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
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