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United Nations Industrial Development Organization

Expert Group Meeting on
the Role of the Public Sector in the Industrialization
of the Developing Countries

Vienna, 14-18 May 1979

REPORT

001204

**Retained for technical reasons.*

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INTRODUCTION

1. Public enterprises are now playing a significant role in the development and growth of the developing countries. They are engaged in a variety of economic activities, infrastructure, public utilities, social services and manufacturing. In recognition of this important role the Second General Conference of UNIDO, held at Lima, Peru, in March 1975, drew attention to the importance of ensuring an adequate role for the public sector in the industrial development of developing countries.^{1/} In General Assembly resolution 32/179, the Secretary-General was requested "to continue studying the role of the public sector in promoting the economic development of developing countries" (paragraph 3) and, in so doing, to take into account the "role of the public sector in implementing the long-term strategy of industrialization" (paragraph 5). In General Assembly resolution 33/144 the regional commissions and other bodies concerned within the United Nations system were invited

"To make a contribution on the basis of their experience in order to assist the Secretary-General in his study of the role of the public sector in promoting the economic and social development of developing countries" (paragraph 5).

2. Recalling its resolution 48(XII) of 26 May 1978, the Industrial Development Board, the policy-making body of UNIDO, at its Thirteenth Session requested the Executive Director

"To make greater efforts in UNIDO's research and other related activities and to attach due attention to the technical assistance in order to assist developing countries upon their request in matters related to ways and means of ensuring an adequate role of the public sector in promoting the economic and social development of developing countries" (ID/B/232, paragraph 129).

3. In pursuance of these directives, the International Centre for Industrial Studies of UNIDO, with the assistance of the International Center for Public Enterprises in Developing Countries, Ljubljana, Yugoslavia, organized, in Vienna, the Expert Group Meeting, on the Role of the Public Sector in the Industrialization of the Developing Countries.

^{1/} "Report of the Second General Conference of the United Nations Industrial Development Organization" (ID/CONF.3/31), chap. IV, "The Lima Declaration and Plan of Action on Industrial Development and Co-operation". Transmitted to the General Assembly by a note by the Secretary-General (A/10112).

CONCLUSIONS AND RECOMMENDATIONS

4. The Meeting was conscious of the fact that the wide coverage of their deliberations did not permit any in-depth examination of the issues. It attempted the limited task of identifying and locating the points of weakness and gaps in management.
5. UNIDO should circulate the report to developing countries.
6. The Meeting took note of the work done by UNIDO in the field of the public industrial sector^{1/} which included studies, operational activities and special programmes. Particular note was taken of programmes related to metallurgical, chemical and agro-industries, as well as management, training and feasibility studies, investment co-operation, institutional infrastructure, negotiations and consultations, technology and economic co-operation between developing countries. The Meeting also noted the study by UNIDO of the public industrial sector in the special issue of the Industrial Development Survey^{2/} prepared for UNIDO III and commended the work UNIDO had undertaken in respect to the Manual for the Preparation of Industrial Feasibility^{3/} Guide to Practical Project Appraisal; Social Benefit-Cost Analysis in Developing Countries.^{4/}
7. The operational activities of UNIDO would no doubt continue in line with the growing importance attached to the public industrial sector in a number of developing countries. In developing new operational programmes attention was drawn to improved management techniques; the use of management consultancy services; higher capacity utilization; exchange of experience of objectives, organization and management of public industrial enterprises; guidelines for improving the system of data collection for the monitoring and planning of the public sector; transfer and development of technology; feasibility studies and project appraisal.

^{1/} As outlined in "UNIDO's activities related in the public sector during 1978 and early 1979" (ID/WG.298/4).

^{2/} United Nations publication, Sales No. 79.II.B.3.

^{3/} United Nations publication, Sales No. 78.II.B.5.

^{4/} United Nations publication, Sales No. 79.II.B.3.

8. While the development of operational programmes largely depended upon individual governments requesting UNIDO assistance, the Meeting felt there was a need to undertake studies aimed at the strengthening of those operational activities.

9. A comprehensive programme of action in research should be undertaken by UNIDO to improve the above-mentioned operational activities by more insight into the role of public industrial enterprises, and their socio-economic responsibilities, organizational environment and managerial problems. Some of those studies might serve as guidance for developing countries in promoting their public industrial sector. Specific proposals are:

Strategic aspects

(a) Comparative country and sectoral studies to ascertain the rationale and role of public industrial enterprises, their design and framework, their quantitative and qualitative impact upon growth and development of industry in varying environments, and particularly, their economic justification. The components of this study might include: the comparative performance of public versus private enterprises; the use or misuse of monopoly positions; the stabilization that public industrial enterprises give to the growth and development strategies contained in national plans; and the motivation of public industrial enterprise management;

(b) A study of the dynamics of growth and development of public industrial enterprises in a selected group of developing countries with a wide range of socio-economic environments and historical backgrounds.

Special responsibilities of public industrial enterprises

(c) Case studies of strategies adopted by developing countries for encouraging the growth of small and medium-scale industries as well as the provision for basic needs, and the contribution of public industrial enterprises in this regard;

(d) An examination of the role of the public industrial sector in the transfer and development of technology, particularly in regard to the special responsibilities entrusted to the public as opposed to the private sector;

(e) An examination of the linkages between public industries, and the exploitation of domestic natural resources with special reference to its economic justification;

(f) An evaluation of the co-operation between public industrial enterprises of one developing country and their counterparts in developing or developed countries;

Organizational and institutional factors

(g) A study of different legal forms of corporate structure in public industrial enterprises and their effect upon managerial efficiency;

(h) An examination of different systems of control and supervision exercised by public authorities in relation to public industries, and their autonomy and accountability;

(i) A study of appropriate auditing systems in public industrial enterprises including the relative merits of propriety and performance audits.

(j) A study of the establishment of model accountancy and control systems as well as guidelines for the evolution of standards applicable to management performance in public industries;

Management problems

(k) A study of corporate planning techniques in public industrial enterprises, and their impact on the performance of these enterprises;

(l) A comparative analysis of inter-firm and inter-country performance and efficiency in respect of public industrial enterprises including comparisons of public and private enterprises in the same field of activity, keeping in mind related work already in progress by other institutions;

(m) Elaboration of a set of guidelines for evaluating the performance of public industrial enterprises, as a supplement to the UNIDO Guide to Practical Project Appraisal; Social Benefit-Cost Analysis in Developing Countries.

10. It is realized that the implementation of the programme of action will involve substantial resources in terms of budgetary allocations, time and professional skills. The Meeting recommended that, in the execution of this programme, UNIDO should collaborate with other institutions concerned with the healthy growth of public industrial enterprises, in particular the regional commissions of the United Nations, the International Development Research Center (IDRC) and regional institutions in Africa, Asia and Latin America, such as the Asian and Pacific Development Administration Center (APDAC), Centre Africain de Formation et des Recherches pour le Développement (CAFRAD) and the Latin American Center for Development Administration (CLAD).

11. UNIDO should implement the proposed programme of action in close collaboration with the International Center for Public Enterprises (ICPE) in Ljubljana, a joint institution of the developing countries. The Center had initiated a number of projects and programmes relevant to public industrial enterprises and covering some of the issues considered in the report.

I. ORGANIZATION OF THE MEETING

12. The Expert Group Meeting on the Role of the Public Sector in the Industrialization of the Developing Countries was held in Vienna from 14 to 18 May 1979.

The Meeting was attended by 19 participants and 1 observer from developing countries in Africa, Asia and Latin America, from developed countries both centrally-planned and market economies, and from international and regional institutions. The experts, who were associated with the public industrial sector either in government, management, finance, research or international organizations, attended the Meeting in their individual capacities

A list of documents was circulated at the Meeting (annex I)

13. The Director of the International Centre for Industrial Studies of UNIDO opened the Meeting.

14. The following officers were elected:

| | |
|---------------|--------------------|
| Chairman | Praxy J. Fernandes |
| Vice-Chairman | G.P. Mbowe |
| Rapporteur | S. Sinclair |

15. An agenda and work programme (annex II) was adopted. The objectives of the Meeting were:

1. To identify and analyse the socio-economic role played by public enterprises in development in general and industrial development in particular.
2. To identify the critical issues facing public industrial enterprises in developing countries.
3. To analyse the weaknesses in the public industrial enterprise system and to suggest remedies.
4. To make recommendations to the developing countries programmes for the more effective operation of public industrial enterprises.
5. To make recommendations for a programme of action for UNIDO, both operational and research.

II. SUMMARY OF DISCUSSION

Genesis and growth of public industrial enterprises

16. The Meeting noted that in recent decades there had been a massive increase in public enterprises throughout the developing world. It was necessary in this context for each developing country to enunciate a clear rationale for creating public enterprises and specific roles for public industrial enterprises. Although those enterprises were expected to be instruments of national policy, the Meeting felt that there was an urgent need for more precision in the definition of their objectives as it was not possible to achieve a high level of management efficiency without such precise definition.

17. It was recognized that the problem was often faced of reconciling commercial objectives with socio-economic ones. However, it was the view of the Meeting that the discharge of social responsibilities by public industrial enterprises could not and should not be made an excuse for inefficiency. Indeed, if those enterprises were run efficiently, their ability to discharge social responsibilities would be greatly improved.

18. The objectives should be defined at three levels: first, the national level related to national strategies and plans; secondly, the sectoral level to ensure co-ordination; thirdly, the enterprise level. Those objectives would differ from one developing country to another depending upon historical, political, and socio-economic factors, but could include the following:

- To adopt a fully socialistic model of development
- To control strategic sectors of economy
- To provide the requisite economic infrastructure
- To control and manage the "essential services"
- To control the "commanding heights of economy"
- To manage and control "natural" monopolies
- To undertake tasks beyond the capability of private enterprise
- To provide a competitive element to private industry
- To develop backward areas
- To stimulate the advancement of weaker sections of society
- To increase the availability of essential consumer goods
- To generate employment
- To develop technology
- To generate foreign exchange earnings

- To stimulate agricultural development
- To commercialize activities traditionally run as government departments
- To discourage the concentration of economic power
- To utilize more fully economic resources
- To control the exploitation of natural resources
- To help stabilize prices
- To take over the management of ailing private sector firms
- To develop self-reliance
- To improve income distribution
- To favour or accomplish structural change

19. The Meeting felt that when setting such objectives it would be useful to organize an interchange of views between political leaders and policy-makers on the one hand and technicians and professionals on the other.

20. It was noted that public industrial enterprises were entering into export markets as many developing countries were not always in a position to absorb domestically the full production of their enterprises. Some developing countries were even setting up industries specifically for export. Public enterprises must therefore be competitive in international markets and the standards required would provide an excellent yardstick for their performance.

21. It was considered that a study should be made of the role of public industrial enterprises in mixed economies that utilize a variety of instruments for development including the public sector, private sector, co-operatives and direct government activity. The specific position of public industrial enterprises in such mixed economies would clearly indicate for them a promotional, catalytic and developmental role.

22. An examination of the history of the last two decades in many developing countries indicated significant changes in the role of public industrial enterprises in industrialization and development strategy. Those changes were caused by historical events, by the reluctance of private enterprises to enter certain fields of economic activity and by social and political attitudes. The Meeting felt that in order to understand the role of public enterprises it would be useful if studies were made in selected countries of the growth of public enterprises. Such studies should then be made available for the guidance of developing countries.

23. The Meeting noted that because of the absence of the classical motivation of profits, there was an urgent need to find other motivations. A comparative study of the techniques being adopted by developing countries to motivate public enterprise management would be of great significance. In that context, the Meeting felt that there was currently an inadequate exchange of views and experiences between the developing countries on the objectives, organization and management of public enterprises. It would be extremely desirable to stimulate such an exchange of information and of experience.

Public sector in the field of industrial development

24. In the examination of the role of public enterprises in industrial development, it was noted that an effective study of the contributions that they were making to industrial growth and development would only be possible if there was a reliable and systematic data base associated with a management information system. It was unfortunate that at present statistical data were either not available at all or out of date, inaccurate and in some cases conflicting. The Meeting felt that developing countries and, in particular, their public industrial enterprises, should seek to improve their data collection and management information. That information would indicate the significance of the public sector's role in industrial development, and would also be a useful means of planning and control.

25. The Meeting cautioned that statistics must be used with care; their qualitative aspects were more important than their quantitative ones. Developing countries should be provided with guidelines, first, for improving their systems of data collection and secondly, for the interpretation of data.

26. The Meeting felt that there was a need to study how the growth of the public industrial sector affected development. The components to be studied might include: (a) the comparative performance of public versus private enterprises; (b) the use or misuse of monopoly positions; and (c) the stabilization that public industrial enterprises gave to the growth and development strategies contained in national plans.

27. It was considered logical and desirable for developing countries to set up public industrial enterprises in the priority sectors indicated in the Lima Declaration. Although many of those industries were capital intensive in

nature, basic industries, such as iron and steel, petrochemicals and fertilizers, had a general effect on the economy and would therefore be both direct and indirect generators of employment and growth.

28. A major issue was management development and building up a pool of professional, technical and managerial skills within the public enterprises that would contribute towards the overall strategies of development. The Meeting noted the need for country and sectoral studies to ascertain the growth and development of public enterprises in industrial development, and in particular to draw the attention of developing countries to the critical qualitative factors which had to be faced in setting up, managing and evaluating public enterprises.

Government policies, strategies of industrial growth, promotion of public enterprises in industry and interlinkages

29. The Meeting noted that in some developing countries there was inadequate co-ordination between public industrial enterprises and between those enterprises and other entities. That had created considerable dislocation and resulted in the lowering of national performance. It was agreed that the solution for that situation was well-conceived industrial development policies and strategies at national levels. These strategies should cover objectives, plans and priorities, overall policies, and assessment of domestic resources. What was more important, they should define the roles of public industrial enterprise, private enterprise, co-operatives and direct government activity.

30. The provision of an integrated industrial policy framework would help to resolve conflicts within the economy. It was considered that it would be necessary to examine how public enterprises related to other plans or organisms including:

(a) National plans. The strategies of individual enterprises would have to harmonize with the overall national aspirations;

(b) Other public industrial enterprises. Such enterprises were interdependent; the output of some constituted the input of others and thus efficiency levels in one enterprise would affect efficiency levels in others. There was clearly a need for co-operation and methods should be evolved for consultation and resolution of differences;

(c) Private industrial enterprises. That factor was of critical importance in mixed economies. In such cases, it was necessary to define the roles of public and private enterprises and whether they were expected to be competitive or complementary. The exchange of information and experience between public and private industrial enterprises would benefit both and should be encouraged;

(d) Small- and medium-scale industry. The Meeting felt that public industrial enterprises had a special role to play in fostering the growth of small- and medium-scale industry and assisting it with the technology, management and marketing of products. Moreover, they might be able to make a contribution to rural development and the satisfaction of basic needs strategies. Unfortunately, a recent development in many countries was that organized industry, both public and private, found itself in competition with small-scale industry. The Meeting felt that case studies should be undertaken of strategies adopted by developing countries for encouraging the growth of small- and medium-scale industry, and, in particular, the role of public industrial enterprises in this matter should be examined;

(e) Counterparts in other developing countries. The Meeting felt that there was an urgent need to encourage public industrial enterprises of the developing countries to exchange management experiences and technological choices, and in particular, to co-ordinate strategies including joint ventures and joint management efforts. Regional groupings were felt to be relevant in that connection. The possibilities of similar initiatives between developing and developed countries also merited consideration. The Meeting felt that an evaluation of such groupings should be undertaken.

31. The Meeting was of the view that the efficient and healthy growth of public industrial enterprises in developing countries would greatly depend upon the creation of a harmonious network that took into consideration the above-mentioned interlinkages. Whether co-ordination could be better established by highly centralized or more decentralized, participative would have to be decided locally.

32. A major issue was the development of technology and the import of foreign technologies. The Meeting noted the work that had already been done by UNIDO in that field particularly in strengthening national technological capability and the support that it was extending to the developing countries. It was felt that public industrial enterprises had a significant role to play in developing appropriate technologies that would harness local resources, both raw materials and labour. Such enterprises were a strong vehicle for negotiating the purchase and import of technology from foreign countries. Since public industrial enterprises were expected to take a long-term view of their operations, an essential aspect of their management philosophy was research and development leading to national self-reliance in technology.

Management problems and issues

33. It was recognized that there were considerable differences in developing countries in levels of development and managerial sophistication, political and socio-economic philosophies, and administrative and planning structures. Therefore, it would not be possible to prescribe any uniform management style or methodology for all public enterprises as those would have to be adapted to local conditions.

34. Nevertheless, it was recognized that public industrial enterprises, once established, should be managed and operated at the highest possible levels of efficiency. Although profitability might depend largely on pricing policy, which in turn might be guided by state policy, there were independent yardsticks to evaluate performance, including capacity utilization, adequate input-output ratios and production/consumption coefficients. It was recognized that enterprises would have to work out their own internal plans if operations were to be successfully executed. Those plans would have to be related to the national plans. The Meeting felt that the preparation of corporate plans for public industrial enterprises should be encouraged. The corporate plans should take a long-term view of the economy, provide an integrated view of all management functions - finance, personnel, production, materials and technology. This would encourage innovation and creativity in public industrial enterprises. It was, however, recognized that the independent preparation of corporate plans by enterprises could not be a substitute for integrated plans at the national level and - particularly in the case of countries that had adopted centralized planning - corporate plans would have to be dovetailed into the national planning strategy.

35. The Meeting discussed the work done by UNIDO in providing guidance to the developing countries for the preparation of feasibility studies and guidelines for project evaluation and investment decisions, arrived at through social benefit cost analysis. It was agreed that at both the national level and the decision-making policy level, there was an urgent need to encourage the development of professional skills and an understanding of investment criteria, both economic and social.

36. One of the weak areas of public industrial enterprise management was human resources. Technical manpower and managerial skills were inadequate. The development of managers and the building of a training infrastructure were felt to be vital. Incentives and motivations would have to be incorporated into the public industrial enterprise system for better performance. Management development covered the spectrum of appointment, training, mobility and motivation.

37. The Meeting noted with concern the tendency in some developing countries to make top-level management appointments in public industrial enterprises on a political basis. If such political appointments were made without considering managerial and professional skills, the result could only be the lowering of performance levels.

38. The Meeting drew attention to the need to ensure the highest standards of quality in the production of goods in public industrial enterprises. In the effort to achieve quantitative targets, there was clearly a danger of falling quality standards. That could be dealt with through either centralized controls or internal quality control systems within the enterprises; the Meeting considered the latter course more desirable.

39. Management information and accountancy systems should be developed for public industrial enterprises, along with the establishment of standards of performance. In that context, studies on the establishment of model accountancy systems and guidelines for the evolution of standards should be undertaken.

40. Many policy decisions concerning public industrial enterprises were taken at high levels of public administration including investment decisions, pricing policies and the establishment of goals. Clearly, therefore, the efficiency of public industrial enterprises was affected by that of public administration and the Meeting felt that there was a need to improve the professional quality of the bureaucracy directly charged with handling and controlling the affairs of public enterprises.

Management performance and evaluation

41. The Meeting recognized that there must be adequate systems for evaluating the efficiency and performance of the management of public industrial enterprises. All sections of society tended to judge the affairs of public industrial enterprises. However, each section tended to use a different set of criteria for making its evaluation. That had created considerable uncertainty in, and perhaps even demoralized, public industrial enterprise managers. It was thus necessary to create an evaluation system suited to the nature of the goals of, and responsibilities entrusted to, public industrial enterprises.

42. The Meeting considered the applicability of the classical yardstick of financial profitability to public industrial enterprise performance, but it was felt that it had drawbacks. The apparent profitability of public industrial enterprises could be influenced by accounting systems such as depreciation formulae, debt-equity measures and the use of tax components, and also by the level of input prices, over which user enterprises had no control. Finally, the profitability of public industrial enterprises was often determined by pricing policies and controls exercised by government. The Meeting noted that the price

system played an important part in managing the economy, notably in providing motivation, and in helping to determine the allocation of resources. Clearly, therefore, the exclusive use of the yardstick of financial performance could be misleading. Nevertheless, the Meeting was of the view that it would be desirable to use the financial criteria as a starting point. At any rate, the success of public industrial enterprises on a continuing basis would largely depend upon its ability to generate surpluses. Any short-sighted view of that matter might damage the growth of public industrial enterprises.

43. The Meeting felt that in the light of the multiple objectives given to public industrial enterprises, and their responsibilities, there was a clear case for working out an evaluation system that would assess their responses to social objectives. Such a process would not be possible unless those objectives were defined far more precisely than was the case at present. It was noted that the achievement of multiple objectives implied trade-offs, and consequently there was a necessity to assign priorities.

44. It was recognized that performance evaluation was linked to investment decision-making. At the time of investment, the goals set and the data used provided a framework for the project. It was noted with some concern that when the time for evaluation came, those data tended to be lost sight of and public industrial enterprises were judged by other considerations such as financial profitability. The UNIDO Guide to Practical Project Appraisal based on social benefit cost analysis provided a system of investment decision-making, taking into consideration the complex set of financial, economic and socio-political factors. The adoption of the UNIDO guidelines, which were sophisticated, would be feasible only in developing countries that had reached a certain level of development. The Meeting felt that a set of guidelines on performance evaluation based on the criteria assumed for investments would be useful.

45. The system of auditing in public industrial enterprises by public authorities was examined. It was noted that current systems were based on older governmental practices and tended towards propriety auditing rather than performance auditing. The auditors did not really assess the results but examined the manner in which public enterprise decisions were taken. There was a need for public auditors to move towards some more purposeful form of performance audit. The Meeting noted with satisfaction that in some countries systems of performance audit were already in operation.

46. Effective performance evaluation would have to be associated with a counterpart system of accounting and controls. A modern accounting and control system was intended not so much for post-mortem analysis but for continuous monitoring of management on a day-to-day basis. Accounting and control systems in that sense were essential tools of modern management. The Meeting considered that the current accounting and control practices should be examined and models recommended.

47. One means of evaluating public industrial enterprise performance was to make comparisons between public and private industrial enterprises working in the same field, particularly in mixed economies. Another form of comparative evaluation could be international comparisons of public industrial enterprises functioning in different developing countries in the same economic area. Those inter-firm and inter-country comparisons could be used in the preparation of case studies by regional and international institutions.

48. The key factor to performance evaluation was that the success or failure of public industrial enterprises was conditioned by the levels of efficiency within public administration. An evaluation of public industrial enterprises therefore could not be made in isolation. The evaluation would have to be of the efficiency of the total system in the national economy, including both public administration and public industrial enterprises. The Meeting recognized that external forces played a substantial role in the fortunes of public industrial enterprises and would have to be taken into account in the evaluation process.

49. There was a tendency in some countries to make sweeping evaluations of the public sector. Such evaluations could be extremely misleading since the nature of public industrial enterprises differed enormously from sector to sector. For instance, a nationalized coal industry could hardly be placed on the same footing as an engineering industry or an enterprise making consumer goods. It was also necessary to examine the particular situation in which the enterprises were operating; in particular, whether they were monopolistic or competitive and their interlinkages within the industrial sector and the economy.

50. The Meeting noted that a considerable amount of work had already been done on the subject, but even so, an adequate solution to the complex problem of evaluating public industrial enterprise performance had not been found. The complexities of the situation would not permit the evolution of any rigid formula of evaluation. Each developing country would have to work out its own pattern. What was of paramount importance, however, was that the effort had to be made.

Organizational and institutional arrangements

51. The Meeting recognized that the formulation of strategies and the declaration of objectives would have to be operationalized, and mechanisms, organizations and systems of management would have to be created for the running of public industrial enterprises. The current experience of developing countries indicated that several organizational forms and structures had been evolved including departmental undertakings, statutory corporations established under law and companies registered under company law. There were further organizational refinements such as the establishment of sectoral corporations and holding companies with subsidiaries.

52. The creation of those various forms and legal structures of public industrial enterprises involved patterns of creating boards of directors and nominating chairman. In some instances, ministers had been operating as chairmen and, in many cases, government officials representing ministries and non-officials were serving as part-time directors.

53. Whether there was a direct correlation between the external legal structure and the effectiveness of public industrial enterprises required study. Currently, there was not adequate evidence to indicate that that was so.

54. The Meeting was of the view that it was not sufficient merely to set up suitable organizational patterns for public industrial enterprises. What was far more important was mechanisms to ensure interrelationships between enterprises and public authorities including those for control, co-ordination, and the evaluation of performance.

55. In that context, the question of autonomy versus accountability was considered. It was agreed that there would be no rationale for establishing autonomous public industrial enterprises if they were not granted an adequate measure of managerial autonomy. Nevertheless, since they were state enterprises, there were certain parameters within which they would have to work. Among the important aspects of public authority would be (a) fixing the objectives of the enterprises; (b) involvement in capital investment decisions out of public funds; (c) appointment of top management; (d) the right to information; (e) the right to evaluate; and (f) the right of public authorities to issue directives in the public interest.

56. It was recognised that political changes and philosophies would affect the organisational patterns of public industrial enterprises, particularly in the countries in which political parties with very different political philosophies assumed power.

57. Finally, the Meeting was of the view that the management systems, organisations and mechanisms used should provide for motivation and commitment of the employees of public industrial enterprises. If the developing countries were serious about operating their public industrial enterprises with efficiency, there was a great need to establish an environment of trust.

Annex I

LIST OF DOCUMENTS

| | |
|--------------|--|
| ID/WG.298/1 | Provisional agenda and work programme |
| ID/WG.298/2 | The public sector and industrial development UNIDO secretariat |
| ID/WG.298/3 | The Austrian model of its nationalized industrial sector F. Ullmann |
| ID/WG.298/4 | UNIDO's activities related to the public sector during 1978 and early 1979 UNIDO secretariat |
| ID/WG.298/5 | The public enterprise as an economic policy instrument in Mexico René Villarreal and Rocío de Villarreal |
| ID/WG.298/6 | The role of the public sector in the industrialization of the developing countries; an issue paper Praxy J. Fernandes |
| ID/WG.298/7 | Public enterprises and industrial development. An analysis of the Pakistani experience Abid Husain |
| ID/WG.298/8 | The public sector and industrial development in Sri Lanka M.R. Prelis |
| ID/WG.298/9 | Role of the public sector in promoting the economic and industrial development of developing countries Pavle Sicherl |
| ID/WG.298/10 | Some issues in organization and management of public industrial enterprises in the African region; a summary E.H. Abdel-Rahman |
| ID/WG.298/11 | Control and management of public sector enterprises; some notes and recommendations György Varga |
| ID/WG.298/12 | List of participants |
| ID/WG.298/13 | List of documents |
| ID/WG.298/14 | Annotated provisional agenda |

Conference room papers

Number

- 1^{1/} -
- 2^{1/} Macro-economic aspects of public enterprise in Asia; a comparative study
Il Sakong, Korean Development Institute, Republic of Korea, sponsored by the International Development Research Centre (IDRC)
- 3^{1/} Control structures and management of public enterprises in Asia, IDRC
- 4^{1/} Extracts of "Organization, management and review of public enterprise research network in Asia"
A.T.R. Rahman
- 5^{1/} Extracts of "Decision making in the public sector: a case study of Swaraj Tractor"
V.V. Bhatt
- 6 Ways and means of strengthening the state sector in developing countries
O.D. Ulrikh
- 7 Some observations on the management and evaluation of public industrial enterprises in developing countries
N.S. Choudhary
- 8 -
- 9 Rationale and role of the public sector in industrial development with special reference to Bangladesh
Sulaiman Chaudhu
- 10 The role of the public sector in the industrialization of Development countries with special reference to United Republic of Tanzania
G.F. Mbowe
- 11 Some issues in organization and management of public industrial enterprises in the African region
E.H. Abdel-Rahman
- 12 The role of the public enterprises in the process of technology transfer and its adaptation
UNIDO secretariat

^{1/} Not available for distribution.

Annex II

AGENDA AND WORK PROGRAMME

Monday,
May 14

10.00-12.30

Opening Session

Introductory Statements

Election of Chairman, Vice-Chairman and Rapporteur

Adoption of Agenda and Work Programme

Working Session I

Genesis and Growth of Public Industrial Sector/
Public Industrial Enterprise:

Rationale and Role of the Public
Industrial Sector

Public Enterprises as Instrument of
National Policy

14.30-17.30

Working Session I (continued)

Working Session II

Public Sector/Public Enterprises in the Field
of Industrial Development:

Contribution to Industrial Growth (Manufacturing
Output, Investment, Employment, Exports)

Relative Status in Different Developing Countries

Relative Position in Different Industrial Sectors

Tuesday,
May 15

9.00 - 12.30

Working Session III

Government Policies and Strategies of Industrial
Growth and Promotion of Public Enterprises in
Industry

Interlinkages between Public Industrial Sector and

National Development Plans

Private Industrial Sector

Other Public Sector Activities

Development of Natural Resources

Small-scale Industry and Rural Development

Transfer and Adaptation of Technology

International Industrial Co-operation

14.30 - 17.30 Working Session IV

Management, Problems and Issues:

Corporate Planning
Investment Decisions
Financial and Investment Resources
Human Resources
Technology
Production and Productivity
Marketing and Product Development

Wednesday,
May 16

9.00 - 12.30 Working Session V

Management Performance and Evaluation:

Multidimensional Responsibilities in
Achieving National Goals
Socio-economic Performance Evaluation
Public Accountability

14.30 - 17.30 Working Session VI

Organization and Institutional Arrangements:

Legal and Managerial Forms of
Public Industrial Enterprises
Supervision and Control by Public
Authorities
Advisory Bodies
Framework of Law

Thursday,
May 17

8.30 - 10.30 Working Session VI (continued)

From 10.30 Visit to one of the public industries in
Austria arranged by the Österreichische
Industrieverwaltungs-Aktiengesellschaft (ÖIAG),
the Austrian public industrial holding
corporation

Friday,
May 18

Morning Distribution of Report

14.30 - 18.00 Concluding Session

Presentation of Report
Adoption of Conclusions and Recommendations
Concluding Statements



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