

Introduction

The participation of civil society – consumers, private entrepreneurs, employees, citizens, associations etc. – in the design of public policies echoes the need of the state and the government to establish their *legitimacy* by improving the *transparency, quality and effectiveness* of their policies (OECD, 2001). Private firms and the business community – whose central role in the creation of national wealth is no longer a question for debate – tend to become involved in the design of *economic policies* in particular.

Public-private policy dialogue (PPPD), that is, consultation between firms and governments¹, is increasingly advocated as a way of improving government policies in developing countries (DCs). Because PPD is usually considered to be poorly developed or badly structured, a growing share of Official Development Assistance (ODA) is earmarked for it. A recent study by the OECD's Development Assistance Committee (DAC), which brings together bilateral OECD donor countries, states: "Objectives of PPD include building trust and bridging gaps and laying the foundation for joint problem analysis and identification of policies and institutional reforms that contribute to a more conducive environment for private sector development" (OECD, 2005, p. 3).

The abundance of serious efforts to achieve these objectives is evidence of the growing interest of multilateral and bilateral aid donors in encouraging interaction between government and private sector in DCs. Herzberg and Wright (2005 and 2007) have made an excellent "operational" summary with a broad survey of PPD efforts in DCs, and provide what is virtually a user manual and a guide to good PPD practices in DCs. They cite lessons learned from initiatives supported by the World Bank and many other donors in recent years that show the great interest of these organisations in PPD.

This is quite a recent trend in the history of development co-operation which, until the 1990s, largely ignored non-governmental stakeholders, especially private entrepreneurs. Donors and recipients are now showing enthusiasm for PPD since this lies at the heart of three of their current priorities – private-sector growth, participation and good governance.

As often happens with a new and fairly original approach, the benefits of PPD are sometimes overestimated and the risks played down. Efforts to use and promote this instrument in situations where the most urgent priorities were to address issues of governance and private-sector development have sometimes led to misjudging the conditions for creating sound and fruitful PPD that results in a genuine improvement in the business climate. This study aims to identify as clearly as possible the conditions, especially the institutional conditions (quality of bureaucracy, level of private-sector organisation and development, influence of political system), for effective PPD that avoids the pitfalls of non-transparent and sub-optimal economic interaction between government and business.

Our analysis stresses that while the potential benefits of PPD are considerable (Chapter 1), the risks involved are just as great; and so it is necessary to define clearly the conditions under which dialogue can be implemented (Chapter 2). The possibility that PPD can become a screen for corruption, collusion and seeking of self-interest by bureaucratic sectors, political circles and the private sector must not be ignored. Certain institutional conditions must be satisfied before PPD begins, especially minimum bureaucratic standards (with at least some “pockets of efficiency”) and a minimum of maturity in the local private sector. This study does not in any way imply that productive PPD in DCs is impossible or suggest that governments should be insulated from civil society, but it does recommend caution. It looks at the possibilities for PPD in sub-Saharan Africa (Chapter 3) and suggests practical ways in which donors can use this complex tool.

Note

1. Public-private policy dialogue is defined in a broad sense in this study to include all forms of interaction between the state and the private sector relating to the design of public policies – improving the business climate, short-term macroeconomic policy, medium- and long-term development strategy, sector regulation, and so on. This interaction can be more or less institutionalised (investment councils advising the government, formal discussion forums bringing together civil servants and business people, and informal social networks that include senior government officials, political decision makers and leading business figures).