

**FINAL REPORT**  
**ON**  
**THE ARABOSAI-EUROSAI FIRST SCIENTIFIC**  
**SYMPOSIUM**  
**ON**  
**“PRIVATISATION AND ITS IMPACTS ON THE**  
**MANAGEMENT OF PUBLIC SERVICES”**  
Abou Nawas Hotel - Tunis (TUNISIA),  
on 1 & 2 December 2006

Under the high patronage of H.E. Zine El Abidine Ben Ali, President of the Republic of Tunisia, and in the presence of delegations from 39 countries, ARABOSAI and EUROSAI held their first joint symposium on “Privatisation and Its Impacts on the Management of Public Services”, held in Tunis on 1 & 2 December 2006.

In her welcoming address, Mrs. Faiza El Kefi, First President of the Audit Court of Tunisia and Secretary-General of ARABOSAI expressed her immense gratitude to H.E. Zine El Abidine Ben Ali, President of the Republic of Tunisia, for having kindly accepted to place this Symposium under his high patronage, expressing the hope that the proceedings of this joint gathering will help achieve the objectives set for it, among which, in particular, strengthening the cooperation ties between the Supreme Audit Institutions (SAIs) and offering the opportunity to exchange experiences for purposes of upgrading the performance of SAIs and furthering their contribution in the economic development and social progress of their countries.

After the welcoming address, speeches were offered by Dr. Mustapha El Brari, President of the Jordanian SAI and President of the ARABOSAI Executive Council, Pr. Arpad Kovacs, Auditor General of Hungary and President of INTOSAI, Pr. Dr. Dieter Engels, President of the Federal Audit Court of Germany and President of the EUROSAI Governing Board, Mr. Philippe Seguin, First President of the Audit Court of France, in his capacity as host of the next ARABOSAI-EUROSAI scientific symposium due to be held in 2009. The speakers expressed their determination to boost joint work between the Arab and European organisations, an effort that is already bearing fruit as the holding of this first meeting offers yet another opportunity to exchange experience and expertise on subjects of common interest. Among these, it is worth mentioning the topic of

“privatisation” as induced by a growing role of the private sector and a steady withdrawal of the public sector from the management of services and economic projects. This, in turn, calls for certain prerequisites and requires adequate control which the SAIs have a key role in implementing based on highly-developed methodologies, advanced technologies and highly-skilled human resources.

In his official opening speech, Mr. Mohamed Rachid Kechich, Tunisian Minister of Finance, highlighted the concern of the Tunisian government to establish an adequate legal and regulatory framework likely to ensure successful privatisation processes, of which maximising the use of public funds in the service of a comprehensive development of the national economy, while guaranteeing transparency of the privatisation operations, ensuring that they achieve the objectives set for them and providing for adequate monitoring of such operations so as to ascertain their compliance with the commitments related thereto.

The speech of the Minister of Finance offered a comprehensive overview of the topics inherent in the Symposium, namely the relationship between the SAIs and the authorities in charge of setting out and implementing the economic and social policies. The Minister highlighted in particular the fact that audit is but one component of a whole system in which the political authorities, judicial institutions and administrative bodies play dedicated roles towards the achievement of an ultimate objective, that is, best use of the public funds for the welfare of the community, together with ensuring the highest standard of living for the individuals making up that community.

The Minister pointed out that this interaction between the various parties requires from the SAIs to develop their methodologies and refine the tools of their work so that they would not content themselves with checking compliance but focus more on evaluating performance and assessing the overall return of publicly-financed programmes and projects. He further emphasized that such a results-based audit allows the SAIs to monitor the extent of achievement of the objectives set for the operations of expenditure or resources acquisition, such as the revenue obtained from privatisation.

The Minister highlighted the transparency of the privatisation initiatives in Tunisia, as well as the legal guarantees made in this regard and the various social measures taken to accompany the

privatisation process. Among such provisions, the Minister emphasized full transparency in publicising the privatisation operations, competitive tenders and judgement of the bids.

This presentation was followed upon by 7 papers delivered in 3 sessions chaired respectively by the Presidents of the Omani, Norwegian and Dutch SAIs as follows:

1. Privatisation: Concept, Evaluation and Regulatory & Institutional Framework (Tunisia);
2. Purview of European SAIs in the Field of Audit of Privatisation & Challenges in the Discharge of Their Missions in this Regard (Switzerland);
3. Purview of Arab SAIs in the Field of Audit of Privatisation & Challenges in the Discharge of Their Missions in this Regard: Privatisation and Public-Private Partnership in Morocco (Morocco);
4. Best Practices in the Field of Audit of Privatisation in View of INTOSAI Guidelines (U.K.);
5. Arab Point of View on INTOSAI Guidelines as Related to Best Practices in the Field of Audit of Privatisation (Saudi Arabia);
6. Best Methodologies and Standards Used to Evaluate the Impacts of Privatisation (Egypt);
7. Best Methodologies and Standards Used to Evaluate the Impacts of Privatisation (Russian Federation).

The papers, and the discussions and comments following upon them, addressed in particular issues related to defining privatisation, its objectives, motivations, modes and prerequisites, together with control of its implementation, evaluating its impacts—above all, on public services—and the role of SAIs in this regard.

The proceedings of the Symposium were pursued on the second day under the form of 4 case studies organised within 4 joint working groups. The workshops allowed the presentation and discussion of 8 case studies proposed by the SAIs of Spain & Kuwait, Poland & Oman, Hungary & Saudi Arabia, and Jordan & Germany.

These workshops were chaired and moderated, respectively, by France, Norway, Iraq and Palestine. Reporting on their proceedings were, respectively, Egypt, Yemen, Belgium and Portugal.

The presentations and case studies examined led to the following conclusions:

- Certain SAIs conduct control both over privatisation processes and privatisation impacts, while other SAIs conduct control over either of the aspects only, that is, conducting either pre-audit of privatisation, or post-audit of privatisation, evaluation of privatisation impacts and control of the extent to which the privatisation objectives are achieved;
- Certain SAIs are not legally entitled to give opinion on the privatisation process as a whole, but their role is limited to ascertaining compliance with the privatisation implementation criteria, which denies the SAI's observations or recommendations any mandatory or moral authority;
- The privatisation processes have been so sweeping and speedy in certain countries, counting hundreds, if not thousands, within a short time-period, which has made it impossible to adequately and efficiently control them, nor has it allowed the SAI to undertake this mission by itself without resorting to other reliable audit agencies;
- Privatisation operations have led to positive results in certain cases with regard to the profitability of projects, service quality and prices, while its social or environmental results or impacts were short of the results expected. Such results differ not only from one country to another, but also within the same country, according to the sector involved in the privatisation;
- The purview of the SAIs with regard to the audit of privatisation extends to control of compliance, to evaluating performance and to examining the overall profitability of publicly-financed programmes and projects;
- The absence of the audit of privatisation has sometimes led to wastage of public property and obtaining revenue that is hardly commensurate with the fair value of the real assets and projects transferred to the private sector;
- Based on the intervention of the SAIs in delivery of their missions, the revenue of privatisation increased and its processes became more efficient;

- The observations made by SAIs have led to setting up a legal and regulatory framework requiring fair competition and transparency in countries where such requirements are missing;
- The recommendations made by SAIs have resulted in improving value estimates at the sale of privatised property;
- The detection by SAIs of failure to meet contractual obligations by the purchasers of privatised property has led the parties concerned to make up for the situation and enter into amended contracts.

Following feedback on the proceedings of these workshops and discussion of this feedback in the plenary session chaired by the President of the Algerian SAI,

**The participants in the Symposium affirm that:**

- The mission of SAIs is an integral part of a comprehensive system in which the various parties—namely the political authorities, judicial institutions, administrative bodies and State audit structures—play dedicated roles towards achieving an ultimate objective consisting in best use of public monies for the welfare of the community as a whole while ensuring best living conditions for the individual citizen;
- The discharge by the SAIs of their missions is the effecting of good governance, the enshrining of democratic practice and the consecration of the rule of law;
- The rule of law requires that there must be, between authority and subject, constitutional or legal agencies independent and competent enough to express objective opinion on the management of the public service for purposes of providing guidance, enlightenment, correction and reform.

**In view of the above, the participants in the Symposium declare that:**

- The purview of SAIs encompass all aspects of public spending and revenue, except that which is stipulated otherwise by an express legal text;
- Privatisation operations involve the sale of public property and the receipt of revenue, thus being financial and accountancy

operations subjected to mandatory audit by the SAIs without any further legal mandate thereto;

- Privatisation cannot be confined to a mere set of financial and accountancy operations, for its scope extends beyond this restricted definition. It is, indeed, an economic policy aimed at rationalising the use of economic resources based on transferring projects from the public sector to the private sector via sale, operating or lease, as well as adapting the economic environment to free competition such as to boost productivity and enhance quality while meeting the basic requirements and established principles governing the public services, of which equitability, sustainability, adequacy, impartiality and transparency;
- Privatisation has various motivations according to the specificities of each country, of which economic openness and involvement in globalisation, as well as withdrawal of the State from high-cost and low-return enterprises, projects or activities;
- Privatisation operations must belong within a balanced programme with a set of clearly defined objectives that can be evaluated both quantitatively and qualitatively.

**Accordingly, the participants in the Symposium recommend the following:**

- ❖ The SAIs to play their role in full with regard to checking successful implementation of privatisation policies and processes, they being the agencies entrusted with the safeguard of public monies and their rational spending;
- ❖ Providing the SAIs with a legal and institutional framework such as to enable them to conduct comprehensive control over the various stages of implementation of the privatisation programmes, plans and operations;
- ❖ The SAIs to adopt reliable scientific parameters, professional standards and agreed indicators to express objective and impartial opinion on privatisation operations and the impacts resulting therefrom;
- ❖ The SAIs to preserve their independence by avoiding to participate in privatisation decisions;
- ❖ The SAIs to respect the prerogatives of the authorities entitled to take privatisation decisions and to limit themselves to expressing opinion on the results of the policies not on the policies themselves;

- ❖ The SAIs to seek to benefit from the experience gathered by each individual SAI in the field of monitoring the privatisation operations;
- ❖ Strengthening the INTOSAI working group on the audit of privatisation and pursuing its activities to adjust the general guidelines in this regard, in view of the need to address the complex aspects of privatisation, the diversity of its processes and its changing motivations;
- ❖ Organising training sessions for SAIs staff called upon to conduct audit missions related to privatisation operations and processes;
- ❖ Intensifying contacts between INTOSAI analogous organisations to agree on standards and unify methodologies, as much as possible, without neglecting the margin of specificity which is the hallmark of each individual SAI.

In conclusion, the participants expressed their most sincere appreciation for the Audit Court of Tunisia and for Mrs. Faiza El Kefi, First President of this Court, for the warm welcome and hospitality extended to them, as well as to all Tunisian authorities which spared no effort to ensure the conditions of success for the proceedings of the Symposium.

The participants also expressed their gratitude to H.E. President Zine El Abidine Ben Ali for having kindly accepted to place this Symposium under his high patronage as the mark of his great esteem for the international audit community on public funds and an eloquent testimony to the importance he grants to the subject of this Symposium. The participants sent His Excellency a telegram in this regard.