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# REPORT

on the Communication from the Commission to the Council and the European Parliament on the reform of state-owned enterprises in developing countries with focus on public utilities: the need to assess all the options (COM(2003) 326 – 2003/2158(INI)) and

the Communication from the Commission to the Council and the European Parliament on European Community cooperation with third countries: The Commission's approach to future support for the development of the business sector (COM(2003) 267 - 2003/2158(INI)

Committee on Development and Cooperation

Rapporteur: Hans Modrow

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# PROCEDURAL PAGE

By letter of 19 May 2003 the Commission forwarded to Parliament its Communication on the reform of state-owned enterprises in developing countries with focus on public utilities: the need to assess all the options (COM(2003) 326) and its Communication on European Community cooperation with third countries: The Commission's approach to future support for the development of the business sector (COM(2003) 267), which had been referred to the Committee on Development and Cooperation for information.

At the sitting of 4 September 2003 the President of Parliament announced that the Committee on Development and Cooperation had been authorised to draw up an own-initiative report on the subject under Rules 47(2) and 163, and the Committee on Economic and Monetary Affairs, the Committee on Employment and Social Affairs and the Committee on Industry, External Trade, Research and Energy had been asked for their opinions.

The Committee on Development and Cooperation had appointed Hans Modrow rapporteur at its meeting of 9 July 2003.

The committee considered the draft report at its meetings of 25-26 November 2003 and 19-20 January 2004.

At the latter meeting it adopted the draft resolution by 11 votes to 0, with 9 abstentions.

The following were present for the vote: Margrietus J. van den Berg, acting chairman; Marieke Sanders-ten Holte, vice-chairwoman; Anders Wijkman, vice-chairman; Hans Modrow, rapporteur; Niall Andrews, Jean-Pierre Bebear, John Bowis, John Alexander Corrie, Nirj Deva, Colette Flesch, Michael Gahler (for Karsten Knolle), Karin Junker, Bashir Khanbhai (for Luigi Cesaro), Glenys Kinnock, Linda McAvan, Miguel Angel Martínez Martínez, Ulla Margrethe Sandbæk, Karin Scheele (for Wolfgang Kreissl-Dörfler), Maj Britt Theorin and Jürgen Zimmerling.

The opinion of the Committee on Industry, External Trade, Research and Energy is attached. The Committee on Economic and Monetary Affairs and the Committee on Employment and Social Affairs decided not to deliver an opinion.

The report was tabled on 22 January 2004.

## DRAFT EUROPEAN PARLIAMENT RESOLUTION

**on the Communication from the Commission to the Council and the European Parliament on the reform of state-owned enterprises in developing countries with focus on public utilities: the need to assess all the options (COM(2003) 326 – 2003/2158(INI)) and**

**the Communication from the Commission to the Council and the European Parliament on European Community cooperation with third countries: The Commission's approach to future support for the development of the business sector COM(2003) 267 - 2003/2158(INI)**

*The European Parliament*,

– having regard to the Commission's communication (COM(2003) 326)[1],

– having regard to the Commission's communication (COM(2003) 267)[2],

– having regard to its resolution of 3 September 2002 on trade and development for poverty eradication and food security[3],

– having regard to Rules 47(2) and 163 of its Rules of Procedure,

– having regard to the report of the Committee on Development and Cooperation and the opinion of the Committee on Industry, External Trade, Research and Energy (A5-0015/2004),

A. whereas at the beginning of the 1980s the approach to the economic development of the less developed countries changed from one based on a management role for the State in planning the economy and the market to one based on liberalisation, competition and elimination of barriers to trade,

B. whereas this switch to privatisation has often been linked to the need to find funding with which to pay off external debt, and was supported by the World Bank, the International Monetary Fund and the European Union, and whereas the effects of such policies have often been startling; whereas this change of paradigm was supported by the international donor community and the policies of the World Bank, International Monetary Fund and European Union,

C. whereas, from the beginning of the 1980s, the Bretton Woods institutions and donor countries implemented structural adjustment programmes in line with economic liberalisation which were designed to bring about the withdrawal of the State from the economy and improve the management of the sectors of the economy concerned, but which neglected the social repercussions of this approach and therefore bore a large measure of responsibility for

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[1] Not yet published in OJ.
[2] Not yet published in OJ.
[3] OJ No. C 272 (E), 13.11.2003, p. 30

the rise in poverty, and thus counteracted poverty reduction, the overriding objective of the EU’s development work,

D. whereas poverty reduction is the overriding objective of the EU’s development work,

E. whereas the reform of State-owned enterprises is an essential element in liberalisation, yet must not be confined to this but should take advantage of all the available scope to improve the performance of these enterprises in order to contribute appropriately to the reduction of poverty,

F. whereas developing countries’ experience of liberalisation, structural adjustment programmes and the reform and privatisation of State-owned enterprises varies widely, inter alia with regard to their economic results; whereas in some cases the positive aspects outweigh the negative, while in others the opposite is true,

G. whereas the European Union’s development cooperation involves the private sector, and whereas the various regional programmes entail important measures relating to the private sector,

H. whereas the Cotonou partnership agreement involves the private sector as an actor in ACP-EU cooperation and describes investment and the development of the private sector as central elements in economic development,

1. Welcomes the fact that the communications from the Commission feed the debate on the reform of state-owned enterprises in developing countries but considers that the need for essential public services such as water and energy to be improved should be more clearly emphasised;

2. Stresses that the EU must be neutral with regard to the forms of ownership of enterprises, pursuant to Article 295 of the EC Treaty, to which the Commission communication likewise refers, as a result of which a more active EU role in promoting the reform of State-owned enterprises must be confined to advice and support for decisions in developing countries concerning the matter while avoiding exerting any pressure, either directly or through support for the policies of international financial institutions which insist upon structural-adjustment measures;

3. Welcomes the Commission’s approach to the reform of State-owned enterprises in developing countries, which 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; considers, however, that the Commission should rely more heavily on EU experience and should not refuse (as it has done so far) to carry out a transparent, public and 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;

4. Agrees with the Commission that reform of State-owned enterprises in developing countries should certainly not be confined to privatisation measures but that the options should be individually assessed in each case and as objective as possible a decision should be taken on the basis of such an assessment as to what form reforms should take and asks the Commission to give due consideration to the importance in developing countries of affordable access to services of general interest, which should be protected in the event of privatisation, recognising that water supply, drainage, energy supply, education and health services are important in meeting basic needs;

5. Stresses that the various options for a reform of State-owned enterprises must be assigned equal status, an objective assessment must not be prevented by ideological prejudices and a differentiated and pragmatic strategy for the reform of State-owned enterprises is thus appropriate;

6. Recommends that, when a country decides to carry out a privatisation, the Commission should advise that it be done if possible by substantially involving domestic investors and that it should devote particular attention to 'small' decentralised solutions which are worked out by developing countries and whose beneficiaries are small and medium-sized undertakings (SMUs) and micro-enterprises, which play an essential part in the economic development of developing countries, create many of the jobs and generate a substantial proportion of national income, whereas 'large-scale' solutions which seek to bring about take-overs of State-owned enterprises by multinational corporations and groups often have adverse side-effects; and to give special attention also to the possible role of European small- and medium-sized enterprises (SMEs) in all aspects of cooperation programmes; believes that European SMEs possess specialised knowledge and experience relevant to these programmes, but are often left out due to lack of knowledge about programme participation possibilities and lack of visibility to third country partners; recommends that appropriations are provided for the provision of advisory services and training for small and medium-sized enterprises in the countries of Latin America and Asia by older volunteer experts from the European Union who come under the ESSN (European Senior Services Network);

7. Finds it regrettable that the Commission has not analysed the fact that much private investment in privatised companies (especially in South America) amounts in practice to the mere taking of financial control by major consortia, with no improvement (technological or otherwise) to the service and often to the detriment of the country's national interests; also finds it regrettable that the Commission has not mentioned the various crises in the southern countries' private financial sectors which have arisen as a result of corruption or mismanagement and which have been resolved only by (often very costly) intervention by governments;

8. Is convinced that privatisation of a State-owned enterprise must not be an end in itself but that 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, and recalls that combining the provision of modern public services with private companies can be a useful method and that privatisation must not result in a State monopoly's being replaced with a private one, bearing in mind that a coherent

strategy which increases the opportunities for private investment is an essential element for the success of development models;

9. Points out that, a short while ago, the ACP-EU Joint Parliamentary Assembly meeting in Rome asked the Commission not to issue any calls for privatisation of the water-supply industry in developing countries, either in connection with GATS or under any regional or bilateral agreements;

10. Notes that market economies rely on a wide array of non-market institutions that perform regulatory, stabilising and legitimising functions, the quality of a country's public institutions, measures to combat corruption and better regulation being critically determinant of a country's long-term development;

11. Is convinced therefore that – in accordance with the communication from the Commission – privatisation is only permissible if certain conditions are complied with, particularly if the government clearly sets objectives and priorities, all options are considered, transparency is ensured throughout the process, the appropriate legal framework is provided, the financial sector is reformed in parallel, and the reform process is accompanied by appropriate social safeguards and takes account of the viewpoints of organisations representing civil society, particularly trade unions and users' associations, and such organisations are involved in preparing and monitoring the decisions to be taken and that reform must respect certain conditions, such as a clear government statement of objectives and priorities, all options are considered; transparency; an appropriate legal framework; and appropriate social safeguards, including consultation with civil society;

12. Believes that the management of public utilities should remain accountable to public bodies, regardless of their ownership, and that the Commission should assist with the development of appropriate public scrutiny mechanisms based on the principles of independent regulation and public accountability;

13. Stresses that, in the field of public utilities, special care is required in reforming and privatising State-owned enterprises, and that, because water supply, drainage, energy supply, education and health services are important in meeting the basic needs of poor sections of the population and in the interests of the environment and sustainable development, it must not be left to private economic arrangements to ensure efficiency and high quality but these must be matters for which States or local authorities are responsible;

14. Calls on the Commission to encourage developing countries to support private investment, both domestic and international, 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 know-how, no audit control or financial control measures, no anti-corruption or anti-waste controls and no other mechanisms which increase productivity and efficiency;

15. Stresses that developing countries should be encouraged to create the legal and economic preconditions to permit the formation of cooperatives and forms of semi-State-owned enterprise and businesses under mixed ownership, which should also have the opportunity to take over tasks from State-owned enterprises;

16. Recommends, particularly in the interests of combating poverty, measures to support the

informal sector which could help businesses to move from this sector into the formal economy;

17. Stresses that the Commission should help to enable developing countries to diversify their financial and banking industries so that small and micro loans can also be extended, which are often a precondition for the independence and development of small businesses;

18. Points out that, in this context, special attention should be paid to improving access of women to small and micro loans, as they play an important role in the local economy;

19. Acknowledges the positive role the private sector can play in developing the economy of third countries and in combating poverty; supports the idea of implementing Community assistance to the business sector in developing countries through intermediaries;

20. Notes with the Commission that 'for some years there has been heavy pressure on developing countries to reform SOEs', and shares the Commission's view that reforms of State-owned enterprises must take account of the capacity and resources of the countries involved, which must also be able to retain control of the tools essential to their development (energy, and the necessity for them to retain water, port and transport infrastructure, etc.);

21. Stresses that businesses in third countries should be assisted particularly in the fields of political dialogue, good governance, institution-building and consultancy, promotion of SMUs and cooperatives by means of consultancy in the fields of services, skills and business modernisation, promotion of micro-enterprises, particularly by facilitating access to public goods and credit;

22. Reminds the Commission of the view often expressed by Parliament that clear definitions of, and good coordination between, programmes is essential for a truly coherent policy framework;

23. Calls on the Commission to report to it regularly on the support it provides for the public-service sector, the mixed sector (partnership) and the private sector in developing countries in order to enable Parliament to deliver an opinion;

24. Calls for companies and shareholders' companies which fall under the category of Trans-National Corporations (TNCs) to set up Ethical Investment Committees similar to the Audit Committee and Remuneration Committees which now exist within such companies; advocates that those Committees should report to the board of directors, the shareholders and those directly affected by the activities of the TNCs on the implementation of the OECD Guidelines for Multinationals in the developing countries;

25. Calls for such Ethical Investment Committees to be tasked to identify Enterprise Development projects as Offset projects in which these companies can invest. These Ethical Investment Committees shall 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;

26. Encourages each TNC to commit as a minimum investment at least 0.7% of its gross turnover or up to 5% of its net profit (whichever is the smaller) into new investments as

Offset projects each year in that country;

27. Welcomes the position on investment negotiations adopted by the Commission in its recent Communication on Restarting the DDA Negotiations, and insists that the EU must be sensitive to the concerns of developing countries regarding investment treaties, whether in multilateral, regional or bilateral negotiations;

28. Believes that the multilateral regulation of cross-border investment, characterised by a balance between the rights and obligations of investors and host countries, would be an important step towards a fairer globalisation and encourages the Commission to initiate a wide debate and consultation both on the content and the institutional form of such an agreement;

29. Expresses belief in the need for a special institutional form for handling the regulation of corporate responsibility and accountability on an international level; encourages the Commission to formulate a proposal for an International Convention on Corporate Accountability along the principles outlined in the OECD Guidelines on Multinational Enterprise, the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy;

30. Instructs its President to forward this resolution to the Council, the Commission, the governments and parliaments of the Member States, the ACP-EU Council, the United Nations, the World Trade Organisation, the World Bank and the International Monetary Fund, as well as to the European Union's Chamber of Commerce and the Member States' Chambers of Commerce to the EU.

# EXPLANATORY STATEMENT

In May and June 2003, the Commission presented two communications on closely related subjects, dealing with the European Union's policy on the economic systems and economic development of third countries (COM(2003) 267 and COM(2003) 326). These documents are primarily concerned with the situation in developing countries and consider businesses - particularly small and medium-sized undertakings (SMUs) – and the reform of State-owned enterprises, particularly in the field of public utilities.

In addition to analysing the EU's policy to date, the documents are intended to lay the basis for the Commission's strategies to promote enterprise in developing countries and to prepare the Commission's position on the reform of State-owned enterprises there.

The Commission document on the **reform of State-owned enterprises** in developing countries can on the whole be welcomed.

The Commission notes that in recent decades many State-owned enterprises in developing countries have proved uncompetitive in terms of their economic efficiency, management qualities and technical equipment. In some cases this has made them a considerable burden on State budgets, reduced economic efficiency/slowed the development of the economy or limited the provision of basic services to the public (where public utilities were involved). The reaction to this was measures largely imposed by means of structural adjustment programmes, ranging from marketisation and changes in incentives and controls over State-owned enterprises to the surrender of control, i.e. privatisation. However, this approach has not always improved the situation and has been a major factor in the further spread of poverty in developing countries.

Fortunately, the Commission finds that there are various options for reforming State-owned enterprises. These may be summarised as:

- reform of a public enterprise without altering its ownership structure (e.g. introduction of commercial management while the enterprise remains in State ownership)
- restructuring within the public sector
- public-private partnerships
- partial privatisation
- complete privatisation.

Although the Commission document does not make this clear, there seems to be a preference for supporting partial or complete privatisation of public enterprises particularly in the commercial sector, while, particularly in the field of public utilities, it is felt to be worthwhile to carry out reforms without altering the ownership structure, or else to engage in public-private partnerships for parts of their mission.

According to the Commission it is absolutely vital to take account of the parameters when selecting among different types of reform. It is necessary to assess whether the parameters need to be altered before a reform can succeed. Particular attention needs to be devoted to competition law and its implementation, the scope for monitoring/enforcement of the agreed conditions for a possible privatisation/public-private partnership, the structure of the financial and banking sector and the level of training of personnel or the conditions for improving it.

Before implementing a reform, it is particularly important to examine precisely its objectives and the conditions in which it is to be carried out. In the field of public utilities in particular, any reform should have a positive impact on the solution of such problems as access, affordability and quality of services. The Commission provides what are effectively guidelines for the reform of State-owned enterprises, which comprise the following elements:

- clear setting of objectives/priorities by the government in order to ensure transparent supervision,
- examination of all options for reforming State-owned enterprises,
- transparency throughout the reform process in order to reduce the risk of corruption and ensure the support of the indigenous population and from abroad,
- an appropriate regulatory framework and scope to monitor post-reform performance,
- creation of a favourable business climate to attract foreign investment,
- inclusion of reform of the financial sector, which is a fundamental precondition for a successful reform,
- an appropriate social protection strategy to ensure the success of the reform.

The rapporteur agrees with the broad outlines of the Commission's position, subject to the reservations stated below. The Commission's position is largely conceived without ideological blinkers. In its document, the Commission opposes the one-sided view that public enterprises ought as a matter of principle to be privatised. The rapporteur stresses that, particularly where public utilities are concerned, caution is required. The EU should maintain a neutral position regarding the ownership of public utilities, as required by Article 295 of the EC Treaty. Particularly in the fields of water supply, drainage and energy supply, it seems inappropriate to privatise public utilities, but in addition to these, the situation and the need for reform should be assessed carefully in the case of basic transport infrastructure, postal services and telecommunications and indeed all reforms of public enterprises. The various options for reform must be weighed up, and it is essential to involve civil society, particularly users' or consumers' organisations and trade unions, in decision-making and in monitoring the measures taken. At all events, the stated overriding objective of the EU's development cooperation – combating poverty – must be taken into account.

The rapporteur also stresses how important it is not to lose sight of the fact that, on strategic grounds, developing countries also have an interest in efficient State-owned enterprises in the production sector to provide resources and management instruments for use in exercising the State's responsibility for attaining the priorities of national development, combating poverty, sustainability and preserving the environment, diversification of the economy and safeguarding foreign-policy interests.

The rapporteur would observe that one of the problems which frequently stands in the way of privatisation of State-owned enterprises in developing countries, especially in the least developed countries, is the absence of an economically potent middle class. Because of this situation, it may be the case that only foreign (and perhaps only multinational) companies possess the financial capacity to take over a State-owned enterprise, which may limit the scope for the developing country to impose and enforce appropriate conditions. It would be desirable for State-owned enterprises to be taken over by domestic capital instead. One possible way of coping with this dilemma is by introducing cooperative models into the debate on reforming and privatising State-owned enterprises. For example, it is possible to set up a company or cooperative comprising individuals, micro-enterprises, SMUs, cooperatives and local or regional authorities to take over a State-owned enterprise. Such a cooperative can take over part of a State-owned enterprise and, over the years, using its profits, expand its share in order in the medium term to achieve complete privatisation, without any need for the enterprise to fall under the control of a single shareholder. To be sure, this model is likewise not applicable to all cases in all countries, but the Commission ought also to consider this type of solution and to put it forward in the debate on possible reform and privatisation processes at international level.

The **Commission's communication on the approach to future support for the development of the business sector in third countries** also contains some good ideas. It is welcome that the Commission puts forward an overall strategy for the business sector rather than considering pre-agreed procedures which have been developed in the various regional cooperation programmes for supporting the business sector. However, the rapporteur has reservations about the Commission's stated intention of exerting greater influence than hitherto on the reform of State-owned enterprises, to the extent that the Commission proposes to do this in ways which go beyond dialogue, advice and support.

It may be observed in passing that the Commission defines the 'business sector' as 'private enterprises irrespective of their size and State-owned enterprises operating under market conditions'. The Commission's analysis accordingly devotes too little attention to other types of enterprise, such as cooperatives. Similarly, the informal sector is largely ignored, although in many developing countries it is very important and the dividing line between it and the formal private economy is fluid. In view of the various mixed and transitional forms of enterprise which exist it would therefore have been better to separate clearly the concepts 'business sector' and 'private enterprise'. Approaches which seem self-evident for traditional private businesses, particularly SMUs, cannot always be transferred to other types of business – and in many countries taking due account of the informal sector could be a particularly important way of combating poverty.

Despite this criticism of the communication from the Commission, the rapporteur agrees with the Commission that support for the business sector in third countries should concentrate on certain sectors and approaches: these particularly include improving the preconditions for political dialogue, good governance, institution-building and advice, as well as, in practical terms, promoting SMUs and cooperatives by means of consultancy in the fields of services, training, business modernisation, and promotion of micro-enterprises, particularly by facilitating access to public goods and loans.

The Commission should seek ways of enabling developing countries to stabilise and diversify their financial and banking industries so that small and micro loans can also be extended, which are often a precondition for the independence and development of small businesses.

In recent years, the economic systems of developing countries and their impact on efforts to combat poverty have not been sufficiently analysed at European level. The rapporteur calls on the Commission, therefore, to report regularly to Parliament on its support for the private sector in developing countries, particularly SMUs and micro-enterprises – including cooperatives and the informal sector – and on the reform of State-owned enterprises. Information about privatisation projects which are of relevance to the EU's development cooperation should already be provided at the planning stage to enable Parliament to communicate its position to the Commission.

19 January 2004

## OPINION OF THE COMMITTEE ON INDUSTRY, EXTERNAL TRADE, RESEARCH AND ENERGY

for the Committee on Development and Cooperation

on the Communication from the Commission on The Reform of State-Owned Enterprises in Developing Countries with focus on public utilities: The Need to Assess All the Options (COM(2003) 326 – 2003/2158(INI))

Draftsman: Seán Ó Neachtain

## PROCEDURE

The Committee on Industry, External Trade, Research and Energy appointed Seán Ó Neachtain draftsman at its meeting of 2 October 2003.

It considered the draft opinion at its meetings of 2 December 2003 and 19 January 2004.

At the last meeting it adopted the following suggestions by 26 votes with 3 abstentions.

The following were present for the vote: Luis Berenguer Fuster, chairman; Ward Beysen (for Marco Cappato), Guido Bodrato, Felipe Camisón Asensio (for Concepció Ferrer), Giles Bryan Chichester, Nicholas Clegg, Willy C.E.H. De Clercq, Marie-Hélène Descamps (for Elizabeth Montfort), Francesco Fiori (for Umberto Scapagnini), Norbert Glante, Michel Hansenne, Roger Helmer (for Sir Robert Atkins), Liam Hyland (for Seán Ó Neachtain pursuant to Rule 153(2)), Bashir Khanbhai, Peter Liese (for Paul Rübig), Caroline Lucas, Eryl Margaret McNally, Hans-Peter Martin (for Rolf Linkohr), Ana Miranda de Lage, Angelika Niebler, Reino Paasilinna, Elly Plooij-van Gorsel, Samuli Pohjamo (for Colette Flesch), John Purvis, Christian Foldberg Rovsing, Esko Olavi Seppänen, Claude Turmes, Alejo Vidal-Quadras Roca and Myrsini Zorba.

## SUGGESTIONS

The Committee on Industry, External Trade, Research and Energy calls on the Committee on Development and Cooperation, as the committee responsible, to incorporate the following suggestions in its motion for a resolution:

1. Acknowledges the positive role the private sector can play in developing the economy of third countries and in combating poverty; supports the idea of implementing Community assistance to the business sector in developing countries through intermediaries;

2. Notes with the Commission that 'for some years there has been heavy pressure on developing countries to reform SOEs', and shares the Commission's view that reforms of State-owned enterprises must take account of the capacity and resources of the countries involved, which must also be able to retain control of the tools essential to their development (energy, and the necessity for them to retain water, port and transport infrastructure, etc.);

3. Reminds the Commission of the view often expressed by Parliament that clear definitions of and good coordination between programmes is essential for a truly coherent policy framework;

4. Agrees with the Commission that reform of State-owned enterprises in developing countries should not be confined to privatisation measures but that the options should be individually assessed in each case; and asks the Commission to give due consideration to the importance in developing countries of affordable access to services of general interest, which should be protected in the event of privatisation, recognising that water supply, drainage, energy supply, education and health services are important in meeting basic needs;

5. Recommends the Commission to encourage reform strategies which substantially involve domestic investors and that it devote particular attention to decentralised solutions whose beneficiaries are indigenous small and medium-sized undertakings (SMUs) and micro-enterprises, which play an essential part in the economic development of developing countries; and to give special attention also to the possible role of European small- and medium-sized enterprises (SMEs) in all aspects of cooperation programmes; believes that European SMEs possess specialised knowledge and experience relevant to these programmes, but are often left out due to lack of knowledge about programme participation possibilities and lack of visibility to third country partners;

6. Is convinced therefore that – in accordance with the communication from the Commission – reform must respect certain conditions, such as a clear government statement of objectives and priorities, all options are considered; transparency; an appropriate legal framework; and appropriate social safeguards, including consultation with civil society;

7. Stresses that businesses in developing countries should be assisted particularly in the fields of good governance, institution-building and consultancy; promotion of SMEs and cooperatives by means of consultancy in the fields of services, skills and business modernisation; and promotion of micro-enterprises, particularly by facilitating access to public goods and credit;

8. Welcomes the position on investment negotiations adopted by the Commission in its recent Communication on Restarting the DDA Negotiations, and insists that the EU must be sensitive to the concerns of developing countries regarding investment treaties, whether in

multilateral, regional or bilateral negotiations;

9. Believes that the multilateral regulation of cross-border investment, characterised by a balance between the rights and obligations of investors and host countries, would be an important step towards a fairer globalisation and encourages the Commission to initiate a wide debate and consultation both on the content and the institutional form of such an agreement;

10. Expresses belief in the need for a special institutional form for handling the regulation of corporate responsibility and accountability on an international level; encourages the Commission to formulate a proposal for an International Convention on Corporate Accountability along the principles outlined in the OECD Guidelines on Multinational Enterprise, the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy.