue to engage the attention of policy makers and Government has moved to provide assistance in its reduction of charges on diesel fuel for power generation. It has been reported however, that the Barbados Light & Power has expressed their concerns to Government following an apparent move by several manufacturers to generate their own electricity.

Electricity cost remains an important component of a company’s operating cost, and it could represent a significant proportion of variable costs, depending upon the type of industrial activity undertaken. Sectors such as food processing in the various areas and beverages are large consumers of energy. High energy prices would seriously undermine the price competitors of these Sectors. Overall competitiveness however does not depend on price alone, and the sensitivity of competitiveness and price to

## International Business Facilitation

### “WORKING TOGETHER – STRONGER TOGETHER”

energy costs are areas for examination. Most utility companies offer differentiated rates to sectors of industry based on consumption levels.

A review of electricity prices of selected countries suggests that Trinidad and Tobago has the lowest electricity rates within the region. However, it should be noted that Trinidad’s competitive advantage results from its available oil supplies. Barbados’ rates compare favourably with Jamaica and the Dominican Republic, but are outdone by those of Costa Rica, Mexico, North America, the UK, and Malaysia, on a more global perspective. See Tables V(a) and V(b).

**Table V(a)**  
**Utilities Costs (US\$)**

Country	Electricity	Water
Barbados	0.10 per Kwh	1.06 p.c.m.
Costa Rica	0.05 - 0.09 per Kwh	Min. charge 19.38 for 15m <sup>3</sup>
Dominican Republic		Thereafter 1:15 p.c.m.
Jamaica	0.11 per Kwh	0.36 p.c.m.
New Brunswick	0.10 per Kwh	1.39 p.c.m.
Trinidad & Tobago	0.06 per Kwh	0.34 p.c.m.
	0.01 - 0.03 Kwh	0.57 p.c.m.

The following “fringed” direct rates and electricity rates were provided by TT Electronics based on their other plants experiences.

**Table V(b)**  
**Wages & Electricity Rates**

	Country	Wage Rate/hr (in UK Pounds)
<b>WAGES</b>	India	0.31
	Malaysia	0.77
	Mexico	1.14
	Barbados	2.33
	South Africa	3.20
	Scotland	6.21
	USA	8.21
	England	9.83
	Germany	11.70
<b>ELECTRICITY</b>	<b>Country</b>	<b>Electricity (UK pence per Kwh)</b>
	UK	3.6

## International Business Facilitation

### ***“WORKING TOGETHER – STRONGER TOGETHER”***

	Malaysia	4.4
	USA (Boone)	4.5
	Mexico	4.9
	USA (California)	8.7
	Barbados	11.0

The opportunity costs associated with Barbados' higher energy costs is difficult to estimate. However, it may be conceived as contributing measurably to Barbados' less than competitive trading position especially Trinidad and Tobago with which country Barbados has a substantial trade imbalance, although other factors such as the exchange rate would also be major contributors.

The significance of an early resolution to the energy issue is critical to ensuring the sustainable development of the industrial sector. It is apparent however, that Barbados will not be able to compete without resorting to alternative and renewable sources such as wind or photo-voltaics, perhaps. That is, if it can be shown that these latter two sources are dependable and cost effective on net when all factors are taken into account.

The use of alternative and renewable sources may however be complicated by its potential to undermine the viability of Barbados Light & Power (BL&P). This utility is already making representation to Government in response to the generating of own power by some manufacturers. This is an issue which is still to be resolved. One way around this dilemma may be to have BL&P as the supplier of the alternative sources or that any electricity generated by these alternative sources be fed into the national grid manned by BL&P.

While some companies have moved to generate their own power, others have continued to make representation for lower rates citing the significant differential between the rates existing in Barbados and those in other locations. The possibility of foreign companies relocating from Barbados on account of higher energy and other costs underscores the urgency of the matter, the transparent resolution of which is still challenging the policy-makers. The relocating of foreign companies from Barbados carries the opportunity costs of foreign exchange and job loss of about 40 persons per company.

#### **Recommendations:**

In light of the foregoing, it is recommended that:

1. The issue involving the BL&P's response to the initiative of Government and the manufacturers be resolved as soon as possible.
2. The development of alternative, renewable and sustainable sources of energy be given urgent attention.
3. A policy to promote efficiency in the use of energy be adopted.

#### *Rental Rates for Space*

There are two types of space rental rates which exist within the Industrial Sector. Firstly, there are users that fall within the information technology sector whose needs are office based in nature. The other users are those in the manufacturing sector whose needs are consistent with a factory environment, which essentially is a factory shell with basic facilities. For the purposes of this paper we have examined comparatively, the rental rates in these two Sectors for the following countries:

## International Business Facilitation

### “WORKING TOGETHER – STRONGER TOGETHER”

**Table VI**  
Rental Rates (US\$)

Country	Office Space (per ft <sup>2</sup> /yr)	Factory Space (per ft <sup>2</sup> /yr)
Barbados	11.00-13.00	3.50-6.50
Costa Rica	13.38-20.07	5.02-13.38
Jamaica	5.44 - 9.42	7.50
New Brunswick	12.95	-
Trinidad & Tobago	13.00	3.60

#### *Office Space*

The current rate offered by the Barbados Investment and Development Corporation falls in the middle of the range. Although the data indicates Barbados' rate of US\$ 11.00- US\$13.00/sq.ft. is higher than our regional competitor Jamaica (US\$ 5.44 - \$9.42), JAMPRO's rate is subject to an escalation of 5% annually and additional service charges for peripherals such as 24-hour perimeter security and external lighting. Consequently, the effective Jamaican rate is somewhat higher than that quoted. The facilities cover basic amenities, including concrete floor, suspended ceiling, main ducts of air conditioning, bathrooms and kitchenette with piped water. This is in contrast to the full "turnkey" facilities offered in Barbados. Trinidad and Tobago's rate is similar to that of Barbados, at US\$ 13.00/sq. ft. per year. Costa Rica and North America rates range from US\$13.00 to \$20.00, but it is not clear what constitutes the overall package in this area.

#### **High Air, Sea Freight and Port Costs**

This has been a long-standing complaint and may be related to the relatively small quantities imported and the distance from suppliers since most inputs must be imported. High port charges are also a contributory factor. Port charges comparisons are only possible between Barbados and Trinidad and Tobago in the absence of information from Jamaica and the OECS. The main charges are for unstuffing, storage and delivery. In the unstuffing category rates are comparable:

## International Business Facilitation

### “WORKING TOGETHER – STRONGER TOGETHER”

**Table VII**  
**Port Charges For Barbados And Trinidad & Tobago**  
**(US\$)**

Activity	Container Size	Barbados	Trinidad & Tobago
Unstuffing	20 ft.	95.00	94.00
	40 ft.	190.00	188.00
Storage	20 ft.	110.00	5.00 for 1-3 days
	40 ft.	220.00	11.00 for 1-3 days
	20 ft.	After the eighth day	9.00 for 4-6 days
	40 ft.		18.00 for 4-6 days
	20 ft.		18.00 over six days
40 ft.		36.00 over six days	
Delivery	20 ft.	45.00	12.00
	40 ft.	90.00	24.00

In Barbados however, the storage rates appear high in comparison with those offered in Trinidad and Tobago providing clearance is not done within eight days of arrival. Delivery rates in Barbados are quite high compared with Trinidad and Tobago’s rates.

It is important to note that with regard the handling of cargo, complaints have been levied at Customs Brokers who have varied rates depending on how established the operator may be. There is also a 2.5% or BDS\$500 charge (which ever is greater) levied on the value of the Customs Bonds. In addition, there is a Handling Charge of BDS\$1,200 and BDS\$1,500 per container on 20 ft. and 40 ft. containers, respectively.

Our research has revealed that manufacturers are also concerned about the costs involved in clearing containers after normal working hours. This translates into additional costs to the manufacturer for overtime charges, and ultimately to the price of the product and a weakening of the competitiveness of the product.

Structural deficiencies, such as smallness of orders are characteristic of most local enterprises. In particular they undermine the competitiveness of local products and services, they prevent the capitalizing on economies of scale in transportation costs. High port charges add other costs to the enterprise aggravating an already sensitive issue may be a symptom of inefficiencies in the port. It is not possible to quantify the loss of business to these here, but it would appear that a review of the modus operandi of the port with a view to improving operational efficiency should be a first step.

**Recommendation:**

It is therefore recommended that the operation of the port be reviewed and closely monitored to ensure that the manufacturer is afforded the best service at the lowest price possible.

# International Business Facilitation

## “WORKING TOGETHER – STRONGER TOGETHER”

### **High Costs Associated With The Lack Of Economies Of Scale In The Manufacturing Sector**

In Barbados production units are small thus precluding the possibility of benefiting from economies of scale and the industry has no control over imported input and related transportation costs. Barbados has been recognized as a high cost producer, a factor which has seriously undermined the growth of the manufacturing sector. It is recognised that wage rates can contribute to high production cost. Government working with the Unions and the private sector within the social partnership must continue to address labour productivity and ensure that wage settlements are kept within manageable levels. Whilst recognising that present wage rates do contribute to Barbados being a high cost producer, greater effort must be made to identify high value added goods or specialised markets. Overall, Barbados' location and high costs are seen as impediments to manufacturing.

The opportunity costs associated with these constraints arise in the first instance from the failure to capitalize on the cost discounts which attend to purchasing large volumes and secondly by the share of price sensitive markets uncaptured due to the higher price of locally produced goods. The structural nature of these costs would tend to confine Barbados' production to special high value added non-sensitive products, and suggests further that efforts be continued to maximize labor productivity.

#### **Recommendations:**

1. The BIDC in conjunction with other relevant agencies should identify products in sectors with the potential for growth.
2. The development of aggressive marketing programmes in support of niche products.
3. Efforts should be made to reduce the costs of inputs by sourcing from the most cost effective suppliers.
4. The use of alternative methods of generating energy should be investigated.

### **B. Labour/Human Resources Issues**

In addressing these issues the overall consensus by persons involved in labour relations is that not enough emphasis is being paid to labour relations in Barbados. Efforts should be made to ensure that we are more proactive and not just react as issues arise. Barbados will continue to face greater economic challenges from the movement of trade liberalization and economic globalization. Our market will become more and more vulnerable to economic shocks that emanate from external sources and hence there is a need to formulate economic policies that seek to reduce the impact of these shocks and maintain a path of self sustained growth and development. Our human resource is our most important factor of production and the development of this resource is necessary for economic growth and economic development. As a result we would therefore need to maintain proactive approaches to policies related to human resource development and the labour market.

#### **High Employment Costs**

Barbados has long been identified as a high wage location with high employment costs compared to other countries. These costs reflect

## International Business Facilitation

### **“WORKING TOGETHER – STRONGER TOGETHER”**

not only the basic wage and salary rates but also the additional financial benefits, which make up the remuneration packages. The issue is one however, which does not lend itself to an easy resolution, as local wages have tended to reflect the standard of living in Barbados and expectation of local workers.

The fact is that Barbados' Employment cost may be considered higher than those in the region with which we are constantly compared. The economic and political stability, health, educational and other resource development infrastructure, and our industrial relations climate are considered at a level above those of our competitors.

However efforts must be made to constantly raise the standard of the environment in which we operate. We must address issues such as productivity, occupational health and safety, retraining, re-skilling, and re-deploying to ensure that there is always the best fit for the job. This will be necessary if we are to ensure that the value of the job merits its cost.

The need to enhance national productivity is of critical importance if we are to enhance international competitiveness and maintain economic growth and development. This however, will depend upon sectoral performance, led by labour productivity in industry. It is therefore necessary for training institutions to act in conjunction with industry and design training programmes that are relevant to and meet established standards for the occupation for which the recipient is being trained. This is necessary to ensure that workers acquire the competencies that are required for efficient and effective performance on the job and thus high productivity.

**Table VIII  
Comparative Minimum Wage Rates**

<b>Country</b>	<b>Legislated Minimum Wage Per Month (US\$)</b>
Barbados	17.00/day
Costa Rica	7.91/day
Dominican Republic	9.00/day
Jamaica	1.26/day
	28.96/day

## International Business Facilitation

### ***“WORKING TOGETHER – STRONGER TOGETHER”***

New Brunswick Trinidad & Tobago	9.20/day
---------------------------------------	----------



## **International Business Facilitation**

### **“WORKING TOGETHER – STRONGER TOGETHER”**

#### **Hidden Costs**

The issue of hidden costs such as providing transportation for workers after 9:00 p.m. is perhaps one which companies, being made aware of at the outset, should be encouraged not to see as a constraint, but as reflecting an interest in their staff. Discussion on this issue was held with a senior officer of the Labour Department. The Officer pointed out that it was a requirement by law, Chapter 346 Laws of Barbados, Employment Miscellaneous Provision Act, for companies to provide transportation for their staff after 9:00 p.m.

We believe that if prospective investors are made aware of such issues at the earliest stage in the negotiation it can be factored into their cost overheads. They may be able to design remuneration packages to take this and other costs into consideration. In addition, in recruiting staff for their operation, employers may be able to recruit with this in mind, therefore concentrating on recruiting from specific geographical areas.

#### **The Inability To Operate On Holidays**

This is a matter which would need to be addressed in conjunction with the Unions and Ministry of Labour. The matter has apparently been raised with the Ministry of Labour already, and during discussions with a B IDC representative it was explained that according to Chapter 352, Laws of Barbados, it was illegal for businesses to operate on public holidays. Exceptions to the Law are provided, but the IT and other industrial sectors are not included in these provisions. Discussions with a Barbados Workers' Union representative revealed that the issue has been discussed at meetings involving the Union but there has not been any amendment made to the Laws. The issue is therefore still to be resolved.

The Senior Labour Officer has advised that the B IDC may be in a position to lobby The Committee Of The Social Partners so that this issue may be addressed, if not through legislative change, through the putting in place of employment policy. It is expected that appropriate compensation would be put in place for workers.

While this constraint remains in effect, the associated costs include the output foregone due to the closure on holidays. This is an area for study.

#### **Workforce Attitude**

In relation to this issue it was suggested that workers are easily frustrated and unwilling to perform when instructions are not clear. However, problems arising on account of unclear instructions do seem to reflect negatively on management of the enterprises. Clarity of instructions is a basic management principle and staff should not carry all the blame in our view.

Management must clearly understand their role and workers must be made to feel as though they are stakeholders in the business. This is a matter can be addressed through appropriate training programmes. Employers should be made to realize that high literacy is not converted into high competency without the appropriate training and

## **International Business Facilitation**

### **“WORKING TOGETHER – STRONGER TOGETHER”**

coaching. We therefore have to remove the presumption by investors/employers that a readily available labour force means persons ready for the world of work.

We are aware that any effective training system must be flexible and relevant to growth in industries and technologies. As a result any training must be designed in consultation with industry. Since this is fundamental for the effective functioning of a modern and highly skilled labour force, Government may want to facilitate the establishment of, smart-partnerships between the training institutions and employers if training is to be relevant to the working environment of the real world. There should also be a built in mechanism where the system itself would become subject to periodical reassessment with regard to relevance and technological change as well as with regard to effectiveness. On the other hand, labour force participants must be prepared to subject themselves to a process of continuous skills upgrading and retraining throughout their working lives. Skills gained should be transferable between occupations and between industries.

### **Unavailability of Skills**

This has emerged as a serious constraint in the Garment Sector as well as in the IT sub-sector. In the garment sub-sector the absence of skills is an area that needs to be addressed urgently. The solution here may have been compounded by what appears to be an unattractive worker activity, compared to other areas offering better wages and working conditions.

In the IT sub-sector, the absence of software development skills was cited as the reason why one company imported the skills. Government through the establishment of the new Technology Training Centre has moved to address this problem.

However we must take further action if we are to address this issue within the Industrial Sector as a whole. Discussions with personnel from the Labour Department and the Technical and Vocational Educational and Training Council have both revealed that a properly established Labour Market Information System is necessary if we are going to effectively deal with the problem of Unavailability of skills. The main goal is to be able to project future needs, and such a system would serve to identify skill gaps, assess current needs and identify skill shortages. We are aware that such a system is currently being established at the Labour Department and it is hoped that it should be fully functional in another year.

The use of labour market information must be the driving force behind any programme of human resource development. The Labour Market Information System is designed to facilitate the collection and eventual analysis and dissemination of labour market information. For this to work effectively it is necessary that all agents involved should buy into this system that would network them in a continuous and circular flow of information that should satisfy their respective needs. Information on labour market imbalances is important to the career planner who must rely on accurate information to make informed career choices. Employers and potential investors must base investment

## International Business Facilitation

### **“WORKING TOGETHER – STRONGER TOGETHER”**

decisions on information about the availability and whereabouts of needed skills. They must be aware of existing laws and regulations governing labour. Workers need to have information about matters dealing with occupational health and safety and legislation relating to social assistance programs. Government needs to have information to guide policy relating to human resource development and manpower planning.

In addition, the International Labour Organisation (ILO) office in Trinidad is working on a Regional Labour market Information System. Their aim is to strengthen the systems existing in the region and to establish systems in countries where they are none.

It has also been expressed that the educational system must cater to the needs of industry. As a result the training at the secondary and the post-secondary level must be relevant. In addition employers must be willing to invest in the training of their staff to bring them up to the required level.

The benefits foregone due to this constraint are not easily quantified.

#### **Conclusion:**

4. **Signals in the labour market must be closely monitored and this could be facilitated through the Labour Market Information System. This would allow emphasis to be placed on trend analysis when designing policies that will have implications for the labour market. These policies will have to be complemented by continuous assessment of existing educational and training programmes that should be conducted to determine effectiveness and to ensure that the formation of human capital remains relevant to industrial growth and the vision for economic development. Considering our present environment and the changes which are taking place world wide as a result of Globalisation, even within CARICOM and with special reference to Protocol 11 of the CSME. There is need for a review of our Labour Laws.**

#### **Recommendations:**

The following recommendations are made with the preceding in mind:

1. A committee be established to address labour related issues on a continuing basis. This committee should work in conjunction with the social partners and should be responsible for the monitoring and evaluation of labour related issues to bring about change wherever necessary. This change can come about either through education or legislation.
2. The establishment of a special committee/task force which would review our Labour Laws and devise a regime of progressive legislation to deal with global changes and related issues.
3. A programme of job attachments within our educational and training system at both the secondary and tertiary levels be established. This is to ensure that persons at the tertiary level are provided with the necessary work experience.
4. Promoters of Barbados should become familiar with our labour legislation so that they can provide relevant and accurate information.
5. The BIDC lobbies for a change in legislation or for an employment policy to be put in place to address the issue of companies being unable to operate on public holidays.

## International Business Facilitation

### **“WORKING TOGETHER – STRONGER TOGETHER”**

6. A committee be established from among the relevant government departments, the Social Partnership and the University of the West Indies, charged with devising a national training plan. This would involve examining the current educational system at both the Secondary and the post secondary level, identify future needs of the country and therefore put in place the necessary training programmes to fulfill these needs.
7. Efforts be made to complete the establishment of the labour market information system. In addition a programme should be put in place to promote this system and encourage use at all levels.

#### **C. Issues Relating To Agencies**

##### **Tardiness Of Telecommunications Service Suppliers**

The increasing rate of change in the global market has meant that quick response is absolutely necessary for businesses seeking to compete effectively in this arena. A reliable Telecommunications Service is also an absolute necessity for the attainment of competitiveness. In Barbados issues have arisen as investors have expressed concern regarding long delays in the installation of telephones, the carrying out of repairs, and extreme difficulty in obtaining additional lines. It is felt this tardiness in telecommunications services imposes a serious restraint on the conduct of local business, increasing transaction costs, and reducing competitiveness.

**Initiatives Implemented:** In response to these concerns, local service providers Cable and Wireless Limited reports that it has sought to step up its performance in all these areas. In fact, the company reports that its most recent customer review (June 2002) shows a considerable improvement in the provision of these services to the business community. In terms of repairs the company reports that 90.8% of faults are corrected within 8 working hours whilst 98.7% of requests for installation of lines are completed within 7 working days, given that the appropriate cable plant is in place. Should the required infrastructure be not in place this waiting period may extend to between 15-30 working days to facilitate the building of the appropriate cable plant.

Reports from personnel in the B IDC’s industrial services division note that there has in fact been an improvement in the delivery of telecommunication services to clients within the industrial parks. It is further noted that specific contact persons (at Cable and Wireless Limited) have been identified to handle requests and related issues and this has contributed to a more speedy and efficient service to clients. Presently all of the B IDC’s estate facilities have the necessary cable plant to facilitate quick and easy installations. It is therefore anticipated that long delays will be eliminated even as the service providers seek to further improve these services. Nevertheless, it is recommended that the situation be monitored.

##### **Customs Clearance Problems**

This is a problem about which businesspersons both foreign and local have long complained and which has apparently been brought to the attention of the Customs authorities.

One of the major complaints relate to the slow pace at which goods are cleared through Customs. Concern over lengthy delays has been expressed by both importers and exporters, given the potentially negative impact on cash flow and the delivery of goods. The clearance process involves an assessment of relevant documentation as well as an inspection of the goods. Investigations revealed that assessment of the paperwork should take no more than one to two working days, while the inspection and clearance of actual goods should be completed within seven working days. The Customs and Excise Department however indicated that this is largely dependent on whether the supporting documentation is in order and conforming to all import and export regulations. It is also determined by the quantity of containers and

## International Business Facilitation

### **“WORKING TOGETHER – STRONGER TOGETHER”**

goods that are to be assessed. Increased shipments and workloads could result in paperwork taking as long as seven working days to be assessed, it was indicated. Still further delays could be incurred if there are errors in the documentation, as these errors will have to be corrected and the documents re-submitted. With respect to the actual inspection of goods, complaints have been made relative to the payment of overtime for the inspection of containers.

In an effort to facilitate business continuity and to reduce the length of time for clearing goods, the Customs Department extends its container clearance services beyond the 8:15 a.m. to 4:30 p.m. working period. Persons desirous of using this service must incur overtime charges of \$33.34 per hour up to a maximum of \$166.70 for five hours. These charges, payable in advance, have been found to be unsatisfactory coming after what are already considered high port and storage charges. The Chamber of Commerce also reported concerns that there appears to be a shortage of Customs Officers available for inspecting containers at business premises. This in effect delays the unstuffing of containers and possession of the inventory.

**Initiatives Implemented:** Concerns over the operational efficiency of the Customs Department have been taken up by the recently appointed Customs, Trade and Finance Consultative Committee, chaired by Comptroller, Captain Randolph Straughn. They have also been engaging the attention of the Barbados Chamber of Commerce and the Barbados Private Sector Agency. All are engaged in discussions on trade facilitation.

With respect to port/container charges, it was noted at a recent meeting of the Consultative Committee that Barbados has the most expensive port in the region. It was agreed that some action be taken on this. The Barbados Manufacturers Association was subsequently elected to chair a sub-committee including the Port Authority, the Chamber of Commerce, the Shipping Association and the Ministry of Finance to investigate the matter.

Problems experienced with container clearance as they relate to the availability of Customs Officers and inordinate delays, it is believed, could be addressed with the establishment of a Central Container Clearance Facility. A paper is being completed by the Consultative Committee for submission to the Ministry of Finance on this.

Efforts to address delays in the processing of documentation are being addressed with proposals for the establishment of facilities for Electronic Data Interchange and Direct Trade Input at the Customs Department. These are considered necessary elements in preparation for the adoption of international trade procedures and are in accordance with regulations for international trade agreements. The direct Trade input Facility was scheduled to be implemented in August 2002 but the Department is awaiting funding for the initiative.

Considering the length of time involved in clearing goods through Customs, Government is expected to consider the possibility of pre-clearing goods with the posting of a bond and the acceptance of the C60 import declaration form by electronic means (fax) at the Department, as opposed to physical delivery.

#### **Further Recommendations:**

1. A public education drive could be undertaken to ensure that importers, exporters, brokers and all others doing business at the Department are aware of the requirements and processes involved. This could reduce delays arising from incorrect and incomplete documentation.
2. The Department should consider hiring more staff to address issues of manpower shortage.
3. Further computerization and automation of document processing to aid in reducing the length of time for clearance.

# International Business Facilitation

## **“WORKING TOGETHER – STRONGER TOGETHER”**

### **Deteriorating Infrastructure**

This is a matter which Government would need to address as a matter of urgency. Barbados' high quality infrastructure is one of the island's major selling points in investment and tourism promotion. Increased traffic flows have however impacted heavily on the quality of roads and highways, contributing not only to their physical deterioration but also to frequent inaccessibility. This has necessitated road repairs and improvements and work is ongoing in this regard. But badly timed and uncoordinated work schedules of utility and road work companies have only worsened the situation. Extensive traffic backups and a network of road closures are now characteristic of the island's infrastructure. Despite the obvious benefits which will result with modern utilities and road structures, the situation as it is now, has impacted negatively on both organizational productivity and profitability.

**Initiatives Implemented:** A Traffic Management Committee, Chaired by Chief Technical Officer, Cedric Archer, has been established. This Committee considers all aspects of traffic management as it relates to road rehabilitation and construction, work undertaken by utility companies, traffic flows, special Government capital projects, driver and traffic rules and regulations. A major initiative of the Committee is to achieve some coordination of maintenance and construction projects of utility companies with those of Government. This is with a view to lowering levels of disruption. Discussions are ongoing in this regard.

Efforts to alleviate traffic congestion are also being considered in a Staggered work Hours/Flexitime Project. The Barbados Chamber of Commerce is spearheading this exercise which commences with a survey within companies this month. This survey will assist in determining the popularity and practicality of introducing flexitime. Findings of the survey are expected in September. The project is expected to engage the attention of the Social Partners.

### **Further Recommendations:**

1. Greater efforts be made in planning road maintenance and construction schedules to coincide with and complement those of the utility companies, to introduce reducing the length of time spent on projects and could also bring major cost savings.
2. Public relations effort on ongoing road works, to aid motorists in planning alternate routes, thereby reducing traffic congestion.
3. A revision of traffic flows within the City environs to reduce traffic congestion.
4. Some consideration be given to extending a shuttle service for workers and shoppers to and from designated parking areas outside of Bridgetown. This would address problems of illegal parking within the city and would relieve some of the pressure associated with traffic jams and overcrowded car parks.
5. The adoption of staggered work hours within the corporate community be taken further with designated working hours in which road works and repairs should be undertaken. More work be facilitated on weekends and outside of normal business hours.

# International Business Facilitation

## “WORKING TOGETHER – STRONGER TOGETHER”

### **Tardiness In Receiving VAT Refunds**

A strong complaint has been made by businesspersons particularly from companies that are major exporters regarding the length of time experienced in receiving VAT refunds. The delays, businesspersons argue, put significant pressure on their cash flow and negatively impact on their businesses. In response, VAT authorities in recognizing the complaint, have pointed to the shortage in manpower and other resources. But they have noted that businesses themselves contribute to delays when they submit inaccurate and incomplete claims. Investigations have revealed that submission of a complete and accurate claim can be processed within six weeks and sent to the Treasury for release of funds and payment to the claimant. The VAT Division has however indicated that efforts were made to address concerns and reports are that there have been substantial improvements in the system.

**Initiatives Implemented:** New staff have been hired by the Division and assigned to the department, increasing manpower availability there. Additionally, every effort is now being made to ensure that the department responsible for processing claims is fully staffed at all times, even in case of temporary absences like vacation or study leave. Staff have also been made available to work overtime to facilitate timely refunds.

A Refunds Review Committee was also appointed to consider arrears and to assist in the revision of the VAT refunds processes.

### **Further Recommendations:**

1. A public education initiative be implemented to advise VAT registrants of the process involved in facilitating refunds and of the need to submit accurate claims. It should also advised on the correct procedures to follow to submit claims and what supporting documentation is necessary with every claim.
2. Consideration be given to the establishment of a credit facility where companies owed by Government could receive a credit on their monthly payments.

### **Slowness In Obtaining Town & Country Planning Approval**

This was said to be a frustrating issue which could retard the growth of business activity in Barbados. This matter was discussed with a senior staff member of the Town and Country Planning Department. While admitting that there may be delays he pointed out that a system is in place for fast tracking high priority applications. Applications for projects which would have major positive economic impact are reviewed at a senior level at an early stage. It was also pointed out that some major projects required major technical inputs such as Environmental Impact Assessments, the preparation of which could take up to one year. However, where a project does not require these major inputs, and all relevant and accurate information is submitted, the approval process could be completed in about two (2) months, it was explained.

The need for improved operational efficiency of the Department was also discussed and it was explained that steps are being taken to provide the Department with upgraded physical and operational facilities.

Conceptually, this constraint would have the effect of delaying the response to opportunities in the market and the attendant loss of output and foreign exchange. The full extent of this deficiency could not be ascertained.

### **Recommendation:**

In view of the foregoing, it is recommended that the upgrading programme be monitored to ensure full and efficient implementation of the programme.

## International Business Facilitation

### **“WORKING TOGETHER – STRONGER TOGETHER”**

**The High Interest Cost of Funds:** The high cost of funds has often been cited as a major constraint to business development in Barbados. Whilst debt financing may be available through several institutions, there has in the past been limited access to long-term financing at attractive rates of interest. Interest rates have ranged from about 10%-13% over the last 5 years. Prior to September last year, the prime-lending rate for 2001 averaged about 9.8%.

Lending to the manufacturing sector, as a percentage of total commercial bank credit has declined from an average of 8.1% in 1996 to 4.4% in 2000 and 4.6% as at December 2001. Whilst this fall off may be reflective of a shift by commercial banks to other areas of business such as professional and other services which have shown increases, it must be noted that the weak demand for loans by manufacturers is also reflective of some uncertainty by investors as to economic conditions and their likely impact on operations. It must also be borne in mind that commercial banks are generally short-term lending facilities and hence may not be appropriate for the needs of the manufacturing sector.

**Initiatives Implemented:** In an effort to minimize the adverse impact on the Barbadian economy of the September 11 terrorist attack, the Central Bank initiated a package of macroeconomic measures which were designed to bring about a reduction in the lending rates. Since then the prime-lending rate has been falling and currently ranges from 7.5% to 7.75%. Presently, investors may access funds at rates ranging from 7.50% to 10.50%.

Government along with other lending institutions has recognized the constraint on local businesses in terms of access to long-term funds to consolidate and expand market share. (Commercial bank loans usually will not exceed 10 years and the average repayment period is about 7-8 years.)

In July of 2001, The Caribbean Development Bank, at its Board of Directors meeting approved a line of credit to the Caribbean Commercial Bank (CCB) of US\$5 million for long-term lending to small and medium sized companies in agriculture, industry and tourism. Though the facility has been used, reports are that there is evidence that investors are still reluctant to fully utilize these funds. Presently funds are available at rates of prime plus one percent; a minimum of 30% equity injection is required and repayment periods may extend to 12 years.

In July 2002, the CDB approved another line of credit, this time to government for on-lending to the manufacturing and other industrial sectors. These funds- US\$15 million will be administered by the Central Bank of Barbados through its Industrial Credit Fund. The ICF funds are a source of long-term financing and are available to productive enterprises resident in Barbados. Funds may be accessed through the commercial banks at rates of 5.0%-6.0%.

Officials from the Commercial Banking sector have indicated there are no major constraints to local businesses accessing these funds given that the required conditions are met notably contribution of equity and the viability of the project. It is this contribution of equity which has often been a major constraint to local businesses accessing desired funding.

Government has also provided access to funds to local manufacturing enterprises through the Industrial Investment and Employment Fund. This credit facility which is managed by the Enterprise Growth Fund Ltd. will give majority owned local companies access to funds at an interest rates of 6% with a repayment period of about 10 years, though this may be extended to fifteen years in certain cases. Discussion with the EGFL indicates that while some applications have been processed by the EGFL, the fund has not been capitalized as yet, hence no disbursements have been made to date.

In addition there is provision for further technical assistance through the competitiveness Enhancement Scheme (CES) which is administered by the BIDC. The CES currently allows locally owned manufacturers and information technology companies access to funding for marketing, improvements in standards, management, and assistance in strategic alliances.



## International Business Facilitation

### **“WORKING TOGETHER – STRONGER TOGETHER”**

#### **Further Recommendations:**

During a recent press conference, Central Bank Governor, Marion William noted that interest rates on loans needed to be lower if lending is to increase. No further action is likely by the Central Bank in terms of initiating any reduction however it is believed that the following recommendations should be given closer consideration:

- Full and immediate implementation of the Industrial, Investment and Employment fund.
- Encourage commercial banks & other financial institutions to increase lending to manufacturing sector through appropriate incentives e.g. a percentage of interest earned by financial institutions on loans to manufacturing enterprises could be exempt from corporation tax.

RPID

October 07, 2002

**International Business Facilitation**

**“WORKING TOGETHER – STRONGER TOGETHER”**

**APPENDIX “B”**

**Business Facilitation**

**Barbados International Business Association (BIBA)**

**“Realizing Barbados’ Potential as an IBC”**

## **International Business Facilitation**

### **“WORKING TOGETHER – STRONGER TOGETHER”**

#### **REALIZING BARBADOS’ POTENTIAL** **AS AN INTERNATIONAL BUSINESS CENTRE**

<b>Contents:</b>	<b><u>Page</u></b>
I. Introduction	2
II. Executive Summary	3
III. Background	4
IV. Performance	5
V. Competitive Factors	7
VI. The Way Forward	8
1. Government Administrative Machinery	9
2. Legal Infrastructure	15
3. Professional Services	19
4. Tax Issues	20
5. Telecommunications	24
6. Education	26
7. Measurement of Contribution	26
8. International Marketing and Promotion	27

# **International Business Facilitation**

## **“WORKING TOGETHER – STRONGER TOGETHER”**

### **I. INTRODUCTION**

This paper seeks to clearly identify the approach that should be taken if Barbados is to capitalize on the vast potential of the international business industry. It gives an overview of the international business sector in Barbados and reviews the performance of the island as an international business centre with reference to the conduct of global business opportunities . It also makes an assessment of the country’s potential in this area of business, and takes a product-market approach in arriving at the those specific actions, which would have to be taken in order for Barbados to realise its potential by attracting more substantial international business activity.

### **II. EXECUTIVE SUMMARY**

Successive governments over the years have spoken of the importance of the international business sector and its role in the restructuring and diversification of the Barbados economy. Yet there is to date no coordinated, sustained or dynamic approach to the development of the sector. In an industry assessed by the IMF as being valued at US\$ 10-12 trillion in 2001, Barbados’ achievements have been described by the World Bank as “modest”.

According to available statistics, there has been a persistent decline in the number of active companies over the years. For example, at the end of 1996 there were 2,126, active International Business Companies (IBCs), but only 1,726 at the end of 2003. Over the same period the active Exempt Insurance Companies declined from 193 to 185.

In spite of this the sector has become recognised for its substantial contributions to the local economy in terms of foreign exchange earnings, estimated at Bds \$400M annually, job opportunities, and government revenues.

In the country’s quest to successfully meet the challenges of trade liberalisation and globalisation, this sector compels attention by virtue of its potential to complement the tourism sector in propelling Barbados to the developed country status, which the Government has set as a goal.

The development of this sector to its true potential and as a major player in the country’s development goals and objectives, will not be achieved unless immediate action is taken to address some major deficiencies which are negatively impacting the domiciles international image. These deficiencies, which are mainly in our legislative framework and our bureaucratic processes, are detailed in this paper.

# International Business Facilitation

## “WORKING TOGETHER – STRONGER TOGETHER”

### III. BACKGROUND

With the enactment of the International Business Companies Act in 1965, Barbados signalled its intention to attract international business as an important aspect of its efforts to diversify its economy. In the ensuing years, official statements regarding the positioning of Barbados as a major services centre is evidence of the country's commitment to the view that this area of business has enormous potential to contribute significantly to economic development in Barbados in terms of foreign exchange earnings, employment, and the development of readily marketable, high quality, specialised skills.

The foreign exchange contributions to the sector can be significant and are manifested in both direct and indirect modes and occur in a manner that impacts a wide cross section of businesses and persons in the economy. **They encompass fees paid to government and registered agents, rental of properties for business and for residences, wages paid to workers, the national insurance contributions and personal income tax that result from wages and salaries paid, utilities, a significant number of hotel room nights used by persons visiting to conduct business, restaurant services, and personal services. They also include the importation of state of the art international business processes, technology, management and training programs for local workers. Further the better corporate citizens make direct and indirect contributions to society by supporting the development of local culture, through corporate donations programs and supporting other charitable works throughout Barbados.**

In the new environment of trade liberalization and economic integration, the loss of access to preferential markets is likely to have serious adverse effects on the country's manufacturing sector, and ultimately on employment and the foreign exchange earnings potential of small economies. The importance, therefore, of developing the international business sector as an integral part of the structural changes, which have to be made in the local economy, cannot be overstated.

The development of this sector in Barbados to date has benefited significantly from the partnership between the Government and the private sector on matters of legislative reform and promotion of the domicile. At the end of 2003 the number of registered entities reached 5,406 of which 2,123, or less than 50%, were said to be active. Continuing concern is expressed by the private sector and government with regard to what is seen as Barbados' lackluster performance in relation to other leading domiciles, especially those in the Caribbean. In relation to the potential in terms of the business being done internationally, Barbados' achievement has been described as “*modest*” in a recent World Bank Report<sup>1</sup>.

In 2001 a “Barbados Strategic Planning Study” done by Tillinghast -Towers Perrin took an in-depth look at Barbados' competitiveness in international insurance and made a number of recommendations, many of which are relevant to the international business sector as a whole. The only recommendation, which has

---

<sup>1</sup> Prospects for Offshore Financial Services Exports for the English-Speaking Caribbean – World Bank, February 1996.

## International Business Facilitation

### **“WORKING TOGETHER – STRONGER TOGETHER”**

been implemented, is the appointment of an international business representative to develop business opportunities out of the US insurance market.

#### **IV. PERFORMANCE**

The **table below** shows the performance of the sector between 1996 and 2003. Over this period new company registrations grew at an average annual rate of approximately 9%. Excluding Foreign Sales Corporations (FSCs), the average annual growth was approximately 10.4%. It is however, important to note the persistent decline in the number of active companies in every area of international business except for International Banking and Societies with Restricted Liability. For reasons beyond our control, Foreign Sales Corporations are no longer viable entities. In the case of Exempt insurance Companies and Management Companies, whereas in 1996 there were 193 and 38 active companies respectively, at the end of 2003 there were only 185 and 27. In the case of International Business Companies (IBCs) the number registered as at December 31, 2003 was an impressive 4,635. However, only 1,726 were active at that date compared with 2,126 active at the end of 1996. This is a picture, therefore, of a sector which has declined in real terms since 1996.

Despite this decline in active companies, the sector is credited with being a major contributor to foreign exchange (second only to tourism), and being responsible for approximately 40% of the corporation tax collected. It is also a provider of high quality jobs and a consumer of professional and other ancillary services through which it makes an indirect contribution to foreign exchange earnings. The foreign exchange contribution from international business activities is currently measured at approximately Bds \$400M annually. Additionally, there are approximately 3,000 persons directly employed by the sector and consequently contributions to national insurance and personal income tax are significant.

Unfortunately, as yet there is no systematic approach to measuring the contribution of this sector to the Barbados economy.

## International Business Facilitation

### “WORKING TOGETHER – STRONGER TOGETHER”

#### TOTAL ENTITIES LICENSED ( at year end)

Entity	1996	1997	1998	1999	2000	2001	2002	2003
International Business Cos.	2260	2632	3073	3399	3855	4065	4361	4635
	<b>2126</b>							<b>1726</b>
Foreign Sales Corps.	1907	2291	2608	2857	2975	-	-	-
	<b>1726</b>							
Exempt Insurance Cos.	322	339	362	367	376	387	398	413
	<b>193</b>	<b>200</b>	<b>200</b>	<b>207</b>	<b>216</b>	<b>178</b>	<b>184</b>	<b>185</b>
Exempt Insurance Management Cos.	61	64	64	65	66	66	69	70
	<b>38</b>	<b>36</b>	<b>32</b>	<b>32</b>	<b>33</b>	<b>30</b>	<b>31</b>	<b>27</b>
Qualifying insurance Companies								30
								<b>30</b>
Societies with Restricted Liability	14	32	65	97	144	166	206	237
								<b>104</b>
Offshore Banks	40	44	43	45	52	57	56	51
								<b>51</b>
<b>TOTAL REGISTERED</b>	4604	5402	6215	6830	7468	4741	5090	5,406
<b>TOTAL ACTIVE</b>	<b>4137</b>							<b>2,123</b>

NB: **Bold** denotes **Active companies**.

According to an IMF report<sup>2</sup> the size of this industry worldwide is estimated at US\$10-12trillion with an estimated annual growth rate of 15%. The decline in the local sector is therefore cause for concern and demands decisive action to realise the goal of ensuring that Barbados becomes the leading international business centre in the Caribbean Region.

It is however, understandable that the proscriptions of international regulatory agencies and some industrialised countries with regard to international business centres would have had some impact on Barbados recent performance in this industry.

#### V. COMPETITIVE FACTORS

Successful international business locations are those, which have created an attractive enabling environment for foreign investment, have close cooperation between private and public sectors in market development and promotion, have an aggressive legislation development process, and have achieved international recognition; i.e. brand status. Bermuda and the Caymans are examples.

<sup>2</sup> Caribbean Offshore Financial Centers: Past, Present and Possibilities for the Future – IMF Working Paper – WO/02/88 – Revised 6,26/02.

## **International Business Facilitation**

### **“WORKING TOGETHER – STRONGER TOGETHER”**

This enabling environment comprises:

- A flexible, dynamic, and facilitative legal infrastructure
- an efficient and reliable government administration with minimum formalities and delays in obtaining decisions or approvals
- political and economic stability; said to be a concern of many international business clients
- a modern and efficient physical infrastructure (communications etc.)
- a professional workforce with high quality professional services
- a good quality of life (low crime, good hotels and restaurants etc.)
- Efficient international quality service providers

The World Bank observes that success in this market “implies greater challenges than simple adoption of the requisite legal, fiscal and regulatory environment”, and that for the Caribbean region generally, it is difficult to identify any clear competitive advantage vis-à-vis established international business locations such as Bermuda and the Caymans. The World Bank also advises that differentiation between countries must come not from tax advantages and regulatory incentives, but from such things as supporting infrastructure, concentration of services and the intangibles such as bureaucratic responsiveness and quality of life.

It is therefore the intention here to take a critical look at the Barbados enabling environment, especially the intangible aspects of it.

## **VI. THE WAY FORWARD**

### **Observations and Recommendations**

The following observations and recommendations result from the reported experiences of foreign investors and locals who have established businesses in Barbados or work with persons who have done so. These experiences suggest initiatives that have to be taken in order to overcome certain bureaucratic and other weaknesses retarding the country’s progress in attracting and retaining international business.



# International Business Facilitation

## **“WORKING TOGETHER – STRONGER TOGETHER”**

The observations and recommendations are presented under the following headings:

- 2 **Government Administrative Machinery**
- 3 **The Legislative Infrastructure**
- 4 **Professional Services**
- 5 **Tax Issues**
- 6 **Telecommunications**
- 7 **Education and Awareness**
- 8 **Measurement of Contribution**
- 9 **International Marketing and Promotion**
- 10 **Other Product Market Issues**

### **1. Government Administrative Machinery**

Barbados prides itself on being a “clean”, well-regulated jurisdiction and receives well-deserved recognition for its efforts. However, in order to be competitive, Barbados must ensure that its regulatory agencies are operating efficiently and are focused on facilitating rather than hindering international business. Prompt, efficient service and consistent application of the rules should be the standard. Government agencies need to be seen as being user-friendly and as being facilitators of international business, rather than roadblocks.

A prime example of such a change in mind-set at a government agency is the Canadian Customs and Revenue Agency. The Agency views taxpayers as “clients” and the agency’s role as that of facilitator of tax collection. The premise is that in a self-assessment system, compliance is likely to be greater when the system is perceived as fair and user-friendly. In Barbados, the objective should be to encourage international business, not make it unreasonably difficult or unpleasant to do business here.

Barbados should also be promoting efficiency by implementing effective on-line document processing in as many government agencies as possible. Efficient dissemination and easy access to government information and legislative developments are also crucial for

## International Business Facilitation

### **“WORKING TOGETHER – STRONGER TOGETHER”**

Barbados. More extensive use of the internet should be made to facilitate access to government information.

#### **What our Members say....**

“It can take forever to get a reply from a government agency. If you write a letter don’t expect a reply any time soon.”

“ The amount of time wasted at different government offices is mind-boggling.”

“ Legislative amendments are available only as changes and in hard copy (not on email). So you have to take the old Act and have someone type in the changes in order to create your own copy of the new Act. This does not impress prospective investors.”

#### ***1.1 Corporate Affairs and Intellectual Property Office***

##### **a) Incorporation**

Although there have been significant improvements within the Corporate Affairs and intellectual Property Office, it still takes too long to obtain registration for corporate entities. A recent World Bank study (*World Bank Development Report 2002 – Building Institutions for Markets*) cited this process as a key measurement of economic efficiency and transparency. It noted that in the most efficient economies, registration took a matter of days, such as in Australia (2 steps, 2 days), whereas in the least efficient it could take months – Mozambique, 19 steps and 5 months.

Members continue to complain about delays, which inhibit the transaction of business where fast incorporation is required for special purposes. Other problems cited include the name reservation system, the inability to register shelf companies, and the fact that licences to operate international business entities are not effective from the date of incorporation.

##### **b) Policy on Disclosure**

Current policy applied by the Registrar in relation to the disclosure of shareholders and directors needs to be examined in light of the fact that there is no requirement in any of the current international initiatives directed to fiscal transparency or Anti-Money Laundering (“AML”) that specifically mandates that beneficial ownership information be disclosed to a host government.

## International Business Facilitation

### **“WORKING TOGETHER – STRONGER TOGETHER”**

The approach on disclosure, which appears to be gaining wide support, is that beneficial ownership information (of corporate and non-corporate vehicles, such as trusts) be provided to the professional or institution that represents that entity in the jurisdiction.

In a number of jurisdictions, disclosure of beneficial ownership is not required if the party introducing the work is itself a regulated institution in a jurisdiction already recognized for its AML policies. For example, Standard Chartered Bank, through its office in Hong Kong, can request the formation, for example of a BVI company, without the need to disclose their customer’s name to the local BVI agent. The reputation of Standard Chartered and the local AML laws where it operates from (in this case Hong Kong) is viewed by the relevant offshore jurisdiction as being a sufficient safeguard against abuse.

The fundamental problem which international advisors have with the Barbados disclosure requirement stems from the concerns which advisors’ own clients have about disclosure of confidential information to a government department wherever such government department might be located. Where the clients’ hail from Latin America this concern is particularly acute because in the experience of many Latin American countries there is an unpleasant history of confidentiality being breached by government departments with horrendous consequences – sometimes lethal – for families.

#### **Recommendations**

- Establish performance standards at the Corporate Registry to ensure prompt and consistent processing of documents;
- Improve corporate name reservation system so that name reservation and confirmation of acceptability of name for registration are simultaneous;
- Ensure that IBC/SRL licenses are effective as of date of application or are issued no later than three (3) days after application.
- Every effort should be made to facilitate online incorporation as is being done in other international business centres.

## International Business Facilitation

### **“WORKING TOGETHER – STRONGER TOGETHER”**

#### **1.2 Customs Department**

Although most international businesses enjoy freedom from import duties, there is inconsistency across the various pieces of legislation with respect to this issue. Custom duties are not applicable to international banks, but the legislation is not explicit. IBCs and SRLs have duty-free status but not Exempt Insurance Companies.

Secondly, the process for clearing duty free items is too cumbersome. It can take four days to obtain small packages. In some cases, despite the provision of a letter to the Comptroller of Customs evidencing duty free status, duty will still be charged and then must be reclaimed.

Ridiculous duties are imposed on items, which by their nature and quantity imported could not be construed as having any commercial value. For example, shipment of three (3) T-shirts by a client to the staff of his local captive manager attracted a duty of \$240.00. The declared value was US\$40.00.

In many countries, improving the movement of goods through Customs remains a priority and is kept under constant review.

On a cost-benefit basis the amount of revenue raised from non-commercial shipments (goods not for re-sale) cannot reasonably justify the costs of personnel and operations.

#### **Recommendations**

- Streamline Customs process for international companies. We suggest implementing an account number system.
- Implement door to door delivery for international companies, instead of current collection system.
- Remove duties on all packages arriving by mail or Fed Ex with a value of B\$ 500 or less.
- Remove the requirement of Banks needing the signature and approval of the Minister of Finance in order to import furniture for their offices.

## **International Business Facilitation**

### **“WORKING TOGETHER – STRONGER TOGETHER”**

#### ***1.3 Immigration Department***

Immigration represents one of the most problematic government services for the international business sector. The initial application process can be slow, and the community recognizes that Barbados has every right to thoroughly screen each and every applicant. However, Barbados needs to be aware that in assessing a country in terms of the ease of doing business the speed with which government approvals and permits are obtained is a major factor.

Residency permits for spouses and children are unnecessarily complicated.

Furthermore, the renewal process is a duplication of the initial application, when it could be streamlined into a “notification of change” process. There is no rational reason why a person renewing a work permit should have to submit all the same documentation he/she submitted with the original application, including a police certificate of character, chest X-rays etc.

The requirement of a full medical examination and chest x-ray, and police finger printing, for the renewal of a work permit, should be discontinued.

Also, within the international sector, employment opportunities are changing, as they do in any business centre. The current system embodies rigidity in the movement of non-nationals from one company to another.

A full review of the immigration processes should be undertaken to improve their efficiency without compromising the integrity and effectiveness of the system.

The thrust of the Barbados government to expand the international business sector will only materialize if a policy is implemented to facilitate the inflow of skilled specialists to this jurisdiction. The policy should ensure a maximum of two weeks for the granting of a temporary or short term work permit (under one year duration) and two months for a long term permit which can be applied for while the applicant is on a short term permit.

## **International Business Facilitation**

### **“WORKING TOGETHER – STRONGER TOGETHER”**

#### **Recommendations**

- Appoint a working group, comprising appropriate representation from Government, the international business sector, the hotel and tourism sector and any other relevant business sector, to advise on the means of improving the immigration/work permit process;
- Ensure prompt and consistent processing of immigration matters;
- Update and streamline immigration application documentation.
- Rationalize immigration fees.
- Issue “family” residency permits.
- Simplify renewal to a “notice of change” basis.
- Facilitate work permit transfers within the international sector.
- Make the companies responsible for the repatriation of individuals that fail to pass the immigration process.
- Test for AIDS rather than syphilis.

## **2. Legal Infrastructure**

The Government is the primary facilitator of international business through the enactment of appropriate legislation. Therefore, legislative initiatives represent the jurisdiction’s ability to innovate new products and to upgrade and modernize existing ones.

The global business environment is rapidly changing and it is desirable that Government be responsive to new developments and opportunities. International business is notoriously mobile and will quickly shift to a more favourable regime if circumstances warrant. The more dependent the Barbados economy is on

## International Business Facilitation

### **“WORKING TOGETHER – STRONGER TOGETHER”**

international business, the more important it is to pay attention to market shifts and move quickly to take advantage of new opportunities.

It is in this arena that Barbados faces the most severe challenge of all. The competitive pressures exerted by the actions of other jurisdictions must become a primary focus. We see a number of examples where we have failed to innovate or have failed to do so in a timely manner.

There are some things, which are difficult to change. Countries such as Hungary, Iceland and Switzerland have better treaties for dealing with the USA. Our cost structure is inflated by onerous and inflexible regulations and by layers of taxes. The result is that countries such as Hungary can offer international business solutions more efficiently at a far lower cost.

Nevertheless, that should not detract from the effort to be a leader in innovation and to make sure that existing products are always at the cutting edge.

In the short-term there are considerable amendments which need to be made to existing legislation, and there is a need for a mechanism for ensuring efficient and effective legislative amendments and the creation of new legislation

Some of the issues which the sector faces with existing legislation are as follows: -

#### **2.1 Insurance Legislation**

##### **a) Ownership Provisions:**

The **Exempt Insurance Act** and the Qualifying Insurance provisions prohibit ownership by Barbadians or a Barbados entity.

It would be advantageous if a Barbados business entity were allowed to own an Exempt Insurance Company (EIC) or a Qualifying Insurance Company (QIC), provided that a foreign business entity or person owns the Barbados entity. This change would allow an EIC or QIC to be owned by a Barbados holding company, an international trust, international SRL, or an IBC.

Consideration should also be given to allowing local and Caricom ownership of EICs provided that the insured risks are outside of the region.

## International Business Facilitation

### “WORKING TOGETHER – STRONGER TOGETHER”

b) Definition of Insurance:

Current statutory language requires the Supervisor of Insurance to determine on a contract-by-contract basis whether or not a transaction meets the definition of insurance. This is administratively not feasible. However the EIC or QIC writing more than \$1m. in premium is required to file audited statements. Under GAAP, auditors must determine whether an arrangement is insurance, and if a contract fails the tests, premium is subject to deposit accounting treatment. The statute needs to affirm that the Supervisor can rely upon the filed audited statements in determining if the business written is insurance or reinsurance, or a deposit to surplus.

c) Licence Classes:

The **Exempt Insurance Act** establishes capital requirements for EIC/QIC based upon premium written. The Act needs to be amended to create a new method of establishing solvency requirements for finite risk transactions. A finite risk insurance or reinsurance contract provides coverage for a finite time period. At the end of that time period (as with a claims made policy) there is no further coverage. Although finite risk transactions contain risk, the amount of risk is finite, quantifiable in terms of a “risk gap” – the difference between net premium and limits. It is therefore appropriate that a regulator establish solvency based not on the amount of premium but the size of the risk gap. Creating a new license class and solvency requirement for finite risk companies will be beneficial to Barbados, encouraging new EIC/QIC and Branch captive formations.

d) Branch profits Tax

The Exempt Insurance Act should be amended to exempt branch companies from branch profits remittance tax payable under Section 65 (5) of the Income Tax Act.

e) Segregated Cell Companies

Although the Companies Act (Section 356.25 (b)) provides for the formation of Segregated Cell Companies, an existing Exempt Insurance entity cannot become a Segregated Cell Company because the mechanism has not yet been “prescribed”.



## International Business Facilitation

### “WORKING TOGETHER – STRONGER TOGETHER”

#### 2.2 *Banking- International Financial Services Act*

a) No Mention of “Bank”

The **International Financial Services Act**, which replaced the Offshore Banking Act, makes no reference to a "bank". This means that international banks operating here may have difficulty in proving themselves to be banks. This is very important from the Canadian tax perspective since Canadian banking entities are required to be defined as bank to enjoy the benefits Barbados has to offer to our shareholders. There are a number of Canadian-owned banks which are impacted by this change or omission.

Section 4 of the Act should be amended to specifically state that International Banking Business is part of International Financial Services or “International Financial Services” should be changed to “ International Banking Business”.

b) Provision for Classes of Banks

There are no different classes of banks to accommodate different types of activities that international banks undertake. See jurisdictions such as the Caymans, which have different classifications of banks with corresponding levels of control and qualifying requirements. **What would be the benefit?**

c) Third Party Deposits

Many of the banks established here are utilising the Canada/Barbados treaty. There is some concern that a bank, which does not take third party deposits, is not carrying on an active business; **but in order to accept third party deposits the bank must increase its capital four fold to \$4M.** Consideration should be given to a third category of licencees i.e. a licencee with a restricted number of customers. Such a licencee would also have a different capitalisation requirement under section 19 of the Act.

d) Guarantee re. Future Tax

Section 98 of the Act provides for the Minister to give “such assurance or guarantee regarding the future taxing of a licencee as it may require before commencing to carry on international financial services from within Barbados”. It is reported that such guarantees are not readily provided.

## International Business Facilitation

### **“WORKING TOGETHER – STRONGER TOGETHER”**

e) Corporate Residency

A bank licensed under the International Financial Services Act should be considered to be a resident of Barbados for purposes of this act.

Recommendation

Reconstitute the R & D Committee to evaluate all aspects of the legislative framework.

### **3. Professional Services**

It is also important that the accounting/finance and legal professionals maintain a strong international reputation and continually strive to keep their knowledge and skills current in the constantly evolving international environment. Consideration should be given to removing the restrictions, such as citizenship requirements, on the mobility of professionals.

#### *3.1 The Legal Profession*

The absence of well known North American or European law firms is seen as inimical to the success of Barbados as an international business jurisdiction.

The legal profession in Barbados is said to have a “cottage industry” approach to the practice of law, with a number of single-person firms, or just a few lawyers to a firm. The profession is thus perceived as lacking in depth and broad-based expertise to which international investors are accustomed. This is an observation of the “The Barbados Strategy Planning Study” by Tillinghast-Towers-Perrin.

There are a few firms deliberately organizing themselves to deliver the level of legal service expected internationally, but the quality of legal practice in Barbados and the Barbados international profile could be greatly enhanced if the profession is opened to local partnerships with well-known international law firms.

Several competing jurisdictions have far less restrictive policies regarding the admission to the local bar and the increased competition tends to result in higher quality and more efficient legal services.

## **International Business Facilitation**

### **“WORKING TOGETHER – STRONGER TOGETHER”**

#### ***3.2 Accounting/Auditing Profession***

The local accounting profession is not allowed to practice under legal entity that provides limitation on the liability of individual partners. This places the local accounting practitioners at an enormous advantage in relation to their counterparts in other jurisdictions and presents them with significant exposure to higher than acceptable risks in seeking to capitalise on the opportunities anticipated from a globalised business environment.

## **4. Tax Issues**

#### ***4.1 Incentives for Key Personnel***

Barbados' success as an international business centre will depend upon its ability to attract appropriately qualified professionals.

The 35% personal tax exemption has been a very important factor in the ability of international businesses to attract appropriate personnel. The exemption is perceived as an important incentive, which helps compensate for the high cost of living in Barbados, however, the discretionary nature of this incentive adds uncertainty to the process and has a real negative impact on Barbados' appeal to highly paid foreign professionals. In contrast the success of Barbados' main competitors in the region, Bermuda and the Cayman Islands, have zero income tax and hence are more readily chosen by professionals.

Highly paid executives will not work in Barbados under the existing regime and playing with incentives which are arbitrarily apportioned is not acceptable.

#### **Recommendation**

Government should revise the thinking on personal taxes of expatriate professionals away from trying to collect from a few rather than acquiring less from more people.

## **International Business Facilitation**

### **“WORKING TOGETHER – STRONGER TOGETHER”**

#### *4.2 Double Taxation Agreements*

Over 50% of the international business that Barbados has been able to attract is the result of a favorable DTA with Canada, but the current uncertainty surrounding the outcome of the renegotiation of this treaty has slowed the flow of Canadian business and hence the rate of new business formations in Barbados. Conclusions of these negotiations with Canada are essential for the long-term growth of Canadian business in Barbados.

Acquiring new double taxation agreements (DTAs) must be a central, medium and long-term strategy for Barbados.

The treaty propagation strategy should encompass two basic elements. The first is to strive to establish DTAs with countries, which provide large amounts of Foreign Direct Investment (FDI), and with countries which receive large amounts of FDI. The basis of such a strategy is to place Barbados in a favourable position between global flows of investment funds.

Barbados already has DTAs with the USA and the UK, both of which are major providers of FDI. However there may be countries which have more advantageous DTAs with each of these two jurisdictions. Identifying this group of countries and establishing DTAs with it may enhance the position of Barbados as a conduit for FDI and becomes a second thrust for the DTA strategy.

#### **Recommendations**

- i) Undertake a study of the benefits to the Canadian economy from the DTA with Barbados.
- ii) Undertake a study of FDI flows to determine a short list of the most likely providers and recipients of flows as a means of a target list of preferred jurisdictions with which to establish DTAs.
- iii) Commission a study of those jurisdictions that have unique, or pivotal, DTA arrangements with the industrial countries and added them to the list of target DTA countries. A competent specialist, who has a comprehensive knowledge of cross border taxation issues, should be engaged.

## International Business Facilitation

### “WORKING TOGETHER – STRONGER TOGETHER”

#### 4.3 Taxation General

In order to remain competitive with other jurisdictions attempting to attract international business, Barbados must continue to distinguish itself on the basis of its treaty network, yet it must also remain a relatively low-tax jurisdiction without the stigma of “ring fencing”. A tax rate more consistent with other jurisdictions would facilitate the negotiation of additional double taxation treaties.

We anticipate that in the event of a converged tax system there would be an impact on a small number of international businesses where tax is the driving factor. However, taxation must be seen as only part of the advantages of establishing international companies in jurisdictions such as Barbados. The development to converged tax rates by the majority of jurisdictions with a tax structure will eventually marginalize Barbados as a true “tax haven” and this must be avoided at all cost.

Taxes paid by the international banks rose from Bds\$3 million in 1995 to an estimated Bds\$30 million in 2000. With total taxes collected from all corporations valued at around Bds.\$230 millions, the international sector contributed an estimated 35% of this total.

This suggests that nearly all the nominal growth in government revenues from corporate income taxes during that period was sourced from the international sector. In other words, taxes collected from domestic corporations were relatively stagnant.

This situation appears incongruous when taxation rates of 1% - 2.5% (international) are compared to the domestic rate of 40%. However, a number of factors help explain. First, international companies do not generate large expenses such as depreciation, and amortization. Generally speaking operating expenses tend to be low compared to revenues. Thus, the income tax is akin to a transaction tax on the top line. It is a near pure tax and as such an effective generator of revenue.

Secondly, domestic companies have not enjoyed the growth opportunities available to the international sector owing to the existence of exchange controls, a lack of capital, a stable domestic market and increasing competition. In addition, we believe that domestic tax collection is not as efficient as it is for international companies.

The IMF working paper on Caribbean Offshore Financial Centres, (revised 6/26/02), estimated that the sector should be growing by 15% per annum.

## International Business Facilitation

### **“WORKING TOGETHER – STRONGER TOGETHER”**

Accordingly, if we had taken the necessary steps to capitalise on the available opportunities, our international business sector would then have generated the following revenue stream for the government of Barbados over the 5 years indicated:

Year	Actual Trend (Mill)	IMF Estimates (Mill)
2001	521.0	611.5
2002	515.8	703.2
2003	510.7	808.6
2004	510.7	929.9
2005	510.7	1069.4

A renewed focus on the international sector, as outlined in this report, will encourage further growth of the sector and reflect a significant positive impact on Government’s revenues.

#### **What our Members say....**

“ Low taxes are the major attraction to locate in Barbados. Do we need tax incentives to move here? Yes.”

“Ireland is no longer a good measure. Hungary, Iceland and Switzerland offer competitive tax rates and better treaties. That means the cap on taxes is 3%.”

“Tax legislation needs to characterize the kinds of payments received.”

“Foreign taxes should be fully creditable, irrespective of treaty.”

“ U.S. captives won’t tolerate a tax. We compete with Bermuda and the Caymans which have no taxes. On the other hand Canadian Captives need to pay tax.”

#### **Recommendations**

- i) Review alternative tax rates and other means of generating direct revenue
- ii) Analyze impact of alternatives on various types of international businesses, ie. any increase in tax rate is likely to drive insurance business away from Barbados, but other international businesses may have a somewhat higher tolerance level
- iii) Ensure that any proposed tax regime is competitive.

## **International Business Facilitation**

### **“WORKING TOGETHER – STRONGER TOGETHER”**

#### **5. Telecommunications**

In general Barbados can boast of a well-developed and modern physical infrastructure with utility services, which work reliably.

The greatest challenge facing Barbados in this area is that of telecommunications cost and availability of bandwidth. There is, for example, internet connectivity available at reasonable cost, but it lacks bandwidth suitable for commercial application. Commercial users are thus obliged to purchase full or fractional private lines in order to acquire sufficient bandwidth. The cost of these facilities is exorbitant.

The technical infrastructure to execute mega-volume digital transactions, critical for exploiting the business opportunities in e-commerce and software development, is currently lacking in Barbados. International digital business will not locate here until there is high quality, price-competitive bandwidth readily available. By solving this problem, Barbados will be able to attract digital business, and the benefits of improved service availability will extend to all users of long-distance phone lines, both domestic and the international business sectors.

In addition, the cost in Barbados of high-quality electronic communication lines is not competitive. It may not be realistic to expect Barbados to have rates similar to those onshore. However, Barbados should at least be competitive with other offshore jurisdictions.

In contrast, Bermuda boasts of moving to another level of economic development because of the enormous high bandwidth telecommunications capacity it has created and is making available to investors at competitive prices.

Many companies involved in the transfer of large volumes of digital information via the internet require metered rates, which vary with the volume of information transferred, and this option is currently not available in Barbados. Another important feature for these companies is the ability to have multi-homed internet access to avoid a single point of failure. Appropriate digital signature and encryption legislation are also issues which need to be addressed urgently.

As we observe progress being made in telecommunications reform as it relates to mobile service we suggest that the availability of commercial broadband services at reasonable costs require even greater urgency. It is important that the options in Barbados be increased and improved.

#### **Recommendation**

The aspect of our telecommunications liberalisation, which affects commercial/business services, needs to be treated as a priority in the implementation plan

## **International Business Facilitation**

### **“WORKING TOGETHER – STRONGER TOGETHER”**

#### **6. Education**

The continued success of the international business sector in Barbados will become increasingly dependent upon the quality and availability of personnel to service this sector. It is crucial that schools and training facilities in Barbados equip students with the skills and knowledge that will be relevant to the future workforce. This will require input from future employers and regular updating of school curricula.

#### **Recommendation**

The Ministry of Education should work closely with the B IDC and BIBA in the development of suitable subject matter.

#### **Measurement of Contribution**

To date, there has been no serious effort to systematically research and analyse information regarding the contribution of this sector as is done for tourism, agriculture, retail and wholesale, and manufacturing.

The marketing value of having up-to-date and accurate statistics cannot be underestimated. It is a very low cost opportunity of which Government is not taking sufficient advantage.

When statistics are either not available or are questionable on a comparative basis, there is potential for negative perception of the domicile as a whole. Statistics such as corporate tax revenue, number of employees, and other economic contributions from the international business sector need to be collected and made available on a timely and consistent basis. Such knowledge is important in developing within Barbados appropriate and accurate public awareness of the relative contribution of the sector to the economy.

Information such as the origin of the business we have attracted in terms of country, industry, size, and affiliations, is invaluable for effective marketing planning.

Accurate, up-to-date, and comprehensive information is also important to Government in formulating appropriate policies.

#### **Recommendation**

BIBA and the relevant Government departments should develop an ongoing consultative process to identify and compile the appropriate statistical information (including format and basis of computation) which is important for marketing the domicile.



## **International Business Facilitation**

### **“WORKING TOGETHER – STRONGER TOGETHER”**

#### **7. International Marketing and Promotion**

It is essential for Barbados to maintain its current “clean” reputation and continue to distinguish itself from other jurisdictions on the basis of its independence, its unique treaty network and its high level of regulation and supervision. It is equally important for Barbados to get the message across that it is a unique jurisdiction.

Achieving this requires substantially increasing the country’s profile in the main business centres. Barbados faces stiff competition from the well-oiled and well-funded marketing machines of Bermuda, the Caymans and the Channel Islands. The appointment of a special consultant to sell the jurisdiction to the gatekeepers within North America is a step in the right direction.

Barbados has been removed from the list of harmful practitioners, since Barbados endorses the concepts of transparency and exchange of information. However, we are still on the list of “Tax Havens” (black list) of most of the Central and South American Countries and therefore Barbados companies cannot be used for controlling assets in this sector of the world. A deliberate effort should be made to have Barbados seen in a more favourable light by the Latin American countries.

In the longer-term we believe that Barbados needs to embark on a programme of constant re-investment in its international sector. We think that it would be appropriate to re-invest at least 3% of corporate taxes collected from the sector into this effort. This equates to a marketing budget of something over Bds.\$2 millions per year. The international business sector feels that such a program will pay substantial dividends in a faster rate of growth than would otherwise be achieved.

As important as external marketing and promotion is, marketing the sector within the jurisdiction is also an imperative. In this regard BIBA will be working steadily with the B IDC in the implementation of their “International Business Public Awareness Programme”.

#### **Recommendations**

Effect the diplomatic approach necessary to have Barbados removed from the blacklisting by Latin American countries.

Develop and maintain a Barbados branded promotional campaign.

Strengthen support at the B IDC so its promotional staff can become knowledgeable about the sector and its products.

Adopt a continuous re-investment programme for the sector at 3% of revenues.

**International Business Facilitation**

**“WORKING TOGETHER – STRONGER TOGETHER”**

**APPENDIX “C”**

**Business Facilitation**

**International Businesses - Focus Group Findings**

**International Business Facilitation**

**“WORKING TOGETHER – STRONGER TOGETHER”**

**Joint Policy Working Group - Business Facilitation Committee**

**Focus Group Results**

**International Business Leaders - Feb 11, 2005**

**“Conducting International Business in Barbados- Issues and Proposed Solutions”**

**Business Facilitation Committee:**

Thomas C. Sears – Chair  
Anthony Sobers  
Dr. Jeannine Comma  
Elsworth Young  
Andrew Alleyne

March 8, 2005

## International Business Facilitation

### **“WORKING TOGETHER – STRONGER TOGETHER”**

#### 1. Examining the current international business environment in Barbados

The Business Facilitation Committee has been gathering information on issues facing international business investors who wish to establish and operate a company in Barbados. The Barbados International Business Association (BIBA) and the Barbados Investment and Development Corporation (BIDC) have provided information. The Committee decided to interview a cross section of international business practitioners to obtain their views and to gather new and recent impressions on their challenges. A Focus Group of 5 business leaders was held on Friday Feb 11, 2005. The Focus Group participants represented various types of companies located in Barbados with interests ranging from banking, communications, technology and captive insurance. To structure the discussions, the participants were each asked the following questions:

1. Describe the nature of the business (es) ventures that you have supported.
2. Why did your venture consider Barbados over other jurisdictions?
3. Did the venture proceed? If yes would the principals say they are happy with the decision to select Barbados? Were there material deviations from the original business case (i.e. reduced investment or employment, etc) If not, what happened?
4. The facilitation committee is particularly interested in how easy it was to set up business and later how easy it was to continue doing business. Key areas include (but are not limited to):
  - Immigration,
  - Work permits,
  - Customs,
  - Company registration (company set up),
  - Corporate Tax authorities,
  - Personal Tax issues,
  - School Permits,
  - Housing,
  - Labour - availability/quality,
  - Capital - availability/need,
  - Corporate incentives,
  - Follow-up (how can I help you), regulators, approvals, Central Bank, helping you get settled and familiar, cultural diversity and ultimately
  - “Did you feel wanted/welcome”.
5. What worked particularly well for you?
6. Would you recommend Barbados to another investor? (Why/why not)
7. Waving your magic wand what three things would you change?

## International Business Facilitation

### *“WORKING TOGETHER – STRONGER TOGETHER”*

#### The Responses

For anonymity we have not recorded here the names of the participants or their organizations. In addition to the Committee members being present (Thomas Sears, Anthony Sobers, Dr Jeannine Comma, Elsworth Young and Andrew Alleyne), Ms Françoise Hendy from the Ministry of International Business was invited to attend as a guest.

The Focus Group was unanimous in their agreement that tax incentives were key in the business case to select Barbados.

The panel was critical that the set-up process was overly time consuming and it is difficult to navigate through various departments and agencies by the uninitiated. Foreign investors share common goals and experiences in establishing a new presence in Barbados through the process of registering a new company, obtaining work and student permits, integrating their families and their business expectations into a new country and ultimately trying their best to do comply with rules and laws that may not be as well laid out for them as might be, and occasionally appear to be inconsistent or subjective. Many anecdotes were provided that

Two of the respondents who provide third party service to non-Barbadian companies (captive manager and a call centre manager) also pointed out that their clients may be swayed by poor experiences or impressions they encounter at the airport or in transit to their meetings. These suppliers have learned to the need to facilitate these moments and to minimize the chances for bad experiences at Immigration, Customs, transportation, the hotel or other areas. These companies do the following:

- Use Club Caribbean at the airport
- Hire specific drivers with guidelines of service and timeliness
- Use specific hotels with proven service standards

Although the Club Caribbean service increases total cost of operation, by “managing” these moments, these experienced business people have learned that this facilitation reduces the risk of bad experiences, creates a positive impression on the “buyer” and has increased their probability of success. The Business Facilitation Committee see the “Club Caribbean” model as an important learning for the Committee. The “Club Caribbean” model is felt to have merit on a larger scale for attracting and retaining international investors in Barbados.

# International Business Facilitation

## “WORKING TOGETHER – STRONGER TOGETHER”

### A. Reasons for Choosing Barbados:

#### 1. Infrastructure

- a) English language country
- b) Good legal system
- c) Stable political environment
- d) Modern airport with extensive scheduled flights to Europe and North America
- e) Good education system (modified British system)
- f) Availability of college and university graduates
- g) Reliable electricity supply
- h) Pure untreated water supply
- i) Good medical care
- j) Good quality housing and modern office facilities
- k) Several major hotels and conference facilities
- l) Reasonable low crime (compared to Trinidad, Jamaica, etc.)
- m) Good network of highways and roads
- n) Deep-water harbour, facilities for container handling, luxury passenger liners, major shipping lines provide regular services and marina.
- o) Good restaurants
- p) Lovely location to visit

#### 2. Communications

- a) Direct dialing to all parts of the world
- b) Automatic telex, telegraph and facsimile transfer links
- c) Leased circuits
- d) International database access providing high- speed electronic data transmission
- e) High speed wireless Internet access
- f) Express mail and courier service.

#### 3. Tax incentives

- a) Corporate tax incentives available in certain legislation
- b) Personal tax incentives available upon approval
- c) No capital gains tax
- d) Double taxation treaties

#### 4. Labour

- a) Availability of skilled labour in the areas of accounting and administration
- b) Generally good attrition rates and university training available
- c) No major conflicts with workers' unions.

# International Business Facilitation

## “WORKING TOGETHER – STRONGER TOGETHER”

### A. Reasons for Choosing Barbados (cont):

#### **5. Time Zones**

- a) EST+1 GMT- 4 (North America, UK and Europe)

#### **6. Legislation**

Appropriate legislation is in place to facilitate the set up and continuity of international business e.g.

- a) Barbados Foreign Sales Corporation Act Cap 59C
- b) Offshore Banking Act Cap. 325 (The Act)
- c) International Business Company Act
- d) Exempt Insurance Act

#### **7. Banking**

International banks have set up local commercial entities that cater to the offshore sector. Some are:

- a) Royal Bank of Canada (Retail domestic banking, Private Banking (domestic) and Global Private Banking)
- b) First Caribbean International Bank
- c) Bank of Nova Scotia

#### **8. Stable Business environment**

- a) Peaceful democratic society
- b) Anglophone Caribbean territory.

#### **9. International Business community present**

Major international players have established subsidiaries in Barbados. A ‘community’ has formed. There are benefits to having partners with similar interest and issues.

## International Business Facilitation

### *“WORKING TOGETHER – STRONGER TOGETHER”*

#### **B. Issues in Establishing and Operating an International Business in Barbados**

**Set-up Process:** Needs to be streamlined and better organized

- There is no “Advisory Brochure” for new foreign companies, advising new entrants what approvals are required, how to approach various Ministries and agencies to obtain approvals and licences and giving advice on relocating families to Barbados.
- Ministries are independent of each other and not structured to facilitate foreign entrants. International investors may require: work permits, student visas, company registration, documents notarised, passports stamped, customs approvals (promotional materials, personal and corporate, goods), Central Bank authorisations, regulatory approvals, etc.
- New entrants are often surprised by the need for certain approvals and the sequencing of various approvals (e.g. student visas for children are applied for separately and only after a work permit has been issued)
- Entrants do not want to release passports for 2 weeks for “processing”. Replacing a lost US passport can take years.
- Often an investor discovers they have not done some small thing properly and their applications are rejected (not using A4 paper, not obtaining stamps from the Post Office prior to going to the Notary office)
- Ministries have not published their service standards for processing new business, responding to inquiries or replying to letters or phone calls as there might be in service organizations

**The private sector:** Needs to be better educated in how each Ministry operates and how to successfully get things done. Ministries and Agencies will never be seen in a positive light if private sector organizations regularly submit information and applications incorrectly or do not follow up properly.

**Tax incentives:** Need to preserve these benefits in order to expand the international business community.

**Legislation:** Needs harmonization for international business. There are inconsistencies in the treatment, benefits and incentives for IBCs and Offshore Banks.

**Banking:** Barbados seems to be “Closed” for new international Banks. Foreign companies find exchange control laws an impediment to working here and in bringing funds into Barbados. Banking regulations force Domestic Banks to require foreign corporations to deposit security for their corporate cash flows in Barbados.

**Infrastructure:** Needs review. Traffic is fast becoming a major issue when employees cannot get to work on time, meetings commence late and visiting directors are trapped in traffic.

**Telecommunications:** Costs are too high.



## International Business Facilitation

### “WORKING TOGETHER – STRONGER TOGETHER”

#### **B. Issues in Establishing and Operating an International Business in Barbados (cont.)**

**Labour skills:** Insufficient supply of actuaries, international investment analysts, money traders and international reinsurance underwriters.

**Regulators:** Need to work together

- Time-consuming registration processes,
- Inhospitable customs and immigration culture especially as it relates to promotional material and office materials,
- Technical inadequacies i.e. Document not on A4 paper can bring the registration process to a halt.
- Notary publics are difficult to find and use on the island.
- The ministries involved in facilitating new companies need to share the client and share the same goal – to build international business in Barbados.

**Family Transitions:**

- The failure of families moving well into a new country and culture has been seen to destroy an international business venture. Doing this well can really differentiate Barbados as a location of choice.
- Student visas should be automatic with a work permit approval.
- Work permits are too lengthy a process
- Work permit renewal should leverage off the original application. Original documentation should not be required for a renewal.
- Passports are being held too long.
- Introduce new families to a welcoming committee (Women’s Club, or BIBA, perhaps, but ensure it happens)
- All family members should automatically get work permits (second spouses, teenage children) as they would elsewhere .

**Corporate Package:** Need a facility to simplify the entire process of setting up the company. Investing companies should be given a prestigious place in the investment and financial architecture. Like in Tourism Barbados: “International Business is our Business – Let’s play our part”

**Education:** Needs international consideration.

- Barbados education system does not cater to the international students who need to matriculate into an international system.
- Successful countries offer an “American School” and the Baccalaureate system. Choice is necessary.
- There are problems encountered in education administration, where students cannot be enrolled into school until all other documentation is in order. This causes some students to miss valuable school time.