

## THE ROLE OF PUBLIC POLICY IN PRIVATE SECTOR DEVELOPMENT

**The Leadership Academy for Development**  
**Professors Francis Fukuyama (Stanford University) and Roger Leeds (Johns Hopkins University)**

***Executive Training Programme sponsored by the Planning Committee for the proposed Graduate School of Development Policy and Practice: University of Cape Town***

**24-27 October 2011**

This is a 4-day, intensive programme for a small number of high level government officials and business leaders, exploring how government can encourage and enable the private sector to play a larger role in economic growth and development. The process includes small team interactions, with case studies drawn from Asia, Africa and Latin America. Major themes are 1) Industry promotion 2) Investment promotion 3) Public private partnerships in infrastructure and 4) Access to finance.

The course will be offered in Cape Town, at the University of Cape Town.

The course is presented by Professors Francis Fukuyama and Roger Leeds of the **Leadership Academy for Development (LAD)**. The mission of LAD is to provide future leaders working in the public and private sectors in developing countries with relevant training about specific government policies designed to encourage the private sector to play a more productive role in economic growth and development.

Planning for a new **Graduate School of Development Policy and Practice (GSD)** at the University of Cape Town is at an advanced stage, pending approval by the University Senate. The intention is for the GSD - to be located in the Commerce Faculty - to provide the kind of training and additional support required to produce strategic leaders in the public sector. An executive short course programme begins in 2011 and the aim is to offer a Master's degree programme, beginning in 2013. The School plans to situate senior officials within a peer network of public sector leaders who can support and learn from each other; to provide learning opportunities in key areas of relevance to public sector leaders in Africa; and to become the hub of a learning network that will serve students well beyond their time at UCT, with linkages to similar centres of excellence around the world.

### **Applications**

High level government officials in economic development and strategic leaders from the business community are invited to apply for positions. Places are limited to a total of thirty participants. Participants from Africa outside of South Africa are invited to apply for 12 fully sponsored places, and participants based in South Africa are invited to apply for 18 fully sponsored places. The programme is supported by the UK Foreign and Commonwealth Office. Final participants will be selected according to a range of criteria.

**Prospective participants should send a letter motivating their participation and a copy of their cv (with full contact details) by email to Dr Judith Cornell at [judith.cornell@uct.ac.za](mailto:judith.cornell@uct.ac.za) by August 26, 2011.**

## THE ROLE OF PUBLIC POLICY IN PRIVATE SECTOR DEVELOPMENT

### COURSE OVERVIEW

This specially tailored four day training programme is designed to reinforce and illustrate three critically important hypotheses about the role of public policy in private sector development:

1. Public policy matters! The performance of the private sector and its role as either a catalyst or an obstacle to economic growth is closely connected to how well or badly government policies are designed and implemented.
2. The public officials responsible for enhancing private sector participation must acquire a range of analytical skills to be effective. But policy reform is not like engineering or other technical fields where there is a clear optimal solution to a problem. Designing and implementing meaningful policy reform requires a broader, more interdisciplinary knowledge of economics, politics, local history and culture, combined with a sense of how to set priorities, sequence actions and build coalitions.
3. Successful policy outcomes that encourage and strengthen private sector participation are contingent upon the capacity of government officials and business leaders to understand and appreciate the interests, motivations and objectives of their counterparts.

The course highlights four important components of private sector development that require effective public policy: 1) Industry promotion 2) Investment promotion 3) Public private partnerships in infrastructure and 4) Access to finance. The course objectives will be achieved by a combination of:

1. **Lectures** that provide participants with an analytical framework for thinking about the intersection between public policy and the private sector's role as a driver for economic growth and development.
2. **A series of case studies** describing actual examples of public policy initiatives from different countries that are designed to strengthen the private sector's role in the economy. Each case requires participants to assume the role of a policy-maker who must conduct rigorous analysis and then reach a decision about a specific policy initiative involving the private sector.
3. **Guest lectures** from high level African government officials and business leaders who will provide participants with their perspectives on the challenges and opportunities of public-private collaboration based on personal experiences.

**Leadership Academy for Development (LAD):** The LAD has developed a unique curriculum that relies primarily on case studies that describe initiatives in different developing countries that promote private sector development. Rather than serve as examples of 'best practices' or 'how-to' guides, the LAD cases are written from the perspective of key stakeholders and decision-makers who are responsible for analysing, designing and implementing policies that enhance private sector performance and encourage additional private investment. The purpose of the cases is to demonstrate how effective public officials, regardless of the country, think and act strategically about how to move their societies forward, taking into careful consideration the political, cultural and social constraints they face, as well as the obvious technical obstacles.

**The case method:** The case method is a technique of teaching and learning through the analysis of actual events, allowing participants to gain a realistic understanding of the roles, responsibilities, and analytical skills required of practitioners, and the tensions that arise between various stakeholders, including government officials who formulate policies that affect the level and performance of private sector activity in a country, and private sector practitioners who are affected by these government programs. When reading the cases, course participants assume the role of the government decision-maker who must thoroughly analyse a complex public policy problem, identify and assess the key issues and, finally, reach a defensible decision on how to proceed. For example, how can the government attract private sector financing to build and operate a toll road?

As with all case method courses, it cannot be stressed too strongly that success depends upon the willingness and ability of all participants to prepare meticulously for each class by carefully reading the case, then discussing the key issues with the members of their study team (see below), and finally, to participate actively in the class discussion. Instructors will call on participants randomly and they should be prepared to respond.

**Study teams:** All participants will be assigned to study teams comprised of about 5 members. Time is set aside in the course schedule each day for study team meetings to discuss the assigned case. Study team sessions provide participants with an opportunity to exchange views about the case and discuss some of the issues that are likely to arise during the class discussion. Reaching a team consensus is not the objective. Rather, productive study team discussions will make everyone a more effective class participant, which in turn heightens the overall quality of class discussion.

**Study team final assignment:** On the final afternoon of the course each study team will make a 15 minute presentation to the entire group, addressing a specific public policy challenge the team members have encountered in their work environment. Time will be set aside in the schedule on the first day of the course (see below) to allow study teams to meet, agree on a topic for their presentations, and submit a one paragraph proposal. Course faculty will review the proposals and meet individually with the teams to provide feedback and assist in preparing the presentations.

## COURSE SCHEDULE

### DAY 1: MONDAY 24 OCTOBER 2011

9:00 - 9:30	Course Overview
9:30 - 11:00	Lecture: <b><i>The State and the Private Sector: An Overview</i></b> Francis Fukuyama (Reading assignment and study questions to be assigned)
11:00-11:15	Break
11:15-12:15	Study teams meet to discuss final assignment
12:15 – 1:15	Lunch

### INVESTMENT PROMOTION AND PUBLIC-PRIVATE PARTNERSHIPS IN INFRASTRUCTURE

#### ***Case 1: Attracting Investment with Special Economic Zones in the Philippines***

**Creating incentives to attract foreign investment:** This case focuses on the country-specific factors that influence decisions by business executives about where to invest, and how government policies affect those decisions. In the case, senior executives in a global business process outsourcing firm must decide on a new site for the company's new outsourcing delivery center, and a Special Economic Zone (SEZ) in the Philippines is a prime candidate. The Philippine government has worked hard to introduce reforms that leverage the country's comparative advantages in order to attract additional foreign investment. What are the pros and cons of the Philippines SEZ for the outsourcing firm compared to other country alternatives?

1:15-2:00	Study team case 1 discussion
2:00- 3:15	Discussion of case 1 - Instructor: Roger Leeds
3:15-3:30	Break

#### ***Case 2: Structuring Public-Private Partnerships to Attract Foreign Investment in Nigeria***

**Lekki toll road:** This case centres on the dilemma faced by a mid-level official in the state government of Lagos who is charged with overseeing execution of a public-private partnership to build a major toll road. The government is incapable for capacity and financial reasons to execute the project on its own, and yet there are major problems with the project design, as well as strong resistance from stakeholders along the right of way. What are his options in going ahead with the project?

3:30 – 4:00	Individual case 2 preparation
4:00- 4:30	Study team case 2 discussion
4:30 –5:45	Discussion of Case 2 - Instructor: Francis Fukuyama
7:00 – 8:30	Dinner and Guest Lecture

## **DAY 2: TUESDAY 25 OCTOBER 2011**

9:00 - 10:30	Lecture: <b><i>Intersection of Public Policy and Private Sector Development</i></b> Roger Leeds (Reading assignment and study questions to be assigned)
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### ***Case 3: Creating a Credit Information System in China***

**Why and how to create a credit information system:** This case examines (i) why the Chinese government recognised the importance of developing a credit information system (CIS) that would induce domestic financial institutions to increase their level of consumer lending; (ii) the government's assessment of alternative strategies/models for establishing the new CIS; and (iii) the issues encountered by government officials responsible for implementing the new system. The case also focuses attention on the interactions between the government officials responsible for implementing the new CIS and the specialists from a development finance institution (International Finance Corporation) who were recommending an approach that some officials believed was not appropriate for China. What are the pros and cons of the alternative CIS models, and how should the government proceed?

10:30 - 10:45	Break
10:45 – 11:15	Individual case 3 preparation
11:15 - 12:00	Study team case 3 discussion
12:00 – 1:00	Lunch
1:00 – 2:30	Discussion of case 3 - Instructor: Roger Leeds

**Case 4: Outsourcing customs inspections in Indonesia**

**Reducing corruption in the customs service:** This case addresses the Indonesian government's policy reforms designed to combat systemic corruption and enhance efficiency in the customs service by outsourcing the inspections function service to a foreign firm. The outsourcing initiative was a success from an efficiency point of view - the cost of importing goods fell and customs revenues increased significantly, but eventually a new controversy arose as officials from the national customs service and other nationalist constituencies advocated returning the responsibilities of customs inspection to the government, arguing that it was an issue of national sovereignty. Importers and other business groups, on the other hand, were more concerned about sustaining the efficiency gains, and argued in favor of continuing with the outsourcing approach. How should the government reconcile the interests of these powerful and important stakeholder groups?

2:30 – 2:45	Break
2:45 - 3:30	Individual case 4 preparation
3:30 - 4:00	Study team case 4 preparation
3:00 - 4:15	Discussion of case 5 - Instructor: Francis Fukuyama
4:30-5:15	Lecture: <b>Public Policy Challenges in Difficult Governance Environments</b> Brian Levy (World Bank and University of Cape Town) (Reading assignment and study questions to be assigned)
5.15-6.45	Study teams work on final assignment
7:30 – 9:00	Dinner and Guest Lecture

**DAY 3: WEDNESDAY 26 OCTOBER 2011**

**INDUSTRY PROMOTION AND ACCESS TO FINANCE**

**Case 5: From Water Scarcity to a Global Hydro-hub: Developing the Local Water Industry in Singapore**

**Singapore water industry:** The Singapore government decided that this small island state would become a major provider of water resources, competing against large companies from the developed world. How did it decide that this was an area of competitive advantage? What were the conditions that made this type of sector promotion feasible, and how did it draw the boundary between public support and private enterprise? Is this a model that can be readily transferred to other developing countries, or are there unique characteristics of Singapore that made this possible?

9:00 – 10:30	Individual and Study Team case 5 preparation
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10:30 – 12:00                      Discussion of case 5 - Instructor: Francis Fukuyama

12:00 – 1:00                      Lunch

**Case 6: Strengthening Venture Capital Financing for Innovative SMEs in Brazil**

**Closing the financing gap for high-tech SMEs:** A government- commissioned study of the constraints encountered by high-tech SMEs concluded that these innovative firms were seriously handicapped by their inability to gain access to the long-term financing required to grow and compete in the global economy. The case examines the roles and responsibilities of officials in a specific government agency who were charged with developing a strategy to encourage the financing of SMEs engaged in innovative, high-tech businesses. What were the key factors the officials had to address in order to design and implement a government programme that would serve as a catalyst for the development of the local venture capital industry and higher levels of financing for innovative SMEs?

1:00 – 1:45                      Lecture: **The importance of Venture Capital in Developing Countries**  
By Kevin Kincella of Avalon Ventures

1:45 – 2:15                      Individual case 6 preparation

2:15 - 2:45                      Study team case 6 preparation

2:45 - 3:00

3:00 - 4:30                      Discussion of Case 6 - Instructor: Roger Leeds

4:30 – 5:45                      Study teams work on final assignment

7:30                              Public lecture: ***The Origins of Political Order***  
Francis Fukuyama

**DAY 4: THURSDAY 27 OCTOBER 2011**

9:00 - 12:00                      Study teams work on final assignment

12:00 – 3:00                      Lunch and final assignment presentations

3:00 - 3:30                      Concluding general discussion/ Discussion of next steps