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of
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Roland Strohmeier

**Public-Private Partnership in SSI Promotion:
An Assessment of the Roles of Chambers
and Trade Associations in Different
Countries**

edited by:
International Department
Institute of Small Business
Director: Prof. Dr. Wolfgang König

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Klaus Mueller, Roland Strohmeyer

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International Department
Institute of Small Business
University of Goettingen
Kaete-Hamburger-Weg 1
37073 Goettingen
Germany
Phone: +49-551-394882, Fax: +49-551-399553

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1. Background¹

During the past decades, there has been a decisive change of attitude regarding the role of the state and its relationship to civil society. Traditionally, state-led development models stressed the conflicting objectives of state and market forces. By assuming the control over the provision of public goods and strategically important functions, government adopted a regulative approach to business development. This stance in many cases favored rent-seeking efforts by influential, mostly big business groups, while especially small and medium enterprises (SME) were frustrated by often ineffective promotion measures and paternalistic regulations.

However, a new consensus has emerged thanks to a series of transformations of the economic and political environment in many developing countries. These trends which can be characterized by the catchwords of privatization, democratization, decentralization and participation, helped to shift economic policy towards market-led growth implying a higher degree of congruency of public and private interest. The recognition that modernization processes of all groups of society are highly interlinked has helped to bridge ideological gaps and fostered networking.²

This new cooperation of government and business became prominent under the label of Public-Private Partnership. Owing to the broader debate on a more business-like public management ("New Public Management"³), the concept of Public-Private Partnership was introduced by the World Bank in the early nineties in the context of the private provision of infrastructure.⁴ Next to individual enterprises, chambers and trade associations have to play an important role in initiating and conducting government-private sector interactions. Therefore, this paper deals exclusively with Public-Private Partnership activities which involve chambers or trade associations.

2. Definition of Public-Private Partnership

Public-private partnership can be defined as comprising all joint initiatives of the public sector with the private - for-profit and not-for-profit - sector in which each of the actors contributes some kind of resources and participates in the planning and decision-making process.⁵ The term partnership underlines the new quality of relations between government and business which is more balanced by sharing both risks and chances of a project than it has

1 The author likes to acknowledge the helpful comments of Mr. Heiko Waesch, Mr. Arnulfo Itao, Mr. Manuel E. Almonte and Mr. Ralf Meier. The author is responsible for all remaining mistakes.

2 See Wegener et al. (2000).

3 See OECD (1996) or Budaeus (1998).

4 The World Bank promoted Public-Private Partnership under the heading of "Private Participation in Infrastructure" (PPI).

5 See Fiszbein / Lowden (1999), p. 4.

been the case with pure contractual relationships. This does not necessarily imply that all actors participate on an equal basis, rather each partner contributes corresponding to his possibilities and his respective role within the partnership. Another important aspect of Public-Private Partnership is its principally open-ended conception in recognition of the long-term nature of cooperation.⁶

Basically, the Public-Private Partnership concept applies to two dimensions: a strategic or policy dimension and an operative or project dimension. While the strategic level relates to the coordination of the political objectives, suitable measures and roles of both partners in economic development, the operative level deals with the realization and implementation of these projects. In contrast to the related concept of contracting-out of governmental functions, Public-Private Partnership includes the private sector not only at the project level, but also in the decision-making process.⁷

3. Forms of Public-Private Partnership activities

Clearly, this definition of Public-Private Partnership can cover a multitude of forms of public-private interaction.⁸ However, since this paper focuses on the possible activities of business membership organizations, some relevant forms of Public-Private Partnership, e.g. semi-public companies or Build-Operate-Transfer (BOT) infrastructure projects implemented by big private enterprises, are not discussed here. Along the two dimensions mentioned above, the policy and the project level, five main forms of Public-Private Partnership activities shall be summarized here.

The different kinds of **dialogue platforms** provide the forum for the participation of private sector representatives in decision-making. Due to the often informal, unstructured and personalized nature of contacts between business and government bodies in many developing countries, Public-Private Partnership aims at the policy level to establish more institutionalized dialogue platforms. These may address the problems and considerations of SSI in a flexible and concerted manner. This formalization may evolve gradually as a customary right or may be explicitly prescribed by law. Through setting up a framework for policy interventions, rules are established in a transparent process which must not be altered arbitrarily, thereby promoting a reliable forum for decision-making in the macroeconomic sphere. The two most frequently used forms of institutionalized dialogue are on the one hand separate deliberation councils and committees which may be functional (e.g. on finance, SSI), industry-specific and spatial (e.g. national, regional), and on the other hand hearings and consultations of a more advisory nature.

The remaining four forms of Public-Private Partnership activities are altogether applying to the project level of Public-Private Partnership which aims at improving the economic struc-

6 See Roggencamp (1999); pp.27-30.

7 See Wegener (2000), p.102.

8 For example, see Roggencamp (1999), pp. 31-41.

ture by a more efficient implementation of policy measures. In the field of **regulation**,⁹ it is oftentimes advisable to use the specific know-how and links which chambers and associations possess. They can take over tasks which are explicitly delegated by the state or formerly left unregulated, but need to be ordered ("private-ordering"). As an example for delegated functions, business membership organizations may be assigned to run arbitration courts or to register new enterprises. Private-ordering functions can encompass the determination of quality standards, norms and qualification requirements as well as the issuing of trade documents (Certificates of Origin; ATA Carnets).

The provision of **educational** and **physical infrastructure** is usually regarded as government's responsibility. However, the capacity of public authorities to control and run these public utilities does not necessarily rise with economic development and the increased complexity of a specialized economy. This may be true especially in the case of SSI who suffer from an impaired access to these facilities due to the dominant role of public players in the provision of infrastructure which inhibits competition. Thus, Public-Private Partnership in cooperation with chambers and trade associations can be a useful tool to overcome supply-side bottlenecks, thereby creating an enabling environment for flexible specialization¹⁰. In the case of education, possible activities range from sporadic provision of training courses on pressing issues, over the supervision and implementation of basic vocational training to running schools aiming at more formal (technical) education. In the case of local infrastructural bottlenecks, business membership organizations may step in and set up or manage single facilities, e.g. energy, water or transport services, as well as more complex packages of services, e.g. industrial estates or testing labs.

Finally, **business development services** (BDS) comprise all non-financial support measures for private enterprises. In the past, government has assumed responsibility for business support programs in many developing countries for strategic reasons and because private sector organizations were regarded as too weak. But the disappointing experiences of these traditional approaches to business promotion have paved the way for concepts which aim at the development of private markets for BDS.¹¹ While chambers and business associations have offered a proportion of services on a commercial basis to their financially stronger members for some time, SSI are often neither willing nor able to pay fees calculated on a full-cost basis.¹² Therefore, the mixed public-private provision of training, consultancy, matchmaking, marketing or technology transfer services may facilitate a more

9 The term "regulation" is used here in a very broad sense and should not be equated with bureaucratic procedures, but encompasses the promotion of generally accepted standards of conduct amongst the business community.

¹⁰ See Schmitz (1997).

¹¹ See Gibson (1998).

¹² However, a recent survey of MSE in Vietnam and Thailand indicates that services which are not directly sold or purchased can be provided through a mark-up, commission, business relationship or informal interaction basis suited to the low cashflow of MSEs and their reluctance to take financial risk, see Anderson (2000).

demand-led and efficient institutional setting, but allows for subsidization to a certain extent. The (not necessarily exhaustive) list displayed in table 1 summarizes the most important forms of Public-Private Partnership activities.

This preliminary overview about the broad range of Public-Private Partnership¹³ may leave the reader with the impression that activities evolve quite accidentally out of the multitude of public tasks. However, while country-specific circumstances certainly play a role in institutional development, there are some economic characteristics of activities which predetermine the respective roles of the private and public sectors as well as the financial viability of different modes of operation.

Table 1:

Forms of PPP activities		
Dimension	Functional area	Possible forms
strategic dimension	dialogue platforms	deliberation councils/SSI committees consultations/hearings
operative dimension	(self-)regulation	arbitration courts setting of quality norms and controls issuance of trade documents business registration
	education	running formal schools/universities running vocational training centers holding examinations
	infrastructure	traffic facilities energy, water, sewage facilities management of complex facilities e.g. industrial estates, testing labs
	business development services	SSI promotion e.g. consulting, matchmaking, technology transfer, marketing services

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In order to examine the economic quality of public functions, economic theory offers valuable insights by the concepts theory of "public goods" and external effects. Pure public goods are defined by the criteria of non-excludability (nobody can be excluded from using the good or service for practical or technical reasons) and non-rivalry (the use of the good or service by one consumer does not affect the usefulness of the **same** good for another consumer).¹⁴ If a potential buyer can use the good or service regardless if he pays or not,

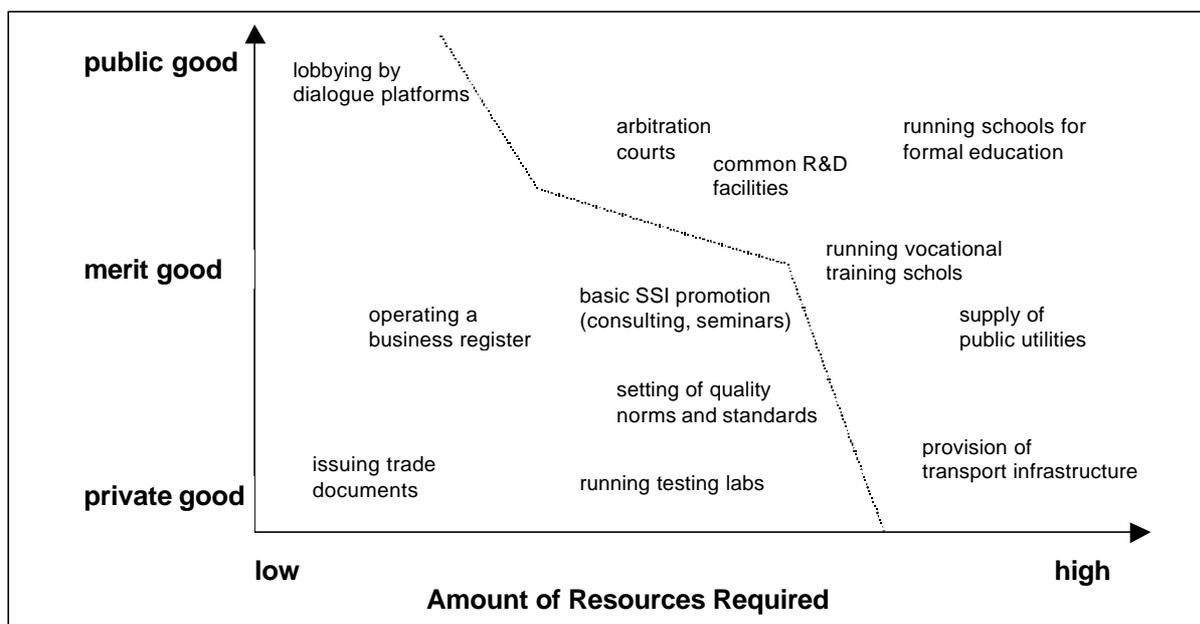
¹³ For more detailed descriptions please read the case studies below.

¹⁴ A frequently used example is national defense. Other pure public goods include macroeconomic stabilization or environmental protection.

many users will choose to "free ride" and no private enterprise can offer the service on a commercial basis. The market process is distorted and public provision and/or subsidization is necessary. But the case is not entirely clear cut, since public goods are actually few in number, there are many more activities which may have the character of public goods due to positive socioeconomic benefits that are not rewarded through the market. Take for example the case of SSI promotion. Although a small enterprise does benefit directly from measures like consulting or training, there are also indirect positive merits for society by inter alia higher employment effects or the decentralization of economic activities. Thus, these "merit" goods or services may justify intervention or subsidization, because market incentives alone create a sub-optimal supply.

If one adds the potential amount of resources required to perform a particular activity, figure 1 highlights the characteristics of different types of Public-Private Partnership. Moving from the bottom to the top of the figure, the character of activities becomes more public-good-like, thereby discouraging an efficient market-based provision. If one moves from left to the right, the level of expertise and organizational capacity required increases. Thus, the typical forms of Public-Private Partnership to start with for a chamber or trade association in developing countries are represented in the bottom left corner (as separated by the dotted line), whereas the more an activity is settled top right in the figure, the more organizational strength and subsidization is needed. The role of the public sector in these more complex forms of Public-Private Partnership is necessarily bigger. However, they can be implemented by private sector organizations, if some subsidization is granted directly, by a mandatory membership clause or by allowing for some cross-financing with other profitable activities.

Figure 1:
Characteristics of Possible Types of PPP Activities



4. The rationale for choosing business membership organizations as Public-Private Partnership actors

If one speaks about the interaction of private and public bodies, it has to be kept in mind that though there are some cases in which (mostly bigger) individual private enterprises cooperate with "pure"¹⁵ public institutions, a wide spectrum of intermediate actors which cannot be classified as public or private either does exist. Rather the public and private sectors often develop a complementary relationship expressed by hybrid organizational forms. This intermediate ("third") sector is characterized by networking through negotiations in contrast to market-like or governing-governed relations.¹⁶ Non-profit business membership organizations such as chambers of commerce and trade associations are important examples of such hybrid institutions.

Business membership organizations can play a catalytic role in developing the self-help capacities of small-scale industries (SSI). In general, business membership organizations perform two important socioeconomic functions: First, due to their role as intermediaries, they are able to select, aggregate and articulate the problems and wishes of their membership vis-à-vis government. On the other hand, they may provide public bodies with valuable economic information and improve the acceptance of policy measures. Second, they facilitate the (self-) regulation of their members.¹⁷ For example, it is an objective of many trade associations and chambers that they should promote adherence to proper standards of conduct and ethical behavior among the business community.¹⁸ These efforts are an expression of the will of the private sector to order its fortune autonomously. Particularly in the case of SSI who lack the time, know-how and resources to cope directly with the public sector, chambers and trade associations are appropriate private sector partners for Public-Private Partnership activities. However, due to their different membership structure and divergent political aims, chambers and trade associations must not be equated.

Chambers are multi-sectoral organizations under public or private law which have to represent the heterogeneous economic interests of all enterprises of a certain region. In contrast, trade associations are normally organized on a national or regional scale as private law bodies, but concentrate on single branches with similar problems and needs. Resulting from this different focus, both kinds of organizations show different strengths as Public-Private Partnership actor. Trade associations, e.g. SSI associations, are very close to their respective membership. They are therefore prominent partners for government in very specific activities which require professional expertise, be it dialogue platforms on the problems of a particular industry or the provision of selective services, e.g. the organization of an exchange for specific raw materials or the setting of industry-wide quality standards.

15 Such as the provision of public goods, having sovereign power, assuming a public task, being a public law organization.

16 See Roggencamp (1999), pp.44-46.

17 See ZDH - Technonet Asia (1992), p.14.

18 See German Chamber Law Article 1 (1).

As opposed to associations, chambers have to settle the divergent interests of different branches. Thus, they are well suited to perform delegated functions from which potentially all enterprises of the respective region will benefit.¹⁹

It should become clear that the involvement of private sector representatives is more than a substitution of public for private bodies in the sense of a zero-sum game, but that Public-Private Partnership can create win-win-situations for all involved parties. The possible advantages for government, business membership organizations and small-scale businessmen respectively are displayed by table 2.

To sum up, government gains in particular from the enhanced efficiency and sustainability of policy measures, and may additionally take steps to modernize the administration. On part of chambers and associations, Public-Private Partnership projects may back up their major functions, including advocacy, services and the execution of delegated functions, and strengthen them by a broader membership base and financial resources.²⁰ Finally, SSI profit most by the diminution of their scale-induced disadvantages through bringing in intermediary self-help organizations which enable them to strive for a reduction of transaction costs²¹.

Table 2:

Advantages of Public-Private Partnership		
Government	Business organisations	Small-scale industries
less capacities and resources needed	become better known and can increase their prestige	better-implemented and demanded services
better mobilisation of organisational and technical knowledge	more political influence	less red-tape and more flexibility
higher cost-effectiveness	new sources of income by fees for delegated functions or subsidies	faster implementation of policy measures
broader impact by leverage of intermediaries	attraction of new members	more possibilities to influence the political framework conditions
higher legitimization of policies		practicing of proactive self-help efforts
fostering subsidiarity, decentralisation and democratisation		

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¹⁹ See ZDH - Technonet Asia (1992), p. 21f.

²⁰ See ZDH-Technonet Asia (1992), p. 20.

²¹ See Bennett (1996).

5. Country Cases: Forms and Structure of Public-Private Partnership

While the previous sections dealt with Public-Private Partnership on a more theoretical basis, the following section will provide concrete information on how Public-Private Partnership activities work in different countries. The country cases have been selected taking into consideration the characteristics of different chamber systems, including the continental model of public law organizations with mandatory membership and the Anglo-Saxon model featuring private law organizations with voluntary membership as well as mixed cases.²² To get a first impression, the types of Public-Private Partnership activities in particular countries are displayed by the following table:

Table 3:

Types of PPP activities in selected countries					
	dialogue platforms with gov.	(self-)regulation	infrastructure	education	business development services
Continental systems:					
Germany	X	X		X	X
France	X	(X)	X	X	X
Mixed systems:					
Japan	X	X		(X)	X
Thailand	X	X		X	
Anglo-saxon systems:					
USA		X			(X)
Philippines	X	X			
India		X	X		

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In order to structure the following cases, the policy and the operational level of Public-Private Partnership are outlined separately.

²² See Pilgrim/Meier (1995).

5.1 Germany

Policy level

Government bodies on the national, regional and local level are legally obliged to consult the respective Chambers of Commerce and Industry and Chambers of Skilled Crafts regarding all draft laws and regulations affecting business. These hearings are not only conducted by the different Ministries or local executives, but also by parliamentary committees as a part of the legislative process. At the federal level, the Association of German Chambers of Commerce and Industry as well as the Confederation of German Skilled Craft and Small Business support their lobbying efforts by position papers, surveys and studies on relevant topics like economic promotion, traffic planning or environmental issues. At the local level, the relevant Chambers may convey views on municipal budgets, infrastructure projects, construction and urban development measures. Despite the fact that consultations are mandatory by law, the concrete organizational setting of these public-private dialogue remains unregulated as a kind of "handshake-partnership".

Operational level

By their public law status, German chambers have been granted responsibilities for quite a few delegated public tasks. The most prominent example of Public-Private Partnership in Germany is certainly the dual vocational training system. The apprentices receive practical training-on-the-job in individual enterprises combined with more formal theoretical training in technical colleges run by the government. While the public contribution is the provision of these vocational colleges which costs about US\$ 5 billion p.a., the organization of the in-company training is done by the Chambers of Commerce and Industry as well as the Chambers of Skilled Craft and Small Business rounding off the private contribution of altogether about US\$ 15 billion p.a. Chambers assumed also the supervision of the delivery of training. They particularly may register training contracts, give advice to trainers, hold final examinations and specify the training curricula (together with government officials on joint committees). In addition, German chambers established modern vocational training centers to familiarize apprentices with advanced technologies and methods. Government provides some subsidies for the construction and equipment of these centers, and pays for 30% of the course fees for participants. However, as can be seen by the absolute values of contributions cited above, the major part of the costs is borne by the private sector.

A second important field of public-private interaction in Germany is the provision of business development services by chambers. While in the past the chambers concentrated more on the organization of training courses for entrepreneurs and staff (currently about 13,000 courses a year with more than 300,000 participants), today there are service centers offering also a wide range of advisory services to their members. This advisory service is designed especially for start-up and small enterprises. As in the case of training, there is a certain division of tasks between the public and private sector: the government subsidizes (partly)

the support services and the Chambers of Skilled Craft and Small Business carry out the practical implementation.

At the moment about 800 consultants are employed by the 55 regional chambers providing advice in the fields of business administration, finance, accounting, technology, foreign trade, environmental protection, design, trade fairs etc. The consultation is by and large²³ free of charge for members. Today, small businesses and potential entrepreneurs use the advisory service about 170,000 times a year with an average extent of the consultations of 5 hours. System and amount of public subsidies vary with the kind of advisory service given. In general, the law provides no subsidization for direct legal, personnel and financial advice, so chambers have to bear about 60-65% of the costs by themselves.

Finally, chambers have been assigned several tasks in the field of self-regulation: they pre-screen applications for entry into the trade register run by the district courts, they are mandated by law to run courts of arbitration for the settling of trade disputes and are entitled to issue Certificates of Origin and ATA Carnets and certify other trade documents. As can be seen by this enumeration, the Public-Private Partnership landscape in Germany on the operational level is dominated by the interaction with chambers and to a lesser extent with associations. Private sector organizations regarded as trustworthy and competent partners for government which may step in for public agencies in many areas which affect directly the competitiveness of businesses and where private sector expertise is needed. Chambers are reimbursed for certain delegated tasks taken over from government, but there is no general subsidization.

5.2 France

Policy level

The French Chambers of Commerce and Industry (which are also called "corps consulaire") have similar rights mandated by law as the German ones that government is obliged to consult with them regarding all activities which may affect business. These consultations take place on all governmental levels, but especially on issues regarding regional development policies like town planning and transport systems. There are no special dialogue platforms, however, through the frequent contacts a close cooperation is guaranteed.

Operational level

As a special feature of Public-Private Partnership in France, chambers are legally authorized to establish public infrastructure projects. Consequently, French chambers are engaged in the provision of regional facilities, e.g. nearly all air- and seaports, about 336 industrial parks and 34 heavy road traffic centers as well as certain tourist facilities. To

²³ The consultations are charged for if the problem is of a very complex nature and reference to a private expert on a commercial basis is required.

carry out these projects, they may expropriate landowners, issue bonds and receive public subsidies. On the other hand, they must operate the respective services profitably.

Another important area of Public-Private Partnership in France is education. French Chambers of Commerce and Industry are engaged in the provision of formal as well as vocational training by running about 80 high schools and 50 business schools. As in Germany, they act as intermediaries between apprentices and businessowners and operate 86 training centers for classroom instruction of apprentices. These schools and facilities are partly financed by the revenues of a training tax which is levied by the government.

Considering business development services, the French chambers are the largest private sector provider of training and consultancy. In addition to the vocational training facilities, about 400 training centers for advanced learners with more than 270,000 participants a year have been established offering very specific as well as more general courses. The seminars are provided on a commercial basis, however, some cross-subsidization by other public grants is likely. The chambers employ also about 2,000 consultants for technical, scientific, management or organizational issues. As a special service for new enterprises, each chamber has created a one-stop-shop business center which supports the start-ups by facilitating legal formalities (e.g. registration in the trade register).

French chambers perform at the operational level quite sophisticated Public-Private Partnership activities. Their connection to government is even closer than in Germany, since a large part of their budget is not raised directly by (mandatory) membership fees, but through redirected tax revenues as public subsidies.

5.3 United States

Policy level

As opposed to the more corporate Continental model, the Anglo-Saxon model adopts a pluralistic approach to institutional development with a strict separation of private and public spheres. Therefore, US chambers and associations have to register under private law as non-profit organizations. At the policy level, they do not possess a privileged formal channel for the dialogue with government. Lobbying efforts are constrained to more indirect, informal relations. Thus, there is no common base for Public-Private Partnership at the national level, however, there are some local platforms, e.g. regular meetings of chamber staff with municipal employees, to exchange views. This does neither imply that government is not interested in the views of business, nor that chambers and trade associations cannot exert political influence, rather it is a consequence of the mentioned pluralistic approach. Recently, several Small Business Advocacy Panels have been established by law in order to review proposed rules and regulations with reference to their impact on small business. Next to government executives, private sector representatives (selected by the Small Business Administration) are invited to join these bodies.

Operational level

The scope for Public-Private Partnership activities is quite limited in a pluralistic system: on the one hand, government usually does not delegate functions to private sector organizations, so chambers and trade associations cannot gain from fees for these monopolized services or public subsidies. On the other hand, members are not willing to pay for general public goods that other businesses can assume at no cost. Therefore, Public-Private Partnership is by and large limited to self-regulating activities and some business development services for disadvantaged groups of enterprises, e.g. small-scale, ethnic minorities or female entrepreneurs.

The most important example for Public-Private Partnership involving chambers in the USA is the provision of information and consultancy services for disadvantaged enterprises by business information centers. Unlike in Germany or France, the chambers do not employ large numbers of specialized consultants, but many activities are outsourced. In the case of the Oklahoma City Business Information Center, the one-stop shop information center offers counseling, training courses and referral services for small, new or minority-owned businesses. The center is a joint venture of the Oklahoma City Chamber of Commerce, the Small Business Administration and the local university. Some additional funding comes from the municipal authorities and private sector sponsors.

In the field of regulation, US chambers offer the certification of trade documents to their members. In addition, especially trade associations are active in setting quality norms and standards amongst their membership.

Another example for Public-Private Partnership is the work of the Center of International Private Enterprise (CIPE). CIPE is an affiliate of the US Chamber of Commerce which acts as a development assistance donor. It works directly with foreign business organizations, think tanks and other business-oriented entities in order to assist them to function effectively as private sector advocates. With the aim to strengthen market institutions that support democratic development, CIPE has assumed important objectives of the public development assistance and is therefore partly refinanced by public bodies, e.g. USAID or the National Endowment for Democracy.

5.4 Philippines

Policy level

The Philippine system of private sector institutions is currently in the process of change from a pluralistic to a mixed approach. The legislative bodies are discussing the approval of a Chamber Law which recognizes the role of chambers as the leading representatives of business and enhances Public-Private Partnership activities. Thus, despite their private law status, chambers are represented in key governmental agencies and consulted on issues affecting the business community. Unlike in the case of US chambers, business membership

organizations have been successful in establishing strong formal channels fostering the private sector participation in decision-making.

The main institutionalized forum for the dialogue between high ranking public officials and business leaders is the annual Philippine Business Conference, initiated by the Philippine Chamber of Commerce and Industry which acts as the apex body of the provincial chambers. During the conference, economic issues of national significance are discussed and the recommendations of the consultations are used as an input for the formulation of new laws or regulations. Chambers are the sole private sector representatives at the Regional Business Conferences reflecting the problems at the provincial level. For the consideration of local needs, chambers work together with other organizations at the Local Development Councils on issues like town planning, local transport etc.

By the so-called Magna Charta for Small Enterprises, the Small and Medium Enterprise Development Council has been created in 1991. It is mandated to facilitate and coordinate the national efforts in SME development by way of making recommendations to the President, formulating SME development plans and monitoring of various agencies. Next to several high ranking government executives, there are three seats for private sector representatives.

Operational level

Apart from issuing trade documents like Certificates of Origin, more and more public functions are getting delegated to chambers or trade associations in the Philippines. However, private sector organizations generally do not receive public subsidies. Taken together with the limited financial and personal resources of most regional chambers and associations, the scope for Public-Private Partnership activities is limited at pilot projects yet. As in the case of the US business membership organizations, Public-Private Partnership focuses at the fields of self-regulation (in its broadest sense) and SME development.

A prominent example for Public-Private Partnership involving chambers in the Philippines is the relending program of the Angeles Chamber of Commerce and Industry. It administers directly or channels through a foundation different microfinance packages which offer subsidized credit catering for small manufacturing enterprises. Initial funding was provided by the Department of Trade and Industry (DIT) which also supported the program with manpower (as a transitory step). The Chamber is involved in the management of the program through the sharing of staff with the Foundation as its implementing arm. With a high disbursement and repayment rate, the performance of the relending program was outstanding, so activities increased step by step also facilitated by a grant from the ZDH Partnership Program. Similar programs have been implemented by a number of local Philippine Chambers.

Another task which will be assigned to Philippine chambers when the new Chamber Law has passed legislation is the registration of enterprises by a computerized Business Registry

Databank. The database is going to be jointly administered by the chambers and government as a Public-Private Partnership project. It will facilitate a better matchmaking between small and big business as well as export promotion. In a similar fashion, PCCI signed an agreement with the Philippine Bureau of Customs regarding the establishment of an Entry Encoding Center (EEC) which is designed to service the trading community by converting the Customs declarations and data into electronic format. The project is administered as a BOT scheme, implying that PCCI builds or renovates the EEC facility, hires the personnel and provides for the equipment, but is allowed to charge the users for the services rendered to recoup its investment. At the end of the agreed term, the facilities will be transferred to the Bureau of Commerce at no cost. Meanwhile, the project has been expanded by to more value-adding features, a Direct Traders Input and an Electronic Data Interchange (EDI) gateway. The self-regulation of the private sector also is supported by the arbitration facility which is run by the Philippine Chamber of Commerce and Industry for the settlement of commercial disputes.

5.5 Japan

Policy level

Japan has a long tradition of "handshake"-partnership between business and government. By their public law status, the Japan Chamber of Commerce and Industry and the local chambers are mandated to report to administrative and legislative bodies and to lobby for business interests by conducting research on policy matters. They are especially involved in regional development, city planning, the promotion of local industry and foreign trade issues. Furthermore, they are entitled to nominate representatives to diverse government economic councils at the national, regional and local level. One can see that Japan's chambers can rely on strong institutionalized links with government which guarantee a continuous Public-Private Partnership dialogue at the policy level.

Operational level

Pertinent areas of Public-Private Partnership in Japan are training, business development services and the registration of enterprises. Japanese chambers are entrusted to conduct nationwide examinations in the field of business skills, such as bookkeeping, language courses, word processing or typewriting, thereby empowering the private sector to standardize the qualifications of its employees. These highly appreciated tests (over 2.2 million applicants a year) are complemented by study courses and seminars on practical business skills.

Although chamber membership is voluntary, Japanese chambers have assumed the task to administer the legal register of enterprises within their respective district. Firms are not allowed to refuse registration and have to pay a registration fee which has to be supervised by the Minister of International Trade and Industry. Thus, the chambers are granted a stable

source of income and may use the obtained data for membership as well as trade promotion.

Another area of close Public-Private Partnership relations is the provision of business development services by chambers. They employ about 8,500 consultants which are stationed at so-called Professional Guidance Centers giving advice to SSI in management, finance, accounting, labor relations or bankruptcy prevention. The consultations are free of charge and may be delivered at the chamber office or during in-company visits. Chambers also complement public bodies in the implementation of the Management Improvement Fund for SSI. Applicants for loans without collateral have to be screened by the chambers which in turn recommend the SSI to the People's Finance Corporation. In addition, the Japanese Chambers and Societies of Commerce and Industry as well as the Federations of Small Business Associations participate in the SME Information Research System run by the public Japan Small Business Corporation.

5.6 Thailand

Policy level

As an outcome of the new "people's" constitution of Thailand, Public-Private Partnership activities at the policy level have been strongly encouraged. Established in 1981, the national Joint Public-Private Consultative Committee (JPPCC) is still regarded as the basic institutionalized dialogue platform. With the Thai Chamber of Commerce and the Federation of Thai Industries (FTI), the two major business membership organizations of Thailand have been granted a seat in this highest level consultative committee. Issues raised by private membership organizations focus on topics of general importance for Thai businesses, such as the reduction of excessive regulations, the structure of taxation and the surmounting of the Asian Financial Crisis. Next to the national committee, there are JPPCCs at the provincial level as well which involve the regional chambers and/or the local FTI-chapters. These provincial committees are designed to provide a forum for local business problems. The Thai JPPCCs are an outstanding example for the mutual benefit of Public-Private Partnership. Government has learnt to appreciate the value of the permanent input of private sector organizations, while chambers and associations have been able to increase their membership and reputation.²⁴

Concerning the promotion of small enterprises, a separate consultative body called SME Promotion Board has been set up by a recently approved act. It consists of a maximum of 26 members including the Prime Minister as chairperson, relevant Ministers and other high-ranking public executives, a representative of the Board of Trade (which is currently in the process of amalgamation with the Thai Chamber of Commerce) and of FTI and at least 12 other private sector representatives six of whom have to be appointed by private sector or-

²⁴ See Anek Laothamatas (1992), pp. 69ff.

ganizations²⁵. Key responsibilities comprise the submission of SME promotion plans and status reports to the cabinet, giving recommendations with regard to new laws and regulations as well as the supervision of public agencies on the implementation of promotional measures for SMEs. As in the Philippines, chambers and associations have been assigned preferential formal channels for lobbying activities.

Operational level

The Thai Chamber Law states that government functions may be delegated to chambers. However, Public-Private Partnership activities in Thailand are less pronounced at the operational level reflecting the still limited capacities of chambers and associations, especially in the provinces. At the moment the Thai Chamber of Commerce is in the process of merging its functions with the Board of Trade. This may broaden the scope for Public-Private Partnership in the future by assuming more delegated tasks. So far, mainly the Thai Chamber of Commerce and the Federation of Thai Industries have the resources to be a partner of government bodies.

In the field of education, the Thai Chamber of Commerce runs one of the biggest private universities in Thailand. More than 20,000 students currently subscribed to one of the Bachelor or MBA courses offered in technical and management subjects. The university is completely self-financed by fees with no additional subsidies given by public bodies or the Thai Chamber. Through distance-learning programs, rural entrepreneurs may upgrade their skills. In addition, the Thai Chamber of Commerce and the Federation of Thai Industries provide training courses on different business topics.

To enhance the self-regulation of the private sector, the issuing of trade documents has been entrusted to Thai chambers and FTI-chapters. Furthermore, FTI has set up the Thai Article Numbering Council as a non-profit organization which administers the use of barcodes. The Council issues the particular barcodes to applicants against a fee and provides technical assistance and information to the general public. In the field of environmental protection, the Industrial Environmental Management Program has been established in 1990 as a cooperative activity of FTI and USAID. Its principal objective is to create awareness and to advance policy options for environmental and worker health and safety issues. Another example of the private ordering activities of FTI is the promotion of the ISO 9000 quality standards certification amongst its members.

5.7 India

Policy level

India's constitution does not provide for any direct representation of business membership organizations in the legislative bodies at the national, state or local level. As a remainder of

²⁵ These 12 qualified persons have to be approved by the Cabinet as well.

British colonial rule, chambers as well as trade associations are registered as non-profit organizations under private law, with voluntary membership and no spatial monopolies, reflecting the Anglo-Saxon tradition of pluralism. Because of the multiplicity of competing organizations, many statutory representations get lost and direct participation in decision-making is nowadays limited to a few seats at municipal bodies like port trusts, universities, museums etc.

However, there are many consultative bodies with administrative character in which private sector representatives are invited. The Indian Chambers of Commerce are often asked to appoint competent members to these advisory committees on subjects like railways, customs, excise, post, taxation, port affairs, etc. The federal Government of India also frequently sets up Commissions of Inquiry in which **leading** private sector organizations are invited to participate indirectly by sending memoranda or appearing personally. But, to sum up, the Public-Private Partnership in decision-making is still underdeveloped in India due to the dispersed structure of Indian chambers and trade associations and reservations of public bodies to share control and influence with the private sector.

Operational level

As in other countries with private law chambers, the delegation of government functions in India is limited to the certification of trade documents. Generally, business membership organizations receive no government subsidies. The chambers in port cities, e.g. the Cochin Chamber of Commerce, are entrusted with the tasks of issuing certificates of cargo measurement as well as quality control certificates on tea, coffee, cashew etc. By this public function, the chambers are able to generate a substantial income, and additionally data on port transactions can be compiled and analyzed. These statistics are an important source of economic information. The work of the Indian Cotton Mills Federation is an example for self-regulating activities in the field of trade promotion. The trade association can sign contracts with foreign parties on behalf of their industry and operates special public funds for export promotion.

So far, Public-Private Partnership for the benefit of SSI has not received much attraction by policymakers and chamber executives. The following two examples of Public-Private Partnership in infrastructure provision for SSI may show the potential of these cooperations.

As a collective reaction to power shortages, the PHD Chamber of Commerce in New Delhi has set up an Energy Management Center. The program offered consultancy and advisory services with the aim to better manage and save energy. During the first three years of operation the expenses and costs of the center were shared by the Government of India and UNDP as external donor. The chamber assumed the task to identify target units and implement the consultancy services. In the beginning, the participating enterprises paid only a nominal fee allowing to operate the center on a "No-profit-no-loss" basis only. Later the chamber took over full responsibility for the project and provided the services on a

commercial basis. As a result, substantial power savings could be achieved. Small units were identified as the main beneficiaries by the chamber.

Another project in infrastructure development is the organization of an industrial estate for SSI units by the Maharashtra Chamber of Commerce together with the State Government. While the Chamber organized the implementation of the project, the State Industrial Development Corporation made available five acres of land at a concessional rate inside an industrial area owned by the Government. About 150 SSI decided to move to the estate. A quarter of the costs had to be carried by the small enterprises themselves, while the remainder was financed by long term loans from the State Financial Corporation. After the completion of the estate, the management will be handed over to a cooperative society of its SSI members.

6. Results

Introduced by the World Bank in the nineties, the concept of Public-Private Partnership clearly reflects the recent trend towards more civic participation in policy. Applying a broad definition, Public-Private Partnership has been defined as a long-term commitment of resources by public and private actors which share the risks and chances of a project. With the aim of building trust-based relations, it is important that the partners are involved in both dimensions of Public-Private Partnership, not only at the operational level, but also at the strategic level which sets the targets and defines the measures. In the case of Public-Private Partnership activities for the benefit of SSI, it was argued that private sector self-help organizations, such as chambers and trade associations, have to play a major role by their dual role in lobbying for a more conducive policy environment and the overcoming of supply-side bottlenecks by provision of business infrastructure and services. In this respect, the different focus of chambers and trade associations has to be considered.

The case studies made clear that some kind of Public-Private Partnership is already in operation in most countries. However, forms and fields of activities differ widely. In this respect, the various country cases may give the reader an impression of what can be achieved by Public-Private Partnership. In order to classify the different activities, two economic characteristics of public functions were regarded as crucial: the public good quality and the complexity of delegated tasks and shared functions. Not surprisingly, the more sophisticated business membership organizations in the industrial countries have by and large been able to assume more complex Public-Private Partnership activities than their weaker counterparts in the developing countries. Nevertheless, there are several less sophisticated tasks which may be a suitable starting point for joint public-private activities including private membership organizations in their early stages of institutional development, e.g. the joint registration of enterprises or the certification of trade documents. After an initial phase which allows the partners to build up organizational capabilities and trust-based relations, other public functions may be delegated to trade associations and chambers.

Taking into account the public good characteristic of a function, it is more interesting to differentiate along the institutional traditions of a country. In general, the scope for Public-Private Partnership is more limited in societies which have developed a pluralistic associational culture. The Anglo-Saxon model of private law chambers and trade associations with no spatial monopolies and voluntary membership prefers a clear-cut division of roles between the public and the private sector. However, the provision of public or merit goods usually involves cross-subsidization to a certain degree, since voluntary members are not willing to pay full-cost fees for collective goods. Furthermore it is difficult for the government to favor one particular organization by sharing or delegating public functions. In contrast, societies with a more corporate associational culture have less difficulties with the concept of Public-Private Partnership. The idea of hybrid organizations - a core element of Public-Private Partnership - is institutionalized by the public law chambers of the Continental model. Thus, business membership organizations in these countries have in general assumed more delegated public functions with public good character.

To sum up, Public-Private Partnership can be expected to show good results if all concerned parties gain from the cooperation. It has to be understood that the modernization of all groups of society is deeply interlinked. Therefore, Public-Private Partnership helps government to raise the efficiency of polity, strengthen the private sector institutions and last but not least promote the growth of SSI by a reduction of scale-induced disadvantages and transaction costs.

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International Department
Institute of Small Business
University of Goettingen
Kaete-Hamburger-Weg 1
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