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Public-Private Collaboration for Productive Development Policies in Colombia

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Abstract

This study analyzes the institutions that shape public private collaboration for the design and implementation of productive development policies in Colombia. Colombia is an interesting case because productive development policies are increasingly designed, in principle, in the context of formal institutions and venues, with public- private collaboration being a pillar of that formal design. We focus on two specific cases: (1) the Private Council for Competitiveness and its role in the National System for Competitiveness; (2) the Colombian government's Productive Transformation Program. These case studies suggest that public private collaboration has contributed to the continuity of productive development policies across governments. Collaboration has also been behind particular achievements, such as helping overcome specific government failures, and helping develop private organizational capabilities. A central message of this document is thus that formal institutions to foster public private collaboration, such as the ones adopted in Colombia over the last few decades, have an important potential for advancing adequate productive development policies. However, public private collaboration for productive policies has by no means brought a development “miracle”.

Keywords: Industrial Policies, Public-Private Collaboration, Competitiveness

JEL Classification Numbers: D02, D24, D78, L52, L78

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Colaboración público-privada para políticas de desarrollo productivo en Colombia

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Resumen

El presente estudio analiza las instituciones que rigen la Colaboración Público Privada en el diseño de políticas de desarrollo productivo en Colombia. El caso de Colombia es interesante por la existencia de instituciones formales en el seno de las cuales cada vez más, al menos en principio, se da el diseño de políticas de desarrollo productivo, y por el papel central que esas instituciones formales dan a la Colaboración Público Privada. El estudio se enfoca en dos casos puntuales: (1) el Consejo Privado de Competitividad y su papel en el Sistema Nacional de Competitividad, y (2) el Programa de Transformación Productiva del gobierno colombiano. Los estudios de estos casos sugieren que la Colaboración Público Privada ha tenido efectos positivos importantes sobre las políticas de desarrollo productivo. Por un lado, ha contribuido a la continuidad de estas políticas en el tiempo. Por otro, ha permitido logros puntuales como la solución de fallas de gobierno y el desarrollo de la capacidad organizacional del sector privado en algunos sectores específicos. En cualquier caso, debe anotarse que, aunque positiva, la Colaboración Público Privada ha estado lejos de generar un milagro de desarrollo productivo.

Palabras Clave: Políticas industriales, Colaboración Publico-privada, Competitividad

Códigos JEL: D02, D24, D78, L52, L78

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1 Introduction

This study analyzes public private collaboration in Colombia for the design and implementation of productive development policies. Our focus is on the institutions that shape those interactions and on whether the resulting mechanics threaten or rather enhance the effectiveness of such policies. Colombia is an interesting case because productive development policies are in principle designed in the context of formal institutions and venues. These include the “National System for Competitiveness”, an umbrella institution for productive development policies, which has shaped public private interactions regarding these types of policies. The System has been conceived as one where the private sector plays an active role in the design of policies. Private sector representatives play consultative roles in different steps of the policy design process. But most importantly, private representatives seat shoulder to shoulder with government officials in the Competitiveness Commission’s Executive Committee, the decision-making body of the System. From the Committee’s inception, it has been the Private Council for Competitiveness—PPC in the rest of the document—that has played the role of representing the private sector in this venue.⁷

Our study focuses on two specific cases to analyze the broader issue of public private interaction. First, given the prominent and peculiar role of the PCC in the National System for Competitiveness, we study the Council and its actual participation in the design of productive development policies. To further ground the analysis, we go into deeper detail about the PCC’s participation in two specific policy areas: innovation and transportation policies.

Another area in which the PCC has been involved is productive transformation policy, which itself constitutes a particularly fertile ground for understanding public private collaboration for productive development with respect to more vertical interventions. The World Class Sectors Program—more recently known as the Productive Transformation Program (PTP) —which has been at the heart of policies for productive transformation, is designed as a collaborative effort between the public and private sectors. In this sense, it is an interesting policy making experiment where the private sector plays a crucial role. We thus use the PTP itself as a second case study. Since the PTP is composed of particular “subprograms”

⁷ See section 2 for the detailed history of PCC’s involvement in the system.

for different sectors of the economy, we focus on three specific sectors: Cosmetics and Cleaning Products, Business Process Outsourcing, and Palm and Palm Oil. The choice of these programs followed an interest in including sectors with different characteristics in terms of their industrial and political organization, and with differential degrees of success in achieving the goals set for them in the respective Productive Transformation Program.

The way in which the public and private sectors interact could affect the effectiveness of policies in very different ways. Perhaps the starting point is the understanding that the participation of private sector representatives in the design and implementation of policies that affect them directly can ameliorate difficulties policy-makers face in the optimal design of policy, especially those arising from information asymmetries. It is businessmen who best identify the barriers they face when trying to serve their clients, access new markets, increase productivity, enhance their product portfolio and, more generally, expand their businesses, in turn creating employment and growth opportunities for the economy as a whole. They are also in a unique position to identify which of these difficulties is most pressing. It is, moreover, costumers who best identify signs of market power abuse. And both consumers and producers can point to existing policy interventions that have become more costly than beneficial. Collaboration with the private sector can thus yield very important gains in the identification of areas where government intervention is most urgently needed and justified, and others where deregulation is beneficial.

At the same time, public private collaboration encompasses dangers that may not only make it ineffective, but even lead to damaging policies. The policies producers in one sector would like to see enacted may well be detrimental for producers in other sectors or for consumers. They may also distort the allocation of resources across producers and sectors, creating additional hurdles for the ability of the economy to reach its full income generation potential. This may occur if, for instance, policies that benefit inefficient producers eliminate the incentives they face to invest in improving their efficiency, so that they can be more competitive in the global market, and offer better quality jobs. More worrisome, the degree to which policy responds to the demands of different producers frequently depends on these producers' ability to have their voices heard by the right government officials, and to convince those officials to push for the policies they desire. This ability varies across producers, with the larger, the more concentrated and organized, and the more politically involved frequently being

also the more effective in lobbying. To this extent, not appropriately conducted public-private collaboration may lead to a perverse allocation of policy benefits, whereby these benefits go to the most politically powerful, rather than the most economically promising. An additional problem is that policies benefitting specific sectors or groups frequently become irreversible, even after the reasons that first motivated their adoption have disappeared (Buera, Moll, & Shin, 2013).

The degree to which these problems materialize in costly policies is likely to depend on the quality of institutions that frame public-private collaboration initiatives, as well as on broader political economy issues (e.g., alternative routes for the economically powerful to affect outcomes, such as direct access to policy makers and legislatures—by passing the formal consultation processes-, campaign financing, side-payments, etcetera). There are, of course, many dimensions to institutional quality in this context. A first issue is the degree to which institutions help even the field for different private sector representatives to voice their concerns in an effective manner. The way in which potentially conflicting preferences of different groups are aggregated into actual policies should also be a concern. A third question relates to whether mechanisms for public-private collaboration privilege the discussion of horizontal policies over vertical policies, or the opposite. And, if they focus on rent extraction (protectionism, subsidies, tax privileges) or on solving market or Government failures, and on internalizing externalities,

Finally, an area of outmost importance to which little attention has been given in studies regarding PDPs, is the stature given to interaction with the private sector within government. Is the government official designated to interact with the private sector sufficiently empowered to translate the conclusions of this interaction into actual policy projects? Perhaps “too empowered”, in the sense of there not being sufficient checks and balances to oppose regulatory capture by private groups? Is he or she sufficiently prepared and informed to understand how demands from a specific group of private sector representatives affect others, and bring those considerations into the discussion and the final decision? Can he or she understand that there is large heterogeneity even within sectors or groups, and that he/she may be facing a non-representative group of views even for a relatively narrow sector? The answers to these questions not only shape the final outcome of the interaction around given private

sector proposals, but also are likely to shape those proposals themselves, and even the kind of goals the private sector seeks to achieve when interacting with the government.

Our study will seek to address these different issues. We will do so by characterizing the public private interactions in our different case studies. In particular, and in consonance with the other country studies in this project, we describe and characterize the private representatives involved in each of our case studies; how they are organized; how representative of the relevant private interests they are; how able to make their initiatives heard and eventually adopted; how “benevolent” in the sense of representing the collective interest rather than very specific own interests. We similarly characterize their government counterparts: who they are; which officials interact with the private sector; how powerful those officials are to translate the agreements reached into actual policies or decisions; how discerning of particular interests hidden in private sector proposals at the cost of other interests. We finally characterize the mechanics of the interaction and its outcomes. Those descriptions then form the basis for our conclusions on institutions that enhance and others that threaten the effectiveness of public private collaboration for the adoption of policies that do boost productive development.

The stories that we document here show that public private collaboration has been crucial in planting the seeds for a true State policy around productive development, by granting continuity to those policies across governments. Collaboration has also been behind particular achievements, such as helping overcome specific government failures, and helping develop private organizational capabilities. A central message of this document will thus be that formal institutions to foster public private collaboration, such as the ones adopted in Colombia over the last few decades, have an important potential for advancing adequate productive development policies. However, it is important to keep these findings into context and note that public private collaboration for productive policies, though very positive, has by no means brought a development “miracle”. Colombia continues to lag behind countries with similar income levels in international comparisons of productive development, making very little

relative progress over the years.⁸ Further, traditional rent seeking continues unabated, often through parallel channels (direct influence over top officials and the legislative).

The paper has five sections, including this introduction. Section 2 characterizes the general institutional environment that frames public private interactions for productive development policies, as these institutions largely explain the degree of private involvement in the design of policies for productive development in Colombia. Section 3 presents our first case study: the Private Council for Competitiveness and its participation in the design of policies for productive development. Our second case study, the Productive Transformation (or World Class) Program, is presented in section 4. Section 5 concludes.

2 The case of the Private Council for Competitiveness (PCC): making the private sector active part in the design of PDPs

Colombia has a System for Competitiveness and Innovation that articulates the different policies aimed at strengthening competitiveness. It is supported by the National Commission for Competitiveness, a consultative body in charge of recommending a competitiveness agenda, where a wide arrangement of private and public interests are represented. While wide representation of interests in the Commission, and thus its large size, is key to legitimating the main policy strategies, it also renders the Commission ineffective as a venue for day-to-day discussions. As a result, the true heart of the System is the Commission's Executive Committee, composed by the heads of four key government agencies and two private representatives: the Private Competitiveness Council (PCC henceforth) and Confecámaras.⁹

⁸ Colombia consistently ranks 65-70 among 125 countries in the Global Competitiveness Indicator of the World Economic Forum, behind countries in the region such as Panama, Costa Rica, Uruguay, Brazil, Mexico and Peru (not to name Chile). The country performs particularly badly in comparisons of labor market outcomes and labor market flexibility, and infrastructure and transportation costs. The WEF 2012 also ranks Colombia as 70 among 125 countries in their Innovation Indicator (a policy area in which we focus in one of our first case study), well behind Chile, Brazil and Mexico.

⁹ The government representatives are the Minister of Trade, the Director of the National Planning Department, the presidential Advisor for Competitiveness, and the Director of Colciencias (the latter only became a member as a result of Decree 1500 of July 2012). The Executive Committee was first called the Technical Mixed Secretariat (Decree 61 of 2007), and was initially composed by the National Planning Department and "a private sector representative designated by the Commission". It was the PCC that received that designation. Though the Commission could have in principle changed the identity of the private sector representative over time, this did not happen. Decree 1475 of 2008 added the Ministry of Trade to the Technical Mixed Secretariat. Decree 1500 of 2012 then transformed the Technical Mixed Secretariat into the Executive

Confecámaras only recently became a member of the Executive Committee (Decree 1500, July 2012), given its role of main private sector representative in the Regional Commissions for Competitiveness, so that for the time covered by this study the PCC alone represented the private sector. The Competitiveness Agenda is proposed and elaborated by the Executive Committee. Though it is later evaluated and finally approved by a series of other bodies of the System for Competitiveness, it is key to remember that productive development policies are initially proposed and elaborated by the Executive Committee of the System for Competitiveness, and, that the PCC has been an active member of that *petit comité*.

Before moving into a deeper analysis of the PCC, it is worth highlighting that public-private collaboration is central to the Colombian National System for Competitiveness. Since its inception, bringing the private sector to the center of competitiveness policies was one of the aims of the System. While mechanisms permitting private sector representatives to voice their concerns and opinions have been formally established in Colombia for a very long time, the current System, in place only since 2006, has brought private participation in policy-making to a different level. Not only the interests of the private sector are voiced through its representatives in the National Competitiveness Commission but also, most importantly, a representative of the private sector—the PCC, and more recently also Confecámaras—is part of its Executive Committee. This mechanism has given the private sector a direct role in productive policy design. The presence of the PCC in these bodies, and more generally the very active role of the private sector in the System and in some of the policies initially proposed in the context of the System, has been central to the greater stability of competitiveness policies over the last few years. This should become clear in our detailed discussion of the selected examples of public-private collaboration. But, of course, too little time has passed to assert that such relatively stability is here to stay.

Committee. The language about private sector representation changed from an open reference to “a” private sector representative to explicitly designating the PCC as private member of the Committee. This Decree also expanded membership to Colciencias on the government side and Confecámaras on the private side.

2.1 The PCC: generalities

2.1.1 PCC activities

The PCC brings together businessmen; business associations and individual experts, including presidents of prestigious Universities, around the objective of boosting competitiveness in Colombia. Since its inception in 2006 the activities of the PCC have revolved around the design and supervision, executed jointly with the government, of the so-called national competitiveness agenda, which puts together the goals and actions of competitiveness policy.

The PCC has a small staff of (less than 10) researchers trained as Economists, Lawyers, and Political and Public Policy Scientists. This staff is coordinated by the PCC's president and vice-president, positions that have been held by trained economists with strong background and a reputation for technical strength and transparency. Staff members set out to investigate economic outcomes and the state of policy in areas designated as priorities by the Board of the PCC, and to produce proposals. Their studies and the proposals endorsed by the PCC's Board are published in annual "Competitiveness Reports". These reports have become a key instrument: they not only set the agenda for the PCC, but have in practice become a crucial input—one could even say "the" crucial input—for the national competitiveness policy pursued by the System for Competitiveness. PCC staff members interact with relatively high-ranking government officials- at the level of division directors in the National Planning Department- in the development of these policy proposals (see below for a discussion of how their proposals are then processed). The PCC also issues a monthly publication, *Colombia Compite*, which monitors and evaluates the advance of productive development policies.

Since its designation as member of the Executive Committee of the System (that is, basically, since its inception), the PCC has been a key player in the design of the country's competitiveness (i.e. productive development) policies. The System was born with a mandate to design and regularly update an overall policy framework for productive development. The Executive Committee -and the PCC- were directly involved in the elaboration of the first version of this policy framework. The process seems to have been one where the president of the PCC sat together with the presidential advisor for competitiveness, the head of the National Planning Department and the Minister of Trade, and together with their respective

staff members elaborated the initiatives that were to become the first “National Policy for Competitiveness”. The broad National Competitiveness Commission endorsed this agenda, and recommended its adoption to the government. The Policy was indeed adopted by CONPES policy document No. 3527 (June 2008)¹⁰ that summarized the basic conceptual framework to guide competitiveness policies (graphically represented in the “Competitiveness Temple” of Figure 1), and structured a series of concrete actions to improve competitiveness. Some of these actions were as specific as establishing a “World Class Sectors” program (see Section 4), and developing a Business Plan Methodology for this program, and others were as vague as “strengthening the capacity of the State to solve controversies with investors”.

This initial policy document, as explicitly stated in its front page, was jointly elaborated by the presidential advisor for competitiveness, the National Planning Department, the Ministry of Trade, and the PCC itself. This is to say that the first national policy for competitiveness was in itself the result of very active public-private collaboration, with the PCC playing an important role in its elaboration. More than lobbying for these policies, the PCC directly participated in their design.

Since the promulgation of this policy, the PCC has exercised two roles: oversight of the execution of this policy framework (and its successors), and continued active collaboration in the design of other specific initiatives in productive development policies, following the model of collaboration that led to CONPES Policy Document No. 3527.

Regarding the first of these roles, each year, the aforementioned Competitiveness Reports of the PCC include a diagnosis of the state of execution of the competitiveness policy in place at the time. PCC officials also participated actively in the discussions that led to CONPES Policy Document 3668 (2010) that evaluated the level of execution of the actions contemplated in CONPES 3527. This was the first of the four-annual evaluation of the competitiveness agenda required by law. Incidentally, this evaluation showed that most of the actions proposed in document 3527 had been indeed implemented, with the resulting improvements in competitiveness being disappointingly modest. It is important to highlight

¹⁰ CONPES documents provide the guidelines for governmental economic and social policies. In a way, they state the commitments acquired by the government. While it is not unusual that many of those commitments are not fulfilled, CONPES documents are considered a necessary condition for any initiative to later come to life.

the uniqueness of these regular evaluations of the advancement of the Competitiveness Policy. First, Colombia seems to be exceptional in the Latin American context, not only for having formal umbrella institutions for the advancement of productive policies, but also in the sense that those formal institutions require periodical evaluations of these policies. Another unique feature of the Colombian case is the role of public private collaboration in the evaluation and oversight of policy, through the PCC's participation in these formal evaluations and via its Annual Reports.

As far as policy design, the model of public private collaboration that led to CONPES 3527—an agenda jointly proposed by PCC staff members and government officials, then endorsed by the Executive Committee and further pursued by its members—has been later replicated for other policy initiatives. The PCC has later had similar direct participation in the elaboration of initiatives that implement actions contemplated in that initial CONPES 3527, such as the national logistics policy (CONPES 3547, 2008), the policy for the strengthening of human capital (CONPES 3674), and the First Employment Law (Law 1429 of 2010).¹¹ More generally, the Council presents proposals for continued advancement of that agenda that are brought to the Executive Committee of the System for Competitiveness

Recently, with the execution of most of the (few) concrete actions proposed in CONPES 3527 and beginning of a new presidency, the PCC directly participated (with the rest of members of the Executive Committee of the System for Competitiveness) in the design of the new competitiveness policy presented in 2012, known as the National Agenda for Competitiveness. As with the previous version of this policy (CONPES document 3527) the PCC was actively involved in the drafting of this policy. Jointly with the presidential advisor for competitiveness and with the National Planning Department's deputy chief for enterprise development, the PCC led the process of putting together this draft. Consequently, several of its proposals to advance competitiveness in the country made their way into it. The document was then endorsed by the National Competitiveness Commission, and became the road map

¹¹ The direct participation of the PCC is explicitly recognized in some of these documents, such as CONPES 3674 and CONPES 3527. In other cases, it is reported by PCC staff members and not contested by others participating in the elaboration of these initiatives. It is worth mentioning that CONPES documents are not in themselves regulations, but set the stage for the adoption of programs, laws, and other regulations. In the specific case of the competitiveness agenda, it is clear that at least a number of the initiatives proposed in these documents become in fact realities (e.g. the World Class Sectors program).

for competitiveness policy for the next several years. As was the case with CONPES document 3527, this Agenda includes a list of concrete actions to be implemented, together with deadlines for their implementation and agencies responsible for the process. To take the example of proposed actions relating to the transport sector, some of these actions are as specific as “expand business hours at ports to 24 hours a day, seven days a week” and others are as wide as “promote the development of “inter-modal” transportation: develop studies for establishing logistical platforms”.

The PCC has also had indirect influence in the adoption of other productive development policies that have come as the concretion of initiatives included in the national policy for competitiveness under its leadership and that of the other members of the Executive Committee. This is the case, for instance, of the progressive elimination of the tax on financial transactions, and the creation of the National Agency for Infrastructure.

Its role in the Executive Committee of the Competitiveness System has also made the PCC the private sector representative that the government has chosen as its counterpart in other instances. It is frequently invited to discussions of all areas of policies related to competitiveness. As an example, when in 2011 the government tried to abolish regulated freight tariffs, the PCC was called to participate in the discussion tables as a representative of the productive sectors. This despite the PCC not being a representative of either the transport sector or the freight “generators”, the two sides that in theory these discussion tables were going to bring together (more on the PCC and the abolition of transport price regulation below). Similarly, it has been recently invited to join the National Council for Science, Technology and Innovation policies (section 3.2)

The PCC has also played a key role in keeping the Government focused on issues of competitiveness and in achieving an important degree of continuity in the process of formulation and in the contents of the Governments Competitiveness Agenda. This role was particularly important in the transition from the previous to the present Government. This transition may well have meant a whole new redesign of the institutions governing competitiveness policies, as had been characteristic of presidential transitions in the past (see Section 2). But the National System for Competitiveness was not overturned, and there is no word of an intention to replace it for a new one. Of course, only one government transition has occurred since the current System is in place and, moreover, since Santos was part of

Uribe's cabinet and ran for the presidency with his support, the transition was probably "light", so how representative it was of the role the PCC will play in the future remains to be seen.

In any case, several actors coincide in pointing at public-private collaboration, and in particular to the involvement of the PCC in the Competitiveness System, as the main explanation for this continuity. The Council has helped maintain the Executive Committee of the National Competitiveness Commission active through the government transition. Several related elements contribute. First, by contrast with the "pre-System" analogues of the Competitiveness Commission, the effectiveness of the current Commission (and in particular its Executive Committee) on competitiveness policy does not depend solely on the new government placing a high level of priority on its initiatives. The fact that there is now a non-government stakeholder that wants to keep a prominent policy role, guarantees continued activity by the Commission. Beyond the institutions themselves, the PCC has also helped maintain the policy initiatives of the Commission alive through the transition, as those initiatives are no longer children of a given administration but closer to state policies, conceived and approved as the result of a collaborative effort of the government and the private sector.¹² Finally, the PCC not only was behind the adoption by the present Government of an innovation policy agenda as one of its five economic priorities,¹³ but it also pressured the Government to re-focus on it when implementation languished after a change in the leadership of the National Planning Department, the agency that had been pushing for its implementation (section 3.2).

The PCC has also influenced the stance of some business associations in particular areas of policy (see, for example, sections 3.2 and 3.3 below), though it has been, at least until

¹² For instance, by the end of the Uribe administration there had been discussion in the Competitiveness System about how to transform the transportation sector to make it World Class (in the spirit of the World Class Sectors Program model). Discussion tables were established to agree on actions towards this goal, and some progress was made. But the government's period ended before the discussion converged to an agreement, and the initiative seemed to die with the Santos administration—to which it was alien--.. But the PCC continued pushing for it in the context of the System for Competitiveness. The new agenda for competitiveness very recently launched by the Santos government, has a whole chapter listing actions towards the transformation of the transport sector. It is the feeling of the PCC staff that their efforts towards keeping this theme alive in the discussions of the Commission were instrumental in getting the Santos administration to embrace that discussion.

¹³ The other four are traditional sectors that are supposed to play a leading role in the present economic context: mining, agriculture, infrastructure and housing.

recently, less active in promoting a culture of competitiveness and a corresponding agenda within the private sector itself. There is also less agreement on the PCC's influence and success on the operation of the Regional Competitiveness Commissions (RCCs). The RCCs, in existence for several years, have been recently recognized as coordinators of local competitiveness policies and were included in the new system of administration of royalties, by suggestion of the PCC. However, in spite of efforts by PCC and the National Planning Department to modernize the RCCs (in which regional and local Chambers of Commerce represent the private sector, and Governors and Majors represent the public sector), these remain largely ineffective until now, with some exceptions (such as Antioquia, Medellin, Bogota) where strong regional business associations and private sector leaders actively participate and lead.

2.1.2 On the history of the PCC and how it influenced its nature

The circumstances that led to the emergence of the PCC were determinant of the type of entrepreneur that joined this effort, which has in turn been determinant of the perceived legitimacy and influence of the Council. With that idea in mind, we discuss here the early days of the council, and go into some detail about the personalities and institutions involved in its establishment. Although the peculiarities of the process were determinant of many of the features that characterize the PCC, those features turn out to be potentially replicable in other contexts and thus interesting from the point of view of lessons that this case yields for other environments. We discuss this point in greater detail further below.

The creation of the PCC was proposed by Michael Porter to several entrepreneurs at an event organized by the Center for Leadership, a private organization that provides training to business leaders with the aim of fostering “efficient, transparent and sustainable models of management of public and private organizations in Latin America” and to help the leaders in the region fulfill their “responsibilities in terms of collective prosperity and sustainable development”.¹⁴ Though for-profit, the Center has kept at the core of its activities a stated interest for training business leaders to foster what they call *collective prosperity*, an apparent result of the character of its founding members, many of which later founded the PCC. Then

¹⁴ www.liderazgoygestion.com

president Alvaro Uribe supported enthusiastically Porter's proposal to create a private competitiveness council, to the point of offering to establish formal institutional procedures for consultations between the Government and the proposed PCC on competitiveness policy issues. The presidential endorsement was also crucial in the business leaders' decision to move on to creating the PCC, initially funded by contributions by its founding members.¹⁵ It is important to point that the forum that sparked the creation of the PCC took place precisely at the time when the government was designing the National System for Competitiveness (Section 2), so that the PCC and the System emerged simultaneously. This explains why the presidential offer to create institutionalized channels of consultations with the PCC eventually materialized into both the Executive Committee of the System being a joint public-private committee, and the PCC being the private sector representative in it.

In our interviews of policy makers and PCC members alike, the character of the Council's founding members as determinant of the perceived legitimacy of the PCC's role in the System for Competitiveness has been a running theme: most of our interviewees pointed at that characteristic also as determinant of the government's willingness to recognize the PCC as a valid counterpart. PCC members identify themselves as particularly committed to collective welfare. While heads of other companies and associations have later joined the PCC, their additions have occurred by invitation of the earlier members, who state that those invitations have been targeted to entrepreneurs and leaders that they see as similarly committed with those collective goals.

The stated special character of the PCC members does seem to be reflected in the general nature of the agenda the Council has been pushing for, and in that respect the Council constitutes an interesting addition to the map of private sector organizations that intend to influence policies. There has been an explicit effort to stay away from initiatives easily perceived as reflecting rent-seeking interests. The PCC has, for instance, been critical in its Competitiveness Reports of excessive tariff dispersion—it actually openly supported recent tariff reductions that were bitterly opposed by specific subsectors—, tax privileges, and subsidies to specific industries or firms that do not have strong support on analytical grounds.

¹⁵ In words of one of the PCC founding members "it would not have been worth the effort if the Government was not willing to recognize the Council as a formal counterpart".

Interestingly, the “benevolent” agenda adopted by the PCC is not only a consequence of the character of its members, but also a determinant of that character. Rent-seeking interests find policy lobby attractive when this lobby revolves around obtaining direct benefits for them. It is unlikely that they will be willing to devote energy and resources to more transversal agendas that require investing in coordinating efforts with other interests, that have more uncertain outcomes, and where only a small share of the benefits can be directly seized by them. As long as the PCC remains able to keep private interests from dominating its agenda, it is likely to also be able to keep rent-seeking interests away from its membership (and vice-versa). When thinking of transplanting the PCC experiment to other contexts, therefore, establishing rules that limit the agenda to the more transversal issues that have dominated it in the case of the PCC can help build a membership whose character is, as it has been in Colombia, more consistent with pursuing improved general competitiveness than increased rents for specific groups.

The selective nature of PCC membership, however, does not come without cost. The PCC faces a difficult trade-off between being inclusive of the different private interests it is supposed to represent in the National System for Competitiveness, and keeping its membership selective enough to be effective and to keep its focus on interventions that support competitiveness widely understood. Two different strategies have been used to address the concern about the PCC’s potentially limited representativeness: first, the largest umbrella business association in the country (ANDI), the association of agricultural producers (SAC) and the association of chambers of commerce (Confecamaras) are invited members of the Council; second, its board has remained determined to keep the PCC away from proposals that clearly benefit specific producers at the expense of other producers or of the consumers, even if those proposals have originated in or been supported by some of their members. For instance, they endorsed a trade reform that reduced import tariffs in 2010, despite strong opposition by SAC. There are also anecdotes about members of the PCC opposing proposals, brought up by other members, considered harmful for the wider interests of the country’s competitiveness despite bringing clear benefits to some PCC members.

Another way in which the potentially limited representation of private interests in the PCC has been addressed, in this case by the government, is by having a wide arrange of representatives of particular interests sitting at the wider National Competitiveness

Commission. The Commission at large meets seldom, because its size and the mix of conflicting interests it represents makes it ineffective as a way to make day-to-day decisions. But, it plays an important role in legitimating the policies that it endorses. Business Associations are also members of a variety of sector-level and transversal technical committees of the system for competitiveness, some of which are active and bring proposals to the executive Committee, while others are not.

It is also interesting to note that wide representation may be less important in the context of the types of initiatives that the PCC has been advancing than in other contexts. Since frequently these initiatives have been either transversal in nature or directed at alleviating coordination failures and government failures, they are thus rarely significantly harmful to specific interests, even if those interests are not directly represented in the PCC. The hypothesis that wide representation is not crucial in the discussion of the policies that are arguably most relevant for competitiveness has the important implication that the selective nature and reduced numbers that characterize PCC membership, which have been crucial for its effectiveness in designing and pushing a competitiveness agenda, does not impose important costs in sectors not directly represented by the Council.

The fact that the creation of the PCC and that of the National System for Competitiveness proceeded in a parallel and coordinated fashion around 2006-2007 explains much of the posterior involvement of the PCC in the making of competitiveness policy. McKinsey, Michael Porter and other international experts played a key role as advisors both to the PCC sponsors in structuring the PCC—including helping organizing trips to Ireland, Singapore and the US to examine other experiences—and to the Government in reforming the existing institutional structure for Competitiveness (to evolve into the present System).¹⁶ The joint emergence of the PCC and the National System for Competitiveness, and the active involvement of the same group of experts in the two processes, was determinant of the designation of the PCC as private sector representative in the System's Executive Committee¹⁷. The designation is not only telling by itself, but also because that role would have been

¹⁶ Later on, McKinsey (as well as Ricardo Hausmann) would also play a central role as advisor to both the PCC and the Government in setting up a modern public-private framework for a vertical PDP Agenda (the so-called World Class Sectors, latter on converted into the Productive Transformation Agenda –See Section 3.4).

¹⁷ The Executive Committee was known as Technical Secretariat at the time.

traditionally assigned to the Council of Business Associations (Consejo Gremial), a powerful association representative of traditional business interests. The members of the Consejo Gremial indeed contested the PCC's designation as private representative in the Executive Committee of the System.¹⁸ But, the PCC had the edge of being perceived at once as representative of the private sector, but only of the part of it most aligned with collective interest. Two of the aforementioned characteristics of the PCC were main sources of this perception: the—to some extent spontaneous—selection of “benevolent” entrepreneurs into the PCC, and the endorsement of the Council's initiatives by the aforementioned group of international experts. Though there continues to be occasional discomfort in some business associations with the special role assigned to the PCC in the competitiveness system, ANDI, the most influential of them, has become a supporter of this role, recognizing the advantages of being able to voice concerns and promote initiatives to government authorities both through it and directly.¹⁹

Despite these efforts, there are three types of criticisms about the composition of the PCC. First, that the agricultural and mining sectors, a crucial part of the economy, are under-represented, and as a result the initiatives and successes of the PCC in these areas have been quite limited. Second, that the absence of some of the most powerful industrial and financial private groups limits its capacity to influence policies. Third, that other important business associations broadly representative and technically capable, such as Asobancaria, should be members of the PCC. The last two views are strongly contested by others, who feel that it is more important that the PCC remains ‘small enough to allow discussion and achieving consensus’. They also argue that only entrepreneurs that have shown strong commitment to innovation and modern development policies should be invited to be members, and that

¹⁸ The Consejo Gremial was, in exchange, designated as private sector representative in the National Competitiveness Commission. While the Commission is the top body of the System, it is too large and diverse to be effective as a venue for policy design. It seldom convenes, and when it does its role is rather to legitimate previously consulted proposals. So, the PCC remains more influential than the Consejo Gremial in terms of competitiveness policy.

¹⁹ Interview with Luis Carlos Villegas, President of ANDI

membership by stronger groups would tilt the balance of power within the Council inevitably in favor of the particular interests of these groups²⁰.

2.1.3 An assessment of perceived strengths and weaknesses of the PCC

The major strength of the PCC that the private sector seems to perceive is the fact that it is formally recognized as the main private sector counterpart of the Government in the Executive Committee of the National System for Competitiveness.²¹ In turn, the highest ranking government officials seem to view the Council as capable of advancing sound technical proposals regarded as not representing narrow sector level interests. In contrast, most frequently than not, business associations initiatives and opinions are seen as dominated by sector level interests. In addition most of them are seen as having low technical capacity.²² This said, other level government officials we interviewed (at the level of division directors in ministries) seemed unaware of the degree of influence of the PCC; one saw the PCC as just “another business association”. The relatively high technical capacity of the PCC—either in-house or from advisors—has been important in two fronts: 1) provide the government with an empowered counterpart with whom technocrats can interact, and which sometimes plays a ‘neutral’ technical role among diverging positions of different public agencies; and 2) allow the Council to propose an agenda that can come from the private sector, as it revolves around the issues that the private sector identifies as barriers to its competitive advancement that it cannot solve independently.

In terms of weaknesses, the PCC has had a small staff and limited technical resources at its disposal. Though individual experts and technical staff from business associations participate in PCC technical committees in different areas, and the staff relies significantly on

²⁰ A PCC member mentioned that an initiative similar to the PCC failed in Mexico, in his view because it was captured by the all-powerful enterprises of the Carlos Slim group.

²¹ Recently, Confecámaras has joined the PCC in that role (Decree 1500, July, 2012).

²² To an important degree ANDI is an exception on both counts: it has generally recognized strong technical capacity and, because it has been broadening its constituency well beyond manufacturing, it is increasingly seen as aggregating wide private sector interests. For example, most large enterprises belonging to the financial, mining, energy and infrastructure sectors are now members of ANDI, and participate actively in ANDI specialized chambers, even if they also keep separate business associations –as some industrial subsectors also do. Only a few other business associations, such as ASOBANCARIA, are also recognized to have a strong technical capacity, but they are perceived as defending more narrow sectorial interests.

published research by the academic community, its capacity to carry on or contract out required additional analyses in the wide variety of areas covered by the Competitiveness Agenda is essentially limited to occasional support by multilateral institutions, such as CAF and IADB. The scarcity of own resources is generally seen as limiting its potential influence.

Another weakness of the PCC has to do with the fact that the institutional structure of the Competitiveness System is still fragile and depends significantly on the priorities and style of key Government officials. During the Uribe administration, for instance, Competitiveness did not stand high in the President's own priorities. Thus the fate of the System depended significantly on who was appointed as Presidential Advisor in charge of coordinating it. This said, on the positive side the stability of the System and its ability to effectively set a competitiveness agenda and get the government to pursue it seems to have been strengthened by the PCC itself.

Further, though the PCC has had generally good access to the Government and some capacity to influence its decisions or initiatives, it has had almost no access or influence on Congressional decisions. Strong business associations have significant access to both Government and Congress and influence on both. Also, though the PCC has influence with opinion leaders, the strongest business associations have a much more significant presence in the media. And, as aforementioned, the PCC has had little effective influence on efforts to improve competitiveness both within the private sector and within regions. PCC Policy Case 1: Innovation Policy reforms

Colombia has had for a long time a Science and Technology (Sc&T) policy oriented towards strengthening the supply of scientific and technological services, where the key Governmental actor has traditionally been Colciencias, and later the advisory Council on Science, Technology and Innovation, led by Colciencias.²³ Despite its age, the system has not been effective in taking Colombia to the level of innovation expected for comparable countries. Overall R&D expenses (at 0.16% of GDP in 2010), and the number of patents per

²³ Other Government Agencies with significant responsibilities in this area were Corpoica (a public Corporation for Research in Agriculture); FOMIPYME, a fund to promote entrepreneurship in small and medium size enterprises (under the Ministry of Industry and Commerce) and SENA, the training institute under the Ministry of Labor, which was supposed to devote 20% of its generous budget to the promotion of entrepreneurship (Fondo Emprender).

inhabitant, have been one of the lowest in Latin America. The country also ranks very low in global innovation indexes: 97 out of 120 in the WEF in index of Knowledge Creation, and 91 out of 120 in Patent Registration (91 out of 120) ²⁴, to give just two examples.

The PCC began to insist since its inception on the necessity of strengthening the Sc&T system: providing significantly higher public funding for Sc&T activities, and instituting a National Innovation System (NIS), with a more holistic view that would link Sc&T to productive activities and the formation of human capital, through the National Competitiveness System. Around 2010, the then entering Santos administration embraced a very similar view, and began taking steps towards its implementation. First, innovation became one of five priorities to stimulate economic growth within the government's National Development Plan (the road map of an administration's economic policy in Colombia).²⁵ Second, very early in its period, the government pushed for a reform, rapidly approved by Congress, to devote a 10% of the increasing oil and mineral royalties to financing innovation policies, following the example of Chile. Finally, the Sc&T system was “articulated”—though not fully integrated as originally envisaged—with the National Competitiveness System, which became National System for Competitiveness and Innovation (Decree 1500, 2012). Colciencias became member of the Executive Council of the System, together with the PCC and the other previous members. At the same time, the PCC began to be informally invited to attend the sessions of the Council on Science, Technology and Innovation. This said, the stated goal of articulation has remained rather elusive, in opinion of several of our interviewees.

Measures of a similar vein had been previously proposed by the PCC, and there are reasons to believe that the previous efforts of the Council had some influence on both their adoption and their design. Those involved in the writing of the National Development Plan indicate that the design of the innovation policy contained in that plan benefitted from previous work at the PCC. The policy contained specific measures previously proposed by the PCC, such as an important increase in public financial support; provision of specific sector level public goods to clusters; enactment of reforms aimed at strengthening Colciencias and

²⁴ Insead and Wipo, 2012

²⁵ The other four were rather conventional sectors: mining and oil, agricultural diversification and public infrastructure and housing.

Sena (the national training agency); and the creation of a Development Unit within Bancóldex to be in charge of the programs of support to private sector innovation, based on the successful experience of CORFO in Chile.

Part of this “translation” of PCC proposals into government plans can be attributed to the closeness between previous PCC officials and the Santos administration (to a point where the former PCC president was the first National Planning Director of the administration). Though this closeness could be seen as an exogenous factor that gave the PCC accidental influence over the government, we push the view that it actually (also) reflected the recognition by the Santos administration that PCC officers had developed a promising framework to fuel one of sectors the administration intended to prioritize. It is also the case, that the government hired as advisors for the design of this policy a team of Chilean economists who had previously also advised the PCC in how to develop a system similar to the Chilean one.

Most noticeably, PCC, through its participation in the Executive Committee of the System for Competitiveness, had a leading role in the drafting a of the Santos’ Competitiveness Agenda, leading, among other things, to the aforementioned reform of the Sc&TI system. The PCC similarly participated in discussions leading to the design of programs such as Bancóldex’s Innpulsa initiative to support private innovation, and the Modernization and Innovation Fund that supports this program. Further, the PCC’s Executive Director is a member of this Modernization and Innovation Fund. Bancóldex’ staff value highly the participation of the PCC in this Fund, as well as in the Executive Council of the Competitiveness System. They see the PCC as providing a long term vision, often lacking in governmental agencies, acting as a broker among competing governmental agencies interests, and helping define allocation of resources within competing programs and agencies claims.

We should also state that the PCC had little influence or participation in the proposal or discussion of the specificities of the Royalties Reform, envisioned as the mechanism to increase public funding to Sc&TI publicly. Moreover, after active involvement in the design of the articulation of the competitiveness and innovation systems, the PCC’s participation in the implementation of these changes has been limited, and some of its achievements have been jeopardized by the channeling of most of the new funding for innovation to regional actors with little or no capacities, experience and incentives for productive innovation. Moreover, the PCC lacks operational links with these new regional actors.

2.2 PCC Policy Case 1: The PCC and the regulation of freight transportation in Colombia

Since its early days, one of the main focus areas of the PCC has been transportation and logistics policies. As mentioned in the introduction, high transportation costs are a well-recognized obstacle to competitiveness in the country. Indicators are alarming. It is cheaper to move one ton of freight from Cartagena to Shanghai than to get it to Cartagena from Medellín (700 km) or Bogotá (1050 km). Dead times of a ton of freight than travels from Medellín to Cartagena can be as high as 50+ days. The country ranked 95 among 142 countries in infrastructure the Global Competitiveness Indicator 2011-2012 of the World Economic Forum, and has been consistently moving down in these rankings.

The focus of the national debate around these issues, and the focus of policies to alleviate these problems, has been the construction of infrastructure. —Which is not to say that these policies have been effective in building the type of infrastructure needed to improve competitiveness.—Not only the country's infrastructure lags well behind its peers, but this is also a highly visible policy area since citizens face daily the inconvenience of poor roads. In terms of productive development, however, infrastructure is only part of the problem. High transportation costs are also attributable, to an important degree, to logistical issues. For instance, road closures are only a small fraction of the reasons behind dead times in the transportation of freight; much more important are the multiplicity of inspections trucks have to go through, the port closures, the limited business hours at ports and the lines to access the ports. Another key issue has been the low average quality of transportation services, part of it attributable to poor regulation: old trucks (the average age is 22 years), high informality, and until recently regulated floors for tariffs. To provide some quantification, the cost of logistics has been estimated at 23% of GDP in Colombia, compared to 9% in the OECD and 18 in Chile.²⁶

A holistic reform to transportation and logistics policy has thus been a running theme of the PCC's recommendations. It is the innovation it has brought to the debate, otherwise centered around infrastructure, on how to reduce the high transportation costs. Since its very

²⁶ Competitiveness Report 2011-2012, Private Council for Competitiveness.

first Competitiveness Report, the Council has been insisting on designing a comprehensive policy that aims at improving logistics and implementing multi-modal systems (in the context of current almost total dependence on road transportation). The success of its initiatives in this front, however, has been quite limited until now. Below we describe the efforts of the PCC in this area, its successes and failures, and look into the reasons that explain the low impact of initiatives it has had.

The PCC proposals to design an overall transportation policy were partially echoed by the first National Competitiveness Policy (CONPES Policy Document No. 3527). This was a direct consequence of the active involvement of the PCC in the drafting of that policy: the PCC was one of the four (and the only private) agencies in charge of its elaboration. First, CONPES 3527 determined the creation of a “Technical subcommittee” of the competitiveness system on logistics and transportation. It also established concrete actions to be implemented in the following four years. However, most of the “concrete” actions established in that document to advance towards facilitating logistics and developing inter-modal transportation were not particularly ambitious, not even truly concrete. Among the proposed actions, the only one that was sufficiently concrete to monitor its execution was the drafting and approval of a CONPES document on logistics policy. The other actions planned in CONPES 3527 were as vague as “develop efficient freight transportation systems and optimal regulation” and use an “intermodal model to establish priorities in terms of infrastructure and logistics projects”. Not surprisingly, posterior evaluations of the execution of CONPES 3527 (including its formal evaluation, CONPES 3668 of 2010) show very little in terms of achieving these additional goals.

As far as the proposal to generate a policy document containing the road map for logistics policy, the document was indeed drafted and approved as CONPES 3547, shortly after the approval of competitiveness policy itself. The logistics policy instructed the government to strengthen the technical subcommittee of logistics as transportation as the “stakeholder” of logistics policy; implement a timely system of information on logistics; to create “logistical platforms”;²⁷ and to coordinate the different actors involved in inspections

²⁷ Logistical Platforms are defined in CONPES 2547 as delimited locations where all of the activities related to logistics for transportation are concentrated.

and certifications at ports to ensure that these requirements be fulfilled in a timely manner. In this sense, the PCC had some degree of success in getting its proposals adopted as official policies. Not only the PCC had been proposing for a while that a logistics policy be drafted, but it was active part of the drafting of this document itself, given his participation in the technical subcommittee on logistics and transportation, origin of the draft.

However, almost four years after that CONPES document was approved, advancement in the actions it proposed has been scarce. Beyond drafting CONPES 3547, the technical subcommittee on logistics and transportation has remained rather passive, not playing the role it was supposed to take in the oversight of the implementation of a holistic view for the sector. Feasibility studies for logistical platforms have proceeded at very low paces, with no platform implemented today. Dead times at ports remain extremely high. Little progress has been made towards getting the different agencies involved in the processes of inspections and certifications to coordinate their processes to speed shipments up.

The PCC has continued to push the logistics policy as one of its main priorities, both in the public debate and in the formal arenas of the competitiveness system. It seems to be making some new progress, with the inclusion of its proposals to pursue multimodal transportation and to re-think the policy for freight transportation in an integral way in the new Agenda for Competitiveness (July 2012). Some concrete actions towards these goals have been taken (like implementing some degree of coordination between different agencies at ports in early 2013), but how far their implementation goes, and whether others are taken is yet to be seen.

The limited success of the PCC in pushing for an effective reduction of logistics costs is perhaps surprising: the weight these costs have on the competitiveness lag is high, and relatively straightforward actions—like getting the different agencies involved in port processes to conduct a single unified inspection, and keeping an integrated single information system—could cause major improvements. Why, then, has it been so difficult to effectively push this agenda? Several reasons seem to be behind this failure. While the responsibility for almost all other policy area that bears on competitiveness lies in the hands of a clearly defined government agency, logistics does not. It is an area that demands intense coordination by different agencies, without any of them being the clear stakeholder. Logistics is also much less “visible” than infrastructure or labor regulation. As a result, the political will to move the issue

forward is hard to gather. On the PCC side, their insistency on pushing for a holistic view of transportation policy seems to be crashing against the lack of a clearly established government counterpart to take the blame for a failure to adopt it. It seems that, so far as that counterpart does not exist, their agenda setting power in the competitiveness system would be better devoted to getting explicit and tangible actions incorporated to the competitiveness agendas that serve as a road map for actual logistics or infrastructure policy—some of this has been done, for instance, through the inclusion of concrete recommendations such as the purchase of latest technology scanners for merchandise at ports.—Finally, the limited arrange of private interests present in the PCC may be bearing on the Council’s ability to influence transportation policy. In particular, the transportation sector itself has no direct representation on the PCC.²⁸

2.3 The PCC: taking stock

Before moving to our second case study, the Productive Transformation Program (in the conception of which the PCC was actively involved, as also discussed below) we highlight a few important facts relating the PCC. First, public private collaboration has been truly at the heart of both the institutions for competitiveness policies, and the design of the policies themselves. This goes beyond the private sector being able to voice its concerns—which it in fact is, as a wide arrange of private sector representatives hold seats in the National Competitiveness Commission-- . In particular, policies for competitiveness are first born in the Executive Committee of the Commission, held jointly by the National Planning Department, the Ministry of Trade and the PCC (and recently also Colciencias and Confecámaras). The PCC has thus played a central role in establishing policy priorities and designing broad policies for competitiveness. It has, in effect, kept a leading role within the Executive Committee. This role has only been enabled by the fact that there are high level formal institutions designed to privilege public-private collaboration, and that those institutions formally empower the PCC as a main player in the making of policies for competitiveness.

²⁸ Despite this fact, the PCC continues to be a private counterpart of choice of the government on transportation issues. As an example, when the government removed regulated floors for freight transportation tariffs, the PCC was called to participate in the negotiating tables established in an attempt to dilute the bitter (and costly) protests by transporters (that initially blocked the country for several days).

The PCC's active role in the System, and in particular in its Executive Committee, has been crucial to give continuity to both institutions and policies for competitiveness. For the first time in 20 years, institutions for competitiveness policies have survived a government transition. The same can be said about cornerstone policy initiatives, such as the World Class Sectors Program (see Section 4). Of course, the PCC and the System are still sufficiently young that it remains to be seen that this continuity consolidates for the long run.

The legitimacy of the PCC as a private sector representative in all matters relating competitiveness has stemmed from its perceived focus on policies directed at enhancing overall competitiveness, by contrast to policies that benefit specific sectors or groups at the expense of others. This perception first came as a consequence of the reputation of its founding members. It has later been reinforced by vocal opposition of the PCC's to policies perceived as beneficial to concentrated interests and by its effective resistance to push for policies that specifically benefit its members. The use of technical advice by highly recognized technical experts and think tanks as an input for PCC's initiatives has also been instrumental in maintaining its reputation and legitimating its activities. In fact, the PCC is nowadays called to represent the private sector in policy arenas not directly part of the National System for Competitiveness. The government seems to see the PCC as a valid and legitimate counterpart in these arenas.

Interestingly, though these characteristics of the PCC derived from the specific circumstances led to the Council's emergence—and could thus be considered historical accidents—, many of them are replicable in other contexts. Much of the PCC's influence depends on the fact that those circumstances led to the Council being formally empowered within a set of umbrella institutions that, in turn, formally give public-private collaboration high stature in the making of competitiveness policies. Moreover, the scope of public private collaboration for productive policies—at least in terms of collaboration of the type characterized in Colombia by the PCC's involvement in policy—can be restricted to policy dimensions where private rent seeking has less space, such as transversal policies and policies aimed at solving government failures or private coordination failures.

2.4 Perceptions about the PPC

As part of this study we undertook set of structured interviews to PCC members and its counterparts, both governmental and private. Beyond helping us document basic facts about the Council, our interviewees expressed opinions about its activities and its impact that are illustrative of the reasons why the PCC has been able to participate actively in policy design as a legitimate counterpart of the government. These opinions also help illustrate weaknesses of the PCC, which may prove important to address if the PCC is to effectively promote competitiveness in the future. This section summarizes the strengths and weaknesses of the PCC according to the perception survey

The interviewees were also asked to grade the public-private collaboration process on a number of dimensions. The purpose was simply to collect their perceptions in a way that could be more easily and systematically compared. It is important to highlight that this exercise is by no means representative of the perception of a wider population than the group we interviewed, so appropriate caution must be exercised when interpreting its results.

In a first module of questions interviewees were asked to grade private participation; in a second module they were asked to grade public participation; and in a third module they were asked to grade the overall collaboration process. The focus of questions is discussed further below, and the questionnaires themselves can be found in Appendix A3 of the full report. Figure 1 summarizes responses. (the number of interviewees in each group is reported in parentheses next to the label for the respective group).

Respondents graded all attributes, except participation, on a scale of 0 to 3, with 0 meaning the attribute was absent, 1 meaning the attribute was present with serious limitations, 2 meaning the attribute was present with some limitations, and 3 meaning the attribute was present with minor limitations. For the participation attribute, grades were also on a 0 to 3 scale, but the meaning of the scores was different: 0 meant “has only provided information”; 1 meant “has provided support to the process”; 2 meant “has actively participated in the process” and 3 meant “has been a leader in the process”.

In each case we are showing the average grade of private-sector respondents separately from the average grade of public-sector respondents, for comparison. Grades are on average above 2, which gives an idea of reasonably positive perceptions of the process by participants.

Perceptions of the private sector are, interestingly, more positive on average, with respect to both private and public participation, and grades granted by public and private interviewees are both closer to each other and lower when grading public sector participation. Public sector participants are more critical than private sector participants when asked about the capacity, participation, continuity, and representativeness of the private sector representatives involved in the PCC and have a similar perception than the private sector about its level of access to the relevant public counterparts. They are also more critical of themselves (see Module 2) in all attributes but “participation”. Grades corresponding to the attributes of public participation are on average closer to 1, implying larger limitations perceived by all participants than regarding the attributes of private participation. The worse graded attribute in this case is continuity.

Questions on Module 3 are different in the sense that they ask about characteristics of the collaboration and not about the participants. They are, however, graded on the same scale as the attributes of the previous modules, with the exception of horizontal vs. vertical emphasis, which we discuss further below. Regarding the other attributes, the overall perception is quite positive, averaging over 2. Once again private sector participants are in general more generous in their perceptions about the process than respondents from the public sector. The distance between average grades varies, however, across questions and is largest in the questions about intensity and effectiveness of the collaboration.

As far as the scores regarding the degree of horizontality versus verticality of the topics addressed, 3 means “fully horizontal”; 2 means “horizontal to all firms in a sector’s value chain; 1 means “horizontal to all organizations participating in the PCC”; and 0 means “targeted to a particular organization or firm”. Consistent with our own assessment of the Council’s activities, they are generally perceived as concentrating mainly on horizontal issues. Public officers, curiously, perceive issues addressed within the PCC as more horizontal than private sector participants.

Figure 1: Perceptions about the public-private collaboration process

Module 1: Private participation - Attributes

Module 2: Public participation - Attributes

3 The case of the Productive Transformation Program (PTP) for the development of World Class sectors

Productive Transformation has been at the heart of Colombia's recent competitiveness policies since the National Policy for Competitiveness of CONPES 3527 was launched. It was not only one of the five pillars of this Agenda, but actually the most concrete of the broad policy priorities established by that Agenda (Figure 1, a few pages back). This reflected the view, shared by the PCC's president, the presidential advisor for competitiveness and the Minister of Trade, that transforming the sector composition of production was crucial to make the country competitive in international markets, and specially to make it competitive in products that would contribute most to the country's economic advancement. As conceived in the competitiveness agenda, and latter effectively implemented, initiatives regarding productive transformation were condensed in the then called World Class Sectors initiative, known today as the Productive Transformation Program (PTP).

Not only the launching of the program was recommended by CONPES Policy Document No. 3527, but specific guidelines were also provided in the CONPES. As a result, the program itself was quickly launched: by the end of 2008, only a few months after the competitiveness CONPES was issued, four sectors had already been selected as part of the

program and their business plans were either completed or under elaboration (see below for a definition of the business plans). The PCC was actively involved in proposing this initiative, to the point that, according to several of our interviewees, the initial conception and design of the program was directly elaborated jointly by the PCC's president, the presidential advisor for competitiveness and the Minister of Trade themselves .

We now explain features that are general to the program—the methodology that guides public-private interaction in this context, and the organization of the public side of the program—to then study three specific sector PTPs: cosmetics, BPO&O, and palm oil. For each of these cases we characterize the public and private sector actors involved, and the manner in which public private collaboration has effectively proceeded.

3.1 The PTP Initiative: generalities

As discussed above, since its inception the National Policy for Competitiveness provided detailed guidelines for the PTP program. The initiative was to identify sectors with large potential as engines for export growth and for productive development, and help those sectors achieve that potential. The program started in 2008, when four sectors entered the program. This first round focused on emerging sectors. Two other rounds subsequently took place, to include promising sectors among the already established (the “*más y mejor de lo bueno*” round), and agricultural sectors (the “agro wave”). Today, the program includes twelve sectors, four corresponding to each of the aforementioned rounds: software, business process outsourcing, cosmetics, and health tourism in the emerging sectors category; textiles and apparel, energy, auto-parts, and graphic arts in the established sectors wave; and shrimp harvesting, cocoa and byproducts, beef production, and palm and oils in the agro round.

The methodology of the Program follows three basic steps. Initially, sectors are selected to participate in the process. A work team is designated, including a public and a private manager for the respective sector, each paid by the respective side. In a second step, the work team interacts to elaborate a business plan that specifies a plan of action for the sector, in a process facilitated by an international expert or team of experts. Finally, the plan is executed over the course of several years. The execution of the plan is coordinated and supervised by a team of representatives of the private sector participants and of public officials of the

Program. Ongoing evaluation is also built into the design of the program, under the coordination of an evaluation unit in the PTP.

Public private collaboration is essential to the program, as the mixed nature of this team and the participation of both sides in each step reveals. Our interviews of participants suggest that the mechanics of work by these teams is truly collaborative. We now explain each of the steps of the program, identifying actors and mechanics of interaction at each of these stages. A subsequent subsection explains the organization in the public side of the program. (Private actors are generically identified in the first of these subsections, and only explained in detail later for each specific sector analyzed).

3.1.1 Steps of the process: actors and mechanics of interaction

3.1.1.1 Identification and selection of participating sectors and their representatives

The inclusion of sectors in the first and second round of the program followed two steps. First, sectors of interest were identified and invited to submit a proposal. Second, participants were selected among those submitting a proposal.

In the first step, a wide arrange of indicators was used to identify sectors to be invited to apply for the program. The stated aim was to find sectors that could become engines for export-led growth in the country. A very wide arrangement of indicators was brought into consideration. These included studies by Ricardo Hausmann and Bailey Klinger (Harvard's Kennedy School), by International Development Ireland, and by other consultants; the results of consultations with representatives of all regions and sectors carried under the Domestic Agenda initiative (see Meléndez & Perry, 2010, and Eslava & Meléndez, 2009); studies by Colciencias, and other inputs.

The process to shortlist a few sectors using all of these inputs seems to have been characterized by open discussions among the members of the Executive Committee (then called technical secretariat) of the Competitiveness Commission. In the end, a call for proposals for a short list of emerging sectors was launched, quickly followed by another call for established sectors. Each of these called for proposals by around 10 sectors, almost all of which did end up presenting their proposals.

Our findings in this study leave a number of questions open about this first pre-selection stage over at least two dimensions: the procedures that characterized the process, per se and in terms of their coherence with the aim of the process; and the final outcome of the process. In terms of the first of these dimensions, only some of the inputs of the process clearly responded to well-defined methodologies to identify promising sectors (e.g. the aforementioned studies by different consultants). These are also the inputs with a more transparent role in the process. One first source of possible controversy is the fact that, at least from the interviews that we carried and the publicly available documents that we consulted, it is not fully clear what other elements were used as inputs into the selection process, and how these different inputs were aggregated into a final decision.

A second source of open questions is the fact that some of the other inputs that participants in the process mention were not in principle designed to identify sectors with a high potential as engines of aggregate growth. The Domestic Agenda, for instance, collected requests by sectors and regions for actions by the central government that they considered necessary to foster growth in the respective region. Some of these requests did respond to regional sector “bets”, but there is no unified methodology to identify these bets, nor one that resolves possible contradictions across regions.

In terms of the outcomes of the pre-selection process, the very mixed nature of the pre-selected sectors in terms of whether they are new or established, rapid or slow growers, high or low productivity sectors, raises questions about whether their selection follows a coherent view about the characteristics that make a sector promising in terms of its potential as an engine for growth. To provide one example, for instance, the first wave of pre-selection was directed at emerging sectors and the second wave, “más y mejor de lo bueno” focused on existing sectors. Whether the pre-selected emerging sectors represented higher promise than the established ones is a clearly relevant question in terms of the direction in which the government wants to tilt productive transformation—the very aim of the program—. This question seems to have been neglected by the discussion and in the resulting selection of sectors. We leave these as open questions to which we go back in the conclusions. We also note that even a negative answer about the benefits of the program in terms of directing the sector composition of production does not deny other important benefits that the program may bring for the

development of the sectors that did become selected, and in turn to overall growth in the country. In fact, many of our findings below point at important benefits on these dimensions.

The proposals presented by the pre-selected sectors for the round of selection consisted of a diagnosis of their current participation in international markets and their ability to compete at the highest level in those markets; a statement of a “vision” for the sector in the short, medium, and long runs; a statement of barriers to the sector development, together with actions necessary to boost exports by the sector. Sectors were expected to be or become able to successfully compete at free market conditions, so when the aforementioned actions included requests to the government, these were expected to not be protectionist measures, subsidies or similar policy benefits. A jury integrated by the National Planning Department, the PCC, Proexport (the exports promotion public agency), and Bancóldex (the public development bank) selected the sectors to be made part of the program out of those presenting proposals.

This methodology for selecting proposals implies that private sector proponents self-selected into applying for the program. Sector leadership is not necessarily well established, especially in emerging sectors, and not necessarily concentrated in a single actor. Some of these proponents were well-established business associations, while others were young associations, or groups of associations. These proponents were not necessarily recognized by all businesses involved as their representatives.

The degree to which the proponent seemed able to identify problems of the sector, represent most relevant private sector interests, and organize to bring the business plan into effect, seemed to have been part of the criteria the jury took into account to select winners of the call. Even further, current guidelines for the program’s future expansion explicitly call for greater attention to be given to these criteria (CONPES document 3678, 2010). Individual businessmen and other private representatives were invited to participate at specific points in later stages of the process, to empower them to voice their concerns. Despite all these efforts, as we will see in the description of specific cases, there has been some discussion around the degree to which the private sector representative that directly participates in the program is representative of all the private interests involved. In fact, for some sectors private representatives other than the initial proponents were later invited to share private leadership with those initial participants.

3.1.1.2 Elaboration of Business Plans

Sector Business Plans were developed using a methodology of joint work between the public and private sector, and the external consultants (Mc Kinzey in the first two rounds, and AT Kearney in the agro wave). Given that plans should emerge from collaborative work, entrepreneurs, business associations, government representatives and members of the academia were called to participate in a process explicitly designed to make this possible. The private sector brought its business knowledge to the table; the public sector brought its knowledge of the public sector dynamics and its view on productive development policies for each sector, and the external consultants acted as facilitators and contributed the methodology for developing the Business Plans, as well as information about the international experience to place the discussion in context. Not all sector PTPs were equally successful in reaching consensus at this stage. As a result, there is substantial variability in the level of precision with which goals and policy needs were included in the Business Plans. The methodology followed in the discussion was, however, similar in all cases.

Collaboration materialized through participation in three instances:

- Work Teams in charge of data collection, processing and analysis; interviews; workshops; and general facilitation of the brainstorming process; as well as of the preparation of progress and final reports. These teams were composed by the assigned Public and Private Managers and their teams and the external consultants, and included Public Managers in charge of thematic areas transversal to all sectors.
- Sector Committees that met every two weeks to discuss and refine the diagnostics, gaps, initiatives and action plans and to contribute in putting together final recommendations and implementation plans. In addition to the members of the permanent Work Teams, these Committees included heads of business associations; leading entrepreneurs; representatives of Colciencias, the National agency in charge of technological innovation; and representatives of other Ministries.
- Validation Workshops that met on a monthly basis to validate the main initiatives of each Business Plan from a wider perspective, as well as to provide

guidelines for its construction. In addition to the Sector Committee members, Validation Workshops included smaller entrepreneurs representative of their sectors in the regions; academia; other members of the sectors' value chains; and representatives of yet other government authorities whose participation was going to be necessary for the implementation of business plans.

The process for developing each Business Plan lasted three months and comprehended three stages:

- Stage 1: Global sector diagnostics with the purpose of assessing the sector's potential for growth in the international markets, and of providing information about global players, best practices and elements of success to place the conversation in an appropriate context.
- Stage 2: Sector diagnostics for Colombia, to revise the sector's development level, its competitiveness, its long-run goals and the factors that are critical for productivity growth.
- Stage 3: Sector Business Plan, based on the sector's "value proposal" and the outcomes of the previous stages, to define a strategic agenda and a route map to achieve a set of concrete goals.

3.1.1.3 Implementation of Business Plans

The resulting set of initiatives in each sector Business Plans are to some degree similar to those arrived at in previous exercises, orchestrated by the Ministry of Trade and the National Planning Department. The fact that despite having identified them before, there had been no success in translating them into actions at the time of launching this program, was interpreted as evidence of the poor capacity of execution of both the private and public actors involved, and led to the realization that implementation of the Business Plans should be based upon the same model of public-private collaboration used for the elaboration of the plan itself. This would facilitate the monitoring of progress towards a set of well- defined short, medium and long-term goals.

Each initiative in a Business Plan was for this purpose translated into a “road-map” that summarizes goals, activities, responsible public or private actors, deadlines, risks and associated budget. The public sector has created a structure to facilitate this monitoring.

Business Plans are to be revised periodically, every two years, to adjust them to changing industry and business environment conditions. This will be done through continued public-private collaboration in the spaces created under the PTP.

3.1.2 Public sector organization

The Productive Transformation Program was, in its inception, formally organized as a program within the Ministry of Trade. As such, it was the Ministry that provided the basic organization on the public sector side, even though government officials from other agencies were called to participate at specific stages of the process, as detailed above. The organization of the Program on the Ministry of Trade side included a general manager of the program, and four upper tier managers under his coordination. Each of these managers was in charge of one of four thematic areas that are transversal to all PTPs: Human capital, Legal and Regulatory Framework, Promotion Policies, and Infrastructure. These are the areas in which the public side of the Program focuses its efforts to articulate the work of different public agencies. There was also a public manager for each sector, recruited and hired by the Ministry. These public officials acted as facilitators. They had the mandate to voice the concerns and requests identified within the PTP to the relevant government authorities and to monitor the progress of the initiatives agreed upon in the Business Plans. They also were in charge of articulating the actions of different public agencies whose participation was necessary in the implementation of the respective business plans. The budget of the Program was quite limited, and included paying the salaries of these officials, and paying part of the private consultancy that led the elaboration of the business plan.

During the first few years part of this organization proved unstable, and this instability had an impact on the degree to which business plans goals were reached. Public managers changed frequently. Even when a manager has kept for relatively long, his contracts were short term, with long void spaces between contract and contract. As a result, private sector representatives, at times, had no public manager with whom to interact or had to establish a new relationship with a new manager. These changes seem to have been harmful to the extent

that, according to the interviews we held, the collaboration process seems to rely heavily on a close interaction between the public and the private manager.

In 2010, a new CONPES dedicated solely to the PTP (CONPES3678, 2010) identified weaknesses in the public organization to interact with the private sector in the context of the Program. Moreover, the Santos administration adopted the PTP as one of its flag programs in terms of competitiveness policy. As a reflection of these facts, the National Development Plan of the Santos administration established a new character for the Program within the Government, and defined a new form of organization. In particular, the Program was removed from the Ministry of Trade, given autonomous resources (in the form of an “Autonomous Patrimony”), and placed under the administration of Bancóldex, the Colombian Development Bank. Bancóldex is governed by more flexible rules than other public authorities thanks to having an autonomous budget. With this shift, the Program was freed from the bureaucratic and administrative barriers imposed by being part of a Ministry. One consequence was the possibility to hire public managers with longer-term contracts. The Program also received a larger budget, and was able to elevate the salaries paid to its staff. While before this reform the public managers used to be officials with bachelor degrees and a few years of experience in low- and medium-rank positions in the public sector, the current staff has higher education levels. Some public managers now have a history of positions in the private sector, and some experience in the public sector, for instance in positions such as advisors for high ranking officials.

While there is now a special recruitment process for PTP officers, many of the lower tier positions were filled with people who were already working for the PTP before. These people received the PTP re-organization positively, and are undoubtedly more motivated to make part of the program now that they have better employment conditions. The more competitive salaries also allowed recruiting highly qualified professionals for the more senior positions, such as the program’s general manager. Re-organization has also contributed to improve the program identity and the personnel’s level of commitment. Other change in the organization of the Program was the inclusion of an additional upper tier of officers that coordinate wide sectors, such as manufacturing and agriculture.

Also, as part of Bancóldex, the PTP has a more flexible budget that permits paying for external consultants and hiring studies if needed to support the sector’s Business Plan

initiatives. This budget is not enough for the PTP to be able to deliver on the provision of identified public interventions. But this is so by construction, because the PTP was not conceived for that purpose.

There is a monitoring system designed to follow the progress of each sector's PTP, under the coordination of a special monitoring unit inside the PTP. Under this system, the public sector keeps a detailed record of activities and accomplishments. These records are meant, however, only for this purpose and, in principle, not designed as a means to collect information that will facilitate adapting the required policies as the PTP progresses. As conceived, however, interaction in the context of the PTP should allow participants to identify changing needs or to request policy evaluations.

These organizational changes in the structure of the program have proven important in terms of the effective capacity of program officials to achieve the goals set forth in the respective business plans. One particular dimension where the heightened status and continuity of these officials has been important is their capacity to articulate the work of different government agencies whose intervention is necessary. The increased capabilities of officials in pre-existing positions has been also reinforced by the introduction of a new position, transversal to all the PTP sectors, whose director is precisely in charge of reaching to different government agencies and coordinating their work regarding business plans' objectives. The effectiveness of these changes has been enhanced by the public support the program has received from the president and its prominent place in the government's competitiveness policy. PTP participants frequently point at the important role that this visible support has played in helping effectively achieve the goals set in the respective business plans. Though it is an open question whether the program's articulating capabilities can survive a transition to a government that gives it less priority, it is also the case that its ability to gather and transmit information from the private sector to relevant public agencies is in fact welcome by the latter and could remain effective for reasons not related to the priorities of one government or the other.

A drawback of the Program is that there is no mechanism for the private sector to hold the public sector accountable for following up on the decisions that are reached. There are, however, de facto spaces for the public sector to receive continuous feedback from the private

sector during the implementation of policies in response to perceived needs: by design, the frequency of the full-time work team meetings provides an opportunity for this.

3.2 Business Process Outsourcing and Off-Shoring

In 2008, Business Process Outsourcing and Off-Shoring was a small industry in Colombia, despite the country's clear advantages in terms of low costs of the industry's main input: manpower. The very dynamic nature of the sector in global terms, the low cost of employment in the country, and the sector's unparalleled potential for job creation—in the context of a country with high and pervasive unemployment—made it very attractive as a source of growth. In this context, the sector was invited to participate in the World Class Sector's Program first call for proposals.

The Association of Contact Centers submitted a proposal for the sector to join the program. The Association was founded in 2001, with the purpose of “promoting the interests of its members, to help strengthen the contact centers industry on Colombia”.²⁹ By 2008, it represented most of the 25 contact centers in the country. Its members made regular contributions to fund the small staff of the association. The “value proposal” submitted by the Association to the PTP was based on the high potential for growth by the sector in global markets, and the fact that such high growth was impeded by factors that could only be modified with the government's participation. Perhaps the two most prominent such failures were a critical shortage of trained human resources—especially personnel capable of providing customer support in English-- , and weak data protection laws that made striking deals with international costumers difficult.

The Association's proposal was selected to participate in the PTP, and the process moved on to its second stage: the elaboration of the business plan with the support of McKinsey. One particular feature of this business plan is worth mentioning: contrary to the case of most PTP sectors, the BPO&O business plan was not co-financed by the government and the contact centers association. Given the young nature of the sector, the plan was fully publicly funded with AIDS resources. The business plan characterized the sector as still small (0.3% of the GDP, with revenue of close to US\$350 million), domestically oriented, and

²⁹ www.acdecc.org

mainly focused on contact centers and basic services. At the same time, it identified large potential for growth, with an income target of US\$2,000 and an employment target of 156,000 by 2012. To reach this potential, several fronts needed to be addressed. There were the aforementioned shortage of human resources and normative weaknesses, plus a weak sector organization, and lack of adequate infrastructure. The business plan listed a series of actions to address these difficulties, including the issuing of new rules for data protection; the launching of training programs focused to the sector's needs; the establishment of industrial parks where BPO businesses had access to adequate data and voice transmission infrastructure, and were close to providers and costumers; and the strengthening of the productive and associative capabilities of producers in the sector. Excessive concentration on the call centers segment of the market was stated, but no specific action to address this issue was proposed.

The process of interaction in the Work Team of the sector seems to have been relatively smooth, and the resulting business plan reflected the most salient concerns of the association. On the other hand, the plan was also narrowly focused, in the sense of replicating the sector's concentration on call centers and basic services at the time. Moreover, the actions listed in the plan were not made sufficiently precise. As an example, regarding the need to adopt international standard legislation to facilitate international trade, the sector's business plan only states a need to "optimize legislation for trade, customs, accounting, and currency exchange" while, for instance, the plan for cosmetics has a longer and more detailed list of actions, including items such as "seek the adoption of production and classification rules according to international standards". These shortcomings likely not only reflected the scarce productive development of the sector, but also the organizational weaknesses of the Association of Contact Centers at the time: a young association, representative of a narrow group of interests and with representative but small membership.

The implementation of the plan, however, addressed some of these problems. Apparently as a joint initiative of the government and business owners not represented by the Contact Center Association—some not even in the contacts centers business—a new business association emerged for the sector: the BPO&O chamber of the ANDI, funded by contributions by its members. The chamber sought to represent areas of the BPO business

other than contact centers and focus on the development of new forms of customer support.³⁰ The fact that the new association emerged as a chamber within the ANDI is by no means a coincidence: it comfortably responded to the business plan's call for greater organizational and associational capabilities, at the same time that it provided its members guaranteed lobby and research power. The chamber clearly emerged in the context of the PTP: the fact that the Program provided guaranteed access to policy making generated to good an opportunity for entrepreneurs to not seize it. Moreover, the Program generated the need for the government to face a more representative group of private sector leaders. In this context, and since its inception, the ANDI's BPO&O chamber joined the contact centers association as a recognized private counterpart to the government in the PTP.

At the same time that private sector representation was broadened to this second counterpart, the focus of the PTP broadened to include activities other than call centers, such as customer support through data means. This probably reflected a series of circumstances: the same recognition of ANDI's chamber as part of the PTP work team, the diagnosis in the original business plan of excessive concentration in call centers, the rapidly evolving characteristics of the sector globally. A new study was commissioned, with the support of IADB and Proexport, to the consulting firm Tholons diagnosed that the sector needed to move into data segments (and away from voice segments) and other services with greater value added.

Despite the late addition of the ANDI chamber to the sector's PTP work team, there does not seem to have been any major struggle. In fact, the private side of the Program, seems to work harmonically and quite dynamically. The mechanics of the interaction with the public manager and the rest of the PTP have always been fluent and fruitful. However, before 2011—when the public side of the PTP was reformed—it was also frequently interrupted by changes in who the public manager was (four different managers from 2008 to 2011), or by periods in which the contract of the public manager had expired and a new contract had not yet been

³⁰ There is in principle no reason why these other areas of the BPO businesses could not be characterized as contact centers, probably a more modern type of contact centers. In fact, the contact centers association itself characterizes the business as a wide one that evolves rapidly and moves into new ways of providing customer support. But, even if contact centers could be defined in a sufficiently inclusive way, the fact is that some actors saw it more convenient to develop a new association, rather than expanding the membership and aims of the Association for Contact Centers.

signed. The government transition in 2010 also placed a challenge. With the new organization of the PTP (see section 4.1) the private representatives have faced a much more stable environment. There is also the general feeling on the private side that, under the new arrangements and the new public manager, the public manager is more empowered and more capable of successfully articulating the efforts of other relevant officials at the PTP—such as the thematic managers—and of other government agencies. The work team meets every two months, but communicates much more frequently. As one of the private managers, half joking, put it: “I call the public manager five times a day”.

The private sector representatives in the BPO industry credit the PTP with several achievements. Most generally, they value having a stable and institutionalized framework for interacting with the government. The early experience of the contact center association trying to interact with the government was difficult, as being able to reach a given government agency provided little advantages in discussing a different issue with another agency. The PTP framework has in fact provided the articulation of government agencies that its officials are mandated to seek, with the sector’s PTP public manager becoming the private associations’ entry point to the government. In the process the private managers have themselves developed capabilities to interact with high level government officials in different agencies. Consider, for instance, the training issue. The human resource is the most valuable and intensively used factor of production for this sector, and as mentioned above, adequately trained work force is very scarce. In this context, the contact centers association always had interaction with the “National Learning Center” SENA—the governmental agency in charge of specific training—as a first priority. But, it couldn’t reach its highest levels. Interaction with this agency has later been active in the context of the PTP. By now, the head of the contact centers association interacts fluently with SENA, without need to resort to the help of the sector’s PTP public manager.

More specific achievements are also assigned to the PTP. In its first few years, the program achieved two major successes: the issuance of the Data Protection Law, and the adoption of a series of government led programs to expand the supply of adequately trained labor force for the sector. Both initiatives rested on close public-private collaboration, which as stated above is central to the PTP. The private managers and their teams provided key inputs for the Data Protection Law: they researched international legislation, invited international

experts, traveled to Spain to research its law (particularly important given language closeness). The legal advisor of the PTP, in turn, led the drafting of the law project. Both the private and public sides lobbied Congress for the law to be approved, while the private sides worked to enhance awareness of the importance of the issue with their members, and sought wider political support. Again, the process itself strengthened the capabilities of these private associations, this time their political capabilities. As for the training initiatives, as stated the PTP was instrumental for SENA to become actively involved in the development of human resources to adequately meet the expansion needs of the sector. Training programs for customer support are regularly provided, and increased on demand. At the same time, a specialized program for the development of customer support services in English was launched, with the support of the IADB.

These examples (the Data Protection Law and the SENA training programs) are particularly interesting as they capture quite cleanly the purposes of public private collaboration in this Program: collaboration with the government is crucial for business development when it helps address regulation failures and market failures, which are beyond the control of the producers. A regulatory framework that is up to international standards is crucial for the global expansion of domestic producers, while the mismatch between the supply and demand for qualifications is the result of informational problems and adjustment costs.

Other benefits less clearly addressed at solving market failures were also listed in the original business plan for the sector. This is the case of the creation of industrial parks, which in the discussion have sometimes been equated to special tax zones. This component of the plan, however, seems to have lost some of its steam in recent times. It seems plausible, as in fact some actors have suggested, that the higher profile of PTP officials under the post-2011 institutional arrangement also serves the purpose of empowering the PTP staff to better discern the types of interventions the Program should focus on.

Not only the private sector has benefited from close interaction with the government through the PTP in the case of BPO&O. Private sector participation has been instrumental for the longer run success of policy initiatives. The frequent changes of the person in charge of the public management of the sector's program could have meant the abandonment of initiatives led by the manager in shift. One colloquial example is useful to substantiate this claim: one

public manager we interviewed stated that he was never able to contact his predecessor, nor did he find any documentation left by him/her. That is to say, this official did not learn of any of the initiatives led by the program through the public channels. Instead, the fact that the private sector representatives hold stakes in each of these initiatives, and are empowered by the program to keep them alive in the work team discussions, has been instrumental to the continuity of these projects.

3.3 Cosmetics and cleaning products

The sector is broadly defined to include products falling in three categories: cosmetics and toiletries, cleaning products, and personal hygiene absorbent products. It had been growing at a 9.7% average annual rate between 2002 and 2007, previous to entering the PTP. In 2007 its sales were worth 3.3 billion dollars. Sixty percent of this value corresponded to sales of cosmetics and toiletries, 23% to cleaning products and the remaining 17% to absorbent products. Also, in 2007 Colombia had become a net exporter of Cosmetics and cleaning products, its exports going mainly to Venezuela, Ecuador and Peru that together received 73% of the sector's exported value. Direct employment was around 24,000 in 2006, but DANE³¹ estimated at the time that indirect employment affected by the sector's activity was much higher, of about 750,000. So while still relatively small, the sector had promising dynamics, which led to consider it as a good candidate for the PTP.

The cosmetics and cleaning products chamber of ANDI, the national association of Colombian entrepreneurs, submitted a proposal for the sector to participate in the PTP. ANDI was founded in 1944 with the objective of disseminating and promoting the “social, political and economic principles of a free-market system”. It is the largest and most important business association of Colombia.³² ANDI's cosmetics and cleaning products chamber was created, among others, with the purpose of “using its credibility, representativeness and influence to eliminate legal, infrastructure, innovation, logistics, financial and other restrictions or obstacles for the sector's growth”. Its affiliates include large multinational firms such as

³¹ DANE is the national office of statistics of Colombia.

³² <http://www.andi.com.co>

Procter & Gamble or Johnson & Johnson, as well as small and medium sized Colombian firms.

The “value proposal” submitted to the PTP was motivated by the belief that this opportunity of working closer to the government for the sector’s development had to be exploited. In particular, exports were being held back by delays in government actions associated to phytosanitary certifications. The industry saw an opportunity to push for red-tape reforms.

The proposal was selected and McKinsey was bought in to facilitate the elaboration of the business plan. Based on figures of cosmetics and cleaning products consumption *per capita* and GDP *per capita*, the business plan predicted domestic consumption could double in a 25-year period. It also predicted exports could quadruple in the same period if Colombia’s exports to output ratio mimicked that of “world class” producers like Spain or Germany. To reach this potential, however, the industry would have to overcome a number of difficulties resulting in low productivity relative to competitors: high input costs associated to high tariffs; a stringent and inflexible vigilance and control system with emphasis in *ex ante* rather than in *ex post* controls unlike in the U.S.; low investment in research and development; and insufficient human capital with sector-specific skills. To address these difficulties the business plan listed a number of actions, of which perhaps the most compelling are those that fall in the category of regulatory reforms: (1) promoting a market-based system of vigilance and control; (2) facilitating access to inputs and technology at competitive prices; and (3) developing mechanisms to broaden the openness of objective markets. It also identified the creation of networks for knowledge dissemination, and of region-level industry clusters for scale economies through associative processes as critical actions for the sector’s development. These two latter are associated with a vision of a sector targeting the niche of natural resource-based products to exploit the local biodiversity.

Interaction at the stage of elaborating the business plan involved not only representatives from the sector’s business association but also entrepreneurs from both national and multinational firms. Their direct involvement at this and later stages is viewed as one of the reasons for the relative success of this PTP in achieving a number of the goals set forth in the business plan.

The private management of the PTP was given to the Director of the Cosmetics and cleaning products chamber of ANDI. The tasks he has taken on as private manager are part of his job as representative of the business association, and his salary is covered by the periodic contributions paid to the association by its members. There are no competing business chambers participating in the PTP, since this is the only association representing the industry's interests, so he has been able to voice industry concerns in a centralized manner and has played a crucial coordinating role within the PTP.

Since its inception the program has a number of accomplishments, of which perhaps the most significant are cutting down certification procedure times and passing a CONPES policy document to support the creation of a bioprospecting³³ research center. With respect to the first one, exports of Cosmetics and cleaning products require a previous "Mandatory Sanitary Notification" (NSO, for its acronym in Spanish) granted by INVIMA, the national authority in charge of sanitary monitoring and control. This requirement, with origin in Decision 516 (2002) from the Andean Nations Community (CAN), had been locally interpreted more stringently than Decision 516 originally meant, with the result that the procedure at INVIMA used to take more than three months, a time length impairing firms ability to react to international demand in the time-frame required. Lobby within the government, by the government officers involved in the PTP, lead to a revision of the interpretation of Decision 516 and of the whole procedure to obtain an NSO, which nowadays can be obtained over the internet in 15 minutes. A similar story applies to a Free Trade Certificate also from INVIMA, that used to take three months to be processed and was tied to the validity of the NSO. It is now obtained automatically over the Internet and does not expire once obtained. The next step, which is underway, is the creation of a specialized Cosmetics and cleaning products unit within INVIMA that will centralize interaction with the industry and is expected to further facilitate exports activity.

With respect to the second one, CONPES policy documents are documents approved by a council of Ministers (CONPES), that set the path for public policy actions over particular issues in Colombia. The framework for access to and use of genetic resources for commercial

³³ Bioprospecting refers to the process of discovery and commercialization of new products based in biological resources.

use, critical for the production and trade of natural resource-based products, was given by CAN Decision 391 (1996), but it is each member country's responsibility to develop its rulings at the national level. Despite CAN Decision 391 dating from 1996, Colombia has not yet moved forward to produce the necessary legal framework, with the result that individual authorizations from the Ministry of Environment may take 5 to 6 years to be processed. Moreover CONPES Policy Document No. 3533 of 2008 had questioned aspects of Decision 391 and recommended that Colombia propose a modification to CAN in order to ensure a framework that would truly facilitate natural resource-based trade, something that Colombia has not yet accomplished despite this mandate. CONPES Policy Document No. 3697 of 2011 reiterates that recommendation, orders the development of the corresponding legal framework, and recommends to study the feasibility of creating a center for the investigation of commercial uses of our natural species ("*Empresa Nacional de Bioprospección*"). Despite the fact that CONPES documents may not always be followed by action, they help set the path in a particular direction, as stated, and can facilitate decision-making within the government when there is more than one authority involved in a decision process. So the passing of this CONPES document may correctly be interpreted as a success of the PTP.

Another accomplishment worth mentioning is with regards to tariff reductions on imported inputs. Tariff decisions in Colombia are ultimately brought to the consideration of a specialized committee called the Triple A. Firms have identified the inputs whose tariff reductions have more value for the industry, and the public side of the PTP has put them forth for the consideration of Triple A, periodically, in groups of five. The plan is to continue to gradually unilaterally liberalize trade, so that in a few years time the industry will not have to bear tariff costs on inputs that are not locally produced. While gradual tariff elimination is part of a broader government policy, the PTP has permitted to prioritize the elimination of those tariffs that are costlier for the industry's development.

The mechanics of public-private interaction have evolved over time, particularly because since it's launching the PTP has gained stature within the government, as explained above. By transforming the PTP into a unit of Bancóldex, it was possible to give the program a permanent well-remunerated workforce. This helped improve the level of interaction from the government side, particularly because it came together with a high-level decision to raise the importance of the program and the people in charge are now more able to voice their concerns

or requests with the support of the President or the President's Competitiveness Advisor. So under the new arrangement the Public Manager is more empowered and more high-level players from the public sector have become involved in the PTP. In fact, when asked to review the elements of success of the program, both public and private members recognize as the main, the fact that participation in the PTP and the label of "World Class sector" that comes along with it, has served to bring the industry's requests to the attention of key government authorities, such as INVIMA. Before the PTP, the industry lobbied on its own for the reforms it had identified as a priority; lobbying with the backing of the PTP and the support of high-level officials has been crucial to make those lobbying activities effective.

Another factor identified by PTP participants as crucial for success is having reached agreement, during the elaboration of the business plan, about the goal of positioning the industry in the niche of natural resource-based products in global markets. Having a common long-term goal has served to organize activity not only on the side of the private sector, but also on the public sector side, within the PTP. Also, in the view of the Private Manager, the presence of multi-national firms in the PTP has been important during implementation for helping minimize traditional lobbying and concentrate efforts on pushing for reforms associated to cost reduction and productivity enhancement.

The Cosmetics and cleaning products PTP is perhaps most interesting as an example of public-private collaboration in which a relatively well-organized and dynamic industry benefits from having a direct channel to voice its needs and concerns in a way that will actually be heard by the relevant public sector authorities. The industry had identified many of the necessary reforms and had lobbied for them before the PTP, but had had limited success in convincing the government to take action. In the framework of the PTP it suddenly becomes relevant to all government authorities -not only those involved directly in the program. The other feature of this case that is striking is that the actions identified in the public-private conversation in many times refer to removing government failures either in the shape of poorly designed interventions or mere lack of action.

3.4 Oil palm, oils and vegetable fats

Five segments of the oil palm, oils and vegetable fats value chain, that are associated to three alternative uses, compose the sector participating in the PTP. The first is crude palm oil

(CPO), extracted from the palm fruitlets, an edible oil suitable for use in a variety of food applications. Refined palm oil and fractions compose the second segment of the value chain entering the PTP. The third segment is that of edible specialty fats that use palm oil fractions as an input and are substitutes for other types of fats such as cocoa butter, milk fat, and butter. The fourth and fifth segments are oils and fats for uses other than food, that result from further manufacturing transformation of palm oil and fractions: biodiesel and glycerin.

In Colombia, between 2005 and 2009 the Oil palm planted area had grown from 163,770 to 235,914 acres, at an average annual rate of 9.6%. Meanwhile CPO production had grown at an average annual rate of only 5.0%, the poor performance mainly explained by a fall in output in 2008 and 2009 due to sanitary reasons. Colombia had entered biodiesel production in 2007. Two years later there were 5 biodiesel plants in operation with a production capacity of 500,000 tons per year. In 2009, the 5 segments together sold 1,870 billion Colombian pesos, of which 67.4% corresponded to CPO; 11.8% to refined palm oil and fractions; 20% to biodiesel; and less than 1% to glycerin. 299.2 billion pesos had been sold in international markets. Exports were mainly of CPO, and they were much lower than in the previous year, due both to lower international prices and to a lower exports supply resulting from the introduction of Biodiesel in the local market, which absorbed 153.5 tons of CPO (of a total of 802.3 produced) that year. CPO production was dispersed across country regions and of varying productivity levels; the midstream segment of refined palm oil and fractions was poorly developed; refined oil and soy and sunflower bottled oil imports had been growing at significant rates, and there had been large investments in refining capacity for biodiesel production. This was the situation encountered at the outset, when public and private actors sat for the first time together in the context of the PTP to discuss the sector's business plan.

When the PTP called for value proposals from agricultural or agro-industrial sectors in 2010, two business associations representing different segments of the oil palm and oils sector submitted separate proposals: Fedepalma and Asograsas. Fedepalma is the business association representing firms involved in the cultivation of oil palm and the extraction of CPO – the upstream segment of the value chain. It is a well-established association created more than 50 years ago, known for the effectiveness of its lobby for preferential treatments. Its members are

among the largest landowners in Colombia. Thanks in part to this lobbying ability³⁴, oil palm and palm oil have benefited historically from a number of promotion and protection mechanisms in Colombia (see Meléndez and Perry, 2008, for a review of the history of industrial policies directed towards palm and palm oil). Asograsas is a younger association representing producers of edible specialty fats, that use palm oil, fractions and other edible oils and fats as inputs, who see their activity threatened by the high costs of domestically produced CPO, and particularly by the growing demand of CPO for biodiesel production, fueled by yet another substantial set of government subsidies.

The appearance of biodiesel as an alternative source of demand for CPO has indeed brought about business transformation. It used to be the case that most palm oil producers were vertically integrated downwards into the manufacturing of specialty fats and some of them into the production of glycerin and derived products, like soap. Some still are –those that refuse shaping their investments solely in response to government subsidies and prefer businesses they consider sustainable in their absence–, but many of them have chosen to reshape their activity turning towards biodiesel production. Together with the incoming flows of imports of low-priced bottled oil from Argentina, this undoubtedly threatens the survival of the Colombian specialty fats industry.

So the PTP received proposals from two segments of production that belonged in the same sector but did not necessarily share their views about its future and had, in some dimensions, conflicting interests. Fedepalma saw an opportunity to strengthen the standing of palm and palm oil as a sector of choice of the government -which it was already in a sense, before being selected as a World Class sector, if measured by the policy benefits historically received-, and Asograsas saw the chance of bringing forth to the government authorities the concerns of its members about the protection mechanisms affecting the domestic price of CPO in detriment of their competitiveness. In the value proposal submitted, Asograsas requested in particular the revision of the palm price stabilization fund, a mechanism

³⁴ Fedepalma's standing as a key interlocutor for the government is also related to the fact that, because of its geographical location across the country's rural areas, palm oil production has been in the middle of Colombia's civil conflict, either because producers have been object of blackmail and/or violence from armed groups, or because the business has attracted illegal monies from drug-dealers and paramilitaries, or because it has been viewed by the government as a business ideal to promote in regions where reconstruction must come after peace negotiations with particular groups.

conceived to protect palm oil producers from international price fluctuations that has resulted in practice in hardly justifiable high domestic prices and in significant subsidies. The government response was to subject the palm and palm oil sector's participation in the PTP to the agreement of elaborating a unique business plan for the whole value chain. Fedepalma and Asograsas vowed to this and the government called Fedebiocombustibles, the association representing biodiesel producers, to join in.

As in the previous cases, an international consulting firm was hired to support the public and private team members in the elaboration of the business plan. This time AT Kearney was chosen to lead the way. The business plan characterized the sector as lacking “a clear public-private vision about the sector's future as a value chain”; with no consensus about the adequate regulatory framework for development, in particular with regards to palm oil price stabilization; needing adequate transport and logistics infrastructure; and requiring innovation and training efforts to control sanitary contingencies. The process proved challenging because as candidly stated in the business plan, the participating industry segments representatives had no shared view about the direction in which the sector should develop, nor did participating government officials. To complicate things even further, on the public sector side both representatives of the Ministry of Agriculture and of the Ministry of Industry, Trade and Tourism had seats in the PTP team and neither of them had a leading voice at this stage. The salary of the representative of the Ministry of Agriculture was at the time financed directly by Fedepalma.

In the end three extremely general strategies for sector development were identified in the business plan. The first strategy was to expand upstream supply with standards similar to those of global competitors; the second, to gain scale at the regional level in midstream supply (refined palm oil and fractions) and at the national level downstream (value added products); and the third, to generate conditions to ensure the competitiveness of all segments of the vertical value chain in sustainable conditions. The business plan stated ambitious goals for 2019 and 2032 in terms of production, productivity, employment and exports. For example, CPO production would grow from 802,000 tons in 2009 to 2.2 million tons in 2019 and 6.5 million tons in 2032; and refined palm oil and fractions production would grow from 32,800 tons in 2009 to 1.0 million tons in 2019 and 4.0 million tons in 2032.

Actions to implement the strategies identified were classified in broad categories in the business plan -sector strengthening; regulatory reforms; human capital; innovation, infrastructure; and sustainability- and included a wide range of activities identified with varying precision degrees. For example, the plan identified the necessity to develop a phytosanitary management program for oil palm; of strengthening R&D programs with public-private funds; of extending electric energy infrastructure in oil palm crop areas; and of homogenizing basic procedures for environmental control. All these constitute rather precise lines of action. Others, such as “developing multi-modal transport infrastructure”, or “aligning all institutional instruments with a sector vision” were however much more vaguely stated. This was, no doubt, a result of the conflicting views of the PTP members. Actions more concretely stated are those that generated the lesser conflict at this stage.

The beginning of collaboration in the PTP framework was not smooth in this case and for a while, even after the plan was finalized and the implementation stage supposedly started, the palm and palm oil PTP seemed to be going nowhere. While all three business associations involved kept sending their representatives to PTP meetings, a Private Manager was hired by them to bring the voice of the private sector to the table and assume a role as the Public Manager’s main interlocutor. Asograsas thought that this Private Manager had an unbalanced position and that its members’ concerns were not being adequately brought into the conversation, but was for a while unable or unwilling to do anything about it. When asked about the accomplishments of this collaboration stage both the public and private sides point mostly at agreements reached to hire independent studies advising the PTP on critical issues, such as the palm oil price stabilization fund. This may seem a bit of a distraction since in some cases there are recent studies available³⁵. Agreement to study more profoundly issues on which there are conflicting views could, however, be viewed as a step in the right direction.

During this stage, moreover, the public side of the PTP underwent the reorganization described earlier. For a while the Public Manager had no work contract and, hence, acted with no institutional backing. Also, even after she was given a work contract at the Ministry of Industry, Trade and Tourism to act in its representation in the palm and palm oil PTP, she had

³⁵ For instance, Fedesarrollo (2009) studies the workings of the palm oil price stabilization fund and gives a very critical view about it.

a competing public sector interlocutor from the Ministry of Agriculture. It was only after the revamping of the PTP under the umbrella of Bancóldex that the Public Manager was empowered and placed in a setting where she would have access to the support of higher-level officials, whenever that proved necessary.

In 2012, the palm and palm oil PTP entered a new stage that seems more promising. This is due to at least three things that happened. First, participants in the PTP were joined around a common concern about the increasing flow of illegal trade of refined and bottled oil into the country and the need to control it. Working together towards a common goal has been a satisfactory experience for all and apparently helped ease conversation between private participants. Second, the Private Manager was replaced much to the joy of the manufacturing segment business association that again sees the PTP as an interesting arena for public private collaboration. Third, PTP officers brought concerns about protectionist policies that raise the domestic price of CPO to the President, and he publicly voiced his support to their revision. This latter is perhaps the turning point and the reason why members of the PTP are nowadays more optimistic about its potential to bring about sector development and growth. The turnaround is a result of two factors: the manufacturing segment's success in voicing its concerns within the PTP, and the heightened stature of the PTP Director thanks to which these concerns reached the President. While it may not be the more desired outcome in the short-run for palm oil producers historically benefiting from artificially high prices, the fact that the President has set a direction for the sector on this particular topic greatly simplifies the debate. On the other hand, it seems to suggest that the success of the PTP may be highly dependent on the degree of high-level support it receives. It is only after the Santos administration made the program into one of its flag initiatives, and publicly advertised this fact, that the PTP has acquired the heightened stature that has led to some of its recent successes.

It is not yet possible to claim this experience of public private collaboration for policy design as failed or successful, not only because it is still very young -its launching dating to 2010- but also because it faced a challenging combination of ingredients since the very beginning that have made the road bumpy. Bringing together segments of a value chain, whose interests are not well aligned to work on a joint business plan for sector development seems naïve, even without considering the imbalance in power between private sector segments and

between them and the public sector counterpart in the PTP. But what seems to have been more detrimental to the collaboration process in this case is the absence of a view about the sector in the long-run from the public side participating in the conversation and, particularly, its lacking view about the rationale for government intervention that prevented it from taking positions for or against policy demands from the private side during the elaboration of the business plan.

Most interesting, however, is the fact that despite a bad start, the mechanism for public-private collaboration is promising enough to have motivated the persistence of private participants and their responsiveness to adjustments from the public side. The sector's previous experience of interaction with the public sector had been on different terms; to some extent the PTP has been successful in transforming the old framework. The fact that the PTP was able to bring the most conflicting issues directly to the President's consideration suddenly strengthens its standing as the channel to voice policy requests and concerns.

3.5 The PTP: taking stock

The PTP has been useful in two fronts: 1) help the private sector fix goals and identify bottlenecks that have impeded faster growth for the respective activity, and 2) coordinate efforts by governmental agencies whose joint participation is needed to overcome those bottlenecks. From a conceptual point of view, the PTP is mainly helping overcome coordination failures both in the private and public sides. Up until now, the PTP has not become an arena for the sectors involved to obtain direct benefits in the form of subsidies, or even the provision of state-financed goods geared exclusively for the sector—even if sometimes (e.g. the development of English training programs) it has resulted in the provision of goods that the sector does benefit from--.

The degree of success with which the PTP performs that role, however, has been varying depending on factors that go from the institutional organization of the program on the government side to the degree of homogeneity and the organization of the private interests involved. Interestingly, these determinants of PTP success have in turn also been influenced by the PTP itself. In the case of BPO&O, for instance, the Association of Contact Centers improved its capacity as a result of being empowered as a direct government counterpart in the PTP. Moreover, a new representative association, ANDI's chamber for BPO&O emerged and

grew as a response of other sector players to the government's receptiveness to the sector's need through the PTP.

Overall the program is quite positively evaluated by participants in terms of the depth and direction of public private collaboration, and on the two aforementioned specific dimensions (coordination and government failures). Appropriate caution is important, however, in terms of the reach of these conclusions. In particular, one aspect that escapes the nature of our current analysis is how well the program serves its original aim of directing productive transformation, defined as a transition in the sector composition of the country's production towards a higher growth model. The positive aspects of the PTP our study has identified do not directly relate to that aim, and in fact suggest that the benefits of the program could reach even further if the guide to the selection of sectors had more to do with the specific positive dimensions of the program that participants clearly identified. One question clearly suggested by our analysis is whether it would not be preferable to select participant sectors, clusters or chains, from calls open to all of the productive sector, where the selection privileged groups whose initial proposals identified a greater potential for the program to remove damaging bottlenecks. This would not only focus on areas where the program has shown greater strength, but also move a step away from the more controversial dimension of picking promising sectors, where the criteria that are appropriate to that aim are very far from being settled, as is the political feasibility of strictly following those criteria.

4 Concluding

The conclusions enumerated at the end of each previous section suggest lessons that can be applied to other contexts:

Umbrella institutions for public private collaboration: The existence of umbrella institutions that formally require public private collaboration for the design and supervision of policies, unique in the Latin American context to the Colombian case, brings advantages in terms of continuity: continuity of policies and even of objectives, especially during (government or administration) transitions, and continuity of the collaboration itself. This comes as a consequence of turning the private participants into stakeholders of the government programs and the institutions. For the same reason, designating a permanent private counterpart can enhance these benefits, as has been the case in Colombia with the

designation of the PCC as member of the Executive Committee of the competitiveness system. Keeping the representation of the private sector concentrated in a single agency also seems beneficial (i.e. it has been beneficial in the Colombian case), for two reasons. One, consolidating private demands through a single organization with heterogeneous membership almost inevitably requires abstaining from processing those demands that benefit parts of the (represented) private sector at the expense of others. Two, keeping private leadership unified in the process of dialogue with the public sector, as opposed to recognizing a fragmented—albeit potentially highly representative—set of private counterparts, makes that dialogue most effective and expedite.

Having highlighted the advantages that empowering a single private representative has had in the Colombian case, however, it is also important to note that one crucial element in this context has been that the PCC has abstained from pursuing rents for its members, partly because of the character of those members and that of the staff they have appointed. But, as much as it is not impossible that the nature of the Colombian PCC evolves into a traditional rent-seeking lobby, it is also not unlikely that similar private institutions in other contexts are not as benevolent as the PCC has been. In that sense, there must be limits to the doors that institutionalized public-private collaboration opens to private representatives. One possibility is to limit these doors to participation to the design of horizontal policies and policies aimed at addressing government failures, where the space for rent seeking is much more limited. Another is to privilege institutionalized channels for public-private collaboration over direct channels, to ensure that policy requests go through the filter of organized debate. For instance, direct meetings with the President or with cabinet members should be only permitted when they occur within arenas specifically designed for public private collaboration. Our case studies suggest that the “umbrella institutions” (i.e. the System for Competitiveness and the PTP) have in fact played that role of institutionalized channels, providing an environment for public-private interactions that has been healthier than the traditional lobby (historically quite effective in Colombia, see Meléndez and Perry, 2009; and Eslava and Meléndez, 2009).

Empowered and clearly defined public sector counterparts: Many of the examples of collaborative success that we have examined have involved private representatives interacting with public officials at the highest levels (e.g. the president of the PCC interacting with Ministers in the Executive Committee of the competitiveness system). At the same time,

some of the failures involve difficulties for the private side to reach to a high-stature public officer responsible for a given subject (e.g. the inexistence of a direct head in charge of transportation logistics). Moreover, improving the standing of the PTP public managers has also improved the performance of the program in terms of implementing actions contemplated in the business plans.

These facts seem to suggest that how fruitful public-private collaboration is depends on the stature of the public-sector counterparts being sufficiently high so that they either have decision-making power themselves or are able to bring private sector concerns and requests to those who have relevant decision-making power. A minimum level of effectiveness in translating requests into policies is evidently necessary for institutionalized public-private collaboration—as opposed to traditional lobby—to become the main channel for interaction, and this will largely depend on the quality of the public sector counterpart through the institutional channel, associated, in turn, to its reach within the government.

Less obviously, but perhaps even more importantly, sufficient hierarchy on the public side is necessary to filter private sector initiatives that aim at extracting rents for the sector at the expense of other sectors or of consumers. The ability of the public sector counterpart to discern good policies from bad policies, or necessary from unnecessary government interventions is just as important as effectiveness, to ensure the result of public private collaboration is welfare enhancing. The public sector counterpart should also be empowered in the sense of being well trained to filter requests and take positions on conflicting matters. The difficulties undergone during the stage of elaboration of the Palm and palm oil business plan may have been more easily solved had the public sector counterpart held a long-term vision about the desired future for the sector and the types of policies consistent with it or against it.

A lesson from our case studies is that any public private collaboration process will benefit from well-trained public counterparts who thoroughly understand the economic rationale for government intervention and are hence able to identify the convenience of pushing for the elimination or change of particular regulations or policies that introduce unnecessary distortions. Governments should adopt guidelines to help public officers evaluate the need for and quality of different government interventions, and perform appropriate cost-benefit analyses in the spirit of those adopted by OECD countries (see, for instance the

Regulatory Impact Assessment, RIA, that is used in the U.K. to filter regulation and other policy interventions).

A well organized, technically sound, private counterpart: In many of the cases we have examined, a well organized private counterpart has been critical to effective public private collaboration. This has been the case regarding the PCC's role in the Competitiveness System, and specific business associations in the productive transformation programs for cosmetics and BPO&O. Interestingly, the standing and capacity of the private counterpart has frequently been endogenous to both actions of the government and the context of public-private collaboration: the strength of the PCC is clearly a by-product of its designated role regarding productive development policies; the Contact Center Association has strengthened thanks to the PTP; and ANDI's BPO&O chamber emerged as a result of the same program. Explicit government-led efforts to organize the private sector have in fact been common in Colombia's history, and have led to strong business representation that, many argue, have had a reflection on sound economic policies throughout history (e.g. ANDI and the Coffee Growers Federation, see, for instance, Schneider,). The quality of public counterparts to the government in collaborative enterprises, therefore, needs not be taken as given by the government. Attempts to strengthen private sector representation must be careful to balance the potentially conflicting goals of keeping representation sufficiently concentrated to be effective, yet sufficiently representative of a wide arrange of interests to minimize benefits to specific sectors at the expense of the common interest. In Colombia, having private interests organized around horizontal goals (such as competitiveness), and empowering those interests for mainly horizontal purposes or for identifying and solving government failures, has also proven beneficial. As discussed at greater length in the conclusions to the PCC case, limiting the reach of collaboration to these dimensions can also help replicate the benevolent character that private representation by the PCC has had in Colombia as a result of historical circumstances. This is another lesson of wider application.

Do not discard value chain approaches (rather than focusing only on a production segment): While it may prove difficult to reach agreement about policy paths when conversation occurs simultaneously with vertically related segments of a value chain that may have conflicting interests, as in the case of the Palm and palm oil PTP, public private

collaboration inclusive of the whole value chain has proven useful precisely to deal with those conflicting interests. When supporting a particular development path for a sector (for instance, choosing to promote biodiesel over specialty fats) having all stakeholders at the table may facilitate an appropriate assessment of the costs and benefits of each decision. Having said this, however, it is important to highlight that the discussion with potentially conflicting interests within a value chain can lead to a dead end if it is not framed by sufficiently effective institutions, including those that guarantee sufficient stature on the public side of collaboration. The Palm and palm oil PTP, for instance, did not show any signs of progress until the productive transformation program itself was reformed, the standing of its staff members was increased, and the program itself became the government's channel of choice for day-to-day interaction with some private sectors.

Provide institutional channels to voice private sector requests (not necessarily in a framework of World Class sectors' selection): In our case studies of the PTP, nine out of ten private sector policy requests placed through the institutional channels provided for public private collaboration were associated to either the elimination of government interventions that distort the marketplace harming productive development, or to red-tape reduction, or to the need to press for government action on issues pending in the government's agenda. In this setting, a main goal for public private collaboration is to address government failures. If this is the case, then choosing World Class sectors for "special policy treatment" may not be the correct framing for this approach to PDPs. Not because organized public private collaboration is not useful, but rather because it should not be limited to sectors that have shown particular growth dynamics justifying special attention (if this is what "World class sectors" are meant to be). It may be that the less dynamic sectors have been held back by poor government interventions or lack of action from the government on matters identified. Sectors that have identified areas in which government failures are costly, or sectors that wish to submit government interventions and regulations affecting them to a rigorous cost-benefit analysis should be able to approach the government and enter a process of public private collaboration aimed at redesigning the set of interventions necessary for their productive development.

Appendix – List of interviews

We conducted around 20 interviews with different actors involved in the National Competitiveness System, the Productive Transformation Program, and the Private Council for Competitiveness. Interviews we conducted for previous projects were also helpful in shaping this document. The following is the list of people we interviewed:

- Current and past presidents and deputy directors of the Private Council for Competitiveness, PCC.
- Founding members of the PCC.
- Heads and unit directors at business associations.
- Unit directors at the National Planning Department.
- Public and private managers of the different sectors we reviewed in the PTP.
- General manager of the PCC.
- Presidential advisors in themes related to competitiveness.

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