

Summary

The participation of civil society – consumers, private entrepreneurs, employees, citizens and community groups, etc. – in designing public policy is critical if the state and the government are to improve the transparency, quality and effectiveness of their policies, thereby consolidating their legitimacy. Similarly, private firms and the business community (who, it is now recognised, play a crucial role in the creation of national wealth) obviously have an interest in being involved in economic policy making. Lastly, development partners, who have recently put greater emphasis on private-sector growth, have been more and more stressing the need to foster a genuine policy dialogue between the authorities and the business community in developing countries in order to improve public policies.

Yet interest in public-private dialogue (PPD) is fairly recent and growing. Interaction between government and the private sector was largely studied by economic and political scientists in the 1970s and 1980s in terms of rent-seeking, collusion and corruption. Analysis in the early 1990s of the conditions and factors in the success of some Southeast Asian economies helped challenge this vision, by pointing to the role of the state in the economy and the scope for fruitful interaction between political elites, bureaucracy and the private sector. The growing influence of civil-society stakeholders in industrialised and some emerging and less-developed countries has supported this trend. In this context, calls for consultation in drafting government policies, especially the involvement of the private sector in the design and implementation of policies relating to economic strategy, have naturally arisen.

PPD is not a panacea. Its benefits have sometimes been overestimated and its risks played down. Efforts to use and promote it in situations where the most urgent priorities were to address issues of governance and private-sector development have sometimes led to misjudging the conditions needed for creating sound and fruitful PPD that results in a genuine improvement in

the business climate. This study argues that such dialogue is a complex transaction that involves substantial transaction costs and asymmetries of information. Also, where the rule of law (if it exists at all) and the (often merely formal) separation and monitoring of powers have only recently developed, interaction between government and private sector tends to become a process of collusion and mutual predation. This interaction, which may take the form of a dialogue, risks becoming nothing more than a screen for rent-seeking – the very opposite of what might be expected from fruitful PPD, i.e. the production of public goods, such as economic policies to increase national wealth.

This study also aims to identify as clearly as possible, with the help of numerous examples, the institutional conditions (quality of bureaucracy, level of private-sector organisation and development, influence of political system) for effective PPD that avoid the pitfalls of non-transparent and economically sub-optimal interaction. It stresses that the quality of dialogue depends on the structures of the institutions involved on both sides. Creating the conditions for productive PPD is a very sensitive matter. It is hard to establish the delicate balance required, where the integrity of stakeholders is maintained (i.e. the reciprocal autonomy of both the state and the private sector is preserved) while there still exists sufficient interaction for genuine dialogue. The adequacy of this interaction is a reflection of both the private sector's capacity to gain access to bureaucracy and government, and of the state's capacity to become involved in the national economy and build networks.

The discrepancies noted (especially in most LDCs) between the local institutional and economic situation and the optimal conditions for effective PPD should not, however, lead to scepticism about this complex tool for designing public policies, but to a well-informed, positive and cautious attitude to its use. This study looks at the possibilities for PPD, particularly in sub-Saharan Africa, and suggests practical ways in which donors can use this complex tool.