CHAPTER 28

PUBLIC–PRIVATE INTERFACE FOR INCLUSIVE DEVELOPMENT IN AFRICA

OLU AJAKAIYE AND AFEIKHENA JEROME

28.1 Introduction

Markets versus state has long been a central theme in the development economics discourse and a hotly contested area (Devarajan and Kabur 2014; Lin and Monga 2011). Since the rejection of Adam Smith's invisible hand and the laissez-faire doctrine during the great depression of the 1930s, the pendulum has oscillated from one extreme to another reigniting the fierce debate about the roles of the market and the state particularly in the developing world.

With the onset of the global financial and economic crisis in 2007, the debate about the role of the State in economic development has come full circle with ideological undertones about what the state's future role should be to prevent new financial shocks of the magnitude suffered since 2007—and what role free markets should play in a post crisis scenario.

These contradictions, no doubt, have generated many intellectual controversies and policy failures especially across the developing world. As Lin (2010) rightly observes, for too long, economists have been trapped in this false dichotomy that opposed the market and its "invisible hand" and its planning and implementation capabilities.

Regardless of the ideological disposition of the political leadership, in reality and in all economies a part of the productive resources of the economy is under the control of public sector agents while the other part is controlled by private sector agents. In essence, every economy is mixed and the degree of mixture depends on the level of development of the economy and, to an extent, on the prevailing disposition of the society regarding the desirability or otherwise of dominance of either the public or private sector agents in the control of national resources (Ajakaiye 2004). In developed countries where democracy has taken root, the disposition of society is normally expressed in terms of the preferences of the electorate between the so-called liberal and conservative political parties whereas, in developing countries, where democratic governance is still nascent, the level of development is the primary determinant of the degree of mixture.

The interaction between the state and markets plays an essential role in economic development of these nations. It is now widely accepted that even the most advanced economies need constant and strategic state action to generate and disseminate on a large scale the technological progress that sustains economic growth as well as support and regulate private businesses (Aghion 2009; Lin 2010). Historical evidence has shown that few developing countries have achieved convergence without proactive government policies in pursuit of economic transformation. In all successful economies, the state had played a major role in facilitating structural change and its sustenance over time by assisting the private sector in overcoming coordination and externality problems (Lin and Monga 2011). While there is also broad consensus about the role of public–private interface in the remarkable development achievements of the East Asian countries during the last 40 years, the few disparate attempts in some African countries have been met with failure. The numerous comparative studies of these countries and their African counterparts pointed out that they invariably had a common starting point. However, while these Asian countries were able to initiate and sustain economic development encompassing sustained economic growth, structural transformation and technological change, their African counterparts continued to suffer from serious development deficits (see UNECA and AUC 2012: ch. 3, for details). Nonetheless, developments in the last decade are obviating this picture of gloom. Africa has not only emerged as one of the fastest growing regions of the world, structural transformation is also beginning to take hold as demonstrated by McMillan et al. (2014).

However, Africa's recent growth is still primarily resource driven and not very inclusive (Ajakaiye et al. 2014). The Arab spring that has so far led to regime change in three North African countries calls for urgent and serious efforts by all stakeholders to support the process of sustained inclusive development in Africa.

Economic theory does not yet provide sufficient guidelines and practical policy framework for the understanding of this complex issue and on what a "successful" economic strategy should be as well as on the degree of state regulation and market competition that would lead to successful economic development especially in developing countries. This is the challenge taken up in this chapter. We explore appropriate structure of the interface between public and private institutions to support broad-based economic development in contemporary Africa bearing in mind that the continent is currently made up of 54 countries at varying levels of development.

The chapter is structured in five sections. Section 2 presents the conceptual issues on public–private interface. This is followed, in section 3 by a presentation of key features of public–private interface in three archetype developing economies. Section 4 highlights structural and institutional impediments to public–private interactions in Africa. The paper is concluded in section 5 with lessons and prerequisites for securing public–private interface for broad-based economic development in Africa.

28.2 Conceptual Issues

28.2.1 The market versus state debate

Prior to the Great Depression of the 1930s, the classical economic view of markets as inherently stable held sway. The turbulence that followed the US stock market crash of

1929 resulted in a sharp fall in growth, rising unemployment, and increased inflation. It became clear that classical economic theory could not adequately account for the duration and depth of the economic malaise experienced by the major economies of the world.

Keynes was profoundly influenced by the events of the 1920s and 1930s and instinctively recognized the flaw in the classical model's complete reliance on the price mechanism. He concluded that the market system was inherently unstable and that the state must intervene to ensure its viability. The sharp decline in mass unemployment during the Second World War gave Keynes' ideas exceptional authority throughout the world (Mzingaizo 2013). In fact, the following quarter century was characterized by a "golden era" of growth that the flaws in Keynes' arguments were not uncovered. However, inflation and unemployment quickly rose in the wake of the 1970s oil shocks, the move from the gold standard, and the collapse of the Bretton Woods institutions. These drastic changes gave rise to a new wave of economic models—notably the monetarist, new classical macroeconomics, and the real business cycle theories—that harkened back to the classical notion of market stability and limited government role (Snowdon and Vane 1985; and Mzingaizo 2013). It appeared that the increased government role in market activity prescribed by Keynes had failed in the long term.

With the end of the golden age of global economic expansion in the mid-1970s, a range of economic, social, political, and technological tensions surfaced (oil shocks, debt crises, financial and trade imbalances, increasing inequalities, demographic transitions, geopolitical shifts, new technologies). These tensions characterized the "lost decade" of the 1980s and presaged the turbulent post-Cold War decade of the 1990s.

Although the rationale for government interventions in the economy had been to remedy market failure in order to advance human development, the perverse result was only too often blamed on government failure. This resulted in a resurgence of neoclassical economics which put emphasis on "getting the price right" as a result of distortions in wages, interest rates and exchange rates (Little 1982).

The resurgence of neo-classical economics occurred against the backdrop of a rapid process of economic globalization. The new orthodoxy—firmly skewed towards economic liberalization, deregulation, privatization, and the free play of market forces as against state interventions—emerged in the mid-1980s as the dominant mode of development thinking and practice. This orthodoxy, which dominated the scene during the late 1980s and the 1990s, became known as the "Washington Consensus" (Williamson 1990). Paradoxically, the first decade of this century has also become a period of intellectual ferment inspired by the global economic crisis of 2008–2009 during which past experiences were evaluated, basic assumptions and theories were questioned, complexity of development processes acknowledged, and new approaches to development thinking and practice encouraged.

The weaknesses of the Washington consensus, which was paraded as the intellectual showpiece of the so-called reform movement, have been widely discussed. The general consensus is that the Washington consensus policies have not lived up to expectation, not only in Africa, but also around the world. As a package, they were neither necessary nor sufficient for growth; and too often, even when they brought a modicum of growth, it was not accompanied by structural transformation and hence, it was not inclusive as the bulk of the benefits were appropriated by relatively few people leaving the majority in poverty (Ajakaiye and Jerome 2014).

In the post-crisis world, the dividing line between public and private sectors has become blurred. The state and private sector increasingly need to play enhanced roles in accelerating structural transformation in Africa. While finding the right balance of state versus market is important to all states, the debate is particularly significant to developing countries as late starters who have not had the opportunity to establish competitive domestic industries. However, as Rodrik (2004) wisely counseled, context matters: what works in one state might not work in another. It is therefore important that systems are put in place to create the right balance of state and market, taking into consideration the particular social, political, and economic contexts.

28.2.2 Modes of state intervention

From institutional perspective, public–private interface can be conceived as the rules, organization, and social norms that facilitate coordination of the actions of public and private agents and organizations working together in pursuit of shared development goals. Perhaps the first person to point at the efficacy of public–private interface in advancing economic development is Kaplan (1972) in his study of government–business relationship in Japan.

Interest in public–private interface was aroused by the publication of *East Asian Miracle* in 1993 by the World Bank. Indeed, a central issue in the developmental state debate is the character of public–private interface. The developmental state theorists describe how a state intervenes in the economy to enhance economic development. Broadly, three possible modes of state intervention aimed at enhancing development can be identified. The first role involves government deliberate utilization of public sector resources to execute *social overhead capital projects* in areas necessary to create enabling environment for all economic agents to operate optimally. Specifically, government investments in *economic infrastructure* are intended to create an enabling environment for the entrepreneurs to maximize output, employment, and income while investment in the provision of *social infrastructure* are intended to create an enabling environment for the households to maximize their utility and improve the quality of labor services and, hence, their earnings from the labor services supplied to the private and public sectors of the economy. There is general consensus even among neo-liberal economists that government should undertake infrastructure investments.

Secondly, government may have to participate in directly productive activities at least to jumpstart the economy in developing countries (Hansen 1959; Kaplan 1972) and to stabilize the development process or prevent things from falling apart even in developed countries[1] while taking steps to actively seek private sector participation and eventual takeover of such activities at the earliest possible opportunity. At such a time, government could dispose of its interest in such activities and use the proceeds to commence new frontier activities

[1] The recent bailouts and nationalizations in USA and UK are eloquent testimony to this reality. The fact that Government of Japan built, owned and operated new types of factories to demonstrate to would-be industrialists what needs to be done is illustrative. The existence of Korea Electric Power Corporation, Korea National Housing Corporation, Korea Land Corporation, and Korea Development Bank as state-owned enterprises as at 2009 are also illustrative.

into which the private sector will not venture.[2] In other words, government investments in *directly productive activities are aimed at shifting the frontiers of development opportunities* by getting things started in such areas while taking steps to encourage the indigenous private sector,[3] in partnership with their foreign counterparts where necessary, to take over such activities at the earliest possible time.

The third role of government is in the form *of designing appropriate policy packages to facilitate, stimulate, and direct private economic activities* in order to promote a harmonious relationship between the desires of the private businesses and households and the development goals of society. This type of intervention usually takes the form of government conscious effort to attain rapid economic growth, high employment, stable prices, and favorable balance of payment conditions through fiscal and monetary policies. In reality, unfettered operation of the market mechanism can result in highly unstable situations reflected in severe fluctuations in income and employment over the course of business cycles.[4] Therefore, government makes conscious efforts to create conditions that will prevent economic instability while, at the same time, stimulating economic growth. For instance, under certain conditions, increased employment and higher incomes for a growing population can be induced by expansionary fiscal policies and adjustments of tax rate along with accommodating monetary policy. Similarly, inflation and deflation may be controlled by counter-cyclical fiscal policies, interest rate adjustments and wage-price guidelines otherwise known as incomes policy. Today, these active policy instruments are managed in an indirect way to create favorable conditions that will influence the decision-makers in the households, farms, and firms in a manner conducive to the continuous realization of stable economic growth. In other words, government, through its policies, is a *promoter and stabilizer*.[5] In short, these interventions are the imperatives of the primary role of the state in securing and sustaining broad-based economic development by making deliberate, judicious, pragmatic, dynamic, and contextually relevant combinations of the aforementioned institutions and instruments.

A common feature of public–private interface is that the specific actions in each of these three modes of state intervention are the products of the consensus reached through an inclusive process of intensive formal and informal consultations, discussions, and interactions among the socioeconomic groups in an atmosphere of mutual trust, respect, and sincerity of purpose. The groups encompass politicians (especially those in power), bureaucrats, business leaders, leadership of labor unions, academics, journalists, and a host of non-governmental organizations (NGOs) and civil society organizations (CSOs) from various sections of society (Natsuda 2008: 12; Schenider 2010).

[2] The fact that the space programs were exclusive preserves of OECD governments until recently is an example.

[3] The private sector is loosely defined to include both indigenous-owned enterprises and minority-owned firms by African nationals of Asian, Middle East, or Caucasian descent, which, though fewer, control a substantial share of the value added in several African countries. Ramachandran (2012), for example, estimated that minority owned enterprises represent more than 80 per cent of value added in Guinea, Tanzania, and Kenya.

[4] The ongoing economic crisis in Europe and USA are essentially the consequences of misplaced confidence in market fundamentalism.

[5] Waterston (1965: 14) christened these as "Anticyclical Planning."

28.2.3 Institutional arrangements for public–private interface

Typically, the institutional arrangement for building and sustaining this consensus is by deliberative council, which is considered by many scholars to be crucial in solving the problem of information asymmetry in policymaking. Functionally, there could be deliberative, consultative, implementation, and oversight councils or combinations thereof. A *deliberative council* is usually tasked with the function of discussing policy options, setting policy direction or making specific policy recommendation to executing agencies. Such councils are quite common in Asia. A *consultative council* can also be set up as a consultative forum where government representatives present policy proposals or decisions to the council for feedback and suggestions. An *executive and implementation council* can be tasked with the function of deciding on the specifics of how broad policy guidelines are to be implemented. An *oversight council* monitors results and performance of private and public sector agents in fulfilling set policy goal.[6]

These councils are typically configured in a cascading manner. There is, usually, a central coordinating council and sectorial and sub-sectorial councils. In a federal system like Malaysia, for example, there could be central, sectorial, and sub-sectorial councils at various tiers of government. The sectorial configuration will, of course vary depending on the key sectors in the relevant jurisdiction. Datuk (2010), for example, presents the institutional framework for public–private interface in Malaysia.

From institutional perspective, public–private interface facilitates interaction among public and private agents in pursuit of shared development goals. Like other institutions, public–private interface should evolve as development progresses. Specifically, the structure, scope, and contents of public–private interface should change to take maximum advantage of the changing strengths, weaknesses, and circumstances of the interacting agents. For example, the structure, scope, and content of public–private interfaces in Japan during the 1950s and 1960s are quite different from what we have today. The same is true of South Korea and Malaysia.

The key drivers of institutional change from the point of view of public–private interface include changes in the capability and sophistication of private agents and, relatedly, their readiness/willingness to assume greater responsibilities in the tasks of enhancing development; and changes in the constellation of interest of agents.[7] In the case of Japan, for example, the institutional architecture of the public–private interface has changed from the dominance of Ministry of Trade and Industry (MITI) which held sway during the early stages of Japanese development to one where agencies such as JICA, JBIC, NEXI, and JODC now play significant roles as Japan Incorporated goes regional (Natsuda 2009).

In the case of South Korea, the contents of the public–private interface which was characterized by extensive technical and large-scale preferential financial support and controls by the state to operators in specific industries in the early stages of development is gradually

[6] See Schneider (2010) for further discussions on the functions and impact of business–government relations.

[7] See Chang and Evans (2005) for an elaborate discussion of causes and consequences of institutional change.

giving way as the private sector organizations have become so strong as to raise capital from international market (Chang and Evans 2005). The Korean middle class that was nurtured and grown during the early stages of developmental state began to challenge the policy of "buy Korea," for example, thus calling for liberalizing imports of competing consumer goods. In response, the Government of Korea embarked upon a series of institutional reforms that appeared to be anti-developmental state in outlook. However, it may indeed reflect an important attribute of a developmental state, namely the capacity to make pragmatic changes as the circumstanced change. This is evidenced by the swift reactivation of the familiar developmentalist devises during the Asian financial crisis of 1997 that had been jettisoned just a couple of years earlier. Chang (2005) presents a good account of the institutional and policy changes in South Korea in the 1990s.

28.2.4 Requirements of effective public–private interface

There is general agreement among scholars that state capacity, insulation of technocratic policymaking process and embeddedness of the state vis-à-vis the non-state actors and agents are crucial for effective public–private interface or more generally, effective state intervention to enhance broad-based economic development (Evans 1995; Grindle 1996; Chang and Evans 2005; Silva 2000; Datuk 2010, among others). Following Grindle (1996), state capacity is the ability to set the terms for public–private interactions and to carry out actions assigned to the state. The functional areas of state capacity are capacity to: set and enforce rules guiding public–private interface; identify development challenges; identify and analyze alternative policy options for dealing with the challenges; effectively, efficiently and equitably implement the tasks assigned to the state; and monitor implementation as well as assess outcome or impact.

Insulation of technocratic policymaking process from undue influence and possible capture by interest groups requires Weberian bureaucracy characterized by meritocracy in recruitment and advancement, tenure security, competitive remuneration, and zero tolerance for corrupt practices. This requirement has been called bureaucratic autonomy. Embeddedness requires interactions with the non-state actors and organizations in an environment of mutual trust, respect, honesty, transparency, and sincerity of purpose thus minimizing the problem of information asymmetry. A combination of state capacity, bureaucratic autonomy, and embeddeness is required for effective public–private interface for broad-based economic development.

One point that is rarely noted in the literature is the fact that effective embeddedness also requires corresponding capacity of the non-state agents and organizations. Specifically, while private business organizations should be able to build and sustain technical capacity of their organizations for identifying development challenges, identifying and analyzing alternative policy options for dealing with the challenges, implementing the tasks assigned to them, and participating in monitoring and impact assessment, several other non-state agents and organizations will require capacity building and support to contribute to these processes. This is particularly true for the NGOs and CSOs. It is pertinent to note that the void created by the failure to effectively capacitate these organizations through provision of technical and financial support from internal sources is being filled from external sources with the associated perceived or real risks of the familiar "he who pays the Piper dictates the tune" syndrome.

28.3 Features of Public–private Interface in Three Archetypal Developing Economies

In view of the foregoing, structuring public private interface for broad-based economic development in Africa should take account of the structure of the economy, the modes of state intervention in the economy and the scope and function of the institutional arrangement for public private interface. Towards this end, we briefly examine features of public–private interface in three archetype economies based on the dominance of primary, secondary, and tertiary production activities and propose the institutional arrangements likely to enhance effective public–private interface in each of these economies. We also propose the modes of state intervention likely to address the structural and institutional impediments to effective public–private interface.

For this purpose, we distinguish three archetypal economies based on the dominant sector, viz primary production activity (peasant agriculture and multinational corporation (MNC)-operated extractive industries) dominant economy; secondary production activity (manufacturing) dominant economy; and tertiary production activity (modern sophisticated services) dominant economy.

Put simply, an economy is dominated by a specific sector if the sector accounts for the largest share of GDP at the relevant point in time. The expectation is that as the economy develops, its structure will change from that dominated by primary activities to that dominated by secondary activities and subsequently to that dominated by tertiary activities.

We also distinguish five groups of agents, namely public sector agents made up of political leadership on the executive and legislative arms of government, the bureaucrats, managers of SOEs, and managers of financial sector regulatory institutions, especially the central banks; local (indigenous) modern private business sector agents; peasants and informal service sector agent; labor unions, and CSOs and NGOs.

28.3.1 Primary production dominant economy

Beginning with the primary production dominated economy, it seems reasonable to assume that peasantry and informality characterize most of the activities; the level of education and literacy rate of the indigenous population are modest; the few local modern sector agents concentrate on trading activities. The MNC-operated extractive industries are enclaves. In such circumstances, public sector agents are likely to be relatively weak. As a result, they rely on technical assistance from development partners to carry out the basic development policy and programming functions of identification of development challenges; articulation, analysis, and presentation of development policy and program options for addressing the challenges; implementation of selected option(s); monitoring, evaluation and impact assessment of the implemented policies and programs.

The surviving local modern private sector agents are likely to be even weaker and, without the benefit of technical assistance, they are passive participants in any form of public–private interface. The peasants and informal service sector agents are large in number but unorganized such that they are not in a position to participate in any form of public–private interface.

They are practically unconnected to any public–private interface institutional arrangement. In resource rich countries, the MNCs monopolize the extractive industry and they are essentially enclaves with little or no linkages to the rest of the economy. Typically, governments in such countries focus more on extracting large proportion of resource rent paying little or no attention to the need to develop locally owned and operated leads firms in the industry. The labor unions, dominated by public sector workers and the CSO and NGOs are typically too few to be active participants in any public–private interface initiative.[8]

In such circumstance, perhaps the most likely institutional arrangement for public–private interface is consultative council. However, the few local modern private sector agents are likely to use the framework for rent seeking and capture. This calls for a strong, political leadership committed to transparency. Also, the political leadership should imbibe the tenets of Weberian bureaucracy.[9]

In terms of the mode of state intervention, investment in social overhead capital in particular investment in economic infrastructure (transport, energy, communications, etc.) and social infrastructure (education, health, water and sanitation, community development, environment, etc.) are perhaps the most important of the three modes. The state should also establish state-owned enterprises (SOEs) to get things started in several areas of industry, especially, labor-intensive manufacturing so as to reduce the proportion of people in vulnerable employment and minimize incidence of working poor. Policies and programs should be designed to support the emergence and strengthening of local industrialists who should be encouraged to acquire and successfully operate the SOEs at the earliest possible time. As mentioned in Section 2.2, pertinent anti-cyclical financial, monetary, fiscal, and other support mechanisms should be put in place to support the development of local industrialists. It is pertinent to recall that this approximates the reality in post-war Japan as well as post-independence Korea and Malaysia.

28.3.2 Secondary production dominant economy

Turning to the case of an economy where secondary production activities are dominant, the public sector agents tend to be more capable but they still rely on technical assistance from development partners in carrying out development policy activities. However, they are able to, at least, present policy options and obtain feedbacks from private sector agents. The local modern private sector agents have grown in number and they, invariably, have business

[8] This is the reality in several conflict and post conflict African countries like Central African Republic and Guinea Bissau, Somalia, and South Sudan where agricultural value added account for over 50 percent of GDP.

[9] Max Weber, the German sociologist is credited for providing a thorough and systematic social scientific analysis of bureaucracy which he saw as the most rational and effective mode of organizing the activities of large numbers of people because it ensured decision-making according to general rules rather than the whims of officials, cultivated trained 'experts', and reduced the possibilities of corruption and nepotism (Weber 1946). He identified six interrelated characteristics that made up the "ideal-type' bureaucracy. These are hierarchy, unity of command, specialization of labor, employment, and promotion based on merit, full-time employment, decisions based on impersonal rules, the importance of documentation, and a separation between the bureaucrats' work life and private life.

interest organizations that are stronger than hitherto. While they may, as yet, be unable to present alternative policy options, they may at least be able to provide feedback as to the likely impact of the different policy options on business sector in general.

The peasant and informal services sector agents may remain unorganized but on account of growing linkages with the modern private sector agents, their interests would have been indirectly reflected in the feedback provided by the local modern private sector agents. The labor unions would have become more active as the membership would have been enlarged and the dominance of public sector workers in the unions would have reduced considerably. The labor unions may also not be able, as yet, to present alternative policy options but they would be able to provide feedback on the likely impacts of the proposals presented by government on employment, wages, and well-being of workers. The CSO and NGOs would have also become active in providing feedback on how the policies are likely to affect the interest groups they represent.

Accordingly, the public–private interaction framework is likely to remain largely consultative but some of the local modern private sector agents should be encouraged to undertake implementation of certain activities either alone or in partnership with their foreign counterparts. Since the participants in the public–private interface represent different interest groups, rent seeking tendency and risks of capture are likely to be rather constricted.

State intervention modes should continue to be dominated by investments in all aspects of social overhead capital. Some of SOEs should be sold to local entrepreneurs who should be supported and encouraged to partner with their foreign counterparts in order to benefit from necessary networks and technological capabilities. The proceeds of sales of SOEs should be combined with fiscal and, if necessary public credit facilities to finance new SOES in local frontier activities. Government should actively seek out and support local industrialists to acquire these SOEs and operate them profitably and competitively. In essence, the establishment and sale of SOEs should be part of the design to create local industrialists thereby strengthening the public–private interface. Correspondingly, financial and other measures geared towards strengthening entrepreneurship such as the provision of business advisory services, industrial parks, special economic zones, coaching, and developing competencies should be put in place to support and strengthen the local industrialists who will create more decent employment opportunities, reduce the proportion of vulnerable and/or working poor thereby delivering broad-based economic development.

28.3.3 Tertiary (modern sophisticated services) dominant economy

Finally, in economies where modern sophisticated tertiary production is dominant, the public sector agents tend to be quite capable of carrying out development policy activities with minimum or no technical assistance from development partners. Indeed, such countries might have also become providers of technical assistance to other developing countries. They are therefore able to effectively present policy options and obtain feedbacks from private sector agents. They are also able to collate concrete proposals from other stakeholders and harmonize them to come up with options around which consensus could be built.

The local modern private sector agents would have become very large in number and size. Indeed, several of them would have become lead firms in their respective sectors. Quite a number of them may have become MNCs. Their business interest organizations would have become very strong and well resourced such that they can provide input into all aspects of development policy which was hitherto the exclusive preserve of the public sector agents.

The peasant and informal services sector agents may remain large and unorganized but quite a few of them would have been transformed and formalized, swelling the ranks of local modern private sector agents. Several of them would, however, remain SMEs linked with the large-scale local, foreign or joint venture industrial establishments thus making enclave activities less preponderant in the economy. Meanwhile, the interests of the dwindling peasants and informal service sector agents will continue to be reflected in the proposals and feedbacks provided by the modern sector agents on account of intensified linkages among them.

The labor unions would also have become very active as the membership would have been enlarged and diversified. The labor unions may also be able, to present alternative policy options, like the modern private sector agents as they may already establish well-resourced organization for that purpose.[10] The CSOs and NGOs could remain largely reactive but some of them may have capacity to make use of the evidence provided by other organizations, especially public research organizations, in their advocacy activities.

In this type of economy, the public–private interaction framework is likely to be a deliberative council as several participants present alternative options for addressing challenges they perceive. By this time, several of the local modern private sector agents would offer to undertake implementation of certain activities either alone or in partnership with their foreign counterparts. On account of the strength and significance of the contributions by all various participants in the public–private interface rent-seeking tendency and risks of capture are likely to be less attractive as the chances of detection and remedial action by all would have been significantly higher.

State intervention modes would continue to be dominated by investments in all aspects of social overhead capital. New SOEs are likely to be limited to frontier shifting activities and so few that they may be imperceptible. Where and when necessary, SOEs could be created or recreated to prevent things from falling apart as illustrated by the nationalization of banks in UK and USA in response to the 2008–2009 global financial crisis. Financial and other policies should be designed to support and strengthen the new and small-scale local industrialists who will contribute significantly to the creation of decent employment opportunities, reduction of the proportion of vulnerable and/or working poor thereby delivering broad-based economic development. The established large-scale national lead firms should be able to compete internationally and secure financial requirements from the international financial markets.

[10] There are already established labor unions in several Africa countries including South Africa (Congress of South African Trade Union (COSATU)), Nigeria (Nigerian Labour Congress (NLC), which have think-tanks that conduct rigorous research which guide their contributions to policy deliberations/debates in the context of public–private interface. Opinions, however, are sharply divided in the literature on their roles as labor market institutions with respect to labor market flexibility versus rigidity and the implications for inequality and generation of decent jobs. See, for example, a recent survey by Freeman (2008).

Correspondingly, suitable institutional arrangement to facilitate activities of such organizations should be put in place on a proactive basis.

28.4 Impediments to Public Private Interface in Africa

In 50 years of post-colonial history, there have been several transformations in the relative role and size of the private sector in Africa. On attaining political independence mostly in the 1960s, many countries inherited an economy where the modern private sector was dominated by foreign investors and the indigenous private sector dominating the primary production activities and informal services sector. The public sector also inherited public enterprises in railways, electricity, and telecommunications and marketing boards. The extensive involvement of Governments in the productive sector in these countries was intended to reduce the dominance of foreign investors in the modern sector and encourage entry by indigenous private investors. Regrettably, a combination of ideological disposition (in socialist countries), political capture (in non-socialist countries), and deficient policies, arising largely from weakened bureaucracy, adversely affected the growth and development of indigenous private sector in Africa. This situation is, however, changing.

In recent years, the private sector has been recognized as a key engine of economic development in Africa as well as in other parts of the developing world. Nonetheless, with the exception of Mauritius and South Africa, the indigenous private sector, while variable across countries, is still nascent and afflicted by five distinctive structural deficit of the manufacturing sector: (i) widespread and rising informality; (ii) a "missing middle" and lacking upward mobility; (iii) weak inter-firm linkages; (iv) lack of export competitiveness; and (v) lack of innovation capabilities (UNIDO/GTZ 2008).[11]

Where the indigenous private sector is significant, public–private interface is still embryonic largely because of excessive politicization of the process and the associated erosion of trust and mutual respect as well as undue donor intrusion which tend to erode local ownership of the process.[12] A cursory look at the public–private interface in Africa suggests that public private interactions are most effective when it is targeted to specific reforms areas.[13] Ad hoc interactions between the government and the private sector are quite common and, in some cases, they occur at regular intervals.[14]

Clearly, the more general institutional impediments to public–private interface in Africa include institutional lopsidedness occasioned by the continuing dominance of primary

[11] See UNIDO/ GTZ (2008) for an elaboration of these deficits.

[12] The limited success of the National Economic Forum supported by USAID in Ghana has been attributed to political tussle between the government and opposition parties which eroded private sector enthusiasm.

[13] Agboli (2007) documents 21 examples in 16 African countries. Examples of such interactions can be found in Cameroon, Senegal, Rwanda, Sierra Leone, Tanzania, where such interactions are targeted at competitiveness and investment climate often inspired by the World Bank and IFC.

[14] The Annual Conference of the Nigerian Economic Summit Group is a typical example.

production (peasant agriculture and MNC-operated mining activities) and low productivity informal services activities. Specifically, the public sector agents and organizations are generally stronger than their private counterparts reducing the feasibility of effective public–private interface. The relatively miniscule and narrow modern sector activities tend to be dominated by MNCs and membership of labor unions is predominantly public sector workers thus reducing their autonomy. In resource-rich African countries such as Democratic Republic of Congo and Sierra Leone, the mining sectors are enclaves operated by MNCs and providing no significant decent job opportunities for the local labor force. The NGOs and CSOs are also typically few in number, representing narrow interests, small membership, weak organizational structures, and dependent on external sources of finance.

Meanwhile, there are limited systematic efforts to increase productivity of peasant agriculture and link it up with industry as a strategy for reducing the high incidence of vulnerable employment and working poor thereby enhancing inclusive development. The resource rich African countries are preoccupied with seeking maximum share of the rent generated by the MNCs as opposed to increasing and/or restructuring the domestic value adding activities of these MNCs with a view to developing locally owned and operated lead firms in these sectors.[15] In Africa, SOEs in the mining sector, instead of serving as demonstrations to would-be indigenous industrialists what needed to be done, as was the case in Japan up to the 1970s, have become mere instruments of increasing state share of the rent generated by the MNCs. The result is that whatever public–private interface that may exist in resource-rich African economies does not help significantly in reducing information asymmetry.

The dominance of low productivity informal service sector also renders infeasible the process of upgrading and moving up the value chain in the relevant industry by, for example, progressing from trading to local assembly and eventually to locally fully built-up units. An associated benefit of moving up the value chain is the systematic growth of the secondary activities and transformation of services sector from low productivity and informality to more productive and formal activities necessary for effective public–private interface, decent job opportunities and broad-based economic development.

The adoption of structural adjustment programs in Africa during the 1980s and the persistence of the underlying neo-liberal dogma since then contributed to the disarticulation of African economies and reversal of the modest gains made during the first one and half decades of independence (Ajakaiye and Jerome 2014). From the perspective of public–private interface, the SAP policies, especially, the public sector wage freeze and massive retrenchment of public sector workers weakened state capacity. The departure from Webern bureaucracy meant that the technical capacity of African states was degraded thus compromising effective public–private interface as both the public and private institutions have been weakened.

The privatization exercise and the abandonment of industrial policy wiped out the nascent industrial base that was emerging by the early 1970s (Ariyo and Jerome 1999). The privatization policy in an environment of weak to non-existent indigenous private sector increased the dominance of MNCs. In the few cases where indigenous entrepreneurs were able to acquire the privatized entities, the weak capacity and inability to be part of relevant

[15] The experience of Malaysia which has developed its local lead firm in oil industry which now prospects for oil in Asia is illustrative.

production and business networks meant that the enterprises soon collapsed. The end-result is the decimation of the indigenous private organizations that would have interacted with the public sector in the context of a nation that is a corporate entity jointly owned by both public and private agents and working in pursuit of shared and broad-based economic development goals.

28.5 Concluding Remarks

As indicated, very few African countries have managed to transit from an economy where primary production is dominant to one where secondary or sophisticated tertiary activities dominate. With the exception of Mauritius and South Africa, the services sector activities are rather rudimentary and characterized by informality and low productivity. This is manifest in the preponderance of vulnerable employment in Africa and very large number of working poor in Africa. Therefore, from the perspective of public–private interface, the challenge in Africa revolves around identifying the appropriate institutional arrangements and modes of intervention by the African states that will ensure that growth, structural transformation and generation of large-scale decent jobs go hand in hand in order to deliver broad-based economic development.

Meanwhile, the development experiences of the East Asian economies that have successfully and systematically transited from the dominance of primary production in the late 1950s and 1960s to the dominance of secondary production activities in the late 1970s and to increasing prominence of tertiary production activities by the beginning of the twenty-first century suggests that their success rests squarely on:

- Political commitment of the leadership to maximizing the welfare of the people.
- Creation and maintenance of a competent and highly motivated largely Weberian bureaucracy with the ability and necessary authority to carry out all development policy activities including formulating sound development policies and programs and vigorously and pragmatically implementing them
- Strategic and pragmatic state intervention aimed at
  - investing in people, science, and technology
  - investing in social, institutional, and economic infrastructure, and
  - efficiently and effectively nurturing, supporting and promoting development of world-class indigenous private sector operators, organizations and institutions able and ready to partner with their foreign counterparts to their mutual benefits and complementary to national development agenda.
- A cooperative, complementary and collaborative public–private interface and avoidance of adversarial relationship among public and private agents.
- A new emerging cooperative, complementary, and collaborative regional public–private interface and avoidance of adversarial relationship between MNCs and host governments, as is the case between Japan and Southeast Asian countries (Natsuda 2008).
- A realization that the pragmatic choice is not between the state and market but between different combinations of public and private institutions by the state in delivering sustainable and equitable development to the social aggregate that created the state.

- Avoidance of capture and rent-seeking behavior as well as readiness to adjust policies quickly once credible and convincing evidence shows that certain strategies and policies are no longer applicable in light of emerging circumstances.

No two African countries are exactly the same and we should avoid the risks of a one-size fits all approach. Nevertheless, and drawing lessons from the experience from Asia, the following prerequisites should be instrumental in securing public–private interface for broad-based economic development in Africa. First is political leadership committed to development of the people transparently, effectively and equitably. This calls for sustenance and deepening democratic institutions that build consensus around development policies and hence depersonalizes development agenda thereby ensuring continuity of development policies and programs.

A second prerequisite is rebuilding capability of the African state. Under the structural adjustment programme (SAP) and the enduring dogma of minimalist state, the African state capacity has been severely degraded. There is an urgent need to restore the Weberian bureaucracy with adequate autonomy.

Third, it should be realized by all, especially, the political class that the state is created by the people primarily to enhance their well-being regardless of the specific sector they may belong. Accordingly, holders of political and public offices are agents and the people are the principals. Therefore, there is no place for adversarial relationship among the agents, be it private business, labor unions, CSOs or NGOs. Nevertheless, the political and public office holders should be ready to provide leadership and build a rolling consensus around policies and programs aimed at advancing the well-being of the people. In short, the political and public office holders should avoid imperialism in pursuit of development agenda in order to avoid dangers of discontinuity to the detriment of all.

In conclusion, under the rubrics of these prerequisites, each country should dynamically articulate the participation of the relevant segment of society in the public–private interface, design appropriate institutional framework for the interface, and determine the most suitable modes of state intervention as development progresses. They should also explore the possibility of developing regional production networks drawing on the experience of several Asian countries.

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