PUBLIC-PRIVATE PARTNERSHIPS (PPP) FOR SME DEVELOPMENT

16TH INTL CONFERENCE ON AFRICAN ENTREPRENEURSHIP & SMALL BUSINESS

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PPP are often misunderstood and misrepresented

PPP are mostly associated with large, complex infrastructure investments & service contracts.

Very complex due to difficulty of structuring investments and contracts in an equitable manner, balancing the risks and rewards between Public and Private stakeholders.

Protecting interests of consumers and taxpayers while maximizing their benefits.

And yet in a financial attractive way to both the Public authorities and the Private partners.

Can take months, years to conclude just one PPP investment/arrangement.

And it is always subject to public scrutiny, often critical…

PPP often confused with Outsourcing by government to private sector (e.g. public procurement, public works, etc).

PPP often mis-used in reference to collaboration, sponsorship, co-financing, subsidy support… any government program that benefits the private sector…
So- PPP for Small, Medium Enterprise Development???

New body of knowledge- still gaining acceptability by PPP orthodoxy

Transactions at individual SME level- rarely economical, highly customized, harder to justify public contribution to individual profit-seeking private business

There must be a public good/service (i.e. social benefit) to justify it- but individual SMEs are usually too small to matter

Nevertheless, it is possible in some cases- e.g. individual PPP contracts with specialized SMEs to provide specific public service (presumably more efficiently and cost-effectively)

However- this is not for typical SMEs…except for SMEs that exist only for this purpose

PPP for SME development is a totally different concept and methodology from “textbook PPP”

It is still a partnership between Public authority and Private sector- but at WHOLESALE level

We need this in Tanzania! We have a government that supports this. And the World Bank will too!
How is PPP relevant to SMEs?

Government wants jobs growth, to absorb growing labor population

Government can not create employment artificially- such economies and societies fail

Main engine of job creation is the Private Sector- and SMEs in particular

But most job growth is generated by a small percentage of SMEs- these are the gazelles!

Most SMEs are stagnant or fail, rather than grow…(true everywhere, but the redeployment of assets is virtually unknown in Africa- it is difficult to be an entrepreneur in Africa, and we must address the underlying causes!)

But all SMEs face harder constraints to doing business and to growth than larger companies: Access to markets, to knowledge, to skills, to finance, to legal security (justice)…

And if they must constantly reinvent, improve, upgrade- or they won’t be competitive and will fail

Government can help overcome these constraints and barriers- through wholesale “PPP”
How can government help SME development through “wholesale PPP”?

By creating the conducive, supportive regulatory environment and conducive institutional ecosystem for SME development:

Skills ecosystem (training, mentoring, education… imported expertise….)

Needs-oriented advisory services

Financial and market literacy, access to information (markets, government data, etc)

Supporting innovation (IP protection, commercialization, links to production and markets…)

Providing subsidized common service platforms and infrastructure (e.g. Special Economic Zones, Industrial Parks, Export Processing Zones, Incubator support… etc)

Investment project development support, matching grants, guarantee schemes, eg. of LGA payables to SMEs, de-risking against default to lenders…

Facilitation/access to public procurement (tenders) – thereby increasing competition for provision of public services
How can government help SME development through “wholesale PPP”?

Contributions of land and facilities, with infrastructure for clustering and networking (e.g. “crowd sourcing”), for easier cross-connectivity and flow of knowledge, ideas, value chain linkages, economies through volume, shared administrative/ICT/accounting support etc.

Access to R&D labs, machine shops, testing labs, ICT facilities, data bases...as well as payment systems (interconnectivity)...e-commerce...G2B portals, website development..

Framework for achieving competitive Quality and Productivity standards (for export, for linkages with investors and large buyers/markets...)

Incentives to invest in ventures for youth and women employment; for food safety; for
Requirements to make PPP work for SME development…

Government commitment and diligent follow through

Government capacity and knowledge of PPP (both National and Local!)

National strategy (eg. Industrialization Strategy) but with action plans, milestones, funding and accountable institutions/agents in the right places with right authority

Genuine, dynamic, effective Public-Private Dialogue!

Commitment to Wholesale PPP for SME development- with Monitoring and Evaluation that goals are being achieved, and timely corrections made as needed

That the PPP is least-cost, highest value for money… there must be a commensurate payback to the government for the PPP! (Otherwise, it is not a true PPP- and it is not sustainable!)

A well-designed PPP Framework that is customized for Tanzania SME Development- and properly equipped as well as funded…
What do we do next to get PPP for SME Development in Tanzania?

Well- to some extent, Tanzania is ahead of many countries- at least in basic institutional underpinnings

But needs help to boost its impact- needs customized framework, capacity, skills, funding..

Tanzania needs competitive, growing SMEs if it is to achieve economic progress and transformation, increase income levels, achieve its industrialization objectives by 2025

If it is to ensure national financial viability and independence (and stability)

Tanzania can build the right ecosystems, with its international partners, and with private sector support, if the PPP framework can be made to work

The World Bank will invest $100 million in 2018 to help the government make it work.

We look forward to your support and participation in the new economy... Thank you!
THANK YOU!

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