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Multi-year Expert Meeting on Services, Development and Trade: the Regulatory and Institutional Dimension
Fourth session
Geneva, 23–24 February 2012

Report of the Multi-year Expert Meeting on Services, Development and Trade: the Regulatory and Institutional Dimension, on its fourth session

Held at the Palais des Nations, Geneva, on 23 and 24 February 2012

I. Chair's summary

A. Opening statements

1. In his opening remarks, the Secretary-General of UNCTAD noted that UNCTAD had continuously emphasized the importance of the services sector, especially infrastructure services, and its untapped potential for generating growth, employment and developmental benefits. Its growth-enhancing potential needed to be nurtured, all the more so as the global economic recovery was increasingly showing signs of fragility, and global infrastructure services exports, including maritime transport, were yet to recover to their pre-crisis levels. He stressed that in order to reap the net benefits of the services economy, an effective policy, regulatory and institutional framework must first be in place, and that countries' engagement in international trade must be well designed, paced and sequenced. Since there was no "one-size-fits-all" approach to regulations, regulatory and institutional frameworks (RIFs) needed to be adapted to the conditions prevailing in a market and to the characteristics of particular infrastructural services. The Secretary-General concluded by saying that further research, impact assessments, and services policy reviews could make an important contribution to helping countries identify and implement such best-fit policies and regulations, and to that end, UNCTAD would continue its work to help countries draw developmental benefits from infrastructure services.

2. The Director of the Division on International Trade in Goods and Services, and Commodities (DITC) made introductory remarks highlighting the pioneering role UNCTAD had played in defining the concept of trade in services since the 1980s and the formulation of the services agenda in the international trading system. He announced to the meeting the launching of two major new UNCTAD publications, namely *Services, Trade and Development* (UNCTAD/DITC/TNCD/2010/5), prepared as part of a project financed by the International Development Research Centre, Canada, and *Services, Development and Trade: The Regulatory and Institutional Dimension* (UNCTAD/DITC/TNCD/2010/4). Referring to the upcoming thirteenth quadrennial conference of UNCTAD taking place on 21–26 April 2012 in Doha, Qatar, he encouraged the participants at the multi-year expert meeting to take an active part in the Global Services Forum, a pre-Conference event taking place in Doha on 19 April 2012.

3. Presenting the secretariat's background note (TD/B/C.I/MEM.3/11), the Head of DITC's Trade Negotiations and Commercial Diplomacy Branch highlighted a number of key lessons and issues. These related to economic and regulatory trends in infrastructure services sectors (ISS); the effective and efficient regulation of ISS, including financial services; and the interface between regulation of ISS and the international trading system. She stressed that the previous three sessions of the multi-year expert meeting had examined a number of country experiences, best practices and success stories. These had included the importance of independent, transparent and credible regulators; the benefits of multi-stakeholder processes in the regulation of ISS; and the need for privatization and liberalization reforms to be preceded by the establishment of efficient and effective RIFs. In addition, the previous sessions had identified the need for RIFs to be anchored in countries' comprehensive strategies for growth, development and trade, and for them to be closely coordinated with accompanying policies.

4. Participants commended UNCTAD's background note for its high quality and comprehensive analysis, and stated that the meeting provided a useful platform for bringing together experts, regulators and policymakers and allowing them to exchange experiences and lessons learned. They highlighted the usefulness of the discussions in providing broad

guidance to identify best-fit national regulatory and institutional frameworks for ISS. Participants called upon UNCTAD to continue this multi-year expert meeting, as the work of the meeting facilitated information exchange and robust analysis for the development of best-fit policies and regulatory and institutional frameworks.

B. Contribution of infrastructure services sectors to inclusive development and poverty reduction

5. Participants recognized the importance of ISS as an agent of economic growth and inclusive development. The economic size of the sector in gross domestic output, employment and trade was increasing, and research and experience had found a positive association between infrastructure quality on the one hand, and economy-wide competitiveness or income levels on the other. ISS were important in their own right, and also as an essential input to all economic activities. Given that ISS were capital-intensive, investment in the sector could foster growth within and outside the sector, as many goods and services used infrastructure-related services as essential inputs. Diversification into services sectors, including ISS, therefore constituted important new-generation growth strategies for developing countries.

6. It was observed that the sector fulfilled an important social function and that the regulatory and institutional reforms affecting the sector could have an important bearing on poverty reduction and income distribution within an economy. The UNCTAD study entitled *Services, Trade and Development*, which was presented at the meeting, found that the poverty reduction effect of services trade and regulatory reforms in infrastructure services depended on the initial conditions and specificities prevailing in a country and in a services sector. Since the poorer households tended to spend more on “social services” (education, health) and less on telecommunications and transport, compared to the richer households, regulatory reforms that would lower the price of social services were likely to benefit the poorer households. The opposite was true for telecommunications and transport, where the richer households were expected to gain. Various case studies presented also corroborated a poverty reduction effect from infrastructure services reforms. A case in point was the water renationalization in Uruguay, which had led to improved, safe drinking water; this highlighted the continued relevance of State provision of certain services. The view was expressed that setting prices at fair and competitive levels was one of the core functions of the regulators, to allow investors to recover costs and to allow all consumers – including the poor – to have access to essential services.

C. Regulatory trends and challenges in infrastructure services sectors

7. A substantial part of the debate was devoted to exchanging national experiences and lessons learned in the area of regulation of infrastructure services sectors. The cases presented revealed that no “one-size-fits-all” model for RIFs existed that could apply to all countries and sectors in all situations. A key lesson that emerged was that trial and error was common, as regulatory reform needed to be seen as an incremental process in the search for best-fit national regulatory and institutional frameworks. Another lesson learned was that sectoral regulations must be anchored in integrated and comprehensive trade and development strategies, and must be made coherent with a range of policies so as to maximize their pro-developmental effect, especially that of building productive capacity. Various regulatory parameters – ownership, pricing, market entry, technical standards, competition policy and universal access – thus needed to be tailored to specific sectoral characteristics and local conditions.

8. In India, in pursuing multiple public policy goals including sustainable development, market development and inclusive growth, the energy regulators had had a series of challenges to face: a lack of access to electricity, an overdependence on fossil fuels, and energy inefficiencies. The electricity sector had undergone substantial regulatory reform, focusing on open access to transmission and distribution segments, delicensing of power generation including freeing rural generation and distribution from licensing, permitting trading in electricity, more liberal provisions for captive power generation, unbundling transmission and distribution, and setting up regulatory commissions to develop electricity markets. Universal service obligations had been imposed on licensees to establish connections and supply power within a stipulated time, and a consumer grievance redress system had been introduced. While competitive bidding for power projects had been implemented to meet growing demand, the financial viability of distribution companies that had been experiencing financial losses, largely due to the non-revision of tariffs and operational inefficiencies, remained a major concern for the regulators. As a way forward, there was a need to diversify energy resources, and to promote renewable energy, demand–supply mechanisms and energy efficiency.

9. In the European Union (EU), a regulation on trans-European energy infrastructure had been proposed as a regime to identify common interests for energy projects for gas and electricity. The regulation was intended to support the implementation of the EU's strategic energy corridors. The selection criteria for these projects included demonstrating (a) economic, social and environmental viability; and (b) increased market integration, competition, interoperability, security, and system flexibility. The underlying objectives were to ensure reliable and affordable supplies of energy to consumers through the efficient and free circulation of energy in Europe, and to save energy and integrate renewable energy. The total investment needs in the electricity and gas sectors between 2010 and 2020 had been estimated at over €1 trillion. In addition to public funds, the EU had resorted to innovative instruments to attract private investors, such as project bonds. The EU's Third Energy Package was regulating investment incentives for access to transmission and distribution networks for energy, either through revenue-cap or price-cap methods. It was suggested that only efficiently incurred costs be allowed for cost recovery from network tariffs.

10. Water and sewage services were central to social development. In Peru, regulators had faced several challenges, including unequal access across regions; lack of investment in water, including private investment; and existing subsidies biased against those who could not pay for this service. The experience of Peru suggested the importance of (a) coordination between agencies dealing with planning and implementation; and (b) targeting subsidies effectively. The imperative of ensuring quality services at fair prices had called for prioritizing regulation that was focused on addressing the lack of access in regions where service coverage and payment capacity were low. In that light, competition regulation had an important role to play to ensure that consumers were protected from abuse by service providers. Other matters highlighted were an innovative mechanism to set tariffs, and the usefulness of public–private partnerships (PPPs) in managing potential environment-related conflict.

11. Road transport remained of particular importance, especially for landlocked countries. In Botswana, a long-term policy framework, entitled Vision 2016, had been adopted, in order to continue improving the road transport sector. The regulatory body – the Ministry of Transport and Communications – had issued licences for public transit drivers and permits for transporting goods. Barriers to trade from neighbouring countries, such as regional cabotage and third-country rules, were among the major impediments to the development of the road transport sector. Eliminating non-physical barriers to trade, prioritizing the development of manufacturing and value-added industries that attract demand for freight services, and encouraging e-commerce to promote the optimization of

logistics and to reduce overall transport costs, were considered particularly important for the development of the road transport sector. Going forward, Botswana had developed its National Integrated Policy, which would guide further developments in the transport sector and facilitate the growth of domestic industry by means of a well-developed transportation infrastructure.

12. Experts stressed that in order to be best-fit to local and market conditions, national regulations needed to be continuously adjusted to the rapidly evolving external environment. Hence, adapting regulations to evolving market structures, technological advances, new business models and policy priorities were major issues for regulators. Among the particularly significant policy challenges in that regard was the formulation of new regulations to address (a) climate-change mitigation and abatement and the promotion of sustainable development; and (b) rapid technological developments that were daily creating new business models, for example in telecommunication services.

13. Telecommunication services had shown a remarkable evolution, with the exponential expansion of broadband networks and mobile devices. The International Telecommunication Union stated that the wave of past regulatory reforms, characterized by increased private participation and the establishment of independent regulators, had led to an expansion of fixed and mobile telephony and of the Internet, creating new business models that prioritized data over voice communication. Consequently, the sector had become increasingly relevant to multiple public policy fields. This represented an important challenge for regulators. Developing broadband services and infrastructure had become a major priority for many countries; regulation had to be made more flexible in order to cater for rapid changes in the way business was carried out, and more comprehensive in order to encompass diverse spheres of public policy objectives – infrastructure development, cybersecurity, promotion of innovation, and technological convergence. ICT services were increasingly relevant to finance, education and health, thereby rendering coherent regulatory regimes all the more important. Creating national regulatory frameworks that were forward-looking and technology-neutral, and enabled both infrastructure-based and services-based competition, was essential for spreading the benefits of the information society.

14. Changes in consumer preferences due to evolution of the market had also affected traditional postal services – the largest distribution network, employing 5 million worldwide. The Postal Union of the Americas, Spain and Portugal stressed that regulators had sought to adapt to changing consumer preferences through the use of new technologies and e-services such as e-post, e-finance, e-commerce and e-government. Regulations needed to accommodate such new services, foster competition, and establish and maintain solid governance.

15. Promotion of sustainable development represented a major regulatory challenge. In the energy sector in India, for instance, the sustainable development objective was being promoted through the use of renewable energy, including through performance standards for licensees, preferential (“feed-in”) tariffs and compulsory purchasing of renewable energy, and a framework for grid connectivity. With regard to maritime transport, measures controlling greenhouse gas emissions had moved to the forefront of regulatory concerns in recent years. In the area of climate change, regulatory measures had aimed at reducing greenhouse gas emissions, while shipping was the most energy-efficient way of transporting goods.

D. Regulatory and institutional dimensions

16. The establishment of independent regulators had been an essential step in regulatory reform processes. However, participants recognized that independence must be real and

effective, with adequate financial and human resources allocated, and be backed by strong transparency and credibility. The potential for conflict that could result from overlapping jurisdiction between sectoral regulators and competition authorities had been addressed in varying ways. National experiences revealed differing institutional trajectories and arrangements governing different infrastructure services sectors.

17. Experts observed that the concept of the “independent regulator” worked better in the telecommunications sector than in the electricity sector. In India’s telecommunications sector, for instance, connectivity and penetration rates had improved with private participation and technological developments. In the electricity sector, regulation had been strongly focused on cross-subsidization, with industrial users cross-subsidizing agricultural users. This model had then become unsustainable, resulting in an independent tariff-setting body being set up and a complete reform conducted. The Latin American experience also reaffirmed the importance of independence, transparency and accountability embodied in independent regulators, in order to eliminate political influence and arbitrary regulatory capture. The distinction between closed and competitive markets was important in order to determine the balance between regulation and the promotion of competition.

18. As the quality of regulations, rather than ownership structures, was increasingly seen as central to determining the sectoral performance, participants deliberated on various approaches that had been adopted to improve the quality of regulations. It was noted that in some countries, this had been done by establishing a “regulator of the regulators”, for example in Australia. Peru had taken a unique approach to comprehensive regulation encompassing diverse policy areas such as intellectual property, competition, consumer protection and sectoral regulation, by setting up the National Institute for the Defence of Competition and Protection of Intellectual Property (INDECOPI). This approach aimed to ensure quality services for customers, and was based on a strong role for the State in protecting consumers, through the coordinated action of the regulatory agencies responsible for regulation, implementation and enforcement.

19. The European Union had launched the “Smart Regulation” initiative, in order to ensure quality regulations that achieved legislative goals, imposed no unnecessary costs, and respected the principles of subsidiarity and proportionality, throughout the whole policy cycle. A key element in that initiative was an impact assessment on proposed regulations. The assessment was geared towards identifying problems, including via stakeholder consultations, examining evidence and lessons from past policies, defining objectives, and developing, assessing and comparing policy options. To ensure that the legislation was fit for its purpose, the EU also conducted “fitness checks” to assess the effectiveness of implementation. Another goal of Smart Regulation was to reduce administrative burdens, by reducing red tape and costs to businesses, particularly small and medium-sized enterprises (SMEs).

E. Regulatory reform in financial services

20. The meeting also deliberated on the financial services regulatory reform efforts being pursued at national and international levels. These reforms were aimed at extending the scope of supervision to include macroprudential as well as microprudential objectives, and internalizing negative externalities created by individual financial institutions. Experts underscored the importance of ensuring that these reforms restored the core function of the financial sector, namely supporting productive activities in the real economy, as well as the importance of preventing future financial crises.

21. A substantial amount of discussion under this theme was devoted to Basel III, which dealt with bank capital requirements. Basel III was being developed by the Basel Committee on Banking Supervision as a major instrument for overcoming market failures

in financial services. The objectives of Basel III were to strengthen banks' resilience to losses in times of downturn by enhancing the quality and quantity of their capital. However, several experts pointed out that the Basel III rules were based on the Basel II rules, and had inherited some of the latter's structural weaknesses. For instance, the statistical models used to compute capital requirements for credit, market and operational risks were often so complex that they remained a challenge for many regulators, particularly in developing countries. Thus, there was a need to move away from such complex methods in order to limit the risk of regulatory capture. Furthermore, regulators might not have the capacity to follow all the changes in the market in order to be able to adequately undertake the supervisory review under Pillar 2. Finally, Pillar 3, on credit risk reporting requirements, was largely based on the use of credit rating agencies and fair accounting standards. It was emphasized that credit rating agencies should not be given a role in prudential regulation.

22. It was noted that various details were yet to be finalized in Basel III, some of which continued to pose complex regulatory challenges. For instance, identifying and addressing moral hazard created by "systemically important financial institutions" ("too big to fail") remained to be worked out. Countercyclical capital charges, aimed to reduce the procyclical bias of existing regulations, might prove to be too difficult to implement in practice, given the difficulty in defining economic cycles. Experts stressed, however, that the biggest challenge was to strengthen macroprudential regulation and supervision, as the Basel III rules were still microprudential in nature, focusing on the solvency of individual banks and on depositor protection, rather than on the resilience of the financial system. One expert opined that in order to enhance Basel III's macroprudential rules, there was a need to control credit booms, for example by monitoring credit-to-GDP ratios. At the national level, the proposed Volcker Rule, prohibiting proprietary trading by deposit-taking banks, had raised the issue of the discriminatory treatment of certain asset classes. For developing countries, it was necessary to balance development needs with financial regulations on risk management.

23. Experts were of the view that the implementation of financial and macroprudential oversight required significant regulatory and institutional capacities at the national level, whereas many developing countries were still implementing Basel I. Furthermore, it was acknowledged that, besides the potential increases in the costs of credit and the reduced availability of credit owing to stronger regulations, the implications of Basel III for SMEs and trade financing were of particular concern. This was because the Basel III rules discouraged the holding of short-term assets owing to the higher risk weight assigned to such risk exposures, and focused on counterparty risk, rather than product or performance risk – rules that adversely affected trade-financing instruments and lending to SMEs. Differentiating low-risk, low-margin activities such as trade finance from higher-risk, higher-margin activities was thus considered important.

24. One expert gave an account of the experience of Turkey in dealing with the financial crisis of 2000–2001, which had allowed the country to weather the recent global crisis well. Turkey had initiated its extensive banking-sector restructuring programme in 2001, which had consisted of a restructuring of public banks, the transferral of troubled private banks to the Savings Deposit Insurance Fund, improving the asset quality of private banks, initiating new supervision standards, and increasing the efficiency of the banking system overall. The Turkish example indicated the importance, in dealing with a crisis situation, of inter-institutional coordination among the various regulatory agencies (the central bank, treasury, savings deposit insurance fund, and banking regulators) for successful structural reforms, and the importance of instituting an early warning system and improved transparency.

25. The need to set equity as an explicit regulatory objective and to enhance financial inclusion was emphasized. It was noted that the recent regulatory reforms might increase households' costs of borrowing and reduce the availability of credit, so it was important to

set some regulatory prescription to promote credits to households in need, including through universal service policies. In India, the number of branches that a bank was licensed to open was linked to the number of branches that it had opened in rural areas. Furthermore, public policies sought to target credits towards directly productive activities such as SMEs, the agricultural sector, small and cheap housing projects, and infrastructure investments. India's public policies were thus aimed at promoting a sharing of the risk in these credits between the public and the private sector, by providing safety nets and some form of insurance or credit guarantee. Some participants noted, however, the difficulties for private banks in extending credit to clients whom they considered to be unprofitable, as private banks were profit-seekers.

26. Several participants noted the need to adopt a cautious approach to opening the financial services markets, in view of the effect of the crisis, the distortion created by the financial sector bailout measures that in some cases had led to the nationalization of banks, and the particular difficulty in the area of financial services in rolling back the opening up of markets. The point was made that the obligation to allow for the provision of "new financial services" by any foreign suppliers established in the territory might run counter to the increased regulatory attention given to financial product safety. The important role of host-country regulations was also noted. For instance, some countries had stressed the need for foreign service providers to establish themselves through subsidiaries, and not through direct branching. In addition, there was discussion about whether certain measures could be justified as part of the prudential carve-out under the Understanding on Commitments in Financial Services (General Agreement on Trade in Services (GATS)). Some speakers considered that GATS already provided enough flexibilities to allow governments to take adequate measures for prudential reasons. Other speakers stressed the uncertainty surrounding the scope of prudential carve-outs, and noted that some measures, such as capital controls, might not be justified, thereby limiting the right to regulate.

F. Infrastructure services sectors and the international trading system

27. A number of participants were of the view that liberalization of services generally led to efficiency and competitiveness, given the sectors' forward and backward linkages in the economy. However, it was acknowledged that sound and strong regulatory frameworks were a prerequisite, as were robust institutional frameworks. Moreover, since trade liberalization under regional and multilateral trade agreements increasingly covered infrastructure services, and trade liberalization in services essentially addressed "regulatory" measures, liberalization processes could influence the design of domestic regulatory and institutional frameworks, hence the ability of government to regulate. The key challenge was to ensure adequate content, pace and sequencing of liberalization-cum-regulatory processes.

28. Some speakers noted the beneficial effect of trade liberalization when conducted under the right conditions. Sound regulatory and institutional frameworks were among the key factors enabling a net positive effect from liberalization of trade in services. For instance, sectoral performance in the telecommunications sector in Mexico had improved significantly after liberalization under the North American Free Trade Agreement, enabling improved efficiency and access to modern services. In Uganda, liberalization of the information and communications technology (ICT) services sector and privatization had led to increased inflows of foreign direct investment (FDI) as well as improved telephone penetration and network coverage. However, it was acknowledged that the absence of regulatory frameworks had inhibited the development of internationally competitive ICT services, such as IT-enabled outsourcing and back-office services. Furthermore, liberalization had proved to be more amenable in some sectors than in others. Thus, it was important to design liberalization taking into account sectoral differences. Concern was

expressed that liberalization could aggravate balance-of-payments positions for developing countries.

29. It was considered important to move forward the stalled Doha Round negotiations in respect of services. The point was made that, being a built-in agenda enshrined in the World Trade Organization (WTO) Agreements, services negotiations continued to have their own negotiating mandate, irrespective of other areas of the Doha Round. Furthermore, the view was expressed that since substantial progress had been possible in the signalling conference in July 2008, progress on market access negotiations in services may still be possible. As far as rule-making on domestic regulation was concerned, experts noted that horizontal approaches covering all sectors tended to result in lowest-common-denominator outcomes and limited effectiveness. With regard to the way forward, a question was asked about the merit of possible new approaches to negotiations, such as "plurilateral approaches". It was stated in answer that there was still conceptual ambiguity in this regard, as the concept could mean either (a) plurilateral negotiation processes leading to a most favoured nation (MFN)-based multilateral outcome, which had been the case with the Uruguay Round, with sectoral negotiations on basic telecommunication and financial services, and with the ongoing Doha Round negotiations; or (b) plurilateral outcomes that could take the form of either regional trade agreements (RTAs) covered by GATS Article V, or a plurilateral agreement along the lines of a non-MFN-based government procurement agreement.

30. While "public services" were often excluded from liberalization under trade agreements, many services that were considered "public services" were now supplied competitively in a commercial market, thereby making the sector increasingly subject to market access and non-discrimination obligations under trade agreements. As far as liberalization approaches under RTAs were concerned, the view was expressed that positive and negative list approaches did not differ substantially in terms of results, as both approaches could lead to equivalent market-access commitments, and both approaches could provide escape clauses to cater for national sensitivities. Some participants were of the view that a negative list approach could induce a sweeping liberalization, including of services that might arise in the future, and could limit the right to regulate, as many low-income developing countries tended to lack institutional capacities to a priori identify regulatory measures that could possibly contravene market-access or national-treatment obligations and that would need to be explicitly listed as reservations. A view was expressed that pressures to extensively liberalize services trade under RTAs or WTO accession negotiations had constrained the ability of some governments to use financial prudential regulations or capital controls to mitigate financial crises.

31. In addition to regional market integration, an important role could be played by regulatory cooperation and harmonization (including recognition and equivalence). For instance, in order to overcome low electricity-access rates in the region, countries of the Economic Community of West African States (ECOWAS), via the ECOWAS Energy Protocol, had aimed at optimizing regional energy resources, by increasing access to energy and strengthening cross-border electricity interconnections. This had included setting up a common regional energy-sector regulator as well as the West African Power Pool. The ECOWAS Regional Electricity Regulatory Authority (ERERA) oversaw the cross-border electricity interconnections of the 15 Member States of ECOWAS. The continued existence of vertically integrated utilities, the limited cross-border interconnections, the huge spending needs, the unstructured approach to privatization and liberalization across the region, information asymmetries, and disparities in tariff rates among ECOWAS countries had posed particular problems for ERERA. Increased cross-border electricity trading was an important objective, which was being pursued through the establishment of cross-border electricity interconnections. ERERA had been working to ensure that the proper legal frameworks were in place to ensure the efficient establishment of these interconnections. Regional cooperation had been crucial to the countries of the East African Community in

their development of communications infrastructure and ICT services, as it had allowed them to work towards greater interoperability, by harmonizing ICT policies and regulations and standardizing technologies and services.

G. The way forward

32. The multi-year expert meeting examined various country experiences, best practices and success stories in infrastructure services sectors. This process of examination made clear the diversity of the approaches, and provided a wealth of lessons. It allowed participants to improve their understanding of opportunities and challenges in the regulatory and institutional dimension of ISS, especially those elements required for best-fit national regulatory and institutional frameworks. UNCTAD's work on regulatory and institutional frameworks was highly appreciated. Participants called upon UNCTAD to continue to facilitate exchanges of experiences and lessons in order to identify best-fit and best-practice national policies and regulatory frameworks.

33. Some of the broad lessons included the following:

(a) The State plays a pivotal role in addressing market failures in infrastructure services, and in developing productive capacities;

(b) Given the substantial financing needs for infrastructure development, private participation, public–private partnerships (PPPs) and FDI have also become significant sources of infrastructure development;

(c) Regulatory and institutional frameworks need to be adapted to specific needs and circumstances facing individual countries and sectors, and to rapidly evolving external environments such as technological developments and climate change. Regulatory and institutional frameworks need to address the diversity of suppliers: private, public, and PPPs;

(d) Regulations governing infrastructure services need to be embedded in comprehensive and integrated economic and sectoral development policies and strategies. Clarity in the role of agencies and cross-institutional coordination are key;

(e) Transparency is essential for the independence, credibility and effectiveness of the regulatory process. Multi-stakeholder interaction is important in this regard;

(f) Sound competition policy is central to developing competitive infrastructure services, especially in competitive segments of the market and for the promotion of consumer interests;

(g) There is a need to improve the quality of regulation in order to achieve best practice in regulating infrastructure services, for example via impact assessments and cost-benefit analyses aimed at "smart regulation". Governments need to be equipped with sufficient financial resources, institutional capacity and skills to be able to establish, monitor and enforce regulatory and institutional frameworks. Human, regulatory and institutional capacities need to be enhanced in developing countries;

(h) Developing countries need to assess and carefully implement emerging international financial regulations, such as Basel III, especially in the light of their degree of regulatory sophistication and institutional capacities. Host-country supervisory vigilance is needed;

(i) Multilateral and regional trade liberalization processes need to be adequately designed, paced and sequenced, and need to factor in public policy goals pursued in ISS regulations. Where infrastructure services are concerned, the interaction between trade and regulations deserves particular attention;

(j) All forms of partnerships need to be leveraged for the development of productive capacities and for efficient regulatory and institutional frameworks, including regional and South–South cooperation;

(k) Regional regulatory harmonization and cooperation could be a powerful tool to establish effective regulatory and institutional frameworks;

(l) Further research, impact assessments and services policy reviews would make a significant contribution to identifying best practices for building and implementing best-fit policies and RIFs;

(m) The continuous exchange of experiences and lessons learned can contribute to the identification and development of best-fit policies and RIFs on infrastructure services.

II. Organizational matters

A. Election of officers

(Agenda item 1)

34. At its opening plenary meeting, the multi-year expert meeting elected the following officers:

Chair:	Ms. Hiswani Harun (Malaysia)
Vice-Chair-cum-Rapporteur:	Mr. Moncef Baati (Tunisia)

B. Adoption of the agenda and organization of work

(Agenda item 2)

35. At its opening plenary meeting, on Thursday, 23 February 2012, the multi-year expert meeting adopted the provisional agenda for the session (contained in document TD/B/C.I/MEM.3/10). The agenda was thus as follows:

1. Election of officers
2. Adoption of the agenda and organization of work
3. Services, development and trade: the regulatory and institutional dimension
4. Adoption of the report of the meeting

C. Outcome of the session

36. Also at its opening plenary meeting, the multi-year expert meeting agreed that the Chair should summarize the discussions.

D. Adoption of the report of the meeting

(Agenda item 4)

37. At its closing plenary meeting, on 24 February 2012, the multi-year expert meeting authorized the Vice-Chair-cum-Rapporteur, under the authority of the Chair, to finalize the report after the conclusion of the meeting.

Annex

Attendance*

1. Representatives of the following States members of UNCTAD attended the expert meeting

Afghanistan
Algeria
Angola
Austria
Barbados
Belarus
Benin
Botswana
Brazil
Chile
China
Colombia
Côte d'Ivoire
Democratic Republic of the Congo
Dominican Republic
Ecuador
Ethiopia
Gabon
Ghana
Hungary
India
Italy
Japan
Jordan
Kazakhstan
Kenya
Lao People's Democratic Republic
Lesotho
Libya
Malaysia
Mexico
Morocco
Nepal
Nigeria
Oman
Paraguay
Peru
Poland
Republic of Korea
Russian Federation
Saudi Arabia
Senegal
Sudan
Sweden
Togo
Tunisia
Turkey
Uganda
United Arab Emirates
United Republic of Tanzania
United States of America
Venezuela (Bolivarian Republic of)
Zambia

2. The following intergovernmental organizations were represented at the expert meeting:

African, Caribbean and Pacific (ACP) Group of States
African Union
Economic Community of West African States
European Union
Organization of Eastern Caribbean States
South Centre

3. The following United Nations organizations and agencies were represented at the expert meeting:

United Nations Economic Commission for Africa
International Trade Centre UNCTAD/WTO

* For the list of participants, see TD/B/C.I/MEM.3/INF.4.

4. The following specialized agencies and related organizations were represented at the expert meeting:

International Telecommunication Union
World Bank
World Trade Organization

5. The following non-governmental organizations were represented at the expert meeting:

General category

Centre for Research on Multinational Corporations
Ingénieurs du monde
International Centre for Trade and Sustainable Development
OCAPROCE International

In the process of affiliation

Centre for Research on Multinational Corporations
Consumer Unity and Trust Society (CUTS)

6. The following invitee attended the meeting:

Ms. Rina **Takeuchi**, Policy Advisor, IDEAS Centre, Geneva

7. The following panellists were invited to the expert meeting:

Thursday, 23 February 2012

Mr. Pramod **Deo**, Chair, Central Electricity Regulatory Commission, India
Mr. Marcelo **Olarreaga**, Chair, Department of Economics, University of Geneva
Mr. Philippe **Raillon**, Chair, International Strategy Working Group, Council of European Energy Regulators
Mr. Makhtar **Fall**, Head, Regulatory and Market Environment Division, International Telecommunication Union
Mr. Stephen **Banable**, Senior Expert, Unit of Regulatory Policy and Impact Assessment, Secretariat-General of the European Commission
Mr. Hebert **Tassano Velaochaga**, President of the Board, National Institute for the Defence of Competition and Protection of Intellectual Property, Peru
Ms. Marion Vernese **Williams**, Ambassador, Permanent Mission of Barbados to the United Nations Office and Other International Organizations in Geneva
Mr. Kern **Alexander**, Law Faculty, University of Zurich, and Centre for Financial Analysis and Policy, University of Cambridge
Mr. Mete **Bumin**, Head, Foreign Relations Department, Banking Regulation and Supervision Agency, Turkey
Mr. Walter **Stahel**, Vice-Secretary-General and Head of the Risk Management Programme, International Association for the Study of Insurance Economics
Mr. Andrew **Cornford**, Observatoire de la Finance

Friday, 24 February 2012

Ms. Serrana **Bassini**, Secretary-General, Postal Union of the Americas, Spain and Portugal
Mr. Laurean **Bategana Butubira**, Principal Commercial Officer, Trade Department, Ministry of Trade, Industry and Cooperatives, Uganda
Mr. Fernando **De Mateo y Venturini**, Ambassador, Permanent Mission of Mexico to WTO
Ms. Ifeyinwa **Ikeonu**, Council Member, Regional Electricity Regulatory Authority, Economic Community of West African States

Mr. Hamid **Mamdouh**, Director, Trade in Services Division, WTO
Mr. Pramod **Deo**, Chair, Central Electricity Regulatory Commission, India
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