

## WORKING GROUP 10 CASE STUDY – SOUTH AFRICA

### The Role of Donors in PPD and the SADC Regional Business Climate Survey

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#### Background to the Advisory Service for Private Business

The Advisory Service for Private Business (ASPB) is a multi-country and multi-partner project. The project is implemented through the German Technical Cooperation (GTZ) and funded by the German Government (BMZ).

Many private sector development projects in the SADC region follow a multi-country approach, partly because a region and not individual member countries are to be supported, partly because of reasons of operational efficiency. ASPB's multi-partner approach refers primarily to several chambers of commerce and industry and regional associations. The main partner is the Association of SADC Chambers of Commerce and Industry (ASCCI). The political partner of ASPB is the SADC Secretariat. In its day-to-day activities, ASPB interacts with partners of government and political levels, as well as with the enterprise level.

The main intervention areas of ASPB are strengthening of private sector organisations, promotion of regional trade, and supporting the dialogue between government decision makers and the representatives of the private sector.

#### PPD in the SADC Region

	Format of PPD	Channel PPD	Favorable factors	Restricting factors	Effectiveness, views of PS
<b>Angola</b>	Not structured	BOs individually	Proximity bus lead ,PI	Absence really felt need	Hardly any impact
<b>Botswa.</b>	3 day biannual bus conf	BOCCIM	High degree unity PS	-	Major impact
<b>RDC</b>	Not structured, informal	Dial on company level	Exist. capacities FEC	Civil unrest, no nat unity	No impact
<b>Lesotho</b>	Ad hoc, not structured	Les Employers Asso	Exist. capacities LEA	No interest in macro iss	Not really effect.
<b>Malawi</b>					
<b>Mauritius</b>	Quarterly and weekly	JEC	Support by bus comm	-	Highly effective
<b>Mozamb.</b>	Annual conference	CTA	Principle PPD accept	No shared vision PS/PI	Can be improved
<b>Namibia</b>	Not systematically	NCCI	Openness Governm.	Lack of capacities	Not effective
<b>South Af</b>	regularly	BUSA	Capacities, open Gov	Young institution	Effective
<b>Swazil.</b>	Not structured	FESBC	New dynamic BO	No culture of dialogue	negligible
<b>Tanzania</b>	regularly	T P S F	Profess. BO	Donor dependant	Land Act, Income A
<b>Zambia</b>	Non structured,ad hoc	ZBF	External support	Lack of real felt need	Minor impact
<b>Zimbab.</b>	Crises management	CZI, ZNCC	Capacities BO	Political environment	Going down
<b>SADC</b>	Not regular	SBF, ASCCI	'White Paper'	Costs, no felt need	Minor impact

Donors face several challenges with regards to PPD. One of the major challenges is convincing private sector organisations to take the initiative. In order to be able to take this initiative, private sector organisations will need to improve their analytical skills and capacities. Dialogue partners also need assistance while endeavoring to come to a shared vision on the basic macro-economic problems affecting business (“White Paper”).

The dialogue needs to be structured, through preparation, the dialogue itself, monitoring the results, and ensuring regularity of these activities. The dialogue needs to be a constituent of the political environment.

## The Role of ASPB

ASPB is fully aware that dialogue is an instrument and not an ultimate goal. ASPB is constantly involved in supporting activities that aim at improving the quality of the dialogue such as:

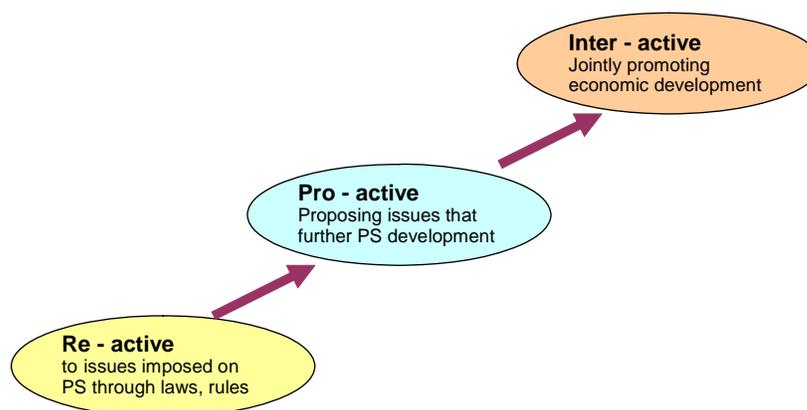
- Existing ownership
- Structured dialogue
- Permanence and regularity of dialogue
- Broadness of dialogue
- Constituency
- Real “participation”

ASPB is of the belief that the permanent dialogue process should include at least the following three key areas:

- Drafting and monitoring of laws pertaining to the economy and to business
- Elaboration of the national budget
- Definition of the national position on international trade issues, including during the negotiations

The following general recommendations may provide the conceptual basis for PPD:

- The dialogue must move from being reactive to proactive (placing issues onto the agenda), and finally become interactive (a joint public private instrument guiding national economic development)<sup>1</sup>



<sup>1</sup> The re-active - pro-active- inter-active principle is a basic concept of the JEC in Mauritius

- The private sector must move from a defensive position (a demanding position is also one in which the private sector will soon find itself on the defensive, seeking justification) to one in which it also suggests realistic solutions to national economic development problems.
- In terms of contents of the dialogue, issues should not only concern what the private sector wants "to have", but, even more importantly, what the private sector wants "to become".

The objective of PPD as defined by ASPB is to reach consensual decisions between the public and private sectors:

- on the optimal mode of overall socio-economic organisation which will create an enabling environment for business, and
- on specific, issue-related matters which may have a direct or indirect impact on the above.

One of the most essential tools ASPB has developed for PPD is the Regional Business Climate Survey (RBCS). BCSs provide essential inputs into the PPD.

### **Background to business climate surveys**

A business climate survey (BCS) is a measure of the business climate as perceived by business people in a specific market sector and within a specified period. Business climate surveys have proven to be useful tools in many countries, both for the operational needs of the private sector and for public-private sector dialogue. Indeed, the private sector has frequently used the qualitative data contained therein to make investment and market access decisions, and has furthermore used the information gathered in the BCS as a means of lobbying the political authorities.

By conducting business climate surveys, private sector organisations – notably Chambers of Commerce and Industry – thus contribute to providing reliable tools for rational decision-making both in the business environment and macroeconomic policy.

### **Aims of the RBCS**

The RBCS primarily aims to:

- Strengthen public-private sector dialogue at SADC and national level, with dialogue issues resting on empirical evidence;
- Strengthen the relationship between private-sector organisations and their members, through the former providing value-added services to the latter;
- Monitor the business climate across the SADC region, to facilitate the policy decision-making process by both political authorities, private investors and entrepreneurs;

It was realized very early on in the process that the RBCS would be very valuable for businesses, ASCCI members, ASCCI itself and policy makers in their efforts to achieve a more conducive environment for doing business in the SADC region. On a national level results would also be valuable when used as a dialogue tool with local governments.

BCSs allow private sector organisations to enhance their reputation and improve their communication with their members, as well as their dialogue with authorities and the media. The RBCS project aims at promoting advocacy and dialogue between the private and public sector within SADC countries.

BCSs can provide useful information about several intervention points which regional institutions and national governments have at their disposal to improve the investment climate. These include:

- Removal of barriers to competition: One aspect is to reduce barriers to entry for new businesses, in terms of regulatory requirements and access to land and capital. A further measure would be to accelerate the process of allowing SADC to become a free trade area;

- Reduction of risks: Businesses face multiple risks. These include risk in terms of the response time and intensity of customers and competitors; factor input costs and resulting inflation or foreign exchange movements. Governments play an important role in safeguarding a stable economic and political environment that keeps risks to a minimum. Furthermore, the protection of property rights, political predictability/consistency and stable bilateral and multilateral relations are critical for limiting risks in the commercial sector.
- Containing the costs of doing business: The two above-mentioned points both lead to lower operating costs. Reducing corruption in public institutions to a minimum, and improving the service delivery of government services – i.e. delivering better and more relevant services for less cost – are also keys to reducing costs of doing business.

### **The Regional Business Climate Surveys – a tool to promote public-private dialogue**

ASPB has carried out a range of activities in support of private sector development in Southern Africa, strengthening capacities of private sector organisations in their economic development functions. Regional Business Climate Surveys initiated through the ASPB during recent years have received significant international attention.

The essential aspect of the RBCS is that it put southern Africa onto the agenda as a location to do business, helping economists, businesspeople and investors – who commonly had a blurred and consequently negative picture of the Southern Africa region outside of South Africa – to gain a better understanding of how business is done.

The RBCS is an eye-opener for strategic and portfolio investors alike. Constraints and supportive aspects of the business environment can now be weighed, and the risks of investments much better assessed. The RBCS does not rate member countries, but intentionally portrays the region as a whole, underlining common aspects.

In 2005 all fourteen SADC countries participated in the RBCS, through chambers and other routes. The success of the RBCS at regional level has led to business climate surveys becoming accepted as helpful instruments to support the national public-private dialogue.

As national data are made available to each country, national private sector organisations can analyse results and introduce their findings into the national dialogue. This is already happening in Malawi, and private sector organisations in other countries are also interested in following suit.

It is now important that the regional policy dialogue, based on the results of the RCBS, is translated into topics and indeed an agenda for the policy dialogue. Regional organisations have not yet been able to do this, underlining that such organisations require effective secretariats to push matters.

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Mr Thomas Bedenbecker has had an extensive career working within the relationship of public institutions and organizations of civil society, either on the public side, as when an advisor to the Minister of Economics and Finance in Senegal, or on the private side. He has also been based in Cameroon, Ivory Coast, Niger and Rwanda.

Mr. Bedenbecker currently heads the Advisory Service of Private Business - Southern Africa (ASPB), a program funded by the German Federal Ministry for Economic Cooperation and Development (BMZ) and executed by the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ). He has held this post since 2002.