

# Public-Private Dialogue

## Private Sector Development Programme: Palestinian Public Private Dialogue

by

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### 1- Background and Context

The GIZ Private Sector Development Program (PSDP) aims at developing the Palestinian SMEs sector to generate income and employment opportunities through improved framework conditions and services for business development and strengthening of private sector organizations. The program consists:

- Component 1: Improving policy and regulatory framework
- Component 2: improving competitiveness of selected sectors and localities

Under component 1 of the PSDP an official national public-private dialogue (PPD) is expected to be shaped based on previous initiatives that have been executed on a national level such as the National Economic Dialogue Partnership Program (NEDP III) supported and funded by the Swedish International Development and Cooperation Agency (SIDA) and Portland Trust and executed by PALTRADE. The PSDP will actively support the process of the PPD formulation and establishment to contribute in the achievement of the ultimate goal of improving the enabling environment for MSMEs in the Palestinian Territory.

### 2- Partnership, Structure and Processes

The **private sector** is represented by a number of specialized **institutions** which are governed by elected boards of directors chosen by general assembly's of the members. These institutions provide a wide range of specialized services that benefit their members and support them in their business endeavors. 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:

- Federation of Palestinian Chambers of Commerce, Industry and Agriculture (FPCCIA)
- Palestinian Federation of Industries (PFI)
- Palestine Trade Centre – Paltrade
- Palestinian Federation of Businessmen’s Associations (PBA)
- Palestinian Information Technology Association of Companies (PITA)
- Palestinian Banking Association (PBA)
- Palestinian Contractors Union (PCU)
- Union of Insurance Companies (UIC)
- Administrative Services for Tourism Industry (ASTAP)
- Shipper’s Council (SC)

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”. This council includes all members of the PSCC, and a number of representatives of other special sectors, as well as representatives of large companies.

**Institutional Framework Analysis:** 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. The private sector was represented by private sector institutions. During this time the private sectors role was becoming more apparent as a force to contend with in the political arena. In particular within the concept of a free market economy that has dominated Palestine’s economic philosophy. The result of this activity was the manifestation of various attempts to create one or another of the forms of PPD or PPP.

The following is a synoptic analysis of these attempts that produced some successes and are of what this relationship should looked 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, PMA, and CMA. These institutions are governed by boards of directors that 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. This means that they are governed by a law or legal instrument. They have by-laws that 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. In addition the impact of the private sector has not been as influential in these institutions for the following reasons:

- 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. They 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.
- 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.
- 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.

#### **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 and the third one was held in 2008. 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.

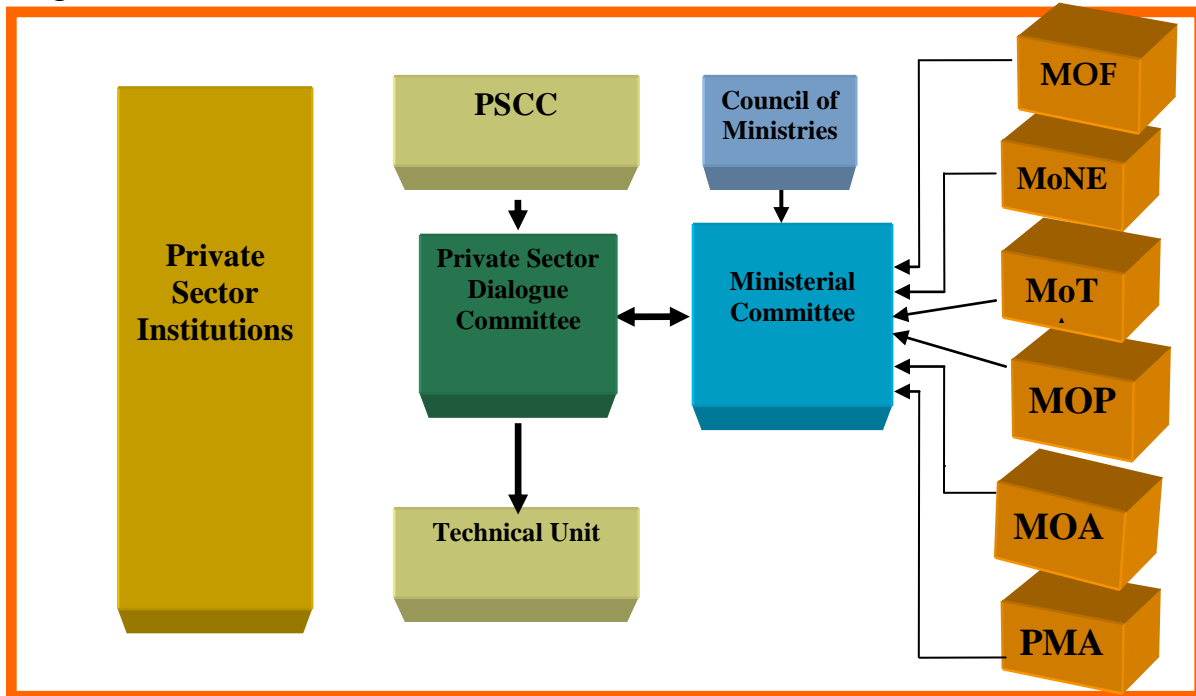
#### **The Ministerial Committee**

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, legalized and sustainable manner

**Figure 1 - The Model for PPD in Palestine**



The 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, Labor 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, something that was not happening before.

### **3- Results so far**

Dialogue between the public and private sectors is a decade old concept in Palestine. The most solid and institutionalized experience of the dialogue was in 2008 but it did not last. The effective dialogue has shown good results in the following domains:

- Facilitating investment climate reforms
- Making policy reforms more beneficial and easier to implement
- Promoting transparency, good governance, and cost-benefit analysis to strengthen the competencies of the country
- Building an atmosphere of mutual trust and understanding between public and private sectors

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, PMA, and CMA. Despite the 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. Over the years there have been several attempts to start PPD or PPP undertaken by specific ministries/ministers. Most of these attempts however have had little impact.

### **4- Expected Results**

It is clear that models of PPP have not yet reached their potential at a real partnership and have not yet been institutionalized. A significant reason for this is the frameworks did not include the strategic methodology for follow up and assessment. This can be explained through the following:

- 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 PPD was left up to ad hoc committees and conferences without the presence of a governmental policy on PPD or the participation of the private sector in policy making.
- Weakness of the role of the government in policymaking.
- There are no institutional structures for follow up and implementation of the issues agreed upon in the ad hoc conferences and committees.
- Lack of proper financing for PPD, in light of the fact that all previous initiatives were funded on an ad hoc basis.