

**Bringing down the internal and external barriers:
role of public-private dialogue**

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1. Role of efficient communication between the stakeholders in liberal economy

What is the relationship between the trade and investments climates and the quality of communication between the governments and the private sectors in the countries? Governments that listen to the private sector are more likely to design and execute right economic reforms. Entrepreneurs who understand what their government is trying to achieve are more likely to accept and support the reforms.¹ Dialogue with the business community not only helps to open to policy makers the foundations for economic growth, it creates a foundation for local ownership which makes policies more likely to succeed in practice, building a sustainable constituency for reforms. Almost by a definition the governments cannot bring down the barriers both in external trade, and in internal business environment by themselves. They need to be advised, and often to be pressured, by the entrepreneurs – the people, who are practicing the market economy in their daily lives.

The political cultures in most of the countries in transition were emerged mostly from the ruling standards of the Soviet days. In those days the ruling elites retained exclusive power over the political and economic processes by balancing the competing claims of various powerful elite and influence groups. Nowadays the weak public administrations are often unable to reverse those trends. At the same time the small and medium enterprises suffer from restrictive and often corrupt administrative practices. They found little recourse to justice except through the unwritten rules of protection obtained either by clan affiliation or purchase. This combination of political, institutional and economic development, especially in the post-independent environment explains why there is not yet efficient communication between the policy makers and the businesses.

To improve business environment and investment climate in the region one has to improve:

- quality of communication between the governments;

¹B. Herzberg and A. Wright, Policy Research Working Paper 3683, The World Bank, 2005.

- quality of communication between the government and the private sector in each country.

In that respect the role of the private sector as the truly beneficiary of the economic reforms is essential.

2. How to establish right communication channels? Role of donors

It should be underlined that the primary responsibility for shaping the response to the transition challenges lies with the countries themselves. The political support for reform must be constructed only internally. However, the international community – including the international financial institutions – can make a major contribution, working in partnership with the countries. The special strengths of the European Bank for Reconstruction and Development lie in its project-based investor perspective and its focus on private enterprises. These will remain the foundation of its activities.

Building on its project activities and investor perspective and in order to enhance its transition impact the Bank seeks to promote a sound investment climate and to strengthen institutions that are crucially important for the functioning of markets. Based on its mid-term strategy the Bank will play a much stronger role in policy dialogue, legislative and institutional reform, and donor coordination, on the private sector agenda, notably the investment climate. Activities will be based on the all data and knowledge available at the Bank, including identification of key private sector constraints, supporting policy, legislative and regulatory improvements. The process proposes to mobilize all required human and financial resources, including TC funds, to assist to organize in selected countries the policy dialogues between the main stakeholders with the aim to improve the investment climate for enterprises.

It is proposed that the main stakeholders of the process should include, at least:

- governments,
- parliaments, and its respective committees,

- business communities, including foreign investors,
- donors.

The policy dialogue could be organized within the format of Consultative councils on investment climate, a small stakeholders' group. It will be essential to find the 'champion(s)' in each category of stakeholders. With that the ownership of the exercise must be with the business communities.

The expected success indicators of this exercise can be measured by numerous business environment surveys and studies ran by various international and domestic organizations and business associations.

3. Conclusion

Public-private dialogue can be of crucial importance to the trade and investments, employment and growth. It is a long term process. However the range of benefits it can bring about can not be overestimated. One can expect fundamental implications in the areas of legislation and regulation of policy reforms, and in particular in implementation of existing regulations. Not unwritten, but written rules will prevail in the daily practices. There are a lot of indirect "side effects" of this exercise as well. Like transforming the rules of protection, obtained by clan affiliation and purchase into a civilized lobbying, and than to an advocacy of business practices. Like building trust between public officials and businesses. Like improving regulatory impact assessment practices in government, and building institutions within the civil society.