Research Programme Consortium for Improving Institutions for Pro-Poor Growth

Overseas Development Institute

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Conclusion

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This set of essays by internationally recognised experts contains the following 10 conclusions on the topic of SBRs and economic performance.

1. Institutions matter. Economic growth depends directly on economic fundamentals such as skills and capital formation, as well as the efficiency with which factors of production are put together, but the nature of SBRs is a crucial factor behind efficient skills development, capital formation and ultimately higher productivity and incomes.
2. Agencies and their interactions matter. The role of agencies and their effective interactions constitute a useful complement to the price mechanism in allocating resources and promoting efficient wealth creation. Effective SBRs can address market and coordination failures and government failures through cooperation, and can reduce policy uncertainty. When the state and business interact effectively, they can promote more efficient allocation of scarce resources, conduct a more appropriate industrial policy, remove the biggest obstacles to growth and create wealth more efficiently.
3. SBRs are not always directly observable, yet there are ways to measure the key factors behind effective SBRs through the organisation of business and government actors, the fora that bring the two sides together and the presence of competition principles ensuring absence of collusive behaviour.
4. There is considerable debate about the precise pathways and effects of SBRs, whether current SBRs are actually conducive to or hamper economic performance, and about how the nature of SBRs conditions the conduct of more active policies encouraging economic growth.
5. Selective industrial policies may work even in countries with limited government effectiveness. The risk of failure is high, however, especially when strategic decisions are taken without sufficient involvement of the business community (and hence SBRs).
6. Establishing successful SBRs requires an appropriate policy framework that allows the state to support industrial development and technological upgrading but also minimises opportunities for rent seeking, which is more likely when it is consistent with a country's comparative advantage.
7. Formalised SBRs can promote economic performance, e.g. through improved allocative efficiency of government spending and better growth and industrial policies (e.g. Mauritius). Yet, SBRs need to be disciplined by a set of competition principles, or they risk becoming collusive rather than collaborative. Not all formal SBRs work well (e.g. South Africa), and informal SBRs can play a key role (e.g. Egypt).
8. Examples show that a harmful collusive relationship can be turned into a more collaborative relationship, for example, when leaders and elites can work to form positive growth or developmental coalitions as in India.
9. Policy conclusions involve building capacity to conduct meaningful SBRs, ensuring buy-in from all actors to the effective functioning of SBRs and putting the spotlight on informal SBRs where they are not functioning well. Informal SBRs could promote growth, but a setting must be created that avoids corruption and maximises inclusiveness through an organised private sector, strong monitoring agencies and free media.
10. Further research could 1) build an enhanced theoretical underpinning of effective SBRs by modelling the economic behaviour of key actors engaged in SBRs; 2) create a worldwide index of effective SBRs; and 3) build up a set of empirical studies on successful economic functions of SBRs.

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