

# The Missing Link: Role of Chambers in Private Sector Development

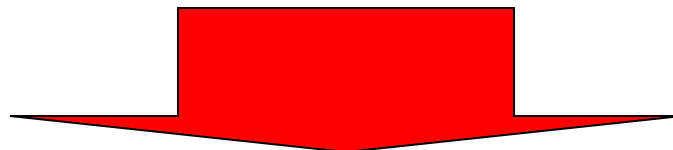
Güven Sak

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# Global Outlook

## ■ Globalization means:

- Increasing Trade Flows
- Increasing Foreign Investment



- Increasingly interlinked value chains
- Rising waves of competition (especially from Asia)
- Competitiveness as the only means to survive

# Rising Competition Waves

- Asia: Threats, Lessons, Opportunities
  - China has grown 10 % annually for the last 20 years
  - Every year 20 million Chinese workers move from rural areas to the industrial sectors
    - = a middle sized industrial country joining the global competition!
  - There are still 300 million Chinese workers to be reallocated from rural to industry
    - = 15 countries!

# Islamic Countries and the Global Value Chain: falling behind?

## ■ A declining trend is evident:

→ Share of FDI to Islamic countries in the total FDI flows to developing countries

	1990	2002
OIC countries	25%	10%
<i>OIC excl. oil exporters, Turkey and Malaysia</i>	10%	4%

→ increase in exports from 1990 to 2002

Developing countries	2.6 times
<i>OIC excl. Turkey, Malaysia and Indonesia</i>	1.7 times

# Common, well-known problems:

- There is a need to generate jobs:
  - Labor force grows 4% annually = twice as large in all other developing countries
  - Young Population: A demographic window of opportunity
    - Age structure of the population can raise the GDP by 2.5% per year provided that new entrants to the job market are productively employed
- Current economic structure (public sector + oil industry) is saturated; falls short of generating adequate employment opportunities and income
- Inadequate cooperation between Islamic Countries

# Common, well-known solutions:

- **Obvious Solution: Private Sector Development**
  - Non-oil trade diversification is the major way out for a more sustainable growth trajectory
  - Economies need to undergo a serious transformation
  - Reform Agendas vary across countries:
    - Trade Liberalization
    - Privatization
    - Private Participation in infrastructure provision
    - Access to Finance
    - Corporate Governance
- **Fostering cooperation and economic integration between Islamic countries**
  - ICCI can act as a coordination mechanism

# Problems and Solutions are not news...

## What is the missing link?

- Necessity to integrate the Islamic countries into the global economy is already spelled out in several platforms
- Questions
  - Why can't we move on?
  - How can we establish institutional mechanisms to initiate reform?

# Two approaches to transformation

- Government-led, institution-based transformation (top-down approach)
- Private sector-led, market-based transformation (bottom-up approach)
  - Stemming from society
  - Building on existing structures



How to institutionalize the private sector participation?

- Mobilizing Chambers and Business Associations



# Mobilizing Chambers and Business Associations for Reform

- Chambers can facilitate domestic ownership of the transformation process
  - Acting as catalysts for the market-based and gradual economic reform process
  - Initiating internal problem solving device
- Chambers are designed by the direct participation of businessmen who have the direct experience and knowledge of the problems
- Chambers can realign reforms, policies, and programs to directly target binding constraints to doing business

# Mobilizing Chambers: Institutional Capacity Building is the First Step

- Executives and Leaders of Chambers and the Business Community need to learn effective ways of:
  - implementing best-practices
  - adapting best-practices to their local context
- Cooperation among chambers from Islamic countries can be a critical vehicle of capacity building
  - Success of coordination is contingent upon focusing on concrete, doable projects (taking small but solid steps)
  - TOBB's project on Capacity Building for Palestinian Chambers is an example

## Pilot project: Capacity building for Federation of Palestinian Chambers

- Training programs in Turkey during September 3-10, 2005:
- Training covers issues such as
  - Management of chambers
  - Trade promotion
  - International trade
  - Information technologies
  - Income generation
  - Lobbying and dispute settlement

# Chambers and Local Investment Climates

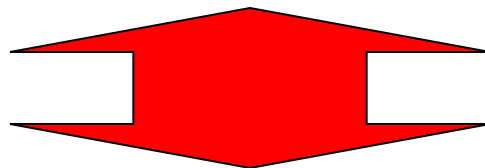
- Emphasis on local needs = innovative solutions
- Chambers facilitate mechanisms for public-private partnerships and addressing local investment climate problems:
  - An example: Organized Industrial Estates in Turkey
  - Local chambers took the initiatives for establishing industrial estates
  - Goal has been to create superior investments climates at the local level (superior infrastructure, business development services, licenses and permits)
- Turkey is willing to transfer its know-how on organized industrial estates through the capacity building programs for the chambers

# Moving forward...

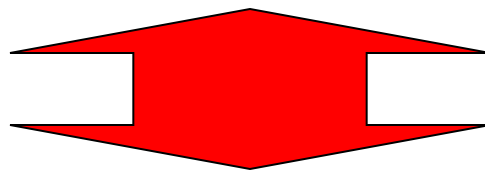
- Can we extend the Palestinian chamber development program to a network of capacity building projects by picking peer chambers in Islamic countries?
- How can TOBB contribute to this project?
- What can be the ICCI and Islamic Development Bank's role in this project?

# Summing up...

- Need for cooperation and coordination among Islamic countries



- Precondition: strong private sector base



- Precondition: strong business support organizations

**Thank You**