



مؤتمر الحوار الوطني الاقتصادي
National Economic Dialogue Program

حوار .. شراكة .. تنمية
Dialogue .. Partnership .. Development

Public Private Partnership

www.nedp.ps

المجلس التنسيقي
لمؤسسات القطاع الخاص
The Private Sector
Coordination Council



Al-Watanieh Towers Bldg, 5th fl., Al-Bireh
P.O.Box 883, Ramallah, Palestine
Tel: + 970 (2) 240 8383, Fax: + 970 (2) 240 8370
email: info@paltrade.org, <http://www.paltrade.org>

Supported & Financed by



The Portland Trust

Purpose of the Study

This study aims at analysing the relationship between the public and private sectors in Palestine, with an objective of formulating a basis for real partnership between the two to discuss and put in place national economic policies which would ultimately enable a pivotal role of the private sector in economic development. The key aspects of the study are:

1. Background of the relationship between the public and private sectors and its significance during the past 10 years.
2. Analysis of the various modes and phases that this relationship went through.
3. Analysis of existing models in the Palestinian situation.
 - a. Joint institutions (semi state institutions such as PIPA¹, PSI², PIEFZA³... Etc.)
 - b. Role of the private sector in the formulation of policies, laws, regulations and by-laws
4. A comparative study of effective models in several countries
 - a. The good practice understanding of the partnership
 - b. Successful experiences in other countries and how they may be implemented in the Palestinian context

¹ Palestinian Investment Promotion Authority

² Palestinian Standards Institute

³ Palestinian Industrial Economic and Free Zones Authority

Introduction

The role and participation of the private sector in the process of economic policymaking surfaced from the time of the establishment of the Palestinian Authority through the emergence of the capacity, by the government, to devise independent economic policies (monetary, industrial, financial, trade, tourism, agriculture... Etc.). Private Sector participation in this process formulated a significant factor due to the importance of this partnership in economic development, which is reflected in the aims of all policy formulation. This partnership concept is a direct indication of the leading role of the private sector in economic development, national income, employment, and hence standards of living. Based on this concept, a number of institutions have been established that represent the Palestinian private sector in all its sub-sectors in order to articulate the positions and needs of these business sectors in order to influence the policies that are formulated by the government.

This study undertakes a brief analysis of the of the partnership currently existing between the public and private sectors and the impact of the private sector and its institutions on the formulation of economic policies. Research conducted for the formulation of this paper was based on the following references:

1. Literature on Public Private Partnership in Palestine.
2. Literature produced by some Semi-Governmental institutions in which the private sector participates.
3. Interviews with private sector individuals and representatives of institutions.

What are Existing Private Sector Institutions?

The private sector is represented by a number of specialized institutions which are governed by elected boards of directors chosen by general assemblies of the members. These institutions provide a wide range of specialized services which benefit their members and support them in their business endeavours. These institutions carry the responsibility of representing their members in the administrative, technical and advocacy roles with the aim of improving the business enabling environment. For this purpose, these institutions have formed a Private Sector Coordination Council (PSCC), which includes within its membership the major institutions, which represent most of the Palestinian private sector:

1. Federation of Palestinian Chambers of Commerce, Industry and Agriculture (FPCCIA)
2. Palestinian Federation of Industries (PFI)
3. Palestine Trade Centre – Paltrade
4. Palestinian Federation of Businessmen’s Associations (PALBA)
5. Palestinian Information Technology Association of Companies (PITA)

6. Palestinian Banking Association
7. Palestinian Contractors Union
8. Union of Insurance Companies
9. Administrative Services for Tourism Industry (ASTAP)
10. Shipper's Council

The PSCC is chaired by the FPCCIA, with a rotating secretariat between the first four members every 6 months.

In order to achieve the highest levels of representation, the PSCC has formed what is known as "The Council of the Sixty", which includes all members of the PSCC, and a number of representative of other special sectors, as well as representatives of large companies.

What is partnership between the public and private sectors?

In countries where the economy is based on the free market, the private sector plays a very significant role in turning the wheels of the economy; partnership in policy formulation takes relevant importance to policymakers since it constitutes the real basis for a strong economy and sustainable development.

For the purposes of this study Public Private Partnership means the degree of cooperation and influence private and public sector institutions have over each other, including institutional structure, and channels of communications and information exchange with the intent of activating direct participation of the private sector in the policy making process.

Partnership between the public and the private sectors takes several modes which can be seen from the various local and international experiences:

1. The introduction of issues, suggestions and positions by the private sector to the public sector and follow up of such problems through individual or collective meetings of events.
2. The introduction of the concept of ongoing dialogue between the two sides on the institutional level to discuss issues and to reach joint understandings.
3. The creation of a real partnership which produces joint policies with guaranteed implementation.

Hence, the activation of the real partnership requires the introduction of modes of communications which have a serious impact on the policy making process through the creation of institutional structures, enforced by law, which leads to organizing the highest levels of participation of both sides in the policy making process, thereby leading to development and prosperity.

An Analysis of the current institutional relations between the public and private sectors

From the time of the establishment of the Palestinian National Authority in 1994, the tensions of the relationship between the public and private sectors became apparent. The government was represented by the various ministries, while the private sector was represented by private sector institutions, whose role was becoming more apparent as a force to contend with in the political arena, especially within the concept of a free market economy which has dominated the economic philosophy in Palestine. The result of this activity was the manifestation of various attempts to create one or another of the forms of PPP. The following is a synoptic analysis of these attempts which produced some successes and which indicate as examples of what this relationship should look like.

Partnership through Semi-state institutions

The first form of partnership appeared through the formation of semi-state institutions whose work is directly linked to the private sector, such as PSI, PIPA, PIEFZA, PMA⁴, and CMA⁵ since these institutions are governed by boards of directors which are partly formed from the private sector and from governmental institutions or ministries. The first three institutions mentioned above are chaired by the Minister of National Economy. The strength of the aforementioned institutions lies in their legal structure, which means they are governed by a law or legal instrument, and have by-laws which dictate the participation of representative(s) from the private sector on the board of directors, thereby providing the private sector with some voice in the operations and decision making of these institutions.

Despite the abovementioned strengths of these institutions, the real representational issue has not been addressed and the role of the private sector has not been felt as influential in these institutions for the following reasons:

1. The presence of some private sector individuals in the boards of directors of some of these institutions does not necessarily mean that they are institutional representatives of the private sector. This can be seen clearly from the example of the PMA, whose board members from the private sector are not chosen by the private sector organizations and do not represent private sector institutions, but rather represent themselves as businesspeople. The same concept is applicable to the Palestinian Investment Fund (PIF) and the Capital Markets Authority whose board members are appointed and not chosen by the private sector to represent them.

⁴ Palestine Monetary Authority

⁵ Capital Markets Authority

2. The weakness of some of these institutions in planning and strategic initiative has reduced the importance of joint representation, although the presence of the private sector is aimed at strengthening these institutions.
3. There is no real and ongoing institutional relationship based on strategies and needs assessment between these institutions and private sector representational institutions, as a result of the lack of follow up and reporting mechanisms for private sector representatives within these institutions to their private sector constituency.

Previous PPP initiatives

Over the years there have been several attempts to start PPP undertaken by specific ministries/ministers interested in improving potential for economic development through enhancing the role of the private sector. Most of these attempts, however faded into oblivion with very little impact. Some examples of these attempts are the Joint Economic Committee of 2004, the National Task Force in 2005 and the Competitiveness Council of 2006, all of which failed to have a real impact due to the ephemeral structure under which they were formed, and the titular nature of discussions/dialogue undertaken by these institutions.

Even though these initiatives are of extreme importance in starting the dialogue between the public and the private sectors as well as formulating the first building blocks of a real PPP in policy making, which is indicative of the good intentions and real interest in such partnership from both the public and private sectors, they nonetheless lacked the real institutional and legal structure necessary for continuity.

The National Economic Dialogue Program (NEDP)

The NEDP was established in 1999 in order to activate the public – private dialogue and the participation of the private sector in the development of economic policies leading to an improved enabling environment for businesses and the private sectors at large. The NEDP effort was led by the Palestine Trade Center – Paltrade, on behalf of the private sector, whereby the first conference was held in May of 2000 and the second was in 2002. There is no doubt that the conferences and the preparations leading up to them formulated a serious tool and a good model of public – private dialogue, but again, the conference was not held as regularly as it should have been. The follow up mechanisms to ensure the implementation of the results of the dialogue did not take place, thereby reducing the positive impact of this program.

The Ministerial Committee, a New and Serious Effort

The private sector started re-gathering its strength and focus on the formation of PPP partially through the execution of the Private Sector Agenda prepared in 2007 and 2008, through which several meetings and discussions took place within the private sector, which culminated in a workshop held in Jericho in April of 2008 which identified 4 pivotal areas for the private sector agenda:

1. Relations with Israel
2. Planning and public services
3. Legal and regulatory framework
4. The formation of public – private partnership in a long term, legalised and sustainable manner

These 4 areas were presented to the government, thus prompting the formation of the Ministerial Committee, which in turn led the dialogue from the side of the public sector. This Ministerial Committee was formed through a decision of the Ministerial Council to be headed by the Prime Minister, and including the Ministers of Finance, Economy, Planning, Labour and Tourism. In response to the Prime Minister's formation of the Ministerial Committee, the private sector coordination council PSCC proceeded to form an extending council for private sector representation, which included all members of the PSCC, as well as representatives of other sectors not sitting on the PSCC, as well as outstanding economic and business figures. This council then chose a smaller team to act as counterpart to the Ministerial Committee.

The Ministerial Committee and the Private Sector committee met for the first time at the end of April 2008, where a joint agenda was agreed to, and it was decided that a meeting will take place every three months. The next meeting is under preparation through the NEDP III, to be held in October, 2008.

An Assessment of the Public – Private Relationship

The Positive Side

1. It is apparent from the preceding that there have been serious attempts at building **Public Private Partnership** thereby opening the door for benefitting from previous and international experiences in moving forward in this dialogue.
2. There is a full understanding among the private and governmental organizations of the importance of creating clear communications channels between the two sectors, as well as in ensuring that this PPP is effective in both communications and well as in policymaking.

Opportunities for Improvement

It is crystal clear that modes of PPP have not yet reached their potential at a real partnership and have not yet been institutionalized yet, since it is missing the strategic methodology for follow up and assessment, and this can be explained through the following:

1. With the exception of the newly formed ministerial committee, there has been no formalization or institutionalization of the dialogue between the public and private sectors, with no legal structure mandated to carry through with this dialogue. The PPP was left up to ad hoc committees and conferences without the presence of a governmental policy on PPP or the participation of the private sector in policy making.
2. Weakness of the role of the government in policymaking.
3. There are no institutional structures for follow up and implementation of the issues agreed upon in the ad hoc conferences and committees.
4. Lack of proper financing for PPP, in light of the fact that all previous initiatives were funded on an ad hoc basis.

Examples of Regional and International Experiences

In order to shed some more light on the understanding of PPP within economies based on the free market, the following are some examples where PPP has been effective:

The Jordanian Experience

The Jordanian experience is built on the concept of creating a multitude of partnership councils between the Public Sector and private sector institutions. An example of this is the partnership council between the Ministry of Industry and Trade and the Chamber of Industry, another is the between the same ministry and the Chamber of Trade. There is no legal structure organizing these partnerships, but they are based on the clear understanding of the importance of these partnerships, and there is a permanent government official within the ministry responsible for the Partnership with the private sector, whose responsibility is to follow up on the Agenda of the dialogue and the functions with his/her department as the secretariat responsible for organizing meetings, preparing agenda items and for follow up on results of meetings.

The Scottish Experience

The Scottish Experience is based on the concept of institutionalization of the dialogue between the public and private sectors through the establishment of a partnership council formed from the highest levels of the Scottish government (Ministerial Level) of the Ministry of Economic Development and other ministries, as well as representatives of the private sector, whereby the council is formed of 50% public and 50% private. The private sector is represented in this council by a combination of members of the Boards of Directors

of the largest Corporations, which are chosen by what is known as the Enterprise Network, which is considered to be a Semi-State institution specialized in providing technical and financial assistance towards the development of the private sector. The Enterprise Network functions in a similar manner to Paltrade and the Palestinian Federation of industries. The private sector is also represented by chairs of the private sector institutions. This council is mandated by law to publish a “Framework for Economic Development” which is updated every two years and which constitutes the most important declaration of economic policies in Scotland.

Recommendations

These recommendations fall under two pivotal areas:

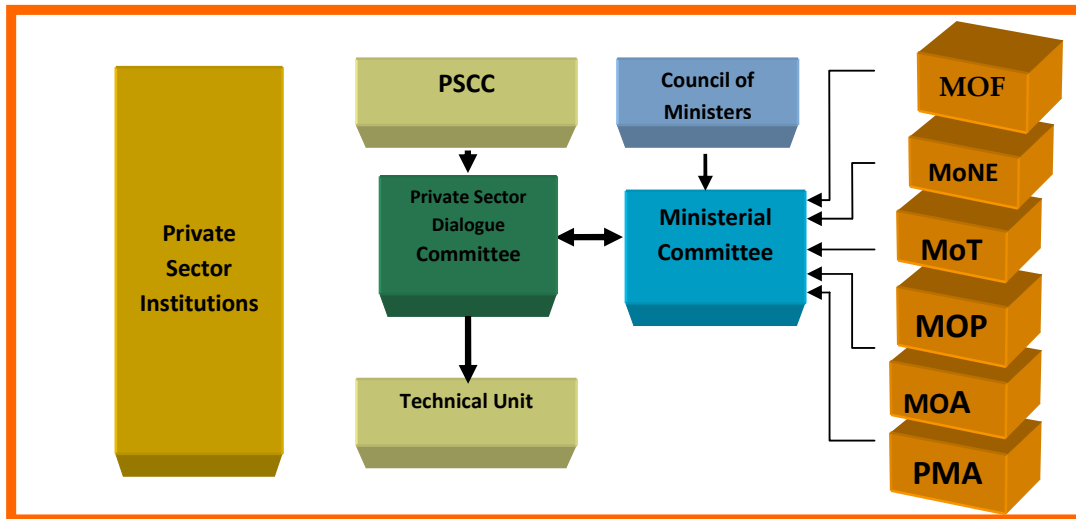
Empowering the private sector for dialogue with the government

There is an urgent need to build upon and benefit from the Ministerial Committee established recently in order to institutionalize the relationship between the public and private sectors in Palestine in a manner that would guarantee its continuity and guarantee avoiding any negative influences which may result from political changes within the government or changes within the private sector institutions.

Required Private Sector Actions

1. Establishment of a technical unit in support of the private sector, to be managed by a capable manager and aided by a very small number of employees. The unit will be augmented by part analysts and researchers in areas such financial, fiscal, trade, industry, legal and regulatory... Etc. Then technical unit has the following mandate:
 - a. Coordination of Private Sector Efforts.
 - b. Make available research and studies and information which supports the private sector demands to the dialogue process.
 - c. To keep a database of private issues and policy problems which need to enter into the dialogue.
 - d. The private sector shall be responsible for funding this unit.

Proposed Model for PPP in Palestine



The Mechanism for Dialogue and Partnership

Here, we recommend an organizational mechanism for this proposed ongoing and sustainable partnership.

1. Representatives to the partnership

- a. Public Sector: The Ministerial Committee (as in Council Ministers Decision in April, 2008)
- b. Private Sector: A committee Chosen by the PSCC

2. Meetings:

- a. Regular meetings to be held at least quarterly or when needed.
- b. Agenda: to be agreed upon at least one month prior to the meeting by both sides.
- c. Minutes of meetings: these minutes are to include a synopsis of the discussions and the decisions, agreements and recommendations taken, and to be distributed to the PSCC and relevant ministries.
- d. Coordination of meetings: to be handled by the office of the Secretary General of the Council of Ministry.

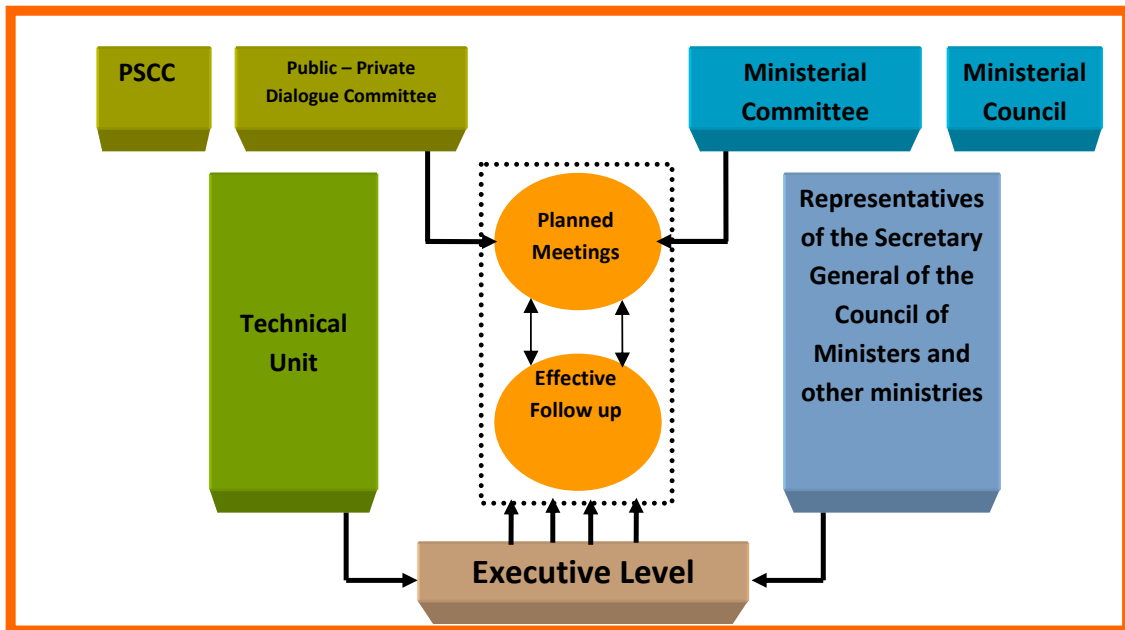
3. The Executive Level

- a. On the Ministry Level: Each ministry shall assign one high ranking official to follow up and be responsible for all issues relevant to his/her ministry and to coordinate with the Secretariat of the Council of ministers.
- b. The executive level will be formed from the ministerial officials and the Technical Unit of the PSCC.

4. Responsibilities of the Executive Level

- a. Follow up on results of meetings and recommendations with the Council of Ministers' Secretariat to ensure implementation.
- b. Review of the technical and administrative issue for implementation and finding resolutions
- c. Meets once a month to prepare for meetings in the future and follow up on past meetings
- d. The documentation of the PPP shall be kept at the Secretariat of the Council of Ministers and PSCC Secretariat

The executive Mechanism for organizing the partnership



Resources

1. Laws of Semi-State institutions such as PMA, CMA and PSI and others
2. National Strategy for Increasing Competitive Capacity, Ministry of National Economy, Ramallah, 2006.
3. A discussion of the Jordanian partnership experience with the Director of the Amman Chamber of Commerce, July, 2008.
4. A Smart and Successful Scotland: Strategic Direction for the Enterprise Networks and Enterprise Strategy for Scotland, Einburgh, 2004
5. Meetings with Economists, private sector leaders and public sector officials.
6. NEDP I and II documentation.



This document has been financed by the Swedish International Development Cooperation Agency, Sida. Sida does not necessarily share the views expressed in this material. Responsibility for its contents rests entirely with the author.