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

2003/2158(INI) - 10/02/2004 - Text adopted by Parliament, single reading

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.