

Privatization in South Asia

*Minimizing Negative Social Effects
through Restructuring*

Edited by
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New Delhi, India

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Preface

In the wake of increasing globalization and liberalization of world trade and investments, governments around the world have embarked on privatization of public enterprises to be better able to withstand competitive pressures and also to have more resources available for the social programmes. Privatization has opened up the possibility of economic democracy with the widest possible participation of the public in the economic activities. However, the privatization efforts have not been without social consequences, particularly when they were rushed without adequate measures for workers' protection. On the other hand, it has been claimed in many countries that a greater degree of transparency and openness would allow wider participation of the private sector thus allowing higher levels of economic return, employment and efficiency.

South Asian countries also have been engaged in privatization and restructuring of various public enterprises. Many of such privatizations have attracted criticisms of one form or another although potential future economic benefits may be understood. Although the mechanisms for voluntary or involuntary retrenchment have been in place whenever the workers have been affected, only in a few cases open discussions have taken place that have included the affected workers as well. Public discussions leading towards the greater understanding of the rationale for privatizations have been thus lacking.

The question at the present situation is not whether or not to privatize; it is rather how the privatization should take place providing adequate safeguard of the interests of all parties - workers, employers and the general public. Interests of the public and the workers would be safeguarded only when there is periodic examination of the methods of privatization and when there is a greater degree of discussion on the ways in which social consequences are to be dealt with. Public consensus as far as possible on the methods of privatization would ensure not only the success in privatization but also equitable distribution of the fruits of such success. Such equitable distribution can take place only when the restructuring of the public enterprises before or after privatizations takes into consideration the social effect and proceeds with the approach and mechanism that will ensure that adverse effects on the interests of the workers are handled through discussion and consensus.

Similarly, regulatory mechanism to be created in the interest of the public safety and for safeguarding against monopolies has to be examined in a larger economic perspective, in terms of overall growth of the private sector and particularly small enterprises generating new jobs. Any regulatory mechanism has to also address the issues of the treatment of the workers in privatized enterprises. Thus, restructuring and regulatory mechanism have to be the areas requiring informed discussion among the workers as well as employers when privatization is taking place.

Above issues are examined in this publication in relation to each of the five countries in South Asia - Bangladesh, India, Nepal, Pakistan and Sri Lanka. These chapters were prepared under the supervision of Mr. Gopal Joshi, Senior Specialist on Small Enterprise

and Management Development at ILO-SAAT, who edited this publication. An overview in the beginning of the publication for shedding some light as regards the general trend and consequences of privatization in the subregion was prepared by Mr. Joshi himself. The discussion generated on these chapters during a tripartite meeting of the workers, employers and governments in Kathmandu, Nepal in November 1999 is included in the last chapter, which were noted by Ms. Kavita Sherchan and Ms. Sandra Rothboeck. Acknowledgements are expressed for the assistance received in preparing this publication from Ms. Carin Hakensta and Ms. Pushpinder Seera.

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