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MEETING OF EXPERTS ON ADMINISTRATION OF
PUBLIC ENTERPRISES IN LATIN AMERICA AND
THE CARIBBEAN

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SUMMARY

ADMINISTRATION OF PUBLIC ENTERPRISES

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SUMMARY

1. The establishment of public enterprises is dictated by policies and situations peculiar to the individual countries concerned. It is equally important to examine their raison d'être and to analyse the environments in which they can operate efficiently.
2. The co-existence of public and private enterprises in specific activities may be expedient, but where this is the case, the régimes to which the former are subject should place them in a position to compete with private enterprise, to the benefit of the entire country.
3. Public enterprises should be organized in such a way that their operational efficiency is not weakened by political vicissitudes in the national administration.
4. In principle, public enterprises should be profit-making. The prices of the products they dispense or the rates charged for the services they render ought at least to cover their costs. Governments which oblige public enterprises to adjust their prices, rates or activities to development needs should reimburse them to the amount of the difference.
5. Public enterprises should operate at least as efficiently as private concerns. Their costs should be competitive and their accounting systems reliable.
6. The establishment of clearly-demarcated areas of responsibility, in which the results achieved can be measured in terms of costs and yields, is a desirable step, and enables the higher authorities to obtain sounder information on sectoral activities and to evaluate them with greater accuracy.
7. The reliability of the accounting data prepared by public enterprises should be vouched for by reputable outside auditors. This procedure has already been adopted in some cases.
8. Government control over the action of public enterprises should be objective and linked to the analysis of their costs, balance-sheets and other definite periodic information, on the basis of which their efficiency and degree of compliance with pre-established policies, action programmes and budgets can be tested.

9. Public enterprises should punctually update the wages and salaries of their personnel to bring them into line with those currently in force in private economic activities. A share in profits, carefully distributed as a function of productivity, capability and diligence, may constitute a powerful incentive to greater efficiency.
10. Public enterprises should be authorized to use all available means of financing, subject to the general directives issued by the economic authorities in the country concerned. Investment programmes should include feasibility and profitability studies.
11. The accounts of the public enterprises should reflect the impact of possible fluctuations in the purchasing power of the currency of the country in which they operate.
12. Public enterprises should apply methods of internal budget control which afford sufficient flexibility and adaptability to the inevitable changes as and when they take place.