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Industrial policy in practice

Africa's Presidential Investors' Advisory Councils

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Abstract: Recent writing on industrial policy stresses the need for coordination between the public and private sectors. This paper examines the performance of one such coordination mechanism, Presidential Investors' Advisory Councils, in Ethiopia, Senegal, Tanzania, and Uganda. It finds that the councils have been better at focusing attention on a donor-driven agenda of regulatory reforms than they have been at addressing the binding constraints to private investment. Notwithstanding their name, the actual level of commitment to Presidential Investors' Advisory Councils varies quite substantially. None have established a track record of experimentation, effective implementation, and evaluation of the impact of decisions taken.

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1 Introduction

When Horst Koehler, then Managing Director of the International Monetary Fund (IMF), and James Wolfensohn, then President of the World Bank, undertook their 'Odd Couple' joint tour of Africa in 2001 it is highly doubtful that either had industrial policy on their minds. Nonetheless, one of the major initiatives that they launched was to urge the governments of the countries they visited to establish Presidential Investors' Advisory Councils (PIACs), a forum for private–public dialogue. The councils were expected to enable the Presidents to hear the views of experienced and successful business leaders and to 'identify constraints to foreign and domestic investment, generate recommendations for concrete action, and reinforce and accelerate policy reforms' (IMF 2003). In short they were public–private co-ordination mechanisms.

PIACs were created by the Presidents of Ghana, Tanzania, and Senegal in 2002, and in Mali and Uganda in 2004. Subsequently, councils were set up in Mauritania and Benin.[1] Ethiopia launched a Public–Private Consultative Forum—loosely modeled on the PIAC—in 2010. Not surprisingly, the World Bank became the prime sponsor of the councils. World Bank management linked the councils to the World Bank's private sector development and investment climate programmes. In addition, the work of the councils was intended to help shape the World Bank's and IMF's main instrument for engagement in low-income Africa, the PRSP. PRSPs had been portrayed to the international development community as 'nationally owned' and the councils were seen as a means to reinforce the perception of country ownership of the World Bank's private sector development agenda.

Over time, the councils have been used by African governments with varying degrees of enthusiasm as a vehicle for public–private dialogue. This paper examines the performance of the PIACs after a decade of experience. The central question that it seeks to answer is: To what extent have the councils succeeded as business–government co-ordination mechanisms? It draws on case studies of PIACs in four countries—Ethiopia, Senegal, Tanzania, and Uganda—undertaken in 2012 by the African Development Bank (AfDB).[2]

Following this introduction, Section 2 summarizes early experience with the councils in Ghana, Senegal, Tanzania, and Uganda. Section 3 describes the current status of the councils in Ethiopia, Senegal, Tanzania, and Uganda. Section 4 sets out framework to assess the performance of the councils, based on East Asian experience with business–government co-ordination mechanisms. Section 5 applies the evaluation framework to the African cases. The comparative results are organized into four thematic areas—commitment, focus, experimentation, and feedback—which are associated with successful business–government co-ordination. Section 6 concludes with some lessons learned.

2 Early experience, 2002–08

Rather than solicit from the countries involved suggestions for the appropriate membership and structure of the PIACs, the World Bank and the IMF provided a single blueprint. The councils were initially designed as a forum in which 15 'corporate champions'—experienced and successful international business leaders—five government representatives and an international financial institution representative would meet with the head of state or government on a semi-annual basis.

[1] The names of the PIACs have adapted to local circumstances. In the text that follows the term 'councils' will be used generically to describe the investors' advisory group that is chaired by the head of state or head of government.

[2] No case study was done in Ghana because the PIAC there had been moribund for several years.

The councils were intended to be a direct channel for dialogue between investors and political leaders at the highest possible level to 'identify obstacles to investment and focus on a limited number of issues to generate concrete recommendations for action and/or further analysis' (IMF 2003).

The private sector representatives were to be both local and foreign chief executives, drawn from the ranks of current and future investors. The breakdown for the 15 was to be one-third local, one-third foreign, and one-third potential foreign investors. Despite the marked tilt toward foreign investors, both small and large industry interests were expected to be represented. The costs of the council were in the first instance to be funded by the World Bank through its operational budget.

The councils were to be supported by a small secretariat. At the World Bank's urging all the secretariats were located in bodies closely aligned with the office of the President. Some flexibility was permitted in picking the actual location within the executive branch. In Senegal and Uganda the secretariat was located in the Investment Promotion Agency. In Ghana it was situated in the Ministry of Private Sector Development in the President's Office, and in Tanzania it was made part of the National Business Council.

In addition to the council and secretariat the blueprint called for working groups consisting of both public and private sector stakeholders to be created to identify obstacles to investment and to ensure tangible policy reforms. These groups were intended to be issue- or sector-oriented and to build on existing local institutional structures and capacities. Technical work leading to evidence-based policy recommendations was to be done by working group members, supported by consultants and World Bank operational staff. The views of small and medium-sized enterprises (SMEs) were to be conveyed to the working groups mainly through industry association and Chamber of Commerce representatives. An 'Action Plan Matrix' was designed and promulgated as the primary instrument to be used to record, follow up, monitor, and report on council recommendations.

Two reviews of the four original PIACs have been conducted by the World Bank, the first in 2005 and the most recent in 2009. The 2005 review was undertaken by the department of the Africa region responsible for implementing the initiative. The 2009 assessment was conducted by the World Bank's Independent Evaluation Group as part of a larger evaluation of World Bank Group support for structured public–private dialogue.

The 2005 World Bank review concluded that the councils were having a positive impact in terms of fast-tracking existing reform proposals, primarily because they created an 'atmosphere of discipline and pressure for action in the face of government inertia' (World Bank 2005). The evaluators went on to point out that some of the councils were more successful than others at initiating new reform proposals, but that all suffered from limited government implementation of council decisions, due to 'capacity constraints' in the public administration (World Bank 2005). In light of this the evaluators concluded that 'care needed to be taken to not overestimate or over promise what a council could do'. The review noted that while it was possible to link specific individual reforms to actions by the councils, there was no evidence of a direct link between those actions and increases in private investment (World Bank 2005).

The report also identified a number of structural problems that were common to the councils. The most significant was that participation from the private sector was dominated by representatives of a fairly small number of large firms. The role and impact of local business associations—and therefore of smaller domestic enterprises—was unclear. The evidence base to support working group proposals and council decisions was found to be lacking, and the donors were criticized for

failure to provide technical, research, and analytical support. The secretariats frequently lacked experienced and dynamic professionals who had a combination of economic, business, and management skills.

In a reversal of one size fits all, the authors suggested that the councils could be made more effective by changing their structure, composition, and processes. Among the recommendations for action were (World Bank 2005):

- Councils needed a more appropriate balance between domestic and foreign representation;
- Working Groups should address more complex and challenging business climate and strategic issues, including sources of growth and competitiveness; and
- Clear and achievable action plans with reliable follow-up and monitoring mechanisms should be developed.

By 2009 there was evidence of considerably more variation in performance. Judged by the number of reforms that had been introduced on the recommendation of the council, Uganda had emerged as a clear leader and Tanzania as a clear laggard (Table 1). Performance in Ghana was decidedly mixed. While the council had successfully promoted some early regulatory reforms, the President appeared to have lost interest and the council had lost momentum.

The success of the Uganda Presidential Investors Roundtable (PIRT) was largely attributed to the care taken in designing its structure and processes, and to a firm commitment from the President to take action on its recommendations. The secretariat was located in the Uganda Investment Authority (UIA), which enjoyed a solid reputation for competence with the private sector. Representation of the private sector was extended beyond a small number of big business leaders to SMEs and business associations (World Bank 2009). The two leading business membership organizations in Uganda participated actively in council deliberations and engaged regularly with the secretariat.

The council agenda was linked the to the national development plans by working groups on information and communications technology (ICT), agriculture, education, infrastructure, tourism and mining, chaired by prominent businesspeople. It was focused primarily on constraints to investment in sectors, not on cross-cutting investment climate themes. There was clear accountability for integrating recommendations by the council into the regular business of the public sector. A Cabinet Implementation Committee, chaired by the Prime Minister, was established to carry out the government's 'champion' role and tasked with ensuring implementation of PIRT recommendations.

Ghana in contrast demonstrated what happens when a President loses interest. The Ghana PIAC had undertaken a number of initiatives up to 2006, mainly in the areas of land and labor regulations, but from early 2006 to 2008—a period of over two and a half years—not a single council meeting was held, killing momentum and damaging relations with stakeholders. The council stopped meeting because the President was 'not available'. Frequent changes at the ministerial level left it without a champion in government and the private sector members, frustrated by lack of action, did not press strongly to reinstate the consultative process (World Bank 2009). National elections in 2008 further eroded support for the council since it was an initiative of the outgoing government.

The 2009 evaluation—drawing largely on the stark contrast between Ghana and Uganda—concluded that government commitment to reform and the sustained attention of the Head of State were critical to success. It also pointed to the need for a sufficient number of champions in

both the public and private sectors to make reform happen and adequate attention to follow-up by the public administration. Looking across the range of themes covered by the councils and their working groups (given in Table 2), the reviewers urged greater focus on sector-specific reforms.[3]

After the initial PIACs were established (and the two authors of the idea moved on), the attention and energy of the World Bank Group shifted to International Finance Corporation (IFC)-sponsored public–private dialogue mechanisms, which are now present in ten additional African countries. The structure of the IFC-supported public–private dialogues is strikingly similar to the councils. It is a high level forum between the public and private sector which meets on average every six months. Technical working groups, typically composed of representatives of both the public and private sectors, are tasked with generating specific actionable recommendations. All activity is co-ordinated by an operational group commonly known as a secretariat. Yet, despite the similarity between these institutions and the councils; there has been no further systematic effort to learn lessons from the PIACs since 2009.

3 Where are the councils today?

After a decade, the councils in Senegal, Tanzania, and Uganda have evolved in different ways with regard to their structure, agenda, and impact. Ethiopia has only recently begun its experiment with a council. In all four countries, a number of common elements remain from the original blueprint set out in 2001. The councils meet infrequently—not more than twice per year—and the Head of State or Government chairs council meetings. Technical preparation for meetings is carried out by a secretariat with guidance from sector- or policy- specific working groups. Foreign and domestic investors are represented in the councils, but their proportions have shifted in every case away from the predominance of foreign investors initially recommended by the World Bank and IMF. Follow-up on decisions reached is the responsibility of the public administration.

The councils differ significantly in some important respects, however. The first is in the way in which issues are identified and brought to the attention of the council. The second is in the degree to which council recommendations are both actionable and acted upon. The third is in the extent to which the council is recognized as representative of the private sector. Finally, the councils differ markedly in the types of issues that they seek to address and in the impact that they appear to have had.

3.1 Ethiopia

The council in Ethiopia—unlike the councils in Ghana, Senegal, Tanzania, and Uganda—evolved from a domestic dialogue between the government and the private sector: one that was at times filled with acrimony and mutual incomprehension. In 2002, at the government's initiative, a process of consultation between the private sector—represented by the Ethiopian Chambers of Commerce and Sector Associations (ECCSA)—and the government—represented by the Ministry of Trade and Industry—was introduced. A 'Government and Business Community Joint Consultation Forum' was created and seven consultations were held between 2002 and 2004.

An important limitation of the forum was that the presence of the Prime Minister was not assured. Nevertheless, the relative frequency of the meetings—the agreed timetable was one forum each quarter—and the content of the agenda suggested a serious, if perhaps overly ambitious effort. For example the fourth forum, which was conducted in late 2003, with the Minister for Trade and Industry chairing, sought to address service provision to the business community, tax issues,

[3] Notably, no data were given for Tanzania.

problems encountered in the construction sector, telecommunications, export constraints, and lack of financing and capacity building of Chambers of Commerce. The agreed action points were all institutional and policy reforms, but there is little evidence that they were implemented (AfDB 2012a).

The first attempt at dialogue came to an abrupt end in 2005. During the last two meetings of the forum, the government shifted its tone. It became increasingly critical of the ability of the private sector organizations—the Chambers in particular—to take 'objective positions based on verifiable and well-researched facts' (AfDB 2012a). Lack of government support and political unrest in 2005 led to the complete abandonment of the forum process.

Interestingly, as the forum was winding down, the government was also running in parallel highly structured consultations with private investors in priority areas such as cut flowers, leather, and textiles. Meetings with investors in these sub-sectors were frequent and conducted on schedule. High government officials, including many times the Prime Minister, attended. Deliberations on policy and regulatory matters were conducted based on presentations of issues at the meetings. Government officials were supportive and attempted to address the concerns and complaints of the private sector investors, often on the spot. Actions were agreed and followed up.

New leadership for the national Chamber of Commerce was elected in 2007 and committed itself to recommence the national public–private consultative process. A Memorandum of Understanding (MoU) between the Ethiopian Chamber of Commerce and Sectoral Associations representing the Ethiopian private sector and the former Ministry of Trade and Industry was signed in July 2010.[4] The agreement was partly brokered by the IFC.

The MoU established three bodies at the federal level: the National Business Consultative Forum; the Federal Public–Private Consultative Forum (PPCF) and the Federal Sectoral Public–Private Consultative Forum. The National Business Consultative Forum was scheduled to be held once a year, chaired by the Prime Minister. It was intended to be an opportunity for national level issues to be raised by the private sector and addressed by the government. The two types of public–private fora were intended to create a locus for joint analysis of problems and agreement on policy and institutional reforms. A dedicated unit, called the PPCF secretariat, was established in the ECCSA and tasked with giving professional, technical, and managerial support to the consultation process. It was also to follow up on implementation.

The first federal PPCF took place in 2011. The dialogue was organized by the ECCSA in close co-operation with the Addis Metropolitan Chamber of Commerce. The position paper for the forum—focusing mainly on tax administration—was fully prepared by the Metropolitan Chamber, based on issues collected from its network of members. Several concrete action points emerged from the meeting. However, they did not receive sufficient follow-up by the National Chamber and the Revenue and Customs Authority and were not implemented (AfDB 2012a). A second federal public–private consultative forum was conducted in February 2012, co-chaired by the National Chamber and the Minister of Trade. The major objective of the secretariat was to come up with a topic that could secure an 'early win'. The ECCSA chose to make trade logistics—a broadly shared concern in landlocked Ethiopia—the central agenda item. Agreement on an action plan was reached and an initial positive reception by the government has given the consultative process some momentum.

[4] The Ministry was split into two ministries, the Ministry of Trade and the Ministry of Industry, in 2011. The Ministry of Trade retained responsibility for representing the government in the Forum.

Despite the early win, there are several signs that the forum may be in trouble. The National Business Conference did not take place in 2012 and has not yet been scheduled for 2013. The number of meetings of federal and sector fora actually held were only one-third of the annual number agreed in the MoU. No formal system is in place to follow up on agreed action points arising from the forum meetings, and few, if any, concrete results have come from the agreed action points of the past two meetings. Full financing of the forum is not yet in place. The IFC currently covers the costs associated with professional fees for secretariat staff, research, and event organization. Financing of operational costs, however, was expected to be borne by the ECCSA, which has not accepted that role.

3.2 Senegal

In Senegal the Conseil Présidentiel de l'Investissement (CPI) meets once a year, chaired by the Head of State. It has held 11 meetings since 2002. Following a change of government in 2012, the new President and government signaled their commitment to continue the CPI process, and the most recent meeting of the council took place in December 2012. As in previous meetings, members of the government, senior civil servants, CPI members, and selected guests from the private sector, public sector, and the donor community were present.

At its inception, CPI membership was divided into one-third domestic investors, one-third foreign investors operating in the country, and one-third prospective foreign investors. As a result of the business associations' requests to allow better representation of domestic investors, today, the CPI consists of 46 members of whom eight are foreign investors. Over time the membership has evolved to include more local SMEs and business associations.

The organization of the CPI and the roles of its subsidiary bodies are largely unchanged from the blueprint laid down by the IMF and World Bank in 2002. An Inter-Ministerial Council is chaired quarterly by the Prime Minister to monitor the implementation of CPI decisions and provide guidance to ministerial departments. A monitoring committee—chaired twice a month by the Secretary General of the Government in the Prime Minister's office—reviews the implementation of CPI decisions and provides guidance to the public administration. The CPI secretariat is located in the Directorate of Business Environment in the Investment Promotion Agency (APIX S.A.). APIX reports to the Head of State and enjoys a solid reputation with the private sector (AfDB 2012b). The Council has set up four working groups, chaired by the private sector (Table 3). Membership in the working groups is not restricted to members of the CPI. The working groups can request the secretariat to carry out analytical work to underpin their recommendations.

The reform agenda of the CPI has been driven largely by the World Bank. A 1999 study *Senegal Investor's Roadmap* by FIAS and the annual *Doing Business* surveys have been used to set the agenda on barriers to investment. CPI activities have been funded under the World Bank's Private Investment Promotion Project (PIPP). Most of the reforms undertaken by the council are related to regulations and administrative procedures. Success in implementation of the reform agenda is benchmarked by the secretariat in the *Doing Business* report.

In spite of an apparently high-profile oversight and monitoring framework (at the presidential and ministerial levels), implementation of reforms has been weak during the last four years. In the self-assessment of the 2011 council: 'Reforms are moving slowly and Senegal is still behind its potential performance in terms of improvement of its business climate' (AfDB 2012b). This is particularly true in such areas as tax reforms, access to land and getting construction permits. The council has blamed weaknesses in the civil service's capacity to implement reforms for its lack of success in achieving results.

The World Bank ceased its financial support to the council and the government took over funding in 2012. At that time, a survey was undertaken to learn investors' perceptions of Senegal's major business climate constraints. The most critical bottlenecks were identified as: (1) access to energy; (2) SME financing; (3) access to land; (4) the legal and judicial environment; (5) access to public procurement; (6) labor laws; and (7) tax reforms. The secretariat has committed itself to prepare an updated agenda of reforms based on the survey. There are some indications, however, that lack of funds is beginning to constrain the work of the secretariat.

3.3 Tanzania

Founded in 2002, the Tanzania National Business Council (TNBC) is the umbrella organization that acts as Tanzania's Investor's Advisory Council. Its membership consists of representatives drawn equally from the business community and the public sector, under the chairmanship of the President. Discussion of proposed public actions is primarily undertaken by two subordinate bodies: a Local Investors Round Table and an International Investors Round Table, which meet both individually and jointly. The TNBC has met eight times since 2002 while the two investors round tables have met 84 times. A majority (51) of the investors round tables have been conducted jointly.

Initially, the TNBC created eight working groups, structured along sectoral lines: finance, agriculture, tourism, human capital development, technology, manufacturing, agro-processing, and infrastructure. At a later stage the working groups were reduced to four—public private partnerships, private sector development, land, and the business environment—and restructured to reflect a sharper focus on the investment climate.

A secretariat was created for the TNBC and is responsible for organizing the meetings of the council and the round tables. The agendas of both the National Business Council and the investors round tables have been structured mainly on thematic lines (Table 3). A number of research and academic institutions are affiliated to the TNBC. The secretariat uses these organizations to undertake policy analysis and research. The secretariat is responsible for communicating council decisions to the public sector and monitoring implementation.

A unique feature of the council set up in Tanzania has been the creation of regional and district business councils throughout the country. The main objective of creating a network of business councils at the grassroots level was to strengthen the consultative process nationwide and to create a forum for structured public–private dialogue at the local level. Like the National Business Council, regional business councils have equal representation of the private and public sector drawn from the local area.

The council agenda in Tanzania derives from two sources. First, strategic elements of the national development agenda—as expressed in the National Vision Statement and the five-year plan—are placed before the round tables and the council for discussion and endorsement by the business community (United Republic of Tanzania 2011a, 2011b). This is particularly apparent in the discussions of Kilimo Kwanza ('Agriculture First') and ICT. In agriculture the council has endorsed government initiatives to reform land tenure and promote the development of agricultural value chains. In ICT the council has focused on the development of backbone infrastructure. In terms of implementation, however, there is a mismatch between the councils recommendations and action plans and practice. Many of the proposed investments and policy changes at the sector level have been delayed or not undertaken. For example, an Anti-Dumping Bill passed by Parliament at the council's recommendation has not been enforced.

The second source of the agenda for the council has been its primary sponsor, the World Bank. A number of measures have been taken to improve Tanzania's scores on *Doing Business*. For example, measures to reduce the cost and time of business start-ups, improve processes to acquire construction permits, register property, improve access to credit, and protect investors were adopted with the specific objective of boosting Tanzania's ranking in the 2010 *Doing Business* report. Implementation of these 'stroke of the pen' reforms has lagged.

3.4 Uganda

The Presidential Investors' Roundtable (PIRT) in Uganda was established in 2004 with a mandate to advise the government on how to make Uganda a more competitive investment destination and to increase its share of international, regional, and local investments. The council has worked in three cycles—2004 to 2006, 2007 to 2009, and 2009 to 2011—and there have been 12 PIRT meetings with the President. Planning for the fourth cycle is currently under way. Council meetings are held approximately every six months. Meetings are also attended by the prime minister, cabinet ministers and permanent secretaries.

The council had an initial membership of 15 investors, divided into thirds among existing and potential foreign investors and domestic investors. By its third phase (2009–11) the PIRT had grown to 25 members, 13 from Uganda's private sector and 12 from the international business community. Membership on the council is for a period of two years and has changed with each phase of implementation. SMEs are represented through industry associations. The secretariat is headed by the UIA, supported by the Private Sector Foundation of Uganda and the Competitiveness and Investment Climate Strategy secretariat, housed in the Ministry of Finance, Planning and Economic Development. Following phase I, the Office of the Prime Minister joined the secretariat.

PIRT members are selected through a process that begins by identifying priority sectors of the economy and issues to be addressed during the two-year cycle. The secretariat then conducts search for potential international members of the PIRT from those sectors. The same process is followed in the identification of local investors. Potential members are nominated to the President who has the prerogative to accept or reject the nominees. Analysis of issues and recommendations for policy reform are developed by technical working groups composed of PIRT members and invited participants. The number of working groups is determined by the number of priority sectors. For phase III there were five groups (Table 3). Each working group is intended to have at least two local investor and two international investor members of the PIRT. Chairs are usually one of the two local members. Several pre-meetings at the working group level are held before each of the semi-annual council meetings in order to build consensus and to deal with recommendations that have not been implemented.

The Uganda council has taken a sector-based approach in defining areas for analysis and public action. This has meant that the council has devoted less attention to implementing the *Doing Business* list of reforms and has attempted to address both policy and institutional constraints to performance—as well as infrastructure and skill needs—at a more precise level of sector specificity. It has sought to address investment constraints in such sectors as agribusiness, ICT, business process outsourcing, and tourism (AfDB 2012d).

The council is credited with a number of significant reforms at the sector level, such as eliminating export taxes on agribusiness, allowing duty free imports of packaging materials for agro-export products, and the appointment of private sector representatives to public bodies in the agribusiness sector. In ICT the council has supported the National Backbone Infrastructure project and the East African Submarine Cable System (EASSY) Protocol. An Energy Equity Fund of US$100

million was created for the construction of the Bujagali power station at the council's recommendation (AfDB 2012d).

The council has also experienced a number of setbacks. Despite calls for action in phase I there has been slow progress in updating commercial laws, computerization of the land registry, pension reforms, and reform of the national identify card system. In the agribusiness sector land availability for large-scale commercial agriculture remains problematic. Slow progress made in implementing action plans arising from previous phases has been identified by some private sector observers as a major problem.

Primary funding for the secretariat has come from the World Bank. The World Bank has also provided technical support to the UIA on the administration and management of the council. As the secretariat and council have gained experience, however, the World Bank has gradually pulled back and taken on the role of an observer. Financial support from the World Bank has now ceased. The private sector has been meeting its own costs of participation in PIRT and in some cases the costs of undertaking analytical research to inform deliberations at the working group level.

4 Viewing co-ordination through an East Asian lens

The PIACs are an East Asian 'import' into Africa. The initial one-size-fits-all blueprint reads like it was lifted from a history of the practice of industrial policy in Korea during its rapid growth period and given a small facelift to reflect the prevailing fashions in public–private dialogue at the turn of the twenty-first century. An appropriate perspective from which to view the performance of the councils might, therefore, be to consider the extent to which they have been able to replicate some of the critical elements of success that characterized business–government co-ordination in East Asia.

Recent writing on industrial policy has emphasized the need to 'embed' it in a process of consultation and co-ordination with the private sector, both to assist in the design of appropriate public actions and to provide feedback on the implementation of policy (Harrison and Rodriguez-Claire 2010; Rodrik 2007; Sutton 2012). Close co-ordination is needed because understanding the binding constraints to firm performance, and, hence, to the return on investment, requires very detailed information on the industry and the environment within which the firm is operating. Constraints and firm capabilities vary across industries—and across firms within the same industry—and cannot be addressed adequately by generic investment climate reform programs.

The 'new' literature on implementing industrial policy shares much in common with an earlier generation of studies of business–government co-ordination undertaken in the wake of the 'East Asian Miracle' of the 1970s and 1980s (Amsden 1989; Campos and Root 1996; Wade 1990; World Bank 1993). While these earlier authors differed widely in their assessment of the efficacy of industrial policy, they were broadly in agreement on the key elements of the co-ordination process in the rapidly growing Asian economies. Four of these elements offer some practical guidance for African governments seeking to move toward more effective business–government co-ordination: commitment, focus, experimentation, and feedback. These four elements are also present in the industrial policy processes of contemporary China and Vietnam (Dinh 2013a, 2013b).

A high level of commitment of senior government officials to the co-ordination agenda was characteristic of nearly all of the Asian economies, ranging from Japan to Vietnam. Senior members of the political and government elite were publicly committed to and held accountable for industrial development outcomes. In Japan a powerful technocratic bureaucracy drove the early industrialization effort, supported by a consistent pro-industry, pro-export policy of successive

Liberal Democratic Party governments (Johnson 1982). In the cases of Indonesia, Korea, Malaysia, and Singapore the champion was the Head of State or Government (World Bank 1993). Indeed, the famous 'Blue House' meetings between President Park and Korea's powerful industrialists may well have been at the back of the minds of Messrs Koehler and Wolfensohn as they made their African tour. In China and Vietnam both party and government officials at all levels ranging from the national to the municipal are actively engaged in the industrial development agenda and judged on results achieved (Dinh 2013a, 2013b).

Only the cases of Hong Kong and Thailand were anomalous. The colonial government in Hong Kong engaged in a surprisingly wide range of active, pro-growth policies, but eschewed industrial policy and business–government co-ordination per se (World Bank 1993). In Thailand the political leadership was both transient and weak and the government bureaucracy did not fill the leadership gap. As a result little effort was undertaken to set up co-ordination mechanisms with the private sector.

While close co-ordination between public decision makers and private investors is essential for effective industrial policy, the massive literature on rent-seeking and government failures suggests that in many cases a close relationship between business and government can lead to inappropriate policies and wasteful expenditures.[5] One way in which the flow of information between the public and private sectors was encouraged and the risk of capture was reduced was by focusing policy decisions and actions on very specific constraints to firm performance. Although the practitioners of the time certainly would not have recognized the terminology, they were in effect attempting to address constraints to the development of firm capabilities or failures of collective action. These types of industrial development problems proved to be best dealt with at the level of a specific objective or industry. The key elements of the process were agreement with major players in the private sector on the specific constraint and the proposed course of action. A timetable for resolution of the problem was announced and progress in implementation was monitored and reported. The public officials charged with the program were sufficiently senior to make the decisions needed for implementation and in most cases were held directly accountable by the most senior levels of government.

As they attempted to address constraints, East Asian policy makers showed a striking willingness to experiment. Ideas were often generated by observation, either of successful examples that policy makers wished to emulate or of specific problems and constraints that they wished to address. Public actions to accomplish these aims were developed in co-ordination with the private sector and then implemented. The results—measured in terms of specific outcomes—were carefully observed. Where the chosen course of action failed to accomplish the desired outcome, usually—although not always—it was modified or abandoned. Policies that were deemed successful were frequently replicated in other settings (World Bank 1993). This almost 'pharmacological'—observe, experiment, implement—approach to policy-making was heavily dependent on a strong two-way flow of information between firms and the government, and a high degree of insulation and pragmatism on the part of the policy makers concerned.

Feedback was an essential element of the Asian policy process. Partly this was done by measurement of observable outcomes, for example the rate of growth of jobs or exports. But partly it required private firms to share information with the public sector, and sometimes with competitors, that they had little incentive to reveal. East Asian policy makers dealt with this by attempting to deliver results in terms of the impact of public actions on profits that were of

[5] See for example Krueger (1974). A balanced review of the relevance of this literature is contained in the report of the Spence Commission on Growth and Development (World Bank 2008).

sufficient value to provide an incentive for firms to reveal proprietary information. Firms that failed to share critical information were excluded from further participation in the co-ordination process. The quid pro quo was not always successful, but it represented a pragmatic approach to dealing with asymmetric information.

5 How do the councils stack up?

The histories of the PIACs in Ethiopia, Ghana, Senegal, Tanzania, and Uganda described above give a mixed picture of their relevance and impact. The bookends remain, as they were five years ago, Ghana and Uganda. Ghana has abandoned its council while the Presidential Investors' Round Table in Uganda continues to receive relatively high marks from both public officials and businessmen. Ethiopia, Senegal, and Tanzania fall between the two extremes. To a large extent these differences in perceived performance reflect substantial differences in how the councils have dealt with commitment, focus, experimentation, and feedback.

5.1 Commitment

As a signal of highest level commitment, the IMF–World Bank blueprint for the PIACs called for the councils to be chaired by the senior political leader in each country — either the Head of State or Head of Government. While in each of the five countries the design of the council, called for meetings to be presided over by the President or Prime Minister, the extent to which each leader has demonstrated their commitment to the process has varied widely. Ghana of course is the extreme case. Because President Kufour could not find time in his schedule to conduct a meeting in more than two years, the council was abandoned and written off as a failure.

To a lesser degree, the top political leadership in Ethiopia, Senegal, and Tanzania have shown tolerance of, but marked lack of enthusiasm for the councils. At the most basic level this is demonstrated by the fact that no Head of State or Government in those countries has chosen to hold council meetings more frequently than once a year. In the case of Ethiopia the late Prime Minister Meles sent strongly mixed signals by engaging with much greater enthusiasm directly with private investors at the sector or industry level. While the 2012 meeting of the newly designed council was not held and the 2013 meeting has not been scheduled, investors in priority sectors—such as cut flowers—and exporters more generally had easy access to policy makers and a commitment from the Prime Minister to solve problems (Gebreeyesus and Iizuki 2010).

President Museveni of Uganda has shown the greatest sustained commitment to the council process. From the beginning, council meetings have been held on average twice per year. The President is actively involved in vetting proposed council members and has drawn several private sector council members into senior levels of government—including the current Minister of Finance, Planning and Economic Development and the Board Chairman of the UIA—at the end of their council membership cycle. The President not only attends PIRT meetings, he also has a track record of demanding progress reports on implementation of the decisions taken (AfDB 2012d).

At lower levels of government the degree of commitment is best reflected in the extent of implementation of council decisions. The 'Action Matrix' proposed by the World Bank and the IMF was intended to provide a simple framework within which to assign accountabilities in government and the civil service for implementation of council decisions. In the majority of countries it has been more matrix than action. A consistent theme running through the evaluations of the councils is the slow pace of implementation of council decisions.

Most frequently this failure is ascribed to 'capacity constraints in the public administration' (World Bank 2005, 2009). But it also reflects a perception on the part of senior government officials and civil servants that they will not be held to account for lack of action. The most extreme case may be Ethiopia, where the council secretariat has struggled to implement the decisions reached at the two national public–private investors' fora, even within the co-ordinating Ministry of Trade. At the same time, decisions reached in meetings with priority sectors or exporters were implemented with minimal delay (AfDB 2012a). In Senegal and Tanzania formal oversight mechanisms are in place, but a significant number of council decisions—some dating back several years—have not yet been implemented (AfDB 2012b, 2012c).

Follow-up has been most effective in Uganda. A Cabinet Implementation Committee, chaired by the Prime Minister was established to carry out the government's 'champion' role. The Prime Minister's Office is responsible for ensuring follow-through in implementing the council's recommendations. This provides a clear institutional structure and accountability mechanism linking recommendations by the PIRT with the regular business of the public sector. Yet, even in Uganda, private sector representatives complain that council decisions are not implemented quickly enough (AfDB 2012d).

An acid test of the extent of commitment to the councils will emerge as World Bank funding for their activities and secretariats draws to a close. In Senegal and Tanzania lack of funding has been associated with reduced scope of activity of the working groups and secretariats (AfDB 2012b, 2012c). In Uganda there is some evidence of a slowdown in council activities due to decreased external funding, but the UIA has decided for the moment to decline new external funding. Ethiopia's newly launched council has not secured long-term funding from the government.

5.2 Focus

While in Asia most co-ordination took place at the industry and sector level and focused on industry-, sector- and, often, firm- specific constraints on industrial performance, the work of the councils in Africa has been largely centered on an economy-wide agenda of 'investment climate' reforms drawn from the World Bank private sector development playbook.[6] To a great extent this reflects the role played by the World Bank in setting up and funding the councils.

Regulatory reforms are certainly needed: surveys of manufacturing firms in African countries highlight a numerous areas in which regulatory or administrative burdens impose cost penalties on firms (Clarke 2005; Farole 2011; Yoshino 2008). But, rather than focusing attention and resources on the diagnosis of country-specific investment climate constraints, the councils have become captives of the World Bank's *Doing Business* machine. In Senegal and Tanzania the councils have explicitly benchmarked their performance in regulatory reform to the World Bank's *Doing Business* indicators. Indeed, they have given themselves (or been given) as an objective improving the national ranking on *Doing Business* (AfDB 2012b, 2012c). Senegal in particular has chosen to focus on progress in *Doing Business* as its main measure of success. The councils in Ethiopia and Uganda have shown less inclination to use the *Doing Business* indicators to set their reform agenda, but both have been influenced by the World Bank and other donors to focus on 'low hanging fruit' in terms of the regulatory reform agenda.

This fundamentally contradicts the rationale for creating a public–private co-ordination mechanism in the first place. *Doing Business* was invented in Washington, not Dakar or Dar es Salaam. Moreover, it was not designed to be used as a country level diagnostic tool; it is a 'league

[6] This is despite the advice of the Bank's own Independent Evaluation Office in 2009 to shift the focus of Council deliberations toward sector issues and constraints.

table' or cross-country benchmarking exercise. The indicators were developed to support cross-country comparisons on the basis of uniform criteria not to establish priorities at the country level for effective reforms (Page 2012).

Apart from regulatory reforms, councils have attempted to address a wide range of issues; perhaps too wide a range. In Tanzania the council has set out reform objectives in 14 areas ranging from agriculture to empowerment of an indigenous middle class. In Uganda the secretariat lists 51 actionable recommendations in sectors ranging from agri-business to petroleum. The councils in Tanzania and Uganda have been used to advise and endorse several broad development initiatives put forward by the government.

These agenda items fall more under the rubric of public–private dialogue than co-ordination. The focus has been mainly on exchange of information and building of mutual trust rather than on solving specific problems. While such engagements have been assessed as useful by the private sector participants—particularly in building private sector consensus for such programs as Kilimo Kwanza in Tanzania and the ICT strategy in Uganda—they have not been regarded as highly productive. The contrast between the outcomes of the industry- and sector-specific co-ordination processes in Ethiopia and the national forum is particularly instructive. Investors in the priority sectors and those engaged in exports have largely operated their co-ordination mechanisms with the government separately and in parallel with the public–private forum process. They do not regard the forum as an effective venue in which to pursue problem-solving with the relevant government bodies.

5.3 Experimentation

Despite the focus on a pre-cooked agenda of regulatory reform issues, the World Bank–IMF blueprint left some room for innovation. Working groups were intended to be the engine of ideas for the councils. In the working groups sub-sets of members of the council were expected to engage with public officials and other relevant parties to identify, analyse and recommend public actions to relax investment constraints. The secretariat was tasked with providing administrative back-up to the working groups, and funds were made available to carry out analytical work, mainly by consultants or donors.

Over time the working groups have evolved in different ways. In Ethiopia the national Public–Private Forum and the sectoral fora are intended to function in the place of the working groups. In Senegal there are four working groups covering very broad themes such as 'administrative procedures'. Initially the council in Tanzania created eight sector working groups. At a later stage the number was reduced to four and the focus shifted to thematic areas, more closely aligned to the private sector development agenda. In Uganda working groups are established at the beginning of each two-year council cycle, based on government priorities. It is unclear what the role the private sector has in setting out priorities for the new business cycle, particularly since the membership of the council and therefore the leadership of the working groups, also changes with the new cycle.

The councils in Senegal, Tanzania, and Uganda have experimented a bit outside the regulatory reform framework. In Senegal a working group was created in 2011 to explore ways in which private investment could contribute to the welfare of vulnerable groups. The council is attempting to set out an action agenda in such areas as access to health care and renewable energy. The councils in Tanzania and Uganda have tried to address a vexing constraint to industrial investment, the availability of and security of title to land. The council in Tanzania has attempted to reform anti-dumping legislation and policies and institutions for export promotion. In the course of its last two business cycles the council in Uganda has established working groups on infrastructure

constraints, ICT and business process outsourcing, and tourism. In each case specific actions were outlined to reduce constraints to investment in the sector.

For the working groups to function as a source of innovation it is critical that they represent a broad spectrum of firms. The designers of the councils attempted to address the problem of representativeness by encouraging governments to include other national bodies of private investors in the working groups. Uganda has made an effort to include business associations representing SMEs in the working groups, although some private sector associations within the country continue to argue that the council process is not representative of the private sector as a whole (AfDB 2012d). In Senegal more local SMEs and business associations have been drawn into the working groups, and in Tanzania the breadth of representation of stakeholders has increased due to the creation of the regional and district business councils. Although the council is still quite new in Ethiopia, the fact that none of the scheduled meetings of sectoral fora have taken place raises worries about the level of commitment to the working group process.

5.4 Feedback

Feedback is perhaps the least satisfactory aspect of council performance in all four economies. With the exception of the annual *Doing Business* reports, the secretariats in Senegal, Tanzania, and Uganda have not put in place systematic monitoring and evaluation frameworks. And *Doing Business* is very likely monitoring the wrong things. Studies using the *Doing Business* indicators to attempt to explain variations in investment and growth across countries yield ambiguous results and suffer from the same econometric woes as all other cross-country growth regressions (Page 2012; World Bank 2008). There are no examples of cases where councils have attempted to measure the impact of regulatory reforms on the cost of doing business or the decision to invest.

In Tanzania the council uses the network of regional and district councils to collect information on the impact of its decisions. For evaluation, the secretariat can commission consulting firms, but evaluation studies have not been undertaken regularly. For example, the Kilimo Kwanza program has not been evaluated since its inception in 2009. Uganda has no formal mechanism for monitoring and evaluating the performance of its council. The government has argued that the PIRT is self-monitoring, but no monitoring framework is in place and the extent to which individual council members can follow up on initiatives is limited by the changing membership in each two-year cycle. The council in Ethiopia is still sufficiently new that its experience with monitoring outcomes cannot be assessed, but the fact that the secretariat is having difficulty getting council decisions implemented at the ministry level does not augur well. This stands in sharp contrast to the direct feedback by investors to senior government officials, including the Prime Minister, in the context of the priority sectors.

Put bluntly, with the exception of the quantitative feedback provided by the *Doing Business* surveys, none of the councils have a systematic means of assessing the impact of their decisions on firm performance, investment, and growth. This lack of feedback is closely linked to their lack of focus in agenda setting. Where the reform agenda has been pre-cooked—usually by the donor community—the councils have proved moderately effective in accelerating implementation and have been able to measure progress by a systematic, if flawed, donor-driven survey. In other areas, whether at the sector level or in such cross-cutting areas as infrastructure and skills development, lack of feedback on prior council recommendations has limited the scope for understanding what works and what does not. This in turn has resulted in a 'shotgun' approach by councils to agenda setting—advocating a wide range of reforms in the hope that some will have impact—and in a lack of experimentation with more focused public actions.

6 Conclusions

The PIACs were an unintended experiment in the conduct of industrial policy. Neither the IMF nor the World Bank were prepared in 2001 to allow the words 'industrial policy' to be uttered within the walls of either institution. The councils were surely seen by their creators as a place for dialogue between domestic and foreign investors and senior government officials, and as a tangible expression of the commitment of the Head of State or Government to the development of the private sector. Once the operational staff of the World Bank and the IMF linked the activities of the councils to the private sector development operations of the World Bank and to the policy agenda of the government through the PRSP, however, the councils became—at least in principle—policy setting institutions. Business and government were to define jointly an agenda for action, agree on accountabilities, and monitor and evaluate implementation. In short the councils morphed from 'chat shops' into co-ordination mechanisms.

Over slightly more than a decade, the councils have evolved in different ways, both in terms of their mandate and structure and in terms of their impact. Ghana's council disappeared, while Ethiopia, which had a history of deep distrust between business and government, felt the need to introduce a council in 2010. Uganda's council has been judged by external evaluators to have been the most successful; a judgment validated by the generally high marks given to the council by private investors in the country. The councils in Senegal and Tanzania have had some impact, but fall between Ghana at one extreme and Uganda at the other in terms of their performance.

Seen through the lens of public–private co-ordination in East Asia, the councils have a number of shortcomings. While the senior political leadership in each country has remained as the chair of the council, the actual level of high level commitment varies quite substantially. Uganda is the only country in which the President has found time to hold more than one council meeting a year, and in which he has a reputation for following up on council deliberations. Ghana and Ethiopia represent the other extreme. In Ghana the President quickly lost interest and the council lost momentum. In Ethiopia the Prime Minister, who had a track record of close engagement with private investors at the sector and industry level, failed to call for a national meeting of the newly created council.

In general the councils have been better at focusing attention and provoking action on a donor-driven agenda of previously identified reforms than they have been at setting their own agenda. Ethiopia is the only country in which the council has not used the World Bank regulatory reform menu as a basis for action. Most of the 'successes' of the councils in Senegal, Tanzania, and Uganda consist of accelerating regulatory reforms. Especially in Senegal and Tanzania, the regulatory reform agenda has been aligned to the nine *Doing Business* indicators, and impact has been judged by movements in the country's relative ranking. Before it collapsed, the reform agenda of the council in Ghana was similarly structured.

Outside of regulatory reform, councils have chosen to take a broad-based approach, rather than focusing on a limited number of specific constraints to firm performance and attempting to resolve them. In Senegal, Tanzania, and Uganda they have been used as sounding boards to test the reaction of the private sector to national development initiatives. This has led to multiple recommendations for action—often unsupported by analysis—that for the most part have failed to be taken up. The types of policies needed to relax the constraints on firm performance are often sector- or industry-specific, and the councils need to narrow the range of issues placed on the agenda and drill deeper.

None of the councils have established a track record of experimentation. This lack of innovation derives from two sources. The first is the agenda setting role of the World Bank and the broader

donor community. From the perspective of the donors, the councils are often seen as an implementation mechanism for their own policy reform agenda. The second limit to experimentation comes from the restrictive membership of the councils. While in all cases membership has shifted to include more domestic investors, there is a still a distinctly large-scale bias. With the possible exception of Uganda, the working groups do not appear to have made sufficient efforts to include members with the knowledge and interest to suggest innovative solutions to problems.

One of the key reasons to develop co-ordination mechanisms is to provide feedback on the impact of prior public actions. Where these do not have their intended outcomes, mid-course corrections can be made or bad policies can be abandoned. The African councils have failed to put in place adequate feedback mechanisms. In the first instance, the secretariats have often lacked the capacity to follow up recommendations of the councils. This has led to delays in implementation or simply lack of action. The monitoring and evaluation capacity of the secretariats is similarly poor. No council has made a systematic effort to monitor and evaluate the impact of decisions taken.

To Horst Koehler and Jim Wolfensohn, getting leading private investors together with the President or Prime Minister must have seemed a common-sense approach to improving mutual understanding and signaling a commitment to private sector development. That the framework developed by their staffs to support the idea might become a policy setting institution—a co-ordination mechanism—would undoubtedly have come as a shock. Whether intended or not, the PIACs became an experiment in using Asian-style public–private co-ordination in Africa. They have neither been wholly successful nor complete failures, and they provide some useful insights into implementing industrial policy.

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Table 1: Number of reforms attributed to PIACs

Country	Year established	Reforms through 2009
Uganda	2004	35
Ghana	2002	18
Senegal	2002	10
Tanzania	2002	5

Source: World Bank (2009).

Table 2: Themes of working groups of PIACs, 2009

Predominantly cross-cutting	Combination of cross-cutting and sector-specific	Predominantly sector-specific
Senegal	Ghana	Uganda
Administrative procedures	Financial sector	ICT
Finance and taxation	Labor	Agriculture
Infrastructure, land, production	Civil service/customs	Education
Human resources	Land	Infrastructure
	Agriculture and agribusiness	Regulatory environment
		Tourism
		Mining

Source: World Bank (2009).

Table 3: Working groups of PIACs, 2012

Senegal	Tanzania	Uganda
(1) Administrative procedures	(1) Agriculture	(1) Agricultural production and value addition (cotton, fish, food and leather)
(2) Cost and quality of inputs human capital finance access to utilities and land	(2) Empowerment, entrepreneurship and job creation	(2) Competitiveness and doing business
(3) Communication and coaching of civil servants	(3) Infrastructure, the financial sector, tourism and image, and energy	(3) E-government and creative industry
(4) High social impact investments	(4) The TNBC consultative mechanism and statistics	(4) Oil and gas (petroleum)
	(5) Growth and business environment	(5) Transport and logistics
	(6) Human capital development;	
	(7) Commercial hubs and manufacturing	

Source: AfDB (2012b, 2012c, 2012d).