

# Public-Private Dialogue

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## EXIT AND SUSTAINABILITY ISSUES OF PPDs

### CASE OF THE CAMBODIA GOVERNMENT-PRIVATE SECTOR FORUM

Dr. Lili Sisombat

#### A – BACKGROUND ON TRANSITION STRATEGY

Since 2002, the International Finance Corporation (IFC) has supported in Cambodia a Government-Private Sector Forum (G-PSF) Coordinating Bureau to help the private sector advocate more successfully for itself. Over the years, the G-PSF has become a recognized leader in public-private dialogue. In 2009, the World Bank Group named the G-PSF one of the most successful public/private dialogues in emerging economies. On an extensive independent evaluation conducted in 2007, the G-PSF also scored very well. Seeing that the dialogue has matured, in 2009, IFC began transferring coordination of the G-PSF Private Sector Working Groups (PSWG) to the private sector, and this was completed on December 31<sup>st</sup> 2010.

The Royal Government of Cambodia has acknowledged this transfer by issuing a notification dated November 12, 2010. This institutionalizes private sector participation in the Government-Private Sector Forum, officially acknowledges the current private sector co-chairs, and establishes:

- The Cambodia Chamber of Commerce as the umbrella organization representing the private sector;
- A consultative process between the Cambodia Chamber of Commerce and the Private Sector Co-chairs regarding who is eligible to become a PSWG member, how the G-PSF operates and the process for electing a co-chair for each PSWG.

#### B - STRUCTURE FOLLOWING TRANSFER – THE COORDINATION BODY

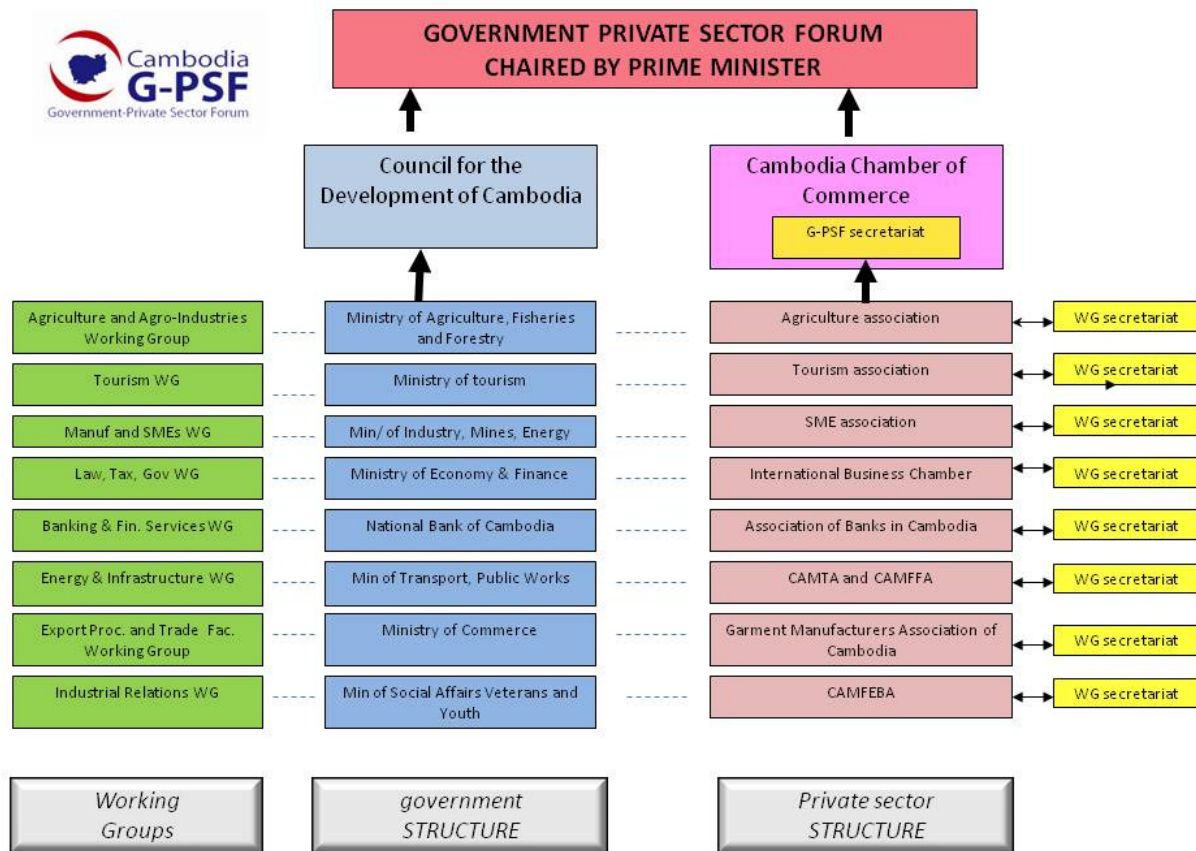
IFC has been working on the transition of its secretariat role to private sector business membership organizations (BMOs) since 2009. To accomplish this transition, by-laws to mandate private sector organizations have been developed.

The draft by-laws, which describe its processes and how the private sector engages in dialogue with the Royal Government of Cambodia, establish an independent unit under the umbrella of the Cambodia Chamber of Commerce (CCC). Under this framework, eight leading sectoral business associations each

support a secretariat for one of the eight PSWGs, and the Cambodia Chamber of Commerce coordinates all the secretariats.

The secretariat role, previously performed by IFC, is therefore shared between:

- **Business associations:** each designated association acts as a secretariat for its respective private sector working group. These BMOs are responsible for day-to-day facilitation of the private sector working groups (organizing and facilitating meetings, preparing minutes, preparing researches to support issues etc.)
- The **Cambodia Chamber of Commerce:** a support unit within the CCC liaises with the eight association secretariats. It also centralizes information from the PSWGs; liaises with government in organizing the bi-annual Forums; and, monitors progress/impact.



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Meeting of PSD Steering Committee – September 2, 2010

So far six leading business associations are providing secretariat support to their respective working groups. Two Working Groups out of eight do not have a dedicated secretariat yet (tourism and

agriculture) as related associations lack the resources to do this successfully, and the CCC has stepped in to provide support in organizing the meetings. The CCC has also established a coordination unit, although it is still discussing the provisions of the by-laws with the leading BMOs.

## **C - SUSTAINABILITY ISSUES**

There are three dimensions of sustainability to consider:

- **Operational sustainability**, i.e. the G-PSF Secretariat relies on its internal capacities and/or the services it purchases at market cost to manage the dialogue;
- **Financial sustainability**, i.e. the G-PSF generates sufficient cash from the services it offers to cover the costs of its operation;
- **Sustained mandate and effectiveness in delivering this mandate**, i.e. the G-PSF continues providing a channel for meaningful dialogue between the private sector and the government, and is an effective engine for reform of Cambodia's business enabling environment.

As of June 2011 – i.e. six months after IFC officially relinquished its role, the private sector appears to be able to ensure operational and financial sustainability. The greatest risks, however, are:

- **An inadequate role played by the Cambodia Chamber of Commerce in coordinating the eight Working Groups**

Although in theory a G-PSF Secretariat coordinating all eight PSWGs could be provided by the Cambodia Chamber of Commerce (CCC), assessments made by development agencies (AusAID 2006; USAID 2008) indicate that the CCC lacks authority, representativeness, resources and capacity to perform this coordinating role.

Two other factors were also of concern: 1) the lack of independence of the CCC because all chambers of commerce nationwide, including the CCC, are by law supervised by the Ministry of Commerce; and, 2) the fact that the CCC does not represent all businesses rather a more limited group who are CCC members and tend to be larger businesses.

Private sector stakeholders are also concerned that the RGC will become less committed to the dialogue platform and have observed that Minister co-chairs have been less dedicated to open dialogue and have even postponed scheduled working group sessions. As a consequence, concerns have been raised that important private sector players will become less interested in attending the G-PSF as they witness no progress on issues raised.

Finally, working groups tend to function in an insular manner, with dialogue happening at the ministerial level prior to the national forums. Many cross-sectoral issues lack the unified support of multiple working groups causing a potential lack of representation of the private sector or duplication of efforts. In the absence of a strong coordination center (lack of capacity of the CCC) – these concerns become more important.

➤ **Lack of private sector capacity to effectively advocate the issues raised**

As most operational issues can be solved effectively by business associations, the issues raised by the private sector in the G-PSF tend to be more complex, and require research and data to support their advocacy effort.

Most associations are not capable of providing research expertise and writing reports (they experience a problem but have difficulty to elaborate well and provide evidence), both of which are now necessary in working with the Royal Government of Cambodia. There are also concerns that reforms proposed will not be representative of the whole industry as some associations have too few members and are weak while other associations are too strong may only raise issues specific to their members instead of reaching out to their whole industry. Thus issues will not be representative of the private sector at large.

## **D – POST CLOSURE SUPPORT PLAN**

To address the above concerns, IFC is currently developing a regional post closure support plan for the three PPDs in the Mekong region, to ensure that PPD remains sustainable.

### **1. Financial sustainability (not specific to Cambodia)**

IFC can help the private sector mobilize funds (secure secretariat sponsorship by large firms) or secure co-financing of the secretariat by several associations or development agencies (by approaching development agencies that work in private sector development to secure their funding for the secretariat).

### **2. Sustained mandate**

#### a – Mainstreaming PPD work in existing IFC programs

Under this framework, some support would continue to be provided by IFC for the working groups. This could include undertaking studies and staging workshops to advocate the issues raised by the private sector. Expenses and IFC staff time for these initiatives would be charged to existing IFC projects, which are covering related topics. The limitation here is that the topics for studies and events would have to match IFC business lines in the areas of Access to Finance, Supply Chain Linkages, Climate Change, and Public/Private Partnerships, and Investment Climate. As support would be limited to issues which are related to existing projects in the country portfolios, it could be too narrow to meet the demands of the Working Groups, which cover all sectors of the economy and a broader range of issues.

#### b – Create a Research and Support Fund for PPD Working Groups

To deal with the inability of IFC projects to support a wide enough range of topics to meet the demand of the WGs, this approach would be to create a research fund (with funds from one or more development agencies). Business membership organizations (BMOs) could apply for these funds to help them research and develop high quality actionable reform proposals. Such an approach would create

partnerships between BMOs and research organizations, ‘think tanks’ or consulting firms that would help to prioritize, analyze and promote trade and other private sector reforms.

One of the proposed outputs is facilitation of partnerships/contracts to prepare a number of position papers that would provide the evidence required for successful reform proposals and their advocacy. An ancillary outcome would be strengthening the capacity of local think-tanks and consultants to engage in policy research and advocacy.

Because most BMOs lack the capacity to manage the research fund, it could be managed by a research organization or ‘think tank’ committed to building BMO capacity. This organization could have two key roles: 1) Contracting appropriate consultants to undertake requested research; 2) Providing training for BMOs in how to plan and conduct research.

#### c – Periodic monitoring and ad-hoc support by the PPD Global team

The PPD Global team could play a substantial role in providing Mekong region PPD support after IFC’s support ends by:

- **Overseeing M&E** for several years to ensure that the tracking of M&E data by BMOs is well established and impacts are well recognized. This would include maintaining contact with stakeholders, collecting annual M&E data, and/or conducting surveys;
- **Maintaining relationships** between the World Bank Group and regional PPD practitioners so the latter continue to have opportunities to gain information, acquire new skills, and reflect on their practice through accessing the global PPD website and attending regional or worldwide PPD meetings and conferences. They could also exchange information and experiences through PPD social media such as Facebook;
- **Providing ad-hoc advisory services** or conducting research in the region on issues of importance to PPD success. The PPD Global team could mobilize funds for a global project or ask the IFC advisory facilities to contribute to a yearly budget.

The role of development partners such as IFC in establishing or supporting a PPD goes beyond the day it transfers the PPD to local stakeholders. IFC has a larger or “moral” responsibility to ensure that the dialogue continues with effectiveness so it benefits both private and government stakeholders. If the dialogue fails after IFC’s coordination ends, this could indicate either that the sustainability strategy was inadequate, or that IFC’s exit was too soon (because stakeholders were not ready). Even worse, failure of the PPD could be seen as lack of demand for PPD – that PPD was only a donor-supported project that had no relevance after donor support ceased.

Author

**Lili Sisombat, Operations Officer and PPD Specialist, World Bank Group, Cambodia**

Dr. Lili Sisombat is project manager for the IFC Coordinating Bureau of the Government-Private Sector Forum. Before taking on this role, she was program manager for Business Edge Cambodia and Lao PDR in the IFC Mekong Private Sector Development Facility and manager of IFC PEP China's Management Development Program.

Dr. Lili holds a masters degree in business management and a PhD in sociology (both from France). Before joining IFC, Lili worked in marketing for multi-national companies in Europe, and then in the early 1990s, returned to live and work in Lao PDR, her native country, where she ran a consulting and market research company.