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DAC Network on Poverty Reduction

CONSTRUCTING INCLUSIVE PUBLIC-PRIVATE DIALOGUE

Hot Topic paper prepared by the Task Team on Private Sector Development

This Hot Topic paper is one of a series being prepared by the POVNET's Task Team on Private Sector Development, to provide guidance to donors on using aid more effectively to promote the contribution of private sector development to pro-poor growth.

Once this and the Task Team's other Hot Topic papers have been finalised, they will be brought together in a compendium as the Task Team's contribution to the POVNET's work on promoting pro-poor growth.

Comments on this paper are welcome and should be addressed to the Secretariat (to: michael.laird@oecd.org).

Contact Person: Michael Laird - Tel: +33 (0) 1 45 24 90 33 - Email: michael.laird@oecd.org

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FOREWORD

1. This Hot Topic paper is one of a series being prepared by the DAC Network on Poverty Reduction's (POVNET's) Task Team on Private Sector Development to help donors promote the contribution of private sector development to pro-poor growth. The series covers the following themes:

- Removing barriers to formalisation.
- Enhancing women's market access.
- Implementing competition policy in developing countries.
- The financial sector's contribution to pro-poor growth.
- Promoting the supply-side response: Technical and financial assistance for pro-poor growth.
- Constructing inclusive public-private dialogue.

2. The Hot Topic papers are anchored in and build on "Accelerating Pro-poor Growth through Support for Private Sector Development",¹ the analytical framework paper previously produced by the Task Team, and have been developed using the following set of guiding questions:

- Why is the topic important for pro-poor growth?
- What do we know so far and/or still need to know?
- What are the big controversies (if any)?
- What sort of policy implications and suggestions can be given?
- Recommended best practices (more of a prescriptive value).

3. The Task Team proposes that its Hot Topic papers be published as a compendium in the DAC Guidelines and Reference Series. The compendium will also include a synthetic and policy-focused overview that brings out the main messages for donors from the analytical framework, links the Hot Topic papers to the analytical framework and explains why these topics merit the attention of donors in their efforts to promote pro-poor growth.

4. The compendium of Hot Topic papers constitutes the Private Sector Development Task Team's contribution to fulfilling the POVNET's mandate to develop policy guidance for donors on using aid more effectively to promote economic growth and poverty reduction (pro-poor growth).

5. The Hot Topic papers will be presented to the POVNET at its meeting on 27-28 October 2005 and will subsequently be submitted to the DAC for approval.

1. This report is available on the Internet at: <http://www.oecd.org/dataoecd/53/21/34055384.pdf>

CONSTRUCTING INCLUSIVE PUBLIC PRIVATE DIALOGUE

I. What is the issue and why is it important for pro-poor growth?

6. Whether economic growth is pro-poor depends on the extent to which the rate and pattern of growth provide opportunities for the poor and the degree to which they are able to take advantage of these opportunities. Governments in developing countries have a responsibility to ensure that a favourable business environment exist for all private sector actors and therefore need to be aware of the key constraints for different private sector entities in realising their potential to contribute to pro-poor economic growth. Targeting services to poorer entrepreneurs, mostly composed of micro, small and medium-sized enterprises (MSMEs), informal firms and workers and smallholder farmers, is one approach towards accelerating pro-poor growth and generating employment (OECD, 2004).

7. It is increasingly recognised that private sector development is an integral part of poverty reduction strategy programmes (PRSPs). The process of conceiving the second generation of PRSPs has therefore aimed to include a wider range of private sector representatives in consultations. Nevertheless, problems that hamper pro-poor private sector development from the grassroots perspective can still be insufficiently addressed in the resulting PRSP document. Clearly, consultation of the private sector during PRSPs is not enough and needs to be accompanied by mechanisms for regular public-private dialogue (PPD) by sub-sector or at the appropriate policy level, combined with bottom-up communication processes to ensure that local-level issues are fed into higher level policy processes. Making private sector development policy more responsive to private sector needs, depends on the way in which PPD is organised, especially with respect to approaches and mechanisms that ensure that MSMEs, informal firms and workers and smaller agricultural producers can voice their concerns.

8. PPD is an institutional arrangement that brings together a group of public and private sector actors. PPD discussion forums range from highly formal and structured to more informal and *ad hoc*, and initiatives may last from only a few hours or continue over several years (Bannock, 2005). Objectives of PPD include building trust and bridging gaps to laying the foundation for a joint problem analysis and identification of policies and institutional reform that contribute to a more conducive environment for private sector development. Governments that engage in PPD are more likely to promote sensible, workable reforms while enterprises participating in meaningful PPD processes are more likely to support these (Bannock, 2005 and Herzberg and Wright, 2005). Without a more equitable dialogue, governments tend to follow the loudest, most powerful voices, which rarely speak in the best interest of broad-based private sector growth, let alone poverty reduction. The policy process should not be limited to a small elite with privileged access to political and governance structures, but must build on structures and process that are deliberately set up to elicit citizen participation in policy formulation and implementation, and promote accountability of policy makers (Hertzberg and Wright, 2005).

9. Although not the only condition for accelerating pro-poor growth, PPD can be a first, important step in an institutional reform process aiming the improvement of the business environment for all. Most likely, a number of the bottlenecks identified will be known and will already have been voiced before. Reform may be blocked because ‘inefficiencies’ can be a source of income to some, offering opportunities for corruption or political patronage. Firms may also defend anti-competitive or rent seeking interests. On the other hand, parts of the public sector may not understand the private sector and may not believe that dialogue is useful. At most, it may regard the private sector as a useful cash cow. Moreover, a coherent

formal policy making process is lacking in many countries. For these reasons, PPD can be effective where and when there is an explicit commitment and willingness to act on its outcomes by the public and private sector. This paper explores how, in such conditions, PPD can be organised and how donor organisations can contribute to it.

II. A framework for institutional analysis regarding PPD

10. Pro-poor private sector development cannot be achieved by focusing interventions on either the private or the public sector alone. Moreover, many constraints that the private sector faces can only be resolved in collaboration with the public sector. Private sector development and governance programmes should be integrated into one comprehensive intervention strategy. In such a holistic approach, PPD is an essential prerequisite for arriving at broadly supported institutional reform.

11. **Institutions.** In this paper, institutions are taken to be the rules, organisations and social norms that facilitate co-ordination of human action¹. Thus, interventions to develop institutions not only address constraints resulting from the performance of organisations, such as business licensing agencies, tax revenue authorities, government ministries, chambers of commerce or producer organisations etc., but also focus on the formal and informal ‘rules of the game’ and social norms that influence private sector development. For example, to what extent can resource-poor entrepreneurs access business organisations and networks, do they experience barriers of access to financial services, markets, licences, information and contacts with policy makers, are these barriers different for men as compared to women?

12. **Institutionalising PPD.** PPD, as a mechanism for diagnosing the problems and opportunities for private sector development, is useful at all levels where public and private sector entities meet, be it national, sub-national, local or sub-sector levels. Misunderstanding, uneasy relationships and distrust between public and private sector actors is common in many countries, resulting in limited responsiveness of public sector institutions to requests voiced by some parts of the private sector. Suspicion and non-co-operation leads to inefficiency and waste, which inhibits growth, investment and poverty reduction (Herzberg and Wright, 2005). This needs to be overcome effectively before any sustainable reform can take place (Jutting, 2003). Key challenges for PPD are therefore promoting sub-sector and horizontal dialogue processes and improving vertical linkages and communications to ensure that issues that have to be addressed at a higher policy level are indeed taken up.

13. **Dealing with the diversity of the private sector.** The private sector includes a multitude of different actors varying from international companies, (privatised) state-owned enterprises, business of different size, active in different sub-sectors and locations. Their goals are not necessarily the same: there is self-interest, mutual suspicion and some are severe competitors. Others are prepared to co-operate to defend their interest via a business organisation. (Former) state-owned enterprises, some international companies and larger firms might find it easier to maintain informal dialogue with government officials, while looking for one-to-one deals. The interests of (former) state-owned companies may dominate decision-making on private sector development, which can go contrary to the interest of privately owned enterprises, faced with a different set of constraints than (former) state-owned companies.

14. **Organisational set up of the public sector.** The public sector also consists of many different actors, and it may be difficult for an outsider to know to what department or agency a certain private sector development related question should be addressed. The position of government officials differs with respect to the level of operation, authority and resources at their disposal. Moreover, elected officials such as mayors, councillors, parliamentarians and other politicians play an important role in policy making and implementation. The difference between private and public sector is not clear cut, as government officials and politicians may have business interests of their own or may have previously worked for private enterprises.

15. **PPD structured in time.** Four stages of policy reform can be distinguished in which PPD is essential: i) assessing and agreeing problems; ii) designing and legislating solutions; iii) implementing reforms; and iv) monitoring and evaluating the impact of reform. Even when PPD is taken into account in the first two phases, neglect of private sector participation during implementation can still derail promising initiatives (Bannock, 2005), whereas the monitoring and evaluation phase must guarantee continuity.

16. **Public-private dialogue framework.** Figure 1 proposes a PPD framework-tool that can be used for identifying and analysing the different levels of dialogue and decision making on private sector development, both vertically within the private and public sector respectively, as well as horizontally between these different sectors (van der Poel et al, 2005). It is inspired by the institutional setting in Tanzania, and may require adaptations when used in other countries.

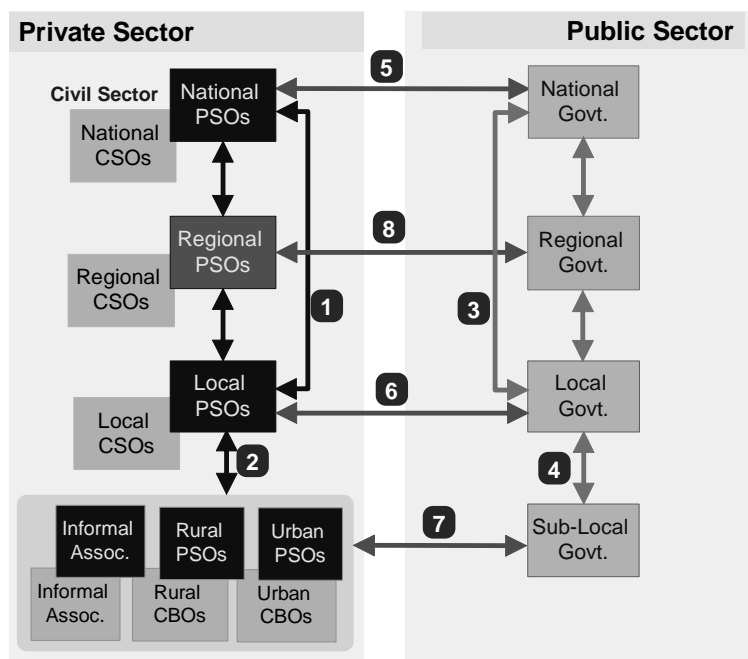
17. The PPD framework-tool consists of two vertical columns, each showing the different levels of the public (grey) and the private (black) institutional structure. The private sector column also pictures civil society organisations (CSOs) involved in private sector development for each level. The framework shows eight numbered key dialogue or communication interactions². These four vertical and four horizontal lines each depict a particular intra or inter-sector dialogue process. Of course, many diagonal communication lines may exist as well, e.g. between a particular local level private sector organisation (PSO) and a sector ministry at the national level, but this type of interaction tends to be incidental and informal.

18. The public sector column shows the administrative set up of a country: from central government via sub-national or provincial level to local level, such as district or municipal councils, and further down to sub-local level, e.g. divisions, wards or individual villages. The presence and status of these various entities and whether the vertical relations are hierarchical, varies from country to country. Bureaucratic procedures and social norms can seriously affect the ability to communicate with superiors at higher levels.

19. The private sector column presents formal and informal linkages between private sector organisations such as the national chamber of commerce, sub-national level business organisations, district branches of the chamber of commerce and sub-sector or product organisations (e.g. local organisation of coffee producers or livestock owners). In both rural and urban areas, many formal and informal associations exist at the grassroots level that are often organised around a certain trade in a particular location, e.g. informal association of local fruit vendors, farmer organisations, savings and credit groups or a local association of shop owners. At this level, the distinction between PSOs and CSOs is often blurred as objectives may overlap.

20. The lack of horizontal dialogue processes between public and private institutions at different levels (lines 5-8 in figure 1), in combination with limited capacity for analysis and weak bottom-up communication, all contribute to a limited understanding of the real constraints to pro-poor private sector development and economic growth, which may lead to inadequate policies and programmes that sometimes even aggravate the climate within which the private sector operates. In addition, policy makers can only learn from local experiences when functional, bottom-up vertical communication processes are in place (lines 1-4 in fig. 1).

Figure 1. Public-Private dialogue framework



III. Pro-poor public-private dialogue: good practice and challenges

a) *The aims*

21. A structured and inclusive public-private dialogue is needed for identifying bottlenecks, opportunities and possible interventions for private sector development. The way in which such a dialogue is organised, facilitated and institutionalised and the quality of participation and commitment to the process largely determine the outcome and thus its potential contribution towards orientating reforms. The PPD process has three aims, which can be seen as outcomes of and preconditions for different stages in the process:

- Awareness of those representing PSOs and the public sector of the root causes underlying the constraints identified for pro-poor private sector development and economic growth at various levels.
- Ability to transfer these issues to the appropriate decision making levels in both private and public sector organisations (horizontal as well as vertical, bottom-up dialogue and communication).
- Translation of these issues into appropriate policies, strategies and plans (design of reform) to resolve them effectively.

22. However, PPD remains important during the stages of implementation and monitoring and evaluation of reform and should be institutionalised accordingly.

b) Good practice

23. **Essential steps in preparing a specific PPD.** Obviously, the way a PPD is designed has to be context specific and adjusted to prevailing institutional arrangements, as shown in Figure 1. Issues that need to be considered carefully are: what will be the first issue to discuss, with which participants, level and structure, focus, communication strategy and also the role of donors (Herzberg and Wright, 2005 and Bannock, 2005). Good planning is vital, such as the preparation of clear and concise agendas in advance, timeframes which show milestones for each specific outcome, good chairing of meetings and ensuring that all present can participate, agreement on minutes and accountability of the secretariat to the participants (Bannock, 2005). A number of experiences with PPD have been documented recently and analysed for good practices and pitfalls. Most cases refer to PPDs set at the central level, but sub-sector PPD and processes at district or municipality level have also taken place (Bannock, 2005 and Herzberg and Wright, 2005). In the next paragraphs we will focus on issues that need to be considered in particular for making PPD pro-poor.

24. **Focus of PPD.** For PPDs to be effective, it has to focus on problems that include those of MSMEs, which are not too sensitive or politicised, and have the prospect of attainable results in the short term. Business registration may be more neutral than land registration; improving tax administration is less controversial than revising tax rates. PPD is most effective at the lowest level where entrepreneurs and government services interact (van der Poel et al, 2005). Sectoral dialogue has been the most effective in producing results, but central-level PPDs are rarely conducive to MSME participation (Bannock, 2005). Most of the constraints that MSMEs and informal firms and workers face are likely to concern local-level situations, that have to be solved there and not at the central level (fig. 1). Generally, for MSMEs, the level of urban or rural local government, or the lowest interface with line ministries for certain sub-sector issues, are the most relevant. Still, some of the constraints they face may need policy changes at higher levels.

25. The weak enabling environment for MSMEs - in terms of overly complex legal and regulatory frameworks, registration, licensing and tax regimes, corruption and limited support provided - are an obvious area for dialogue. At the same time, this situation is the reason why these entrepreneurs are reluctant to trust the government in the first place. For many, their only contact with government is through the police over regulations and with tax collectors. Before a PPD can be fruitful, local government authorities first need to understand that by collaborating with the private sector they stand more chance of achieving their development objectives and improve their revenue base, while the private sector should understand its obligations but also its right to demand accountability and better services, such as good infrastructure.

c) Challenges

26. **Importance of strong private sector organisations.** The presence of well-organised, accountable and capable private sector organisations organised at various levels makes PPDs more relevant. A lack of such organisations is one of the biggest challenges to address. National-level umbrella or apex organisation would be the best way for the private sector to express its voice, but few of such organisations exist that truly defend mutual interests. Most chambers of commerce and business organisations bring together only a small part of the private sector. Membership fees can be high in comparison to the perceived immediate value of services delivered, especially for MSMEs. Few poorer entrepreneurs are members of business organisations and, when they do join, their specific interests may carry limited weight. In all-inclusive organisations, even if most of the membership comes from MSMEs, the small group of larger companies tends to run the show. However, some opportunities for collaboration may exist, in particular when larger firms have many back and forwards linkages with MSMEs in a certain sub-sector.

27. A shortage of associations that represent the diverse issues of specific sub-sectors or product groups is apparent at all levels. When such organisations do exist, they often lack capacity and resources to effectively voice the opinions and concerns of their constituency and become a serious dialogue partner. Moreover, many grassroots-level private sector organisations are not linked to apex organisations such as chambers of commerce at the regional or central level, which potentially could have taken care of their interests in national-level dialogue processes. This situation hampers dialogue at all levels, vertical as well as horizontal.

28. **A level playing field.** An inclusive PPD process requires a level playing field. Even when MSME organisations are invited to a PPD, the effectiveness of their participation may be limited. Small businesses' voices can be drowned out, even in well-established PPD systems with formal structures. Larger firms will always have better informal links to policy makers, so MSMEs need to be well-organised and focussed to make a difference. The design and quality of facilitation of the PPD can prevent the process and the issues covered being dominated by larger, more powerful businesses. Moreover, convenors cannot limit their work to just inviting the associations and organisations that claim to represent MSMEs. Before starting the PPD, they may have to organise a broader consultation process with MSMEs and assist them to select representatives for the PPD, provide training and coaching to these individuals so that they can make their case effectively and assist them with the design of mechanisms for consultation and feedback.

29. **Representation and champions.** The composition of PPD and the quality of the dialogue determines whether the process can make a meaningful contribution to private sector development. The number of participants in a PPD is limited in order to make dialogue possible and the issue of whom to invite and who decides is crucial, particularly when starting up the process. Commitment to the process of respected PSO representatives with a broad support base as well as influential representatives of the public sector are an important condition for arriving at a successful dialogue. Individuals may play an important role in driving such a process (or blocking it). Finding the right 'champions' for a PPD is an important factor for a successful PPD. Some successful PPDs were driven by handpicked individuals (the 'champions') but who are not necessarily perceived as accountable to a constituency. The PPD will have to demonstrate legitimacy in order to contribute effectively to reforms, and therefore it can be useful to arrange public awareness and education campaigns related to PPD activities.

Box 1. Value added taxes in Tanzania: An example of a PPD that failed to take account of implications of a new policy for poor entrepreneurs:

Tanzania adopted a VAT system in 1998 under strong pressure from the international development community, and in consultation with private sector representatives. This consultation took place at the national level and mainly involved larger firms. The new VAT system is acceptable for medium and large firms but causes problems for MSMEs and agricultural producers for two reasons. First, many small enterprises are not VAT registered and so can therefore not claim it back. To alleviate the VAT burden for farmers, agricultural inputs such as fertilizer and seeds are VAT exempt but other production factors such as transport are not. This has led to an increase in production costs of 10% – 20%. Second, Tanzania adopted a VAT system based on monthly instead of yearly summaries, which is a major constraint for seasonal businesses (van der Poel et al, 2005). It was claimed that introduction of the VAT system is one of the main reasons why the realised economic growth has not benefited the poor (Tanzanian Vice President Office, 2005). However, most development partners, government officials and business organisations at the national level were unaware of the costs of the VAT for poor entrepreneurs, suggesting inadequate bottom-up communication processes in both the private and the public sector column in figure 1.

30. **Quality and effectiveness of participation.** There is a trade-off between ‘representativeness’ and ‘capacity for dialogue’. General business associations tend to have many members (in some cases compulsory) and should have a broader perspective of the business environment. However, they have less in-depth knowledge of key sectoral issues and very limited grasp of MSMEs concerns. Sectoral organisations and specialised organisations have a deeper understanding of their areas of work, but this may lead to tunnel vision. They may be effective in informal dialogue, but their narrow mandate is a drawback in formal dialogue.

31. The quality of the PPD, including at the local level, may suffer from the inability of participants to contribute effectively to the analysis of root causes and to developing evidence to support requests for policy reform. Such PPDs tend to produce laundry lists of symptoms. Approaches and tools that facilitate participatory analysis of problems and identify opportunities by local actors exist and can be adapted to local level PPDs.

32. **Facilitation by third parties, providing a neutral space and tools.** Third parties who are perceived as impartial and able to provide a neutral space and to facilitate processes play an important role in PPDs. Their contribution is particularly important where there is a history of lack of co-operation and distrust. They may also initially host PPDs by setting up independent secretariats. Ultimately, a public sector organisation should become the convener, to ensure that the outcomes of PPDs will indeed influence public policy, planning and implementation (Bannock, 2005). Apart from providing a neutral space, specialised organisations may also be better equipped to help apply participatory tools for analysis and planning, such as tools for identifying opportunities, risks and indicators determining the quality of the business environment as perceived by local entrepreneurs and potential entrepreneurs.

33. **Costs and benefits of participation, and danger of allowances.** Since structured dialogue processes and mechanisms have a greater financial and time burden, these tend to disproportionately penalise smaller firms and their organisations. Larger enterprises can more easily afford to invest in processes as they are better resourced and often have more capacity at their disposal. Simply providing *per diems* and fuel allowances to individual participants can undermine a PPD as this has often led to attendance but not to commitment. A more structural approach is, on the one hand, providing support to PSOs and, on the other hand, ensuring that the participants in a PPD experience the benefits. Government officials, however, may prefer a series of formal dialogue events simply to secure *per diems* and fuel allowances on offer and many of them may be less inclined to participate in more informal gatherings. This attitude may also extend to private sector participants if they too start receiving such allowances. A danger of paying allowances is the potential emergence of private sector organisations (or other type of membership organisations) growing rich on donor funding whilst losing touch with their membership base.

IV. Policy implications

a) *Facilitating pro-poor PPD processes*

34. PPD can provide an important contribution to the PRSP process as well as to more specific reforms aimed at promoting private sector development. Flexible structures (respected convenors, facilitators, resources) need to be in place to accompany PPD processes. A PPD will not automatically promote the specific interest of poorer entrepreneurs unless special efforts are made by convenors and facilitators. It is vital that poorer entrepreneurs are invited, represented but also equipped to present their interests in a coherent and analytical manner. They may even need research support to gather the evidence that gives credibility to their case (Bannock, 2005). A policy towards pro-poor PPD therefore needs to include support for facilitators that facilitate effective participation of MSMEs. Approaches and tools need to be made available to MSMEs that enable these actors to see the wider picture, make a diagnosis of their situation and formulate proposals for reform.

b) *Building and supporting organisations representing poorer entrepreneurs' interests*

35. Strong business associations which genuinely speak for MSMEs can be extremely helpful in making sure that the concerns of MSMEs are heard in PPD. Two policy approaches are needed: i) encouraging self-organisation by MSMEs and co-operation with apex organisations; and ii) stimulating general business organisations to become more representative (MSME membership) and enhance awareness and understanding of MSME issues. Policies in relation to existing organisations need to focus on organisational strengthening and promoting mechanisms that enhance accountability and transparency of their way of working, as well as capacity building on issues such as sub-sector analysis, lobbying and advocacy in order for them to participate effectively in local PPDs.

c) *Strengthening responsiveness of the public sector to private sector development*

36. Before a PPD can have an impact, policies may be needed that change the mindset of civil servants, especially at district/municipal government level, as well as to ensure that the role of government changes from a controlling to a facilitating and service-oriented organisation. Accountability and the establishment of mechanisms to resolve complaints and malpractice need to be addressed too. This policy can only be successful when implemented in top-down processes that require continuous, strong leadership and drive over a considerable period of time, and is also accompanied by incentives for local government officials to change behaviour (van der Poel et al, 2005).

d) *Decentralisation*

37. Participatory planning and budgeting processes from the village level upwards are being institutionalised in more and more developing countries with the spread of devolution. These bottom-up processes provide an opportunity to promote pro-poor private sector development. Policy support to PPD processes can provide the foundation for such co-operation. Effective local policy making and implementation further requires that the strengthening of local government authority is accompanied by the allocation of sufficient resources by the central government, so that these entities can adequately perform their role and take care of responsibilities. Fiscal redistribution and equalisation mechanisms may be needed to support poorer parts of the country.

e) *Institutionalising mechanisms that promote bottom-up communication*

38. In many developing countries, vertical communication and dialogue processes (as shown in figure 1) are mostly top-down, while mechanisms for meaningful bottom-up communication processes are weak or absent. Policy measures needed to respond to this situation are the creation of effective and efficient communication lines between different sector ministries and their local counterparts. This will involve also better information provision and capacity building at the local level. Many local government officials lack awareness, information and knowledge on private sector development programmes, strategies and policies.

V. *Implications for donors*

39. Overall, donors need to adopt a more daring attitude towards PPD: treat it as a high risk, but highly essential investment, with a healthy tolerance for failure and the flexibility for innovative and experimental ideas, including an exit strategy that allows ownership of the process by the public and private sector entities themselves (Bannock, 2005). It can be accompanied by support for knowledgeable business journalism or international benchmarking of the business climate. Donors can give more weight to PPDs and support their work, by referring to these processes in discussions with policy makers, in publications etc.

40. However, donors should stay clear of imposing their own agendas on the PPD process or creating a situation that in the end makes public and private sector entities respond more to donor priorities than to their constituencies. Donor support has to be in balance with allocations of own time and resources by participants in PPDs. Buy-in by both public and private sector in PPD is essential for its success.

41. Donors can contribute to making PPDs more pro-poor by encouraging PPD organisers to take MSME participation seriously, supporting independent facilitators who have the knowledge and skills to get MSME representatives prepared for a PPD and ensuring a level playing field during the PPD process. MSME and representatives of informal firms and workers can be supported with capacity building, guidelines and tools for policy analysis, lobbying and advocacy.

42. Supporting the emergence and strengthening of private sector organisations representing the interests of MSME and informal firms and workers is another important issue that donors may decide to support. However, too much cash can undermine these organisations, by making them loose touch with their membership base. It is therefore recommended that donors concentrate on developing capacity, while using their influence to ensure that PSOs are included in policy dialogue.

43. Development partners can assist with the design of support mechanisms that ensure that PPD processes will be sustained over longer periods of time instead of depending on large one-off financial contributions. In addition, sudden opportunities for constructive dialogue with the public sector may present themselves. It is therefore important that mechanisms are in place that can seize such opportunities for PPD. Experience exists with establishing independent and flexible trust and challenge funds, which are made available to PPD processes. These funds have offered critical flexibility and responsiveness to PPD processes that cannot be provided through donor aid processes (Bannock, 2005). Moreover, donor experience has shown that it is more effective to build capacity for setting up inclusive PPDs at central, sub-sectoral and local level, in response to needs and opportunities, than to focus on a specific PPD process.

44. Better co-ordination on reforms for private sector development and PPDs in particular is required to prevent overlap, omissions and conflicting programmes. Lessons learnt and best practices generated in the many different interventions should be more widely shared and disseminated to ensure incorporation of these into national-level strategies, policies and follow-up programmes. The PRSP process, providing a comprehensive framework for donor support, is one of several reform processes going on towards improving private sector development that is accompanied by a series of PPD-type endeavours. Co-ordination of different private sector development programmes is needed and PPDs may contribute to this.

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ENDNOTES

1. See World Bank (2002) World Development Report 2003: Sustainable Development in a Dynamic World: Transforming Institutions, Growth, and Quality of Life, The World Bank/Oxford University Press, New York
2. No specific distinction is made in the framework between informal or formal dialogue, although the focus of this paper is more on formal – and therefore transparent - forms of PPD. Informal dialogue constitutes an important and powerful mechanism too, and may consist of horizontal, vertical and diagonal interactions.