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TRADE AND DEVELOPMENT BOARD  
Ad Hoc Working Group on Comparative  
Experiences with Privatization  
Third session  
Geneva, 29 November 1993  
Agenda item 7

**DRAFT REPORT OF THE AD HOC WORKING GROUP ON COMPARATIVE EXPERIENCES  
WITH PRIVATIZATION ON ITS THIRD SESSION**

Held at the Palais des Nations, Geneva,  
from 29 November to 3 December 1993

Rapporteur: Mr. Herbert Dzvimbo (Zimbabwe)

**AGENDA ITEMS 2, 3 AND 4**

**Note for Delegations**

This draft report is a provisional text circulated for clearance by delegations.

Requests for amendments - to be submitted in English or French - should be communicated by Friday, 10 December 1993 at the latest to:

The UNCTAD Editorial Section  
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## INTRODUCTION

1. In accordance with the UNCTAD calendar of meetings, the third session of the Ad Hoc Working Group on Comparative Experiences with Privatization was held at the Palais des Nations, Geneva, from 29 November to 3 December 1993.

### Opening statements

2. The Deputy to the Secretary-General of UNCTAD stated that the Working Group had attracted a great deal of interest on the part of Governments. Thus it had been possible to draw useful lessons and important insights in the privatization process, to see what worked and what did not work, and to assess the factors that could make a real difference in the design and implementation of privatization policies and programmes.

3. On the first of the two topics that were to be taken up for in-depth consideration, namely competition and the regulation of privatized monopolies utilities, there was first and foremost the issue of competition. One of the main lessons learned from privatization experiences was that, while ownership often mattered, competition mattered even more. There was also the issue of economic regulation, which was of particular importance to protect consumer welfare. Other important aspects included promoting efficiency through, inter alia, the promotion of competition in contestable sectors of public utilities, and encouraging innovation and productivity growth. In addition, there was the role of competition policy in safeguarding competition against market failures and in dealing with any regulatory failures. Depending on the industry - and telecommunications was a good example - competition, competition policy and economic regulation could all play a role in regulating the industry for efficiency. The appropriate balance between competition and economic regulation would depend on the nature of the industry and might also evolve as a function of technological progress.

4. The privatization of public utilities went beyond sales or non-divestiture options. Due to mounting pressures on the provision of infrastructure of such utilities, as well as to budgetary constraints, Governments were increasingly looking to the private sector for help in financing the development of infrastructure. Infrastructure financing was in fact one of the major development issues of the 1990s. Economic regulation, which was needed to provide a guarantee and a degree of predictability, could also impose a cost for the private sector developer-operator. Thus, such regulation would need to protect consumer welfare, while addressing the issues of incentives for the

private sector partners, economic efficiency and competition in the light of technological progress.

5. As regards the second topic, the issues involved could cover a broad field, relating to the social balance-sheet of privatization. There was the need to address the employment effects, the effects on the provision of social infrastructure or services and the social benefits and costs arising from the privatization of public utilities. In view of the time factor, the Working Group might wish to focus on two particular sets of issues, namely the design and financing of social compensation and social safety-net measures, and job-creation measures to provide alternative employment opportunities for retrenched workers, including retraining programmes, job counselling and placement services, measures to enhance labour mobility and support for the promotion of entrepreneurship and of the development of micro, small and medium-sized enterprises. The extent to which Governments could effectively address these issue would have an important bearing on the success of privatization, in its implementation and post-privatization phases.

6. The Chief of the Privatization and Enterprise Development Unit referred to the two main papers before the Working Group including the cross-country analysis and the issues paper prepared by the secretariat for the in-depth consideration of competition and the regulation of privatized monopolies and the social impact and socially-related support measures. He thanked Governments for the additional country contributions and other materials sent to the secretariat since the second session. The secretariat had updated the Directory of national focal points dealing with privatization. which now contained information on some 65 focal points for privatization.

7. He also thanked the experts who had kindly agreed to act as panellists at the third session. He was pleased that there would be experts from the World Bank and the ILO on one of the panels.

Chapter I

**REVIEW OF THE COUNTRY PRESENTATIONS IN THE LIGHT OF A CROSS-COUNTRY  
ANALYSIS BY THE SECRETARIAT ON THE DESIGN, IMPLEMENTATION AND  
RESULTS OF PRIVATIZATION PROGRAMMES**

(Agenda item 3)

8. For its consideration of this item, the Ad Hoc Working Group had before it the following up-dated report by the UNCTAD secretariat:

"Design, implementation and results of privatization programmes: a cross-country analysis of national experiences" (TD/B/WG.3/7/Rev.1)

9. In addition, the country presentations submitted to the secretariat were circulated to the Working Group in the miscellaneous documents series. (For the list of such presentations, see checklist of documents in annex ... below).

[To be completed as appropriate]

Chapter II

IN-DEPTH CONSIDERATION OF:

- (i) COMPETITION AND THE REGULATION OF PRIVATIZED MONOPOLIES;
- (ii) SOCIAL IMPACT AND SOCIALLY RELATED SUPPORT MEASURES

(Agenda item 4)

10. For its consideration of this agenda item the Ad Hoc Working Group had before it an issues paper by the UNCTAD secretariat (TD/B/WG.3/11).

[To be completed as appropriate]

### Chapter III

#### ORGANIZATIONAL MATTERS

##### A. Opening of the session

11. The third session of the Ad Hoc Working Group was opened on 29 November 1993 by Mr. Bror Wahlroos (Finland), Chairman of the Working Group.

##### B. Election of officers

(Agenda item 1)

12. There being no change in the Bureau which served at the second session, the Bureau of the Ad Hoc Working Group at its third session was as follows:

<u>Chairman:</u>	Mr. Bror Wahlroos	(Finland)
<u>Vice-Chairmen:</u>	Ms. Taos Feroukhi	(Algeria)
	Ms. Carmen Silva	(Colombia)
	Mr. Thomas Janicki	(Germany)
	Ms. Urszula Calka-Jendroszczyk	(Poland)
	Ms. Prapada Saranusit	(Thailand)
<u>Rapporteur:</u>	Mr. Herbert Dzvimbo	(Zimbabwe)

##### C. Adoption of the agenda and organization of work

(Agenda item 2)

13. At its 6th (opening) meeting, on 29 November 1993, the Working Group adopted the provisional agenda for the third session as approved by the Group at its second session and circulated by the secretariat in TD/B/WG.3/10. The agenda for the third session therefore read as follows:

1. Election of officers
2. Adoption of the agenda and organization of work
3. Review of the country presentations in the light of a cross-country analysis by the secretariat on the design, implementation and results of privatization programmes
4. In-depth consideration of:
  - (i) Competition and the regulation of privatized monopolies;
  - (ii) Social impact and socially related support measures

5. Provisional agenda for the fourth session of the Ad Hoc Working Group
6. Other business
7. Adoption of the report of the Ad Hoc Working Group to the Board.

14. The Working Group also broadly endorsed the suggested organization of work set out in section III of TD/B/WG.3/10, subject to clarifications of detail made by the Chairman.

**D. Provisional agenda for the fourth session  
of the Ad Hoc Working Group**

(Agenda item 5)

[To be completed]

**E. Adoption of the report of the Ad Hoc Working Group  
to the Board**

(Agenda item 7)

[To be completed]