RESOURCE – COMPETITIVENESS PARTNERSHIPS

Competitiveness Partnerships: Implementing business enabling environment programs through public-private dialogue

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Executive Summary

Competitiveness partnerships are structured dialogue between the public and private sector to improve the investment climate. They are heavily dependent on context, and there is no one-size-fits-all approach. But many face similar challenges. Summarizing a longer paper which draws on the experiences of 38 countries, this Note makes a positive case for building and maintaining competitiveness partnerships, and offers a selection of valuable insights into how practitioners can avoid common pitfalls.

Introduction

Competitiveness partnerships – defined as structured dialogue between the government and private sector aimed at improving the investment climate – take many forms. They can involve informal input from a few leading corporations or wide-ranging consultations with SMEs, business groups, labor unions and civil society. The dialogue mechanisms can be initiated by governments, lobbied for by businesspeople or driven by donors. They can be local, national or regional, structured along industry lines or organized according to cross-cutting topics. What they all have in common is giving formal structure and expression to the common desire of businesses and governments to create conditions in which the private sector can flourish.

Implementing business enabling environment programs require the private sector, the government and the donors to reach high levels of cooperation. Competitiveness partnerships serve as the umbrella public-private process and outlet under which existing energies can be better channeled, leveraged and organized.

Their core value is twofold: governments that listen to the private sector are more likely to design credible and workable reforms, while entrepreneurs who understand what a government is trying to achieve with a reform program are more likely be constructive and supportive. Dialogue helps to reveal to governments the likely micro-economic foundations for growth, but it also creates a sense of ownership of reform programs among the business community which makes policies more likely to succeed in practice.

<u>The payoffs of partnership</u>

What can successful competitiveness partnerships achieve? Sometimes they initiate and drive through a package of reforms. But more commonly they provide the focus and energy to concretize, expedite and facilitate reform proposals which have already been discussed but not legislated. The Bulldozer Initiative in Bosnia and the Council for Presidential Investment in Senegal, respectively, are recent examples.

Just as importantly, they can help to ensure that reforms which are passed actually get implemented in practice. They do this by providing a crucial mechanism to disseminate awareness and give feedback.

Our advice: Focusing on this goal sets a good stage for reaching the others

Aiming for “hard” outputs such as policy reforms can cause valuable “soft” outputs to arise too – in terms of good governance, trust and social cohesion. Competitiveness partnerships give businesses the platform to challenge government corruption, which in turn puts pressure on them to improve corporate governance; Mauritius is one example of dialogue having led directly to a new code of corporate conduct. Structured dialogue also encourages the business community to adopt a more holistic view: in Cambodia, the Private Sector Forum helped to give self-centred lobbying a focus on improving the economy as a whole.

The Vietnam Business Forum is one of several examples of structured dialogue improving the public image of businesspeople. Entrepreneurs had traditionally been viewed as greedy and untrustworthy, whereas their contribution to society is now recognized in an annual “Entrepreneurs Day”. Furthermore, as improving the investment climate is an issue that cuts across ethnic divides, competitiveness partnerships have the potential to build civil society and provide a focus for energy in post-conflict situations.

Country	Benefit	Before	After
Bosnia (Bulldozer Committee)	Slashed statutory capital requirements when registering a LLC	$ 6. 500	$ 1. 300 Increased number of registered companies (doubled in some areas)
Bosnia (Bulldozer Committee)	Registration of foreign companies	3 different institutions - 3 sets of applications - More than 3 month	1 institution - 1 set of application – 1 month long process
Vietnam (Vietnam Business Forum)	Ease labor restrictions for expatriate employees	Decree 105 limited the number of foreign employees to 3% of the total staff, with cap at 50.	Circular 04 excluded management from limitation, and removed cap under special permissions.
Turkey (YOIIK - Coordination Council for Improvement of the Investment Climate)	Updating 1954 FDI law with better conditions for FDI	FDI permission system Many approval requirements No specific legal rights	FDI monitoring system - No requirements or prerequisites to invest - International settlement
Turkey (YOIIK - Coordination Council for Improvement of the Investment Climate)	Amend law on company registration process	19 steps to register 2 and half month	1 step, 8 procedures to register 1 day process, 9 days total
Botswana National Business Conference and High Level Consultative Council	Setting institutional means for economic empowerment	Public grant program with high corruption, no investment guarantee agency, poor VC access.	Citizen Entrepreneur Development Agency (CEDA). Direct link to Ministries of Finance + Planning, Subsidized loans, VC, JV, 50 applications / week

Different ingredients and common threads

In building and maintaining a competitiveness partnership, practitioners face a number of common-sense trade-offs: for instance, having many and diverse participants tends to add legitimacy but hamper dynamism; holding frequent meetings reduces the risk of inertia but at the cost of increased risk of overburdening busy participants. These questions will require different balances to be struck in different political circumstances. There is no one-size-fits-all prescription for success.

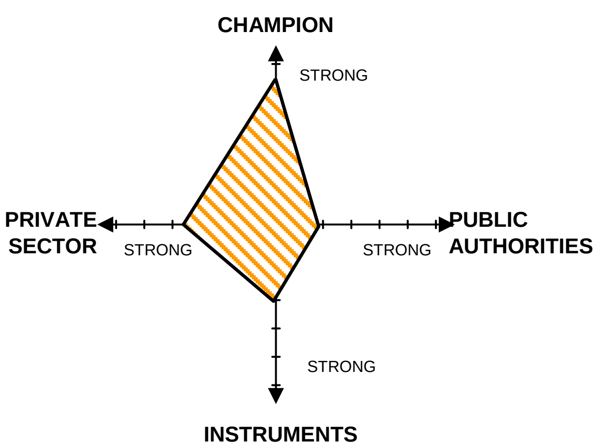
Experience shows that much more important than the form a competitiveness partnership takes is the will that lies behind it. Little can be achieved without a genuine openness to engage on the part of government at the highest level, but even with that willingness partnerships have usually needed a sense of crisis, a strong personality of a champion or input from an international donor to get started. A sense of urgency and momentum can be deliberately and artificially generated, for instance by setting a highly-publicized target such as the "50 reforms in 150 days" adopted by the first phase of Bosnia's Bulldozer initiative.

Once they are in motion, partnerships can be maintained in many ways – again, there are no universally applicable criteria. Partnerships can, however, usefully be conceived of in four dimensions:

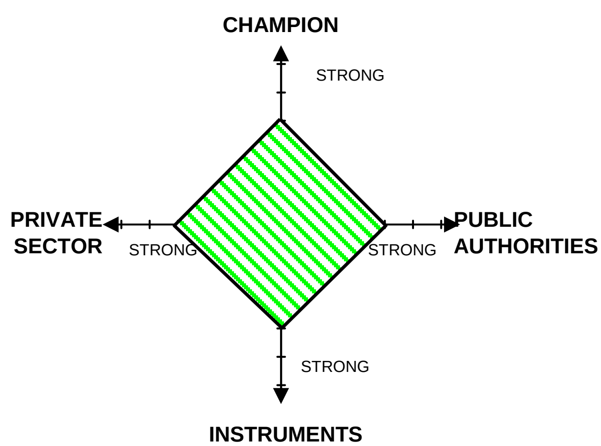
- **Government**: the public sector must display sufficient capacity, political will and leadership to engage.
- **Business**: the private sector needs to be organized, have leadership and feel a basic sense of security in speaking out to government without fear of being penalized.
- **Sponsor**: a champion acting as sponsor needs credibility, expertise and the ability to get media attention.
- **Instruments**: logistical facilities and seed funds.

Mapping the relative strength and weakness of these four dimensions can help to identify the potential for success in a competitiveness partnership, and the vulnerable points that need to be addressed; the graphs show the four axes going from weak at the center to strong on the exterior. Weakness in one dimension can be compensated for by strength in another. In Bosnia, the low capacity of the fledgling post-conflict government was overcome by exceptional support from donor sponsors. The **Vietnam** Business Forum provides an example of a process that has, over the years, become well balanced between the four dimensions.

Competitiveness Partnership in BOSNIA AND HERZEGOVINA:
Strong sponsor compensates for weakness in government



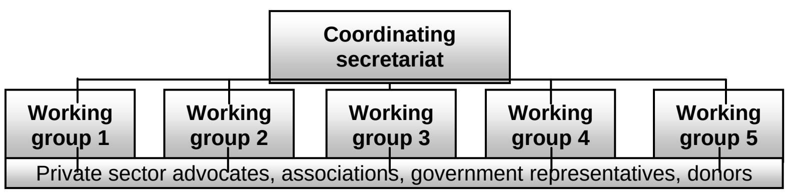
Competitiveness Partnership in VIETNAM
After several years, a balanced situation with no weak links



Winning the confidence of the business community is a common initial hurdle. A visible and verifiable short-term commitment on the part of government can help: in Malaysia, civil service reforms convinced skeptical entrepreneurs that the government was serious about policy dialogue. Identifying influential and respected entrepreneurs to serve as champions among their peers can also be critical. Such people should ideally be representative of both local investors and the FDI community.

Despite the differences, there are some common features of most successful competitiveness partnerships. They build on existing institutions whenever possible. Membership is voluntary and there are clear criteria for involvement, avoiding the appearance of arbitrariness and favoritism. Participants tend to be dynamic, open-minded, committed and willing to speak their minds. The partnership has the favor, and preferably the active personal involvement, of the country's president or prime minister.

Successful competitiveness partnerships tend to be structured into working groups which are organized by a secretariat. These working groups can be issue-based or industry-based, but they support more frequent activity than plenary meetings. They aim initially for low-hanging fruit to build momentum, and are flexible enough to revisit their structure when enthusiasm inevitably wanes. And when donors have been involved in setting them up, they attempt to transfer ownership to the participants as soon as practicable.



Strategies for success

Reviewing experiences in 38 countries revealed that similar difficulties arise in many instances. What follows are eight key strategies for success, drawn from lessons learned. Not all will be applicable to every partnership, and while some are supported by experiences in several different places, others are suggested because they have worked well in one location and appear to offer the potential for replicability.

1. Reach out to small enterprises

A common failing of competitiveness partnerships is that they focus on large multinational enterprises because their views tend to be more homogenous and therefore more easily represented to politicians than the views of large numbers of diverse small and medium-sized enterprises. This runs the risk that reform recommendations are skewed in favour of large enterprises, whose priorities do not always coincide with those of smaller domestic entrepreneurs. Additionally, the narrower the base of consultation, the greater the potential risk of individuals capturing the process and reinforcing vested interests.

Even when these risks are not deemed significant in practice, dominance of large multinational enterprises can still create skepticism about the partnership among the domestic SME community – and this in turn can hamper the effectiveness of the partnership in crafting reforms which will be broadly accepted and therefore workable. To create a more favorable public image, and especially when there are ethnic tensions in a country, it is crucial that efforts should be made to ensure that all minority groups are visibly represented. In addition to ensuring advocacy on gender issues, making an effort to include women can also pay dividends in public relations.

Direct outreach to small businesses, by inviting them to submit reform proposals and participate in traveling road shows or forums, also helps to prevent a competitiveness partnership becoming too closely identified with a particular political faction – a particularly significant risk in countries in which business and political leaders move frequently between the two spheres. Finally, creating bottom-up support helps to ensure that competitiveness partnerships persist when key individuals move on, which has been a common cause of partnerships running out of impetus.

2. Strengthen business associations

A good complementary strategy to direct outreach to small entrepreneurs is to strengthen business associations. In many countries competitiveness partnerships are needed precisely because representative business associations, such as Chambers of Commerce, are moribund or ineffective. Whenever possible, such institutions should be strengthened by – for example – encouraging the government to offer incentives such as tax breaks or training opportunities for businesses to join organizations, a strategy which has seen 95% of Japanese businesses join an association. When business associations are vibrant, with leaders who can be relied on to express the views of their members and communicate the government's views in return, competitiveness partnerships can reach more individual entrepreneurs more efficiently.

3. Map the partnership's structure to the government's

As competitiveness partnerships exist to influence a government's thinking, it makes sense for the structure of the partnership to map the structure of the government. Japan's "deliberation councils", for instance, are tied to particular ministries. While top-level political support is crucial, there is a danger that basing a partnership in the office of a president can create confused lines of communication with ministries. Mapping to governmental structure is also important in a geographical sense: when local or supra-national layers of government have the power to enact investment climate reforms, partnerships should operate at those levels. A national partnership with regional working groups is a model worth considering: this also helps to prevent influence becoming skewed towards entrepreneurs based in a capital city to the detriment of those in provinces.

4. Aim for a two-tiered output

It is vital for recommendations which emerge from competitiveness partnerships to be clear, well-researched and compellingly presented. A model which was applied in Nigeria is to develop a two-tiered output: a set number of specific policy reform proposals (these could be called, for example, "Business Roadblocks"), together with a smaller number of high quality, research-based economic policy papers (for example, "Business Roadmaps"). The Roadblocks promise concrete outcomes and instant gratification, while the Roadmaps build credibility by putting the Roadblocks in context.

"The Bulldozer initiative is a mechanism to bulldoze away the roadblocks to a good business climate. It has two goals:
1 – Improve business climate by enacting much-needed reforms
2 – Organize the business community into an active lobby for reform"

Bosnia, Bulldozer Initiative

5. Use branding and marketing

Competitiveness partnerships need a clear and explicit mission statement linked to a solid communication strategy. When partnerships have neglected these elements, businesspeople have been more likely to feel suspicious or uninvolved. Careful consideration of branding, with an evocative name and logo, can pay dividends. In Bosnia, the name "Bulldozer" together with the bulldozer logo were major factors contributing to the initiative's success because they so vividly communicated the notion of demolishing unnecessary obstructions. In Nigeria, the "Competitiveness Forum Working Group" had new life injected through being rebranded as the "Better Business Initiative", a name more immediately suggestive of positive change through private sector leadership and advocacy.

6. Appoint a dynamic coordinator

The individual chosen to lead a competitiveness partnership’s coordinating secretariat is critically important in determining the partnership’s level of success. As well as possessing a good understanding of investment climate and legal issues, together with strong skills in project management and negotiation, such an individual should be a skilled communicator, very entrepreneurial and innovative in approach, and socially adaptable: he or she should be equally comfortable talking to prime ministers and micro-entrepreneurs. Credibility is important, and in this sense a foreigner who lacks baggage with local participants can sometimes be a good choice.

7. Manage expectations

Competitiveness partnerships often lose steam after a successful start. This is usually unavoidable, especially when they have pursued the sensible strategy of aiming initially for relatively easily achievable reforms. But the risk can be minimized by an effort to manage expectations from the start: in Bosnia, after a remarkable 100% success rate for the first round of Bulldozer Initiative proposals, some members became disillusioned when the success rate fell to 60%; while experienced observers were aware that this was still an impressive success rate, this perception had been insufficiently communicated to participants in advance. While the setting of clear goals helps to build momentum, excessive fanfare at the launch of a competitiveness partnership which risks raising unrealistic expectations should be avoided.

8. Be flexible about changing structure

Some competitiveness partnerships need to start as a private-private dialogue before engaging constructively in a public-private one. Some - in Eastern Europe, Asia and South Africa – involve labor unions, academics and civil society. But sometimes this isn’t feasible to start with: it can be difficult enough to get government and business talking without including others. In such cases participation can be broadened once a two-way dialogue becomes established.

Competitiveness partnerships should always be prepared to revisit their structure when momentum seems to be slipping away. Winding up some working groups and inaugurating others, or changing the mix of participants, can breathe new life into a partnership. But there can come a point where a partnership has served its purpose and needs to die a natural death to be replaced by a new structure of public-private interaction: in such cases, participants should remember that any specific incarnation of a competitiveness partnership is ultimately only a means to an end.

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