Procedure file

Basic information

INI - Own-initiative procedure	2003/2158(INI)	Procedure completed
Development cooperation: state-owned enterprises, public services and economy of developing countries Subject 6.30 Development cooperation		

Key players

European Parliament	Committee responsible	Rapporteur	Appointed
	DEVE Development and Cooperation	GUE/NGL MODROW Hans	09/07/2003
	Committee for opinion	Rapporteur for opinion	Appointed
	ECON Economic and Monetary Affairs	The committee decided not to give an opinion.	
	ITRE Industry, External Trade, Research, Energy	UEN Ó NEACHTAIN Seán	02/10/2003
	EMPL Employment and Social Affairs	The committee decided not to give an opinion.	
Council of the European Union	Council configuration	Meeting	Date
	General Affairs	2540	17/11/2003
European Commission	Commission DG	Commissioner	
	Development		

Key events

03/06/2003	Non-legislative basic document published	COM(2003)0326	Summary
04/09/2003	Committee referral announced in Parliament		
17/11/2003	Resolution/conclusions adopted by Council		
20/01/2004	Vote in committee		Summary
20/01/2004	Committee report tabled for plenary	A5-0015/2004	
09/02/2004	Debate in Parliament		
10/02/2004	Decision by Parliament	T5-0081/2004	Summary
10/02/2004	End of procedure in Parliament		

Technical information

Procedure reference	2003/2158(INI)
Procedure type	INI - Own-initiative procedure
Procedure subtype	Initiative
Legal basis	Rules of Procedure EP 54
Stage reached in procedure	Procedure completed
Committee dossier	DEVE/5/19981

Documentation gateway

Document attached to the procedure		COM(2003)0267	19/05/2003	EC	Summary
Non-legislative basic document		COM(2003)0326	03/06/2003	EC	Summary
Committee report tabled for plenary, single reading		A5-0015/2004	20/01/2004	EP	
Text adopted by Parliament, single reading		T5-0081/2004 OJ C 097 22.04.2004, p. 0035-0121 E	10/02/2004	EP	Summary

Development cooperation: state-owned enterprises, public services and economy of developing countries

PURPOSE : to present the manner in which the Commission will approach future support for the business sector in developing countries. CONTENT : The important contribution that the business sector and, in particular the private sector can make to aid development and help fight poverty is now widely appreciated by the main bilateral and multilateral donors. This includes the United Nations, the Bretton-Woods Financial Institutions, as well as the OECD -Development Assistance Committee and NGOs. This wide consensus reflects the perception that economic growth creates the resources to combat poverty and that business development and a dynamic private sector are essential for economic growth. The Commission feels that an analysis of the main policy documents that have hitherto emanated from the EU-institutions highlight the need for a coherent framework together with harmonised support for the business sector in all third countries allowing the necessary flexibility and adaptability to different regions and programmes. This Communication sets down proposals for the reorganisation and restructuring of the Community's support for the development of the business sector in third countries. The proposals are based on five considerations: - the importance of the business sector for development; - the experience the Commission has gained in the management of a range of instruments designed to support business and in particular private sector development; - the benefits gained from action at a Community level; - the need, given the reform of the Community's external assistance programmes, to harmonise instruments and procedures so as to improve efficiency and delivery; - a clear understanding of what the Commission does best and what is best left for others to do : the restructuring proposed is especially important in those middle-income developing or transition countries where prospects for a dynamic growth of local entrepreneurship are promising, and where European SMEs can develop their business or trade through forms of partnership (Joint Ventures), twinning, technology transfers or technical assistance. This is the important value added that further Community action can now bring. Drawing the appropriate lessons from past experience in supporting business sector development in third countries, the Commission has identified five areas of intervention or instruments on which it will base business sector support : - overall policy dialogue and support, in particular as regards macro- economic and trade policy, and good governance, providing the necessary regulatory framework, institution building and advice. This would encompass technical assistance in support of reforms, particularly in the fields of legislation, banking and finance, taxation, public expenditure, customs procedures and trade facilitation measures, institutional building, administrative efficiency; - investment and inter-enterprise co-operation promotion activities : depending on the level of development of thecountries involved Community support could include strengthening the role of Investment Promotion Agencies and other private intermediaries (Chambers of Commerce and Industry, professional associations, consultancies) and providers of investment - related business services ; - facilitation of investment financing and development of financial markets : more precisely the overall objective of these instruments and services is to mobilise private savings flows (both domestic and foreign) to finance investments that are essential for a thriving business sector. This strategy is based upon the assumption that more efficient financial markets are essential for healthy private sector development in developing countries; - support for Small and Medium- sized Enterprises in the form of non-financial services : this will encourage private sector companies to enhance their competitiveness, gain access to modern technology, improve management and seek new markets; - support for micro-enterprises : this will help to improve conditions for self- employment, which can be an effective way of making economic opportunities accessible to the poor and therefore of fighting poverty. The Commission plans to retain complete control of the policy, programming and design aspects of these five areas. As regards the implementation and management of financial instruments, including microfinance, and non-financial services (Business Development Services), the Commission plans to make full use of intermediaries (to be selected) with whom it will establish appropriate management/financial Agreements or Conventions.?

Development cooperation: state-owned enterprises, public services and economy of developing countries

PURPOSE : to propose a more active role for the EC in the debate on State Owned Enterprises (SOEs) in Developing Countries. CONTENT : for some years there has been pressure on developing countries to reform SOEs. This pressure has been prompted by the heavy burden of SOE losses and economic inefficiency on macro-economic and fiscal balances and growth. Though the Commission has often linked its budget support programmes to adjustment conditionality of the Bretton Woods Institutions (BWIs), it has not always been explicit on the specifics of SOE reform included in adjustment programmes. The Commission argues that there are several compelling reasons for a more active involvement of the EC on the issue of SOE reform; - the impact of SOE reform on the economies of developing countries can affect the achievement of the Millennium Development Goals, to which the EU is firmly committed. This effect could be positive, through reduced fiscal deficits, increased economic growth, improved provision of essential services and building of management capacity, if reform is effective. It could be negative, through increased unemployment, reduced access to basic services, loss of managerial and administrative know-how and increased corruption if it is not successful; - Member States have broad expertise in SOE reform. The EU has unique experience of combining economic liberalisation with common "rules of the game", and an unequalled record of reconciling competitive markets with the provision of services of general interest; - the EC already supports many SOE reform programmes - whether privatisation or other forms of change - directly or, more often, indirectly within the framework of adjustment programmes led by the Bretton Woods Institutions (BWIs). The Communication goes on to review the reasons behind the build-up of a large public sector in developing countries. It notes the political nature of some of the key choices involved. It highlights the reasons for reforming SOEs, discusses the risks and benefits of different types of reform, and suggests lessons for best practice for both recipient governments and donors. Public utilities are something of a special case, and of growing importance in the debate. They are frequently characterised by natural monopolies, and each field has specific characteristics that make the debate complex. The importance of the regulatory framework is, however, particularly evident for all public utilities. In general, the key issues are about the access, affordability and quality of each service and quality and efficiency of management. The Commission's guidelines on SOE reform highlight the following: - governments need to define their objectives clearly, in ways that can be monitored transparently. They must decide what is the most important issue for their citizens: service quality or accessibility, fiscal gains or employment generation, taking account of benefits, costs, resources and alternative uses. Decisions like these are fundamentally political decisions and need to be made explicit and transparent if governments are to be held properly accountable; - before deciding on a formula for reform, governments need toexamine all the options, including restructuring within the public sector, PPP, privatisation, and mutualisation, analysing the impact they are likely to have on access, affordability, and quality of services and goods, on public finances and on the country's economy. This assessment should also take into account the employment and social consequences; - transparency in both design and implementation is critical to the outcome of reform. A lack of transparency implies higher risk of corruption and poor information during the process can undermine the confidence of public opinion and oblige the government to reverse the reform; - the design of the regulatory framework and monitoring of post-reform performance are key issues, which have an influence on all the impacts analysed so far. The benefits of a proper regulation and control range from direct reduction of poverty to consumer protection, from better quality of service to less corruption. The Commission advocates technical assistance as well as financial assistance; - SOE reform in developing countries requires a marked increase in the level of foreign direct investment flows. For this to happen governments must create a conducive climate based on peace, democracy and stability, a stable macroeconomic environment, a transparent and predictable fiscal system, enforcement of the rule of law by an independent judiciary, and respect for human rights; - sequencing is crucial and an important sequencing issue is the inclusion of the financial sector reform, given the impact, which unreformed banking institutions, can have on the incentives confronting enterprises during the reform process; - any reform should include an appropriate social protection strategy; EC discussions with the developing countries concerned, and with the BWI, should take place prior to any SOE reform which directly or indirectly involves the EC. European Commission Delegations would need to play an active role in the discussions to be held at country level during PRSP processes or during BWI missions. They would concentrate on the objectives of reform, identification and assessment of reform options, including sequencing issues, the requirements of post-reform regulation and monitoring and the need to address employment and social implications in a consistent and integrated way. Member States should also be involved in these talks.?

Development cooperation: state-owned enterprises, public services and economy of developing countries

The committee adopted the own-initiative report drawn up by Hans MODROW (EUL/NGL, D) in response to the two Commission papers on the reform of state-owned enterprises and support for the development of the business sector in developing countries. MEPs stressed that the EU should remain neutral regarding the forms of ownership of enterprises in developing countries; the reform of state-owned enterprises should be promoted through advice and support for decisions taken by developing countries, not by exerting pressure through international financial institutions. An objective assessment, they said, should not be prevented by ideological prejudices. The report emphasised the importance of affordable access to services of general interest, which should be protected in the event of privatisation, since water supply, drainage, energy supply, education and health services are important in meeting basic needs. It said that, where a privatisation is carried out, wherever possible domestic investors should be substantially involved, and particular attention should be given to 'small', decentralised solutions such as micro-enterprises and small businesses, rather than 'large-scale' solutions involving takeovers of state-owned enterprises by multinationals. The committee called on the Commission to encourage developing countries to support private enterprise in partnership with state-owned enterprises to fill the gaps which state-owned enterprises cannot tackle alone. It further stressed that developing countries should be encouraged to create the legal and economic preconditions for the formation of cooperatives and mixed ownership businesses. Developing countries should also be helped to diversify their financial and banking industries so that small and micro loans can also be extended, with particular attention being paid to improving women's access to such loans. MEPs called for Trans-National Corporations (TNCs) to set up Ethical Investment Committees similar to their existing Audit and Remuneration Committees to report on their implementation of the OECD guidelines for multinationals in developing countries. Such committees would also work with NGOs to help develop Offset projects tied to local social, environmental and industrial capacity-building which will lead to poverty eradication and foster the provision of basic services. MEPs also wanted TNCs to commit a minimum of 0.7% of gross turnover or 5% of net profit (whichever is the smaller) to new investment in local Offset projects. Finally, the report urged the Commission to propose an International Convention on Corporate Accountability, which would handle the regulation of corporate responsibility and accountability on an international level. ?

Development cooperation: state-owned enterprises, public services and economy of developing countries

The European Parliament adopted a resolution based on the own-initiative report drafted by Hans MODROW (EUL/NGL, Germany), welcoming the Commission's approach to the reform of state-owned enterprises in developing countries. (Please see the document dated 20/01/04.) The resolution was adopted by 407 votes in favour to 58 against with 71 abstentions. The Commission's approach does not conceal the perplexities and uncertainties involved in the process, particularly the difficulties of reconciling privatisation measures with guaranteed equal access for all to services of general interest at an affordable price. Parliament felt, however, that the Commission should rely more heavily on EU experience and should not refuse (as it has done so far) to carry out an openly debated assessment of the effect which liberalisation has had on employment, on the quality and the extent of the services provided and on working conditions in Europe. Parliament emphasised that privatisation of a state-owned enterprise is not an end in itself. Priority must be given to combating poverty by improving the services available to the public and reinforcing the national economy, including creating real, i.e. economically sustainable, jobs, for which a lasting improvement in the economic situation of the undertaking is a precondition. Combining the provision of modern public services with private companies can be a useful method. Privatisation must not result in a State monopoly's being replaced with a private one. Parliament went on to acknowledge the dominant role of Trans-National Corporations (TNCs) in multilateral trade (responsible for 70 % of world trade activity). The top 200 TNCs have a combined turnover greater than a quarter of the world's economic activity, amounting to some 28.3% of world GDP. Parliament regretted that there is a lack of recognition by political decision makers of the decisive role that could be played by them. It stated its conviction that privatisation is only permissible if certain conditions are complied with. These include ensuring transparency throughout the process, the reform of the financial sector in parallel, and accompanying the reform process by appropriate social safeguards. Further conditions are taking account of the viewpoints of organisations representing civil society, particularly trade unions and users' associations. Such organisations must be involved in monitoring the decisions to be taken. Furthermore, the management of public utilities should remain accountable to public bodies, regardless of their ownership, and the Commission should assist with the development of appropriate public scrutiny mechanisms. Parliament asked the Commission to encourage developing countries to support private investment in partnership with state-owned enterprises, and to augment in partnership as stakeholders in order to fill the gaps where state-owned enterprises going it alone have no investment capacity, technological ability or knowhow, no audit control or financial control measures, no anti-corruption or anti-waste controls and no other mechanisms which increase productivity and efficiency. Finally, Parliament called for Ethical Investment Committees to identify Enterprise Development projects as Offset projects in which companies can invest. These Ethical Investment Committeesshould operate in conjunction with NGOs and other civil society actors, so that projects are tied to local social, environmental and industrial capacity building, which will lead to poverty eradication and foster the provision of clean water and sanitation as well as basic education and health care.?