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PRIVATE SECTOR DEVELOPMENT STRATEGY: SOME CRITICAL ISSUES

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Abstract

This paper aims to articulate aspects of the Private Sector Development Strategies of two key Development Banks in order to reflect on commonalities and differences. The paper reviews these strategies and focuses on what is included and what is omitted, as well as commenting on the characteristics of these strategies as corporate direction setting. The degree to which strategies seem to have incorporated organisational learning, power relationships and cultural contexts is then assessed.

INTRODUCTION

This paper arises out of the author's experience in the Asian Development Bank (ADB) over the period late October 2001 to April 2002. The task was to deliver to Bank staff in Manila a series of 'Awareness Sessions' for the Bank's Private Sector Development Strategy (PSD Strategy) in conjunction with Dr Michael Porter of Tasman Economics Pty Ltd. This was a project of some challenge and followed the ADB's decision to pursue a PSD Strategy as a corporate priority in 2000. As a corporate training activity, it simply wished to increase the awareness of its staff as to the new strategy and through a series of discussions, enable staff to better align their actions with this newly endorsed corporate direction.

In this paper I wish to reflect on the concept of a Private Sector Development Strategy (PSD Strategy) and articulate PSD Strategy aspects that are common between two Development Banks along with differences. The aim is to review these strategies as devices for corporate direction setting and policy making in the context of privatisation of State Owned Enterprises, economic regulation and competition. In particular, we will consider issues arising when strategy is viewed as an evolutionary and learning phenomenon in organisations. We will explore the degree to which PSD Strategy is implementable as a coherent set of actions, as well as analysing a range of perspectives of corporate strategy.

The argument will be put that PSD Strategy is essentially not strategy at all in the usual sense of corporate direction setting and policy implementation sense, but is a mixture of affirmations, actions, goals, aspirations and belief. The consequence of this is that there are large gaps between the image of corporate direction setting in Development Banks through definite initiatives for change and the actuality of generalised policy statements at senior levels, and rhetorical conflict at the officer level. It is also argued that as a consequence, many of the traditional arguments, philosophical battles and failure to learn from empirical experience that have raged through decades of debate on privatisation, regulation and competition policy for development now continue beneath the surface of the PSD Strategy paradigm.

So what is the PSD Strategy? How is it defined, what does it promise and how do commentators interpret it? These are the first questions to which we now turn.

THE ASIAN DEVELOPMENT BANK PSD STRATEGY

There is little doubt that the development of a strong and dynamic private sector is crucial to long term economic growth. It is also a necessary condition for sustained poverty reduction. In the words of the ADB's PSD Strategy, "differences in economic growth across the world's developing countries, as well as across countries (see Figure 1, below), largely explain the differences in poverty incidence"; Pernia and Quibria (1999) cited in ADB (2000, p5). Added to this we might also note the findings of the International Finance Corporation (IFC 2000) that the single most important route out of poverty was finding a job. In locations such as Venezuela over 1997-98, for example, some 89% of people who were lifted out of poverty did so through getting a private sector job (IFC 2000, p3).

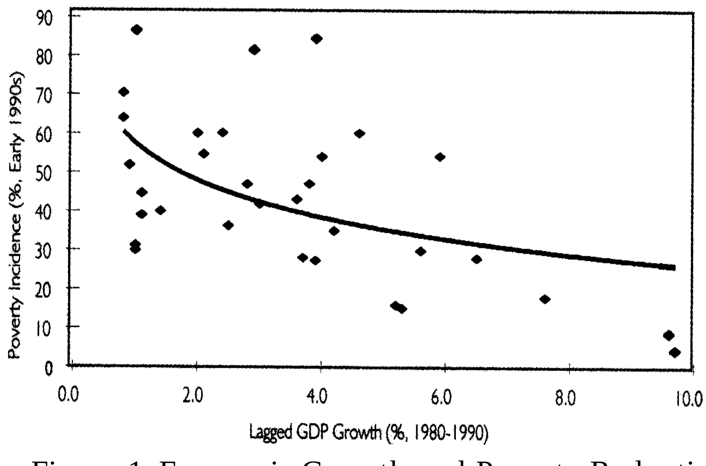

Figure 1: Economic Growth and Poverty Reduction
Source: Pernia and Quibria (1999).

In addition is the observation that state owned utilities have effectively not delivered essential services to the most needy ahead of the middle class. Wallich (2001) for instance argues that despite the fact that "access to reliable infrastructure matters hugely to poor people", "public infastruture monopolies have largely failed the poor". She quotes the price of water being purchased from informal vendors as twenty times higher than the price of piped water, and argues that the poor pay ten times the cost of grid supplied power for paraffin in kerosene lamps. In supporting increased private sector involvement in the provision of infrastructure and essential services, she concludes with a memorable one liner. Poverty alleviation, she quips, requires "soft hearts - but hard heads".

Of course none of this should be particularly surprising with institutions such as the IFC pursuing a corporate mission to "*promote private sector investme*nt in developing countries, which will reduce poverty and improve people's lives"(emphasis added). But sweeping statements concerning the role of privatisation, the need for better regulatory and competition policies as part of the 'enabling environment' did set the scene for what was to follow. The IFC (2000) report demonstrated a wholesale apparent acceptance of a business-centric model for solutions to development in an unquestioning manner. Indeed, Table 4.1 went so far as to announce, without flinching, that "Poverty is bad for Business". The clear risk is that an unquestioning acceptance of PSD Strategy driven by these values without concomitantly greater accountability and regulatory strength could be accompanied by continued opportunism for private enrichment at the expense of the poor.

The private sector certainly plays an increasingly strong role in developing economies and probably is stronger than that of the development agencies. Wallich (2001) notes that donors gave about $50billion to developing countries in the 1970s, about twice the level of private flows, which were only $25billion. "Now numbers are reversed: private flows are $300 billion, 6 times that of the donors' $50 billion"; Wallich (2001: p3). This indicates a twelve-fold change in the importance of private capital flows over the past three decades. There have also been arguments mounted over the past few years that the use of private capital through partnerships can relieve pressure on public budgets as well as supporting urban development, generating jobs, and promoting entrepreneurship through, for example, the growth of SMEs and small vendors in China, Vietnam, Indonesia and Mongolia. The relative availability of such capital within the context of increasing populations and therefore increasing demand for basic infrastructure, health and education services places a challenge to Development Banks to specify and implement PSD Strategy, and in particular, develop an 'enabling environment' for developing countries.

In formulating the Banks PSD Strategy, a range of factors were reported as being considered. Uppermost, according to ADB (2000, p9) was the Bank's overarching objective of poverty reduction and the development challenges facing the region. Also important were the private sector related activities of other multilateral agencies, the ADBs own institutional strengths (including understanding regional needs as well as multi-disciplinary expertise) and lessons learned from existing PSD activities. Table 1, following, presents the three major 'strategic thrusts' of the Strategy.

1. Support of Developing Member Country government in creating enabling conditions for business
2. To generate business opportunities in ADB financed public sector projects, and
3. To catalyze private investments through direct financing, credit enhancements, and risk mitigation instruments.

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	Public Sector Operations		Private Sector Operations
Strategic Thrusts	**Creating Enabling Environments**	**Generating Business Opportunities**	**Catalyzing Private Investments**
Targeted Outcomes	- Sound Macroeconomic Policy - Appropriate competition policy - Investment and trade liberalization - Legal and judicial reform - Public administration reform - State enterprise reform - Tax reform - Product markets reform - Financial sector reform - Capital market reform - Pension and insurance reform - Labor and land markets reform - Sound environmental and social standards - Reform of infrastructure and other sectors - Good physical, social, and technological infrastructure	- Private sector participation in Asian Development Bank (ADB)-financed public sector projects through contracts for ~ supply, ~ construction, ~ management, ~ concession, and ~ leasing - ADB-designed model build-operate-transfer and other types of projects with poverty reduction impacts - ADB-supported privatization programs	- Private sector projects with development impacts and/or demonstration effects - Priority to be given to ~ infrastructure facilities, ~ financial institutions, ~ investment funds, ~ specialized financial institutions for small and medium-sized enterprises and microenterprises, and pilot health and education projects
Instruments to Use	- Policy dialogue - Economic and sector work - Program loans - Sector development loans - Project loans - Technical assistance - Cofinancing - Partial credit guarantees	- Technical assistance - Program loans - Sector development loans - Project loans - Cofinancing - Partial credit guarantees	- Loans without government guarantees - Equity investments - Hybrid instruments - Cofinancing - Partial risk guarantees - Partial credit guarantees

Table 1: Three Strategic Thrusts of the Asian Development Bank's PSD Strategy: Targeted Outcomes and Instruments

Source: ADB (2000: p11).

The first two thrusts are part of the Bank's public sector operations, whilst the third is part of its private sector operations. The three thrusts are argued as being "mutually reinforcing when brought to bear on a development challenge" ADB (2000: p10).

In pursuing these three strategic thrusts, the Bank sees the focus as being on four areas of operations as follows:

a) Governance in the public and private sectors;
b) Financial intermediation;
c) Public-private partnerships; and
d) Regional and subregional co-operation.

These are outlined in Table 2, following. Ticks on this table indicate activities for which ADB strength exists "based on its track record and for which the three strategic thrusts can achieve significant PSD outcomes" ADB (2000:p17). As well as outlining the need for the PSD Strategy and the broad thrusts making up the Strategy, the ADB's PSD Strategy document also outlines both the required internal changes imperative to successfully implement this Strategy, and a range of relevant implementation issues.

Strategic Thrusts	**Public Sector Operations**		**Private Sector Operations**
Operational Priorities	**Creating Enabling Conditions**	**Generating Business Opportunities**	**Catalyzing Private Investments**
Governance			
? Public sector governance	✍	✍	✍
? Commercialization and privatization	✍	✍	✍
? Private sector governance	✍	✍	✍
Financial Intermediation			
? Financial institution and markets	✍	✍	✍
? Local currency financing	✍	✍	✍
? Investment funds	✍	✍	✍
? Small and medium-sized enterprises			
Public-Private Partnerships			
? Physical infrastructure development	✍	✍	✍
? Social infrastructure development	✍	✍	✍
? Agriculture and rural sector development	✍	✍	✍
Regional and Subregional Cooperation	✍	✍	✍

Table 2: Three Strategic Thrusts of the Asian Development Bank's PSD Strategy: Applicability to the Priority Areas of Operation
Source: ADB (2000: p17).

THE WORLD BANK PSD STRATEGY

The World Bank's Private Sector Development Strategy was released in April 2002. In its own words, it is "about promoting growth, reducing poverty and helping people improve their quality of life" and is a "way of doing things across sectors". At its core, the Strategy is therefore formally "about a good balance between the complementary functions of the state and the private sector" rather than about indiscriminate privatization according to World Bank (2002a, pi).

Broadly, the World Bank PSD Strategy aims to firstly extend the reach of markets and enhance the investment climate, and secondly to empower the poor by improving infrastructure, health and education. In support of these operational directions it proposes the measures summarised in Table 3.

Strategic Thrust	**Extending the Reach of Markets**	**Access to Basic Services**
Targeted Measures	- **Investment Climate** ? Continued policy-based lending, consultation and reforms to build competition law, simplify business procedures ? Reduce unjustified obstacles to private business investments ? Legal and judicial reforms ? Establish secure property rights regimes for poor people ? Conduct systematic investment climate surveys and assessments to identify pro-poor investment climate features, track changes and compare countries ? Institutional capacity building and improve corporate governance - **Direct Public Support to Firms** ? Continued support to entrepreneurs including rural credit and micro-credit finance ? Improve performance of public financial and advisory support ? Limit domestic taxpayers of poor countries by providing credit through IFC, not subsidies through WB ? Target subsidies to capacity building/institution building activities and make transparent ? Require minimum rate of return of lending and ensure subsidies are transparent.	- **Infrastructure Supply** ? Support private participation in infrastructure ? Improve regulatory regimes and build institutions to supervise the private sector ? Develop principles for regulatory regimes reflecting emerging best practices of policy makers and regulators - **Social Sectors** ? Continue investments in private health and education projects ? Assess options for private provision based on infrastructure experience ? Pilot 'Output-Based Aid' projects that disburse public funds backed by donors for basic public services ? Evaluate the effectiveness of pilots in the medium term and assess contracting and regulatory risks to ? Capacity building of public and private institutions

Table 3: World Bank Private Sector Development Strategy, 2002.
Source: Developed from World Bank (2002a: pi-vi, and Annex 1).

The World Bank's PSD Strategy also documents a range of lessons learned from the past. It comments for instance that in respect to private participation in infrastructure, "the introduction of private participation in infrastructure has been less easy to manage and presents more risks" compared to the privatization of competitive sectors like manufacture or agriculture. The lesson here, according to the Bank (World Bank 2002a, p42), centres around the importance of policy reform before introducing private participation. The Strategy also devotes attention to institutional and co-ordination issues in successfully implementing Strategy actions.

In going forward, the Strategy states that PSD "is not a sector" itself, but is "a means to do things better"; World Bank (2002a, p44).

OBSERVATIONS OF PSD STRATEGY

The content of the PSD Strategies for both the ADB and WB are interesting – firstly for what they say, and secondly, for what is not said.

On the first of these areas, the ADB's PSD Strategy has as its initial thrust the creation of 'the enabling environment'. This includes "appropriate competition policy", "legal reform" and "public administration reform". Its second thrust is to "generate business opportunities" for "private sector participation … in public sector projects". At the operational level, it continues this same thrust, specifying priorities for governance (including "public sector governance", "commercialisation and privatisation" and "private sector governance") and for public-private partnerships (covering "infrastructure", "social and agricultural and rural sector development").

Little further detail is available to indicate specific initiatives being undertaken in these areas. Under the general philosophy of creating the enabling environment, for instance, the ADBs PSD Strategy argues that reforms will need to enlarge the role of the private sector in the economy and that as this transition occurs, the government will need to concentrate more on facilitating and regulating private sector services to ensure markets work and to protect public interest as a neutral and objective regulator. It also notes under the operational priority area of public sector governance that "improving public sector governance has been a major development objective of ADB since 1995", and that "strengthening the rule of law", "formulating sound and transparent sectoral regulations", and "establishing efficient and competitive markets" will all be considered for assistance: ADB (2000, p18). It adds that it will help ensure that benefits of economic growth will be maximized and fairly distributed.

The World Bank's PSD Strategy tells a similar story. It emphasizes building an investment climate (including building competition law, simplifying business procedures, and reducing obstacles to business investments along with legal reforms). Operationally, it also aims to improve access to basic services through both better infrastructure supply and social services. In terms of supplying infrastructure, it covers private participation, better regulatory regimes/institutions to supervise the private sector, and development of regulatory principles reflecting best practices. In the case of social sector provision, investment in private sector health and education projects, piloting output-based aid project techniques, capacity building for public and private institutions, and assessing the effectiveness of pilots in contracting private providers were emphasized.

Overall, then, we might observe firstly that the prescriptive actions were very general and that few specific strategic activities for regulatory and competition reform had been set. This observation is parallel to the comments of other observers such as Schulpen and Gibbon (2002: p6) who reviewed the case of OECD donors for PSD. They comment that "only in a few cases do donor programs give clear intellectual precedence to specific levels or elements of PSD". The few exceptions when reviewing the World Bank and ADB documents appeared to be the new emphasis and faith being placed in both output-based aid project delivery techniques, and in public-private partnerships.

Perhaps this is not so surprising when we consider the degree to which PSD Strategy activities are inherent within much of the day to day work of both institutions. It has been argued for instance that "typically, about two thirds of all World Bank operations include components that explicitly support private sector development" (ADB 2000, p53). Yamamoto's review of the role of PSD in past strategy papers from the World Bank also revealed a large degree of longevity for central strategy ideas within PSD papers going back over a decade in the case of improving the business environment, privatisation of enterprises and support for entrepreneur development and policy work; Yamamoto (2001). But to the extent that this is the case, then the expectations for the PSD Strategy as representing new directions and new activities far exceed the realities.

Second, we might also observe that very few 'poor specific' PSD strategies seem to have been presented. Again this is echoed by the comments of Schulpen and Gibbon (2002: p6), who refer to the existence of 'policy incoherence' and quote from van den Bosch (1998) who observed that "the development of new PSD policy is in general disappointing [mainly because] activities in this field are seldom worked out and incorporated in a broader vision on poverty reduction and employment creation".

We ought equally comment about what does not appear to have been included in these PSD Strategies. One common element across both Strategies is the degree to which neither discussed explicitly nor addressed detailed actions for improving accountability. This is a surprising observation in the light of Woods' recent comment that institutions such as the World Bank (and by implication, the ADB) "are now regularly accused of being secretive, unaccountable and ineffective"; Woods (2001). She charges further that major reasons for this include unequal representations on

Executive Boards, the practice of these Boards not holding staff and management to account, and the fact that as these Banks have expanded their roles and impacts on stakeholders over the past two decades, this has not been accompanied by expansions in their accountability: Woods (2001).

Another somewhat surprising omission from these two PSD Strategies is that neither pays particularly strong attention to the existence of specific winners and losers within general aid programs or the related issue of needing to offer specific protections for poor or otherwise more vulnerable citizens during reforms. Likewise, little formal reference is made to reducing the effects of corruption although there are no doubt considerable efforts being made to this end. In this respect, ways in which past learnings in protecting the interests of the poor can be operationalized in the current PSD Strategies are not clear in these documents.

As well, the precise specification of research priorities for future PSD Strategy work has also been downplayed. This is perhaps understandable in an environment where the immediate needs of the poor are clear and applying resources in the field, rather than into research, is deemed a priority for action. But it is nonetheless a shortfall.

Lastly, we ought also refer briefly to the strategy process here.

The ADB document did not list either its stakeholders, or the ways in which they participated or contributed towards the development of the PSD Strategy - if indeed this occurred. In the absence of this information, it is concluded that the ADB did not regard participation with its stakeholders as a priority in this exercise. This observation is itself significant.

The way in which the World Bank's stakeholders contributed to its Strategy document was also not clear, but it was nonetheless obvious that the draft document was subject to considerable stakeholder feedback before it was subsequently released in its final version. Following earlier criticism of insufficient consultation with stakeholders, calls for increased accountability to those affected by its actions, and in the wake of an already demoralized staff after widespread criticisms of its policies as well from quarters such as the Meltzer Commission, the inclusion of stakeholder feedback in the Strategy process was sensible and productive. Bayliss and Hall (2002) support this comment, seeing the revised PSD Strategy from the World Bank as having a "somewhat more considered review of the issue [of privatisation]". Their support, however, was not unconditional, given that the remainder of their comments presented stinging criticism that the bank's final Strategy essentially had unchanged strategy directions and an unchanged implementation matrix compared to the earlier draft. To Bayliss and Hall, the precise objectives of the Strategy were not clear, and yet "privatisation becomes the dominant goal", with "silence on the subject of risk". Whilst output-based aid was touted throughout the Strategy as an answer to public policy implementation problems, it was to Bayliss and Hall more a sales exercise than a set of actions that had resulted from serious self examination (Bayliss and Hall 2002, p5, p11).

This thrust was also reported by Globalisation Challenges Initiative (2002) who viewed strategies for increased private participation as resulting directly from a secretive strategy process, and as causing a weakened state capacity and what they termed 'in-service apartheid' on the basis that profitable and unprofitable services would be separated.

PSD STRATEGY AS CORPORATE STRATEGY

According to the Penguin English Dictionary (Garmonsway 1980), strategy is a "large scale plan or method for winning a war, battle of wits, contest, game". In the business context, strategy has taken on a life of its own over the past four decades. Every business school throughout the world is now replete with suites of strategy courses covering its art and science. Indeed, for a corporation to admit to not having a strategy would be to admit to being directionless and risk being seen as effectively drunk at the helm. For a corporation, including a Development Bank to be strategy-less would be as suicidal as a political party being policy-less.

In thinking about strategy from the corporate perspective, we might begin by noting that business schools define strategy in several ways; such as a pattern of decisions defining how the firm will respond to the environment, how the firm chooses its position against competitors, the choice of services and products which make up its portfolio and in which it will invest and divest, and ways of achieving its goals and objectives. Most commentators in the public and not-for-profit sectors view strategy in terms of the last definition.

Arguably one of the most relevant and central learnings over the past two decades of corporate strategy is the fact that successful strategy for public and not-for-profit organisations has usually required a greater sense of ownership from staff and from stakeholders than previously recognised. Whereas strategy was once seen to be top-down, fully formed thinking from knowledgable corporate heads, more recent conceptions have seen successful strategy as equally a bottom up, partially formed and evolutionary phenomenon. In this light, the apparent lack of attention to stakeholder involvement in Strategy by the ADB is disappointing.

So how might we interpret PSD Strategy in the corporate context?

Mintzberg and Lampel (1999) remind us of Mintzberg's ten 'schools of strategy formulation'; three prescriptive (or 'ought') schools of design, planning and positioning, along with seven descriptive (or "is") schools including entrepreneurial, cognitive, learning, power, cultural, environmental and configuration. So far in this essay we have commented that the PSD Strategy has been vague, with little detail and has suffered from insufficient stakeholder involvement. We will draw briefly on the schools of learning, power and culture to comment here.

The learning philosophy looks at strategy as more an emergent process as the organisation grows in its understandings of its environment and of itself. Dating back to Lindblom's early ideas of incrementalism, strategies in this view "are emergent, strategists can be found throughout the organisation, and so-called formulation and implementation intertwine" Mintzberg and Lampel (1999).

Strategy making rooted in power sees powerful elites within the organisation developing strategy or else an organisation itself using its own power over other organisations and actors. This view is also both interesting and relevant. Here the strategy process is about bargaining and persuading, and about the division of power amongst both cooperating and competing interests.

The cultural school of strategy making sees strategy in terms of the reverse image of power – that is, culture. Strategy formulation here is therefore a social process rooted in culture and in common interest.

Each of these schools has something to say about our contention of PSD Strategy. First, we might observe that the PSD Strategies are overwhelmingly prescriptive. Perhaps this is not surprising. But to the extent that this view of strategy dominates, the organisation's inability to sensibly learn, its ability to understand that strategy will come from throughout the organisation, its lack of willingness to make explicit discussions of strategy as power, along with its inability to see strategy as a culturally centric process may all suffer. It is my contention that this has been the case, to differing degrees, with both PSD Strategies.

Of course we should also view PSD Strategy as a public policy tool as well as the narrower version of corporate direction setting. Under this parallel perspective, broad policy frameworks, rhetorical visions and general promises are standard fare. Again, to the extent that these PSD Strategies are simply public policy statements, their usefulness to establish the details of future corporate directions and set the scene for definitive implementation actions to be delivered and for which individuals and organisations might be held to account is questionable. Given the rise of the power of Development Banks, this issue remains one of concern.

DISCUSSION

So, what can be learned here? Evidently, PSD Strategy is closer to the public policy framework and rhetorical statement of beliefs than it is to the notion of strategy as a designed set of actions setting corporate direction. PSD Strategy is more a complex mixture of affirmations, potential actions, fuzzy goals based on observations of developed economies, heartfelt aspirations and often strongly held belief. Although it is simultaneously held as both a broad direction setting document as well as being hailed as a series of actionable challenges, it is difficult to see how it can successfully be both. It is certainly a rallying call for those who support its ethos as well as being a sign of the frustration of Development Banks in making progress towards poverty reduction.

From an educational perspective, the aims of the 2001-2002 Awareness Sessions at the ADB were, in the formal sense, to increase the familiarity of Bank staff with the Bank's PSD Strategy, to share PSD Strategy experiences of staff in order to contribute to future Bank PSD Strategy work, and to reflect on some of the challenges faced. In retrospect, and adopting the power school of strategy thought, the unofficial objectives of the PSD Strategy may well have had as much to do a conspicuous show of force, with changing coalitions in the background, in order to be seen to triumph over factions resistant to the new strategic directions. Debates concerning the existence and veracity of evidence on both sides or else an explicit acknowledgment of ambiguities in the approach was not a formal part of the Strategy. Intellectually, what evidence can be marshalled to support this view?

The first example here concerns the debate around property rights, with Hernando de Soto proselytizing the answer to the mystery of capitalism (de Soto, 2000), with obvious popularity within the World Bank, whilst Alan Gilbert takes the contrary view. To the World Bank's credit, the title of the discussion session of this year's April PSD conference exploring this issue (World Bank 2002b) said it all: "Land Titles for the Poor: Panacea or Sham?" De Soto's thesis is that the failure of capitalism in the third world can be attributed largely to the lack of property titles. This notion has gained popular support from figures with global credentials such as Ronald Coase, Milton Friedman, Margaret Thatcher and Bill Clinton. Gilbert (2002), however, argues that this idea is "dangerously flawed" because the argument is overplayed. To Gilbert's mind, de Soto is "generating a myth about capitalism based on a populist dream" rather than proving an answer to the mystery of capitalism. Other debates are also absent, such as the effectiveness of loan conditionality on financial flows (Bird and Rowlands 2001, Pender 2001, Gilbert et al 1999 and Mosley et al 1995) and the importance of domestic political economy factors in the success of aid programs; Dollar and Svensson (2000).

A second example concerns the arena of public-private partnerships (PPPs). In the midst of failed public provision, PPPs and output-based aid have both been hailed as new thrusts to provide better essential services for the poor in these Strategies. Whilst the potential for both private and other nongovernment organisations to better provide services does exist, it also needs to be acknowledged that worldwide controversies continue to dog the use of techniques such as PPPs in developed countries ranging from the United States and the United Kingdom, through to Australia and Denmark. Neither PSD Strategy appears to have seriously regarded the learnings to date from around the globe in the PPP arena; Hodge (2002a), Osborne (2001). Likewise, measuring the performance of public sector organisations along with public sector contractors through mechanisms such as contracting-out, outsourcing, partnerships, performance based contracting and a host of other contract techniques is hardly new. Much literature has been accumulated to provide learnings on which PSD could have drawn: Rhodes (1994), Rhodes (1998), Yates (2000), Hodge (2000). Such learnings appear to have had limited, if any, impact on the Strategies. The same could also be said about the lack of explicit learnings from the privatisation of SOEs; Martin and Parker (1997), Hodge (2002b).

The third example might be found in applying the concept of separating 'steering' from 'rowing' as put forward by Osborne and Gaebler (1992) in the United States, to developing countries. This concept, though not referred to directly in the PSD Strategies, would nevertheless seem to be at the heart of much of the current discussion around the role of government. Although the history of developed economies has not been one centred around this notion, it is now being prescribed for developing countries along with the accompanying belief that the 'business of government is to regulate and facilitate rather than to do'. The inability of developed countries to look at their own historical development, and the cultural, political and sociological lessons from global experience to date before recommending such techniques to poorer neighbours is disappointing. As well, we might also comment that these concepts have been controversial in their application, have not received universal acclaim and, more importantly, are now recognised as requiring considerable new skills and capacities in government if they are to work effectively and cleanly; DeCarvalho (1998), Hodge (2000).

We should also note in passing that the very strength of PSD ideas that encourage the separation of steering from rowing, for instance, tends to reinforce the notion that the separation is itself an answer to public policy questions facing the state. In other words, the wholesale acceptance of PSD strategies itself is the answer to public policy problems per se, rather than simply a mechanism for delivering some of the needed essential services. One is reminded of this in the midst of a constant stream of Indonesian government executives embarking on Masters level programs who regularly insist on learning about this 'steering not rowing' concept as *the answer* to their country's problems, and the observations of the reinvention movement as a public sector reform through post modern eyes; Fox (1996).

CONCLUSIONS

What are the consequences of these observations, and what are our conclusions? The first point to make is that many of the traditional arguments, philosophical battles and failures to learn from empirical experience that have raged through decades of broader debates around privatisation, regulation, competition and development continue beneath the surface of the PSD Strategy paradigm. As well, experience within Development Banks also shows that there are large gaps between the image of corporate direction setting in these institutions and the actuality of policy incoherence and fragmentation at the officer level.

Perhaps the key consequence is this; in the face of growing availability of private capital and the global power of private financial institutions, the breadth of the PSD Strategy policy platform and policy frameworks being espoused as 'strategy' means that a stronger onus needs to be placed on specific research directions attached to developing country reforms. It is even more imperative now that we seek ways in which we might use the few reform successes to better advantage, lower our sights to undertake more realistic advances, and renew emphases on market transformation, market development and institution building research with ownership of reforms by the developing countries themselves.

As Parker (2001) concluded, perhaps completely new models of regulation and competition are needed. This paper not only comes to the same conclusion but goes further, and questions whether the Development Banks are capable of meeting this need. Meeting this challenge will require the Banks themselves to redevelop PSD Strategies that are more culturally relevant, increase their internal capacity to learn from the breadth of experience to date and also be more explicit about the inevitability of power sharing as part of successful reform. This will be a challenge, given the observations made of PSD Strategy development to date where there appears to have been a habit of simply asserting private over public, markets over governments, and quick actions over more gradual, difficult but informed and effective reforms in privatisation, regulation and competition.

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