Fragility
Greece during the economic crisis of 2007-09

Source: OECD 2011 Cumulative GDP decline from 2007/8 ceiling to 2009/10 floor

Ireland -14.6%
Finland -10.2%
Greece -8.9%
Italy -7.0%
Germany -6.6%
Austria -5.4%
Netherlands -5.3%
Spain -4.9%
Belgium -4.2%
Portugal -3.9%
France -3.9%
Haiti unemployment rate rises from 70% pre-quake to 80% post-quake.
Greece during the economic crisis of 2007-09

Japan’s car production fell 60.1% after the March earthquake, a reduction of 439,828 (Source: Japan Car Manufacturers Association)
Newsweek, 2011

Dear tourists
Don’t leave
We’ll protect you

Egypt incurred an estimated $1.7 billion in economic losses when crowds thronged Tahrir Square.
Public-Private Dialogue

5th PPD Workshop
June 1-2-3 2010
Vienna

Benjamin Herzberg
World Bank Group
Sr. Private Sector Development Specialist
PPD Global Product Specialist
What is it, what does it look like?
PPDs are structured mechanisms, anchored at the highest practical level, coordinated by a light secretariat, and aimed at facilitating the discovery process by involving a balanced range of public and private sector actors in identifying, filtering, accelerating, implementing, and measuring competitiveness actions and policy reforms.

Herzberg, 2011
When to use it

1- As a growth *discovery* mechanism (whether at economy wide or industry level, whether at national or local level)

2- As a crisis *detection* mechanism (to capture early warning signals and take defensive actions)

3- As a post-crisis *resolution* platform (to quickly set up and implement mitigation strategies)

Herzberg, 2011
What does it look like
What is in it for me?
1- Government can prioritize

- Labor Cost
- Red Tape
- Poor Productivity
- Costly and unreliable Utilities
- Logistics
- Corruption

Competitiveness

Subramanian, 2006
2- Entrepreneurs face reduced red tape
3- All voices get heard in a structured and fair manner

Herzberg, 2011
... which increases chances for reform success

Structured dialogue ➔ Workable reforms ➔ Reforms that work

PPD contributes to all steps of reform process

Herzberg, 2011
**Stakeholder Attendance:** Private Sector, Government, Organised Labour, Civil Society, Donors

**Selection Criteria**
- Zambia’s comparative advantage
- Growth potential (GDP contribution)
- Potential for job creation, especially in rural areas
- Current and potential export contributions
- Linkages to other sectors of the economy
- Amount of value addition involved

**Shortlist**
- Agro-processing & other manufacturing
- Forestry
- Gemstones
- Horticulture
- Livestock
- Maize
- Minerals & Metals Processing
- Tourism

**3 Selected Industries (and rationale)**
- **Livestock**
  - Comparative advantage
  - Growth potential
  - Rural livelihoods
  - Linkages & value addition
- **Tourism**
  - Comparative advantage
  - Job creation, esp. rural
  - Linkages to other sectors
- **Minerals & Metals Processing**
  - Comparative advantage
  - Export contribution
  - Value addition
  - Linkages to other sectors

**Additional Consultations to Narrow Scope**
- Beef & Dairy
- Tourism
- Copper Mining Fabrication

**Potential Zambian Industries**

*Sheppard, Uy, 2011*
4- Population benefits from more good policies

Learning about good practice

Source: WDR05.

Herzberg, 2011
What is the impact of PPDs?
Evidence of development effectiveness

2005:
Independent evaluation of 5 Investors Advisory Councils in Africa

2007:
Independent evaluation of 3 Business Forums in Mekong

2009:
Independent evaluation of 30 WBG-sponsored PPDs

Over 400 reforms achieved in over 50 distinct areas

Economic impact (private sector savings)
Conservative estimate: $500 millions

Cost effectiveness
Start-up investment of 100k-200k

Aceh 2008
Albania 2008
Bangladesh 2007
Belarus 2007
Cambodia 1999
Chad 2008
Cameroun 2008
CAR 2007
Ethiopia 2008
Laos 2005
Liberia 2007
Nepal 2008
Pakistan 2008
Sierra Leone 2007
Romania 2006
Senegal 2002
North Sudan 2007
South Sudan 2007
Tanzania 2002
Timor Leste 2008
Tonga 2005
Uganda 2004
Vanuatu 2008
Vietnam 1997
Zambia 2007
Benin N/A
Ghana 2002
Mali 2004
Competitiveness payoffs - Cambodia Garment

- Two reductions of Export Management Fee has saved GMAC members USD 2.2 millions (2008)
- Reduction of bureaucracy and documentation required for import-export procedures;
- Certificate of Origin now issued within 48 hrs, with reduced cost and documentation (2 GMAC staff are positioned at MoC to assist factories in C/O applications);
- Introduction of the ASYCUDA system which has automated export documentation, saving time and money;
- Export procedures made transparent and communicated
- Reduced the employers’ contribution to the National Social Security Fund from 1.8% to 0.8%
- New Union Law established
- Decade-long Night Shift dispute resolved (night rate from 200% to 130%)
Cambodia’s garment exports results

Annual Export

Van Sou Leng, 2011
Growth impact in Madagascar

- Local economic development analysis and sector selection through PPD in 3 sub-regions
- Mining, tourism, ICT, agribusiness, garments
- Collaborative actions on cross-cutting issues (investment climate, finance, promotion, MSME) and location-specific issues (infrastructure, utilities)

- New Investment Law adopted
- > 1200 new loans to MSMEs (>30 mn)
- > 9000 new direct jobs
- > 3600 new firms registered
- > 2000 workers trained
Sector growth through PPD

Ethiopia Cut Flowers

Peru Asparagus

Chile Salmon

South Africa Wine

Morocco Auto Parts

Andhra Pradesh ICT

Uganda Fishing

Kenya Cut Flowers

Kenya Tea

Sri Lanka Tea

Nigeria Computers

China Footwear

China Textile

China HH Appliance

S. Africa HH Appliance

Costa Rica Ecotourism

Tanzania Ecotourism

Malaysia Electronics

Herzberg, Kassim, Majumdar, Sudan, Stanford University research team, Watson, Zeng, 2011
How to implement PPDs?
Prerequisites

Consider 4 dimensions to start it

**Public Authorities:**
Engagement means sufficient capacity, political will and leadership.

**Business community:**
Needs to be somehow organized, led and feel a basic sense of security.

**Champion:**
Needs credibility, expertise and the ability to get media attention

**Instruments:**
Need logistical facilities, seed funds (may also supplement champion in QA)

Herzberg, 2011
Implementation

Consider 12 dimensions to sustain it over the long run

PPD Evaluation Wheel
Mandate and institutional alignment

- Development Partners
- Structure and participation
- Post-conflict/disaster/crisis
- Facilitation and management
- Relevance to FDI
- Champion(s) and leadership
- Outputs
- Sector specific
- Outreach and communication
- Sub-national
- Monitoring and evaluation

Herzberg, 2011
Implementation framework: 12 key processes

1. Mandate and Institutional Alignment
2. Structure and participation
3. Champions
4. Facilitator
5. Outputs
6. Outreach and communications
7. Monitoring and evaluation
8. Sub national relevance
9. Sector-specificity
10. Relevance to FDI
11. Post-conflict/disaster, crisis response
12. Development partners

A number of options to choose from

A number of good and bad practice to learn from

A number of decisions to implement
Ten practical tips to get results
How to get results?

-1-

A lot of **work**

Huge coordination and mediation business

Herzberg, 2011
How to get results?

-2-

Design consultations for PPD

- Define project brief
- Investment climate constraints (Existing benchmarks and surveys)
- Stakeholder investigation (Field interviews and focus groups)
  - Private sector
  - Intermediaries
  - Public authorities
  - Civil Society
    - Most significant reforms (Field interviews and focus groups)
      - Stakeholder analysis
      - Design decision

Herzberg, 2011
How to get results?

-3-

Strong focus on targeted, measurable reforms

Herzberg, 2011
Several types of outputs

**HARD OUTPUTS**
- Issue specific policy recommendations
- Conduct research and publish position papers
- Participate in government decision-making process
- Organize conferences and forums
- Contribute to effective policy implementation

**SOFT OUTPUTS**
- Foster dialogue among different actors
- Build social capital
- Promote trust and understanding

Focusing on this will bring the others

Herzberg, 2011
Simple, explicit organization

Public-Private Mandate

Coordinating secretariat

Working group 1
Working group 2
Working group 3
Working group 4
Working group 5

Private sector advocates, associations, government representatives, donors

Herzberg, 2011
Meetings of the Regional Consultative Council (RCC) to improve the business environment and investment climate of the Chairman of Khatlon region

Secretariat of the Regional Consultative Council

Working Groups
- WG on attracting investment for development of enterprises engaged in harvesting and processing of agricultural products
- WG on facilitation of tax payments, especially for farmer households
- WG on water security of farmer households and timely payment for water supply services

Roundtables (expanded private sector participation)

Decision-making level

Coordination of activities of working groups

Level of analysis and project development solutions

Level to identify problems and proposals

Sultanova, Rahmonov, 2011
A unique, transparent and disciplined way to collect reform proposals

-5-

Herzberg, 2011
-6-

A filtering process that ensures quality of proposed reforms

Herzberg, 2011
How to get results?

BULDOZER EFFORT

ROADBLOCK SUBMISSION FORM

Submitted by:

Private Business | Government Agency | Local Independent Agency | International Agency | Bulldozer Committee
---|---|---|---|---
| 100 employees* | PEP | FIPA | SEED | W.B.
| 50 employees* | Entity* | ROA* | QIF | I.C.
| More than 50 employees* | Capital* | Business Association* | CHF | J.E.A.
| Less than 100 employees* | Vatno* | Association* | UNDP | M.R.


Guidelines:

- TAD (Tuna Agency for Local Development Initiatives)
- Dr. Miroslav Krslovic, Director

Reviewed and revised by:

Bulldozer Committee Working Group

Roadblock Title: R 01 Harmonization of LLC Minimum Capital Requirement

Issue at stake:

Limited Liability Company (LLC) is the most popular form of business in Bosnia. One or more physical or legal persons can form a limited liability company by a founding act.

- In the Federation, the minimum statutory capital requirement is 2,000 KM for a single proprietor and 10,000 KM for an establishment with multiple partners.
- In RS, the minimum statutory capital requirement is 5,000 KM for all LLCs.
- In the Bosnian state, the minimum statutory capital requirement is 500 KM for all LLCs.

The statutory capital is divided between the founders who each have a minimum share. This minimum share defines the maximum number of people that can start a company.

- In the Federation, the minimum share is 2,000 KM (meaning that founders of a company are limited to 5 persons).
- In RS, the minimum share is 500 KM (meaning that founders of a company are limited to 10 persons).
- In the Bosnian state, the minimum share is 100 KM (meaning that founders of a company are limited to 50 persons).

Why is this a roadblock?

Unfair advantage for FBiH for single proprietors, unfair advantage in RS/Bosnia for multiple partners.

It may entice entrepreneurs to locate in the entity that presents the most advantage to them.

Harmonized fees are one step further towards a single economic space. Foreign investors generally refuse to deal with 3 different legislations for the same country.

Herzberg, 2011

Single capital for both entities will facilitate the registration of a company in multiple entities.

It is too expensive. Losing the investment will result in more people starting businesses. Additionally, knowing the cost of the minimum share (same amount or price) will result in a small business to start with more partners (e.g., a small group could reduce the proposed threshold of 2,000 KM by having some individuals bring contributions as small as 100 KM to start the business).

Bulldozer solution:

Make the minimal statutory capital requirement 200 KM in all cases (single proprietor or multiple partners) and in all instances, and lower the minimum share price to 100 KM.

Action item:

- Modify Art. 114 (in the Law on Business Companies (Federation), Art. 331 in the Law on Enterprises (RS), and Art. 45 in the Law on Enterprises (Bosnia) (add Article))

FEDERATION OF BOSNIA AND HERZEGOVINA

Law on Business Companies

(Official Gazette of the Federation of Bosnia and Herzegovina, No. 32/99, 45/00 and 2/02)

Current Text:

ARTICLE 114

(1) The statutory capital of a limited liability company with several founders shall be no less than 10,000 (ten thousand) KM, and if there is only one founder 2,000 (two thousand) KM, unless otherwise provided by other laws.

(2) The value of an individual share may not be less than 2,000 (two thousand) KM.

(3) Contributions in money may not be less than the amount provided by paragraph 1 of this article.

(4) Contributions in kind, if permitted, shall be in total not less than the amount provided by paragraph 1 of this article.

(5) The company may permanently and freely dispose of them.

(6) Until the day of submission of application for entry of company establishment into the court register, no one may be involved in the company establishment (one person), and if there is no less than the amount provided by paragraph 1 of this article.

Suggested Text:

ARTICLE 114

(1) The statutory capital of a limited liability company with one or several founders shall be no less than 2,000 (two thousand) KM, unless otherwise provided by other laws.

(2) Value of an individual share may not be less than 100 (one hundred) KM.

(3) Contributions in money may not be less than the amount provided by paragraph 1 of this article.

(4) Contributions in kind, if permitted, shall be in total not less than the amount provided by paragraph 1 of this article.

Page 4 of 4
-7-

A lot of work (again)

Simple criterias to ensure quick processing and transparency of process

<table>
<thead>
<tr>
<th>Forum</th>
<th>Propositions collectées par les GT</th>
<th>Propositions pré-selectionées par les GT</th>
<th>Propositions finalisées par les GT et présentées au secretariat</th>
<th>Propositions correspondantes aux critères de faisabilité</th>
<th>Propositions correspondantes aux standards internationaux</th>
<th>Propositions votées en séance plénière</th>
<th>Propositions retenues pour plus tard</th>
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<td>6</td>
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<td>15%</td>
<td>10%</td>
<td>7.5%</td>
<td>5%</td>
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</tr>
</tbody>
</table>

Herzberg, 2011
How to get results?

-8-

Good planning

Bulldozer Committee
1st Plenary Session
Vetting 8 reforms

Bulldozer Committee
2nd Plenary Session
Vetting 15 reforms

Bulldozer Committee
3rd Plenary Session
Vetting 27 reforms

Bulldozer Committee
50 REFORMS
PUBLISHED
IN PRESS

Joint Parliament
Meeting in
National Theatre
with BC

3 Govts
give their
amendments
package
to PAs
under
“urgent
procedure”

Reform Enactment
by
3 Parliaments

BC presents
50 reforms to
CoM, RS, FBiH
in JOINT
GOVERNMENT
SESSION

Herzberg, 2011
How to get results?

-9-

Strong convincing power

Bosnia Bulldozer initiative, "50 reforms in 150 days"

From the Protocols for Prosperity…
To the Prosperity Garden (Bosnia)

Better Business Initiative
Partnering to improve the economic environment

Nigeria PPD

Georgia legal and judicial reform

Accountability gets specific in Bosnia - governance reform

Herzberg, 2011
How to get results?

-10-

Monitoring process and evaluating impacts

Herzberg, 2011
Tools and techniques for monitoring + evaluation
How to start and exit PPD?
PPDs are risky business but risk is manageable

Reinforcing vested interest (e.g. Mongolia)
- Be open and transparent – Publicize quality control – Broad based

Over and under representation (e.g. Tanzania, 18%)
- Strengthening BMOS – Equal representation – Periodic review

Sustainability issues (e.g. Bolivia)
- Clear agenda and proposals – Manage expectations – Live and let die

One man shows (e.g. Botswana)
- Foster bottom-up support – Secure written commitment – Prepare transition

Political risks (e.g. Bosnia)
- Depoliticize through outreach – Woo parliamentarians – Go local

Institutional misalignments (e.g. Uganda NF)
- Embrace institutions – Use technical ministerial staff – Transfer competencies

Herzberg, 2011
Initiative or institution?

Public authorities

Private sector
Life and death of a PPD mechanism

Phase 1: Trust
- Education
- Discovering what works / What doesn’t
- Setting up production process

Phase 2: EARLY RESULTS
- More capacity
- Better production
- Better product
- More conflict

Phase 3: HIGH IMPACT RESULTS
- Institutions
- BMOs
- Permanent brokering
- Ownership without capacity

Results over Time:
- 1 to 3 years
- 1 to 3 years

Herzberg, 2011
Linking the PPD to other reforms processes

Value chain

Regulatory simplification

Moratoria Regulatoria

Herzberg, 2011
How to share experiences, get good practice material, tools?
Community of practice

KM Website
- Charter of good practice
- Lessons learned papers
- Interactive PPD handbook
- 50 case studies
- Operational documents
- Templates
- M&e Tools
- Workshop materials

Workshops
- 2006 PPD Workshop (Paris, 30 countries represented)
- 2007 PPD Workshop (Douala, 7 countries represented)
- 2008 PPD Workshop (Dakar, 8 countries represented)
- 2009 PPD Workshop (Vienna, 20 countries represented)
- 2010 PPD Workshop (Vienna, 23 countries represented)
- 2011 PPD Workshop (Vienna, 20 countries represented)

Donor partnerships
- OECD (on implementation guidelines)
- DFID (co-funding of KM and projects)
- GTZ (co-implementation of PPD projects)
- EBRD (co-implementation of PPD projects)
- USAID (our PPD training to their PSD staff)
- Catalonia ACC10 (research partnership)

Tools

Implementation guidelines

Diagnostic tool

M&E Tools for PPD secretariats

Herzberg, 2011
http://www.facebook.com/publicprivatedialogue
Thank you!

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agility