Industrial Policy in Practice: Africa's Presidential Investors' Advisory Councils

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The “Odd Couple”

- Horst Koehler, then Managing Director of the IMF, and James Wolfensohn, then President of the World Bank, undertook a joint tour of Africa in 2001
- One of their major initiatives was to urge the governments of the countries they visited to establish Presidential Investors’ Advisory Councils (PIACs), a forum for private-public dialogue
- Councils were expected to enable African 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).

The Councils

- PIACs were created by the Presidents of Ghana, Tanzania and Senegal in 2002
- In 2004 Mali and Uganda followed by Mauritania, and Benin
- The World Bank became the prime sponsor
- The IFC has encouraged the formation of another 10 public-private fora modeled on the PIACs
- Ethiopia launched a Public-Private Consultative Forum – modeled on the PIAC – in 2010

An Unintended Consequence?

- World Bank management linked the Councils to the Bank's private sector development and investment climate programs.
- The work of the Councils was also intended to help shape the World Bank's and IMF's main instrument for engagement in low income Africa, the Poverty Reduction Strategy Paper (PRSP).
- Councils were seen as a means to reinforce the perception of country ownership of the Bank's private sector development agenda.
- In short they had become *public-private coordination mechanisms*

The Question and the Study

- To what extent have the Councils succeeded as business-government coordination mechanisms?
- Draws on case studies of PIACs in four countries – Ethiopia, Senegal, Tanzania and Uganda– undertaken in 2012 by the African Development Bank (AfDB)
- Uses a framework to assess the performance of the Councils, based on East Asian experience with business-government coordination mechanisms

The IMF-World Bank Blueprint

- One size fits all:
  - "Corporate champions" would meet with the Head of State or Government on a semi-annual basis
  - Five each would be drawn from the domestic private sector, existing foreign investors, and potential foreign investors.
  - Intended 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).
  - Supported by a Secretariat, funded by the World bank

Early Experience, 2002-2008

- World Bank evaluations were conducted in 2005 and 2009 (and none thereafter).
- Results were mixed:
  - By 2009 the Council in Ghana had disappeared!
  - Uganda judged the most successful; Senegal and Tanzania less so
- General findings
  - Most success in fast tracking existing reform proposals
  - Created an “atmosphere of discipline and pressure for action in the face of government inertia”
  - Limited government implementation of Council decisions, due to “capacity constraints”

Where Are They Now?

- Even greater diversity in performance than in 2009
  - Uganda is still the best performer
  - Tanzania is the laggard
  - Senegal is muddling through
  - Ethiopia is too new to tell, but shows some signs of trouble
- General findings
  - Councils have been best at implementing a donor-driven regulatory reform agenda (*Doing Business*)
  - They have also been useful in securing private sector endorsement of national development goals (Kilimo Kwanza; ICT backbones)
  - They have been very poor at identifying constraints to firm performance and implementing solutions
  - There is no evidence that they have boosted investment

Viewing Coordination through an East Asian Lens

- The Councils are an East Asian “import” into Africa.
- Recent writing on industrial policy has emphasized the need to “embed” it in a process of consultation and coordination with the private sector
  - Identify binding constraints
  - Obtain feedback
- This idea is very similar to the coordination mechanisms used by the high performing Asian economies (from Japan to Vietnam).

Viewing Coordination through an East Asian Lens

- Four elements of success:
  - A high level of commitment of senior government officials to the coordination agenda
  - Sharply focusing policy decisions and actions on specific constraints to firm performance
  - A striking willingness to experiment (public policy as pharmacology)
  - Careful attention to feedback
- How do the Councils perform on these dimensions?

How do the Councils Stack Up?

- Commitment
  - Ghana – a President becomes bored
  - Uganda – a President follows up
  - Ethiopia, Senegal and Tanzania – a President has tepid interest
- Focus
  - Implementing the World Bank private sector development playbook (*Doing Business*)
  - Fundamentally contradicts the rationale for creating a public-private coordination mechanism in the first place (the constraints are identified in Washington)
  - Attempting to address too broad a range of issues
  - Not much evidence of home grown analysis and action on sector or industry specific constraints

How do the Councils Stack Up?

- Experimentation
  - Working Groups were to have been the engine of ideas
    - Scope limited by the donor agenda
    - Also limited by the composition of the Councils
  - Outside regulatory reform a few attempts at innovation (Senegal – social responsibility of business; Tanzania – antidumping legislation)
- Feedback
  - Keeping score on regulatory reform (but using the wrong scorecard)
  - Uniformly poor on other initiatives
  - Follow-up remains a problem

Some Lessons Learned

- Commitment depends on getting things done which in turn depends on commitment
  - Donor-dominance of the agenda was unhelpful
  - The public administration takes its cue from the top.
  - The "business of [fill in the blank] is [still not] business"
- A donor driven agenda stifles focus and experimentation

Some Lessons Learned

- Councils need more flexible and representative membership to improve agenda setting
- Dump *Doing Business* and use the Councils as they were intended to identify binding constraints to investment
- Focus on fewer things follow through and demand feedback

Thank You

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