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**Workshop on “Policy and Regulatory Options for  
Promoting Industrial Restructuring in ECE Region”**

Geneva, Switzerland, 23 April 2003

**REPORT ON THE WORKSHOP**

The following document represents the outcome of the Workshop on “Policy and Regulatory Options for Promoting Industrial Restructuring in ECE Region” held in Palais des Nations, Geneva, Switzerland, on 23 April 2003.

**Introduction**

1. The Workshop brought together representatives of governments, private companies, labour unions and academia from 11 UNECE member countries. Representatives of the United Nations Industrial Development Organization, United Nations Conference on Trade and Development, European Commission and European Bank for Reconstruction and Development also attended.

2. Ms. Larissa Kapitsa, Director, Coordinating Unit for Operational Activities of UNECE, opened the Workshop. She emphasized the role of industrial restructuring as one of the priorities of the current stage of transition process and outlined major tasks facing transition economies in this area. In particular, the creation of the regulatory and institutional framework conducive to industrial restructuring represents a challenge for Governments in many countries of southeast Europe and former USSR. Wishing the Workshop success in its discussion, Ms. Kapitsa expressed conviction that the exchange of information on best practices in different countries of the region would be instrumental to their progress in industrial restructuring.

### Summary of discussion

3. The Workshop discussed political, institutional and regulatory issues of industrial restructuring as a means of enhancing national competitiveness. In particular, it addressed problems related to the institutional basis for industrial restructuring (mechanisms for protecting property rights, the role of privatization and corporate governance), government policy aimed at imposing hard budget constraints on enterprises and favouring competition, restructuring in the public sector and the role of SMEs. The participants shared their views on the regulatory framework for restructuring individual industries (e.g. steel and chemicals) and the role of Governments in raising the efficiency of restructuring in different transition countries.

4. The discussion at the Workshop demonstrated a variety of experiences of restructuring in individual east European and CIS countries. The participants agreed that the regulatory and institutional environment conducive to restructuring includes such components as the sustainable enforcement of property rights, including the rights of minority shareholders, simple rules of establishment for new companies and rational bankruptcy regulations, and measures facilitating the establishment and growth of spin-off companies formed in the course of industrial restructuring. At the same time, the participants emphasized that non-transparent ownership structures, abuse of bankruptcy regulations benefiting unfriendly takeovers, bureaucratic overregulation related to the right of establishment, lack of familiarity of government officials with the rules of the market economy as well as unjustified support for ailing enterprises at local and regional levels represented a serious handicap to restructuring.

5. Successful cases of restructuring in transition economies demonstrate a critical degree of cooperation between enterprise leadership and investors on the one hand, and government officials in charge of restructuring, on the other. In particular, good understanding by the latter of the necessary stages of enterprise reconstruction and actions required from the Government is essential. A close cooperation of enterprises with the responsible government officials in the design and implementation of restructuring plans is particularly productive at regional and local levels.

6. Case studies presented at the Workshop (e.g. the restructuring of the Czech steel industry), testified to the importance of adequate government support to enterprises in solving the social issues associated with restructuring. In particular, the use of adequate instruments aimed at supporting the dismissed workers and their families significantly facilitates the objectives of companies under restructuring. At the same time, a number of speakers highlighted the role of good corporate governance, as well as adequate training and extensive experience of managers as a precondition for successful restructuring.

7. The Workshop discussed the impact of bankruptcy laws and their implementation on industrial restructuring. Several speakers noted that in certain cases creditors could abuse the insolvency procedures in order to purchase the assets of healthy companies at low prices. At the same time, in some cases bankruptcy procedures concern companies, which only exist on paper and thus do not tangibly influence the overall efficiency in the industrial sector (Russian Federation). The Workshop agreed that to be effective as a means of orderly market exit, bankruptcy regulations should balance the interests of owners and creditors. As a parallel task, their implementation should exclude the loopholes permitting the artificial insolvency of financially healthy enterprises.

8. The Workshop overviewed the status of SME statistics in transition economies and noted that those often did not cover all the “shadow” activities of small companies thus belittling the scope of the SME sector. The participants examined national experiences of creating favourable conditions for SME development and agreed that overall these conditions were beneficial in economically more advanced countries. At the same time, in EU countries, for example, the Government policy of SME support, in particular the activities of Government-sponsored business incubators have had mixed results. In transition economies, the establishment of incubators has often been incorporated into the foreign assistance packages, and their creation has been advised to Government agencies by the donors. The meeting agreed that the SME policy dependent on an inflow of external resources couldn't produce sustainable results; for this, such policy should be demand-driven.
9. The participants of the Workshop recommended that UNECE secretariat should make the materials of the Workshop available to the ECE Governments and public at large.
10. The outcome of this Workshop will be reported to the UN/ECE Committee for Trade, Industry and Enterprise Development at its seventh session in May 2003.