

The Role of Public Policy in Private Sector Development
Leadership Academy for Development & Strathmore Business School
Nairobi, Kenya
20-24 January 2014

Overview:

This is an intensive 4.5-day program 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) Inherent Attributes and Challenges of Public Bureaucracies 2) Providing Public Goods 3) Bypassing Bureaucratic Obstacles, and 4) Facilitating Investment & Improving Private Sector Performance. This program 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.

Course Sponsors:

Leadership Academy for Development (LAD)

LAD is executive level education program offered by the Johns Hopkins University School of Advanced International Studies (SAIS), located in Washington, DC. The LAD mission 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.

Center for Public Policy and Competitiveness

The Centre for Public Policy and competitiveness at Strathmore Business School (SBS) was set up in 2012 in the context of Kenya and the New Constitution, to act as an avenue for generating and channeling SBS research output to society and to the economy. The Centre, which has collaborative research agenda with the Institute for Strategy and Competitiveness at the Harvard Business School, seeks to promote Interdisciplinary Policy Research, document generated knowledge and translate social research findings to society in order to build a community of East African thinkers.

THE CASE METHOD

The “case method” is a technique of teaching and learning through the analysis of actual events that have occurred, allowing you to gain a realistic understanding of the roles, responsibilities and analytical skills required of decision makers, as well as the tensions that may arise between various stakeholders with different objectives. The cases in this course highlight both the political challenges and analytical tasks encountered by government officials in different countries who are responsible for formulating policies and programs designed to encourage a larger, more constructive private sector role in the local economy, such as reforming the Nigerian power sector to enhance efficiency by attracting higher levels of private investment and operating expertise, eliminating corruption in the Indonesian customs service by contracting out critically important services to a private firm, or rethinking the regulatory framework and government responsibilities in Tanzania in order to attract more export-oriented businesses into Special Economic Zones. Each case is presented from the point of view of a practitioner-- usually a government official-- who played a central role in the policy making process. As the reader of the case, you are required to assume the role of the principal analyst/decision maker who must thoroughly analyze the problem, identify and assess the issues, and make a defensible decision on whether to proceed, and if so, how.

The case method is an *active* approach to learning. Rather than listening to lectures by professors (i.e. passive learning), participants are expected to *actively* engage in a structured class discussion of the case led by the professor. It cannot be stressed too strongly, therefore, that success with the case method used in this course hinges on your willingness and ability to prepare meticulously in advance of each class, and then participate actively in the class discussion. Because this is a relatively realistic, “hands-on” method of learning, the case method approach should help you to develop the skills needed to analyze some of the complex issues you encounter in your work. In addition, it should strengthen your ability to make difficult decisions and communicate effectively.

STUDY GROUPS

You will be assigned to a study group consisting of about five members on the first morning of the course. Time will be set aside during the course for groups to meet to discuss the case assignments *after* you have completed a careful reading of the case. These group sessions provide an opportunity to exchange views and discuss some issues likely to arise during class discussion. Reaching a group consensus is *not* the objective. Ultimately, the goal of this process is to challenge all participants to be more effective class participants, which heightens the quality of class discussion for everyone.

Study Group Classroom Allocations –

Room	Group
Kifaru	1
Tembo	2
Simba	3
Nyati	4
Chui	5
Almasi	6
Tanzanite	7

Course Program

DAY 1: MONDAY, JANUARY 20TH

INHERENT ATTRIBUTES AND CHALLENGES OF PUBLIC BUREAUCRACIES

07:30 – 08:30 Group Breakfast

08:30— 09:30 COURSE OVERVIEW and INTRODUCTION TO CASE STUDY METHOD by Christine Mwangi and Roger Leeds

09:30— 11:00 LECTURE by Francis Fukuyama: “**The State and The Private Sector**”

11:00—11:15 TEA& COFFEE BREAK

11:15—12:30 PERSONAL STUDY TIME

12:30—13:30 LUNCH BREAK

PROVIDING PUBLIC GOODS

Case 1: The Hyderabad Metropolitan Water Supply and Sewerage Board (India):

This case discusses the efforts by the state of Andhra Pradesh and the Hyderabad Metropolitan Water Supply and Sewerage Board to provide water services to its poorest inhabitants. Pradesh must respond to the demands of politicians and private investors all the while ensuring the provision of a public good. Undermining this challenge is the reality that Hyderabad is located in a comparatively dry region of India, and the Water Board is only able to provide water for an average of two hours per day. To attract investment, the government decides to privatize the Water Board, but the World Bank conditions its support for this privatization on Andhra Pradesh's ability to develop a program that will provide water to the city's slums.

13:30—14:15 Study team case 1 discussion

14:15—15:45 Discussion of case 1 - Instructor: Frank Fukuyama

15:45—16:00 TEA& COFFEE BREAK

16:00—17:30 PREPARE FOR FINAL PROJECT IN STUDY TEAMS

16:30—18:00 Discussion of case 2 - Instructor: Frank Fukuyama

DAY 2: TUESDAY, JANUARY 21

Case 2: Privatization of Power Sector (Nigeria):

In spite of its abundant energy resources, Nigeria has one of the lowest levels of energy use in the world. Reliance by businesses and consumers on self-generation of power from costly generators is double what is supplied by the electricity grid. Historically the Nigerian power sector has been plagued by inefficient monopolies, government inaction, and rampant corruption. But in 2012 major government reform efforts were underway in the power sector that were expected to bring about greater efficiencies and higher levels of investment guided by private-sector principles, including widespread privatization, pricing reforms, and reliance on new private firms to produce and distribute the electricity. The aggressive new reform initiatives were being led by the recently appointed Minister of Power, The Honorable Bart Nnaji. The Minister was fully aware that in order for the reform initiatives to succeed, the government would need to attract qualified private power producer firms willing to invest and operate in this new market.

07:30 – 08:30 Group Breakfast

08:30—09:30 Study team case 2 discussion

09:30—11:00 Discussion of case 2: Roger Leeds

11:00—11:15 TEA & COFFEE BREAK

11:30—12:30 **Lecture by Ganesh Rasagam: Lead Private Sector Development Specialist, Africa Region, The World Bank**

12:30—13:00 Prepare for final presentations

13:00—14:00 LUNCH BREAK

BYPASSING BUREAURATIC OBSTACLE

Case 3: The Chad-Cameroon Petroleum Development and Pipeline Project

The World Bank contemplates a risky investment: In 2000, the World Bank and IFC boards of directors were poised to vote on a \$4 billion project that would build an oil pipeline across one of the poorest countries on earth. If it succeeded, it could stimulate substantial and much-needed economic development for the country and region. But it had high chances of failure. Chad had been in civil war since 1960, and the country's president had a history of human rights violations.

14:00—14:45 Study team Case 3 discussion

14:45—16:30 Discussion of Case 3 - Instructor: Roger Leeds

DAY 3: WEDNESDAY, JANUARY 23

Case 4: Outsourcing customs inspections (Indonesia):

This case describes the Indonesian government's decision to combat systemic corruption and enhance efficiency in the customs service by "outsourcing" the customs inspections function to a foreign private company. Although the program was a success from an efficiency point of view—the cost of importing goods fell and customs revenues increased significantly—the decision was highly controversial and eventually there was strong pressure to reverse the decision and return customs inspection to the national customs service. The case highlights how the government struggled to reconcile the interests of diverse stakeholders in government and the private sector. Nationalist constituencies in the country advocated returning customs inspection to the government, arguing that it was an issue of national sovereignty, but importers and other business groups wanted to continue with the outsourcing approach because of its success in reducing corruption and lowering transaction costs. The objective of this case is to evaluate the pros and cons of the two alternative approaches, taking into consideration the interests of powerful and important stakeholder groups.

07:30 – 08:30 Group Breakfast

08:30—09:45 Study team Case 4 discussion

09:45—11:15 Discussion of Case 4 – Instructor: Roger Leeds

11:15—11:30 TEA & COFFEE BREAK

FACILITATING INVESTMENT & IMPROVING PUBLIC SECTOR PERFORMANCE

11:30—12:30 Guest Lecture from Eng. Stanley Kamau, Director of Kenya PPP Secretariat, Ministry of Finance.

12:30 : Group Photograph at the SBS Atrium

12:30—13:30 LUNCH BREAK

Case 5: Righting the Special Economic Zone Strategy (Tanzania): Tanzania spent years trying to attract foreign investment using Special Economic Zones (SEZs). In theory, SEZ's create special spaces within the economy where there is a greater ease of doing business. These zones are supposed spur export activity, facilitate economic dynamism, and promote job growth. Despite significant efforts, the country's initial attempts have failed to yield the desired results due confusing regulation and little consultation with the private sector. A new leader is brought in to design and implement a new strategy for a Special Economic Zones. The strategy must placate different stakeholders, allay the concerns of business, create new jobs, and make the economy more dynamic in the process. The case focuses on inherent tensions and challenges associated with SEZs.

13:30—14:00 Study team discussion case 6

14:00—15:30 Group discussion—Instructor: Robert Mudida

15:30—17:00 Work on group presentations

18:00—19:30 Public Lecture "Origins of Political Order" : Frank Fukuyama

DAY 4: THURSDAY, JANUARY 23

Case 6: Diminishing the size of the informal sector in Medellin (Colombia):

The new mayor of Medellin, Sergio Fajardo, arrived to office in 2004 pledging to remake the social contract between society and the state. He campaigned to introduce innovative social programs designed to lessen the high levels of poverty and violence in the city. But the mayor needed money to finance these programs. The Minister of Planning, Federico Restrepo Posada, was charged with engaging the private sector, increasing tax revenue and promoting job creation. To do this, Restrepo needed to address the high levels of informal economic activity hindering economic dynamism and depressing the tax base. The state could not provide the necessary services because it did not collect enough taxes, but businesses refused to pay taxes because they did not believe the state capable of delivering the services that they required. The case looks at how Restrepo addressed this dilemma.

07:30 – 08:30 Group Breakfast

08:30—09:45 Study team Case 7discussion

09:45—11:15 Discussion of case 7: Seth Colby

11:15—11:30 TEA& COFFEE BREAK

11:30—12:45 Work on group presentations

12:45—13:45 LUNCH BREAK

Case 7: Gifford Pinchot and the US Forestry Service (early 20th cent. US):

The year was 1909, and Gifford Pinchot, Chief Forester of the United States, faced a terrible personal dilemma. He had discovered a pattern of corruption in the sale of public lands to developers and other private interests. But the new president, William Howard Taft, depended on support from western Republicans and had placed a gag order on the whole affair. Pinchot was outraged at this evidence of corruption reaching the White House, but he wanted to give Taft a fair hearing. The new president had, after all, vowed to support conservation and strong control over federal lands. Taft invited Pinchot to the White House, where he alternately implored Pinchot not to go public with the matter and threatened him with dismissal if he violated the gag order. Pinchot had in his pocket a letter that could expose the scandal. This case explores the dilemma of Pinchot, a mid-level bureaucrat dependent on a president's good will, and the strategies available to him. It shows the power of a single leader and the similarities the United States once had with many developing nations struggling with widespread corruption

13:45—14:15 Study team case 8 discussion

14:15—15:45 Discussion of case 8: Frank Fukuyama

15:45—16:00 TEA & COFFEE BREAK

16:30—18:00 Work on group presentations

DAY 5: FRIDAY, JANUARY 24

FINAL PRESENTATIONS

07:30 – 08:30 Group Breakfast

08:30—11:15 Final Assignment Presentations

11:15- 11:30 TEA & COFFEE BREAK

11:30- 13:00 Final Assignment Presentations

13:00 – 14:00 The Last Lunch

14:00: Course Closure and Presentation of Certificates to Course graduates