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PUBLIC-PRIVATE DIALOGUE IN
FRAGILE AND CONFLICT-AFFECTED SITUATIONS

Investment Climate | World Bank Group

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4
FRAGILE AND CONFLICT-AFFECTED SITUATIONS

This Quick Guide will help with:

- Ways to work more effectively in fragile and conflict-affected situations (FCS)

- Issues related to scoping, planning, and implementing public-private dialogue (PPD) projects in FCS

- How FCS can affect eight components of a PPD program:
  - program design
  - communications, transparency, and accountability
  - inclusion
  - working with champions
  - engaging stakeholders
  - flexibility and risk management
  - ownership and sustainability
  - monitoring and evaluation

Principles:

- The central purpose of PPD is to bring together the public and private sectors to create conditions under which businesses can grow and people prosper.

- In FCS, PPD may have much greater impact because it rebuilds missing institutions and societal structures that address challenges caused by conflict and fragility.

- PPD in FCS can help build trust between stakeholders, give voice to excluded groups, contribute to peacebuilding, and address economic and social issues that otherwise could trigger conflict.

- PPD can achieve these outcomes when it is implemented in a manner that takes into consideration the particular characteristics of FCS.

Program Design

Understanding the Context

Designing PPD programs in FCS faces some unique challenges, such as:

- Data and country information not readily available.
- Regularly changing government agendas and officials.
- Lack of capacity in assessment teams.
- Difficulty in identifying stakeholders.

Stakeholder and Political Economy Analysis

Stakeholder management is the most difficult yet important part of PPD platforms. Assessments that map stakeholders and provide information about their political values, networks, and economic relationships are valuable. Conflict assessments and analysis of the political economy can also provide critical information.

Maintaining a close dialogue and understanding how to incentivize desired behavior are the most effective means of troubleshooting challenges that arise over the course of a PPD project. Engaging with traditionally excluded groups in FCS is often difficult. They may be located in remote places, and it can be difficult to convince those with power that including them is important to achieving economic goals. Nonetheless,

including all stakeholders is crucial to PPD platforms and is achievable over the long-term.

Recommendations

Conduct four types of stakeholder assessment:

- Power and interest analysis.
- Importance and influence analysis: define the importance of satisfying the needs of each stakeholder group versus each stakeholder group's influence over the project.
- Roles and relationships analysis: identify many roles each stakeholder has and how a stakeholder relates to his or her superiors, subordinates, and peers.
- Networks and coalitions mapping.

Research clients and counterparts:

- Conduct Internet and news searches on the counterparts and their institutions. Understand their histories and issues they face.
- Talk to trusted local sources. Understand their strengths and weaknesses; identify potential issues that could derail the project.
- If the World Bank Group has an office in the country, interview staff who have previously worked with the client.
- Talk with other donors and implementing partners.

Identify common, valuable elements of the political economy:

- A description of different political parties.

- A description of the party in power as well as its path to power.

- An explanation of how leaders are determined in government and ministries.

- A description of private sector political affiliations.

- Assessment of triggers of conflict in key sectors, such as extractives.

- A good understanding of basic economic issues and dynamics, including informal structures.

- Information on the country's constitution and how it structures the government and economy.

- A summary of how stakeholders' names or backgrounds might be connected to their political alliances and power relations.

- A description of how decisions are made, both formally and the cultural norm for decision making.

Identifying an Appropriate Entry Point

In FCS, public sector institutions are weak, the private sector is fragmented, and politics are divisive. Consequently, focusing on subnational, sector-specific, or process-oriented issues, especially in the first stage of a project (see Table 1), is strongly recommended.

TABLE 1. IDENTIFYING AN APPROPRIATE ENTRY POINT

Entry Point Focus	Details	Examples
Subnational	Allows stakeholders to address local and often practical problems with solutions that require fewer resources.	• Addressing security issues that disrupt business activities. • Improving trash collection.
Sector-specific	Economy-wide issues need to be addressed in many FCS. However, focusing on a key sector has its advantages: the opportunity to reap "low-hanging fruits," tangible benefits that can be replicated, more relevance for subnational actors (e.g., in agriculture).	• Focusing on the extractives sector will trickle down to other sectors through the supply chain. • Sector-specific PPD for agribusiness will impact more directly marginalized businesses (such as smaller businesses, those in rural areas, and women-owned enterprises).
Process-oriented	Choosing process efficiency issues over addressing the legal framework is recommended in the first phase.	• Basic improvements to business registration processes.

Setting Objectives and a Timeline

FCS contexts slow the implementation of activities and achievement of results. Seemingly basic initiatives take on new complexities, and radical changes in government or extreme economic volatility is much more likely. Project designers should take the FCS context into consideration when deciding what is achievable and how quickly benchmarks can be met. They should consider how the project will be impacted by issues such as dysfunctional legislative bodies, high levels of turnover in government and private sector counterparts, limited resources to pay and sustain a PPD platform, and low levels of capacity among individuals and organizations.

Recommendations

Consider detailing an incremental approach to achieving objectives. An incremental approach involves understanding that a legal reform may take longer than the project's life. Accordingly, it would:

- Determine the steps required to put stakeholders on the path to reform.

- Focus on achieving those steps that stakeholders will achieve during the project.

- Ensure that stakeholders have the capacity to carry reform forward successfully after the project ends.

Assembling a Team

It is crucial to have technical staff who understand economic issues and the path to reform. In FCS, establishing a successful PPD process is just as, if not more, important than the reforms or economic results.

Recommendations

In many cases, having leaders who are politically savvy is more important than hiring staff with deep technical knowledge. In addition to assembling technical staff, the following steps are recommended:

- Hire a political economy analyst.

- Hire local staff who understand the actors and know how to find local champions.

- When hiring, consider people who are strong, quick decision makers and comfortable with responding to rapid changes in the project's environment.

Communications, Transparency, and Accountability

Creating a Culture of Transparency and Accountability

Creating a culture of transparency and accountability in FCS requires balancing the need for public commitments from dialogue participants to drive action with the need to hold open and frank discussions. Recording public commitments in published meeting minutes and tracking the progress of planned reforms are the most effective means of promoting transparency and accountability. However, in some instances, providing free access to the press hinders open, frank dialogue. FCS often have an underdeveloped media sector, or as is the case in Myanmar, have worked under strong censorship until very recently, resulting in weak journalistic practices.

Recommendations

To create transparency and accountability:

- Publish reform decisions and implementation progress at the national forum and through the media.

- Ensure working groups report publically to higher authoritative bodies.

- Assign the PPD secretariat to maintain a matrix of issues. The secretariat may use the matrix to track progress, remind government about implementing

decisions, and inform monitoring and evaluation efforts.

- Provide a neutral party to facilitate the process. Especially early in a project, PPD participants in FCS need a neutral and trusted party to lead the process until stakeholders are comfortable managing it themselves.

- Make decisions public and identify individuals responsible for specific action items.

- Use social media to reach out to younger citizens.

To engage hard-to-reach stakeholders, consider using:

- Road shows that bring public and private sector representatives active in PPD to rural areas for "town hall" discussions.

- Traditional media such as television and newspapers, but utilize radio in countries with high levels of illiteracy.

- Short Message Service (SMS), especially to plan meetings and events with stakeholders in distant places.

Communications

A communications strategy builds credibility. Communications tactics provide the opportunity to manage public perceptions while building capacity for transparency and accountability. Successful projects make specific promises and deliver on them. In FCS, the role of media in PPD can be controversial. While the media may promote transparency and accountability, it may also interfere with the open, frank dialogue necessary for PPD.

Recommendations

Be cautious branding the platform as a World Bank Group project through communications tools. Associating PPD too closely with the Bank Group creates dependency. Once stakeholders identify PPD as a World Bank Group service, it is difficult to extricate the Bank Group and hand the platform over.

Inclusion

PPD platforms are most successful when they accurately represent all segments of a population, including ethnic minorities, women, and youth. Poor infrastructure, high levels of illiteracy, traditional power structures, and other factors such as conflict dimensions can make it more difficult to achieve a well-represented platform. Geographically, reaching groups outside the capital city can be difficult.

Recommendations

To maximize inclusiveness:

- Conduct a strong stakeholder analysis that reveals local political, ethnic, religious, and social relationships.

- Hire a coordinator that speaks local languages to build trust and greater inclusion.

- Build the capacity of private sector associations to organize subnational chapters and collect input from those chapters for use at the national level.

- Closely monitor the establishment of working groups and make sure the project team participates in assembling invitations.

- Consult with traditionally excluded stakeholders independently so they are aware of the PPD process.

- Be patient and persistent. Building inclusivity takes time and consistency of message.

Working with Champions

Identifying Champions

Identifying effective champions is challenging in FCS. In countries with a small private sector, many donors work with the same few people. This may spread the champions too thin to devote an appropriate amount of time and make the dialogue work.

The project mandate mostly comes from national government officers. In FCS, the private sector is often operating under new conditions and just forming representative institutions. Transition countries require champions who have relevant knowledge and capacity, are willing to take the risk of trying something new, and have the trust of all stakeholders.

Recommendations

When identifying champions:

- Interview current World Bank Group staff in the country about potential champions.

- Look for intellectuals and professors, who are often seen as neutral parties in public-private sector debates.

- Work with the client to recruit champions for stakeholder groups.

- Work with professional groups that provide services to businesses (such as bankers, lawyers, and accountants). They can contribute to the dialogue and also help in dealing with some of the challenges of PPD, given their leverage with businesses.

Managing Work with Champions

A well-respected champion may bring together divided stakeholders and political groups to work toward a common cause. A champion can serve as the glue that keeps the project together and if the champion leaves, it may threaten the project's future.

There are several important challenges working with champions in FCS:

- Frequent change in the management of government institutions and private sector organizations.
- Lack of trust among stakeholders.
- Obtaining a time commitment from private sector champions and managing compensation expectations.
- Convincing champions to strive for inclusiveness.
- Understanding the political implications of working with specific champions.
- Capacity of champions who are available.
- Risks of elite groups dominating the role of champions.

Recommendations

When working with champions:

- Bring groups together to address small, noncontroversial issues before recruiting a champion.
- Be careful in relying on large associations. They may require a lot of time to convince but may never come onboard.
- Ensure champions have access to decision makers on both public and private sector sides of PPD.
- Select more than one champion. Having several will ensure inclusiveness and avoid one interest group dictating the agenda.

Engaging Stakeholders

Establishing Credibility with Clients and Stakeholders

A great challenge to conducting PPD in FCS is the high level of mistrust that comes with weak institutions and sectarian strife. Add to this the large number of donors, development organizations, and private charities that come through FCS states and the promises they bring with them. Establishing credibility with clients and stakeholders requires an understanding of the values and culture of the situation. In some countries, the World Bank Group's reputation is enough to

establish the project's credibility. In others, adopting a well-respected elder or statesman as a champion creates enough credibility. Others will rely on personal relationships and personal records of achievement of the Bank Group staff. Engaging stakeholders in FCS requires knowledge of how authority is determined, how stakeholders prefer to communicate with the project, and political and social networks. Local staff members who have a deep understanding of these issues can be extremely valuable in implementing the PPD project.

Recommendations

Some examples of how projects have established credibility are:

- Nepal: recruiting a senior vice minister who was respected and accountable.

- Afghanistan: a project manager's record of accomplishment in making promises and quickly delivering on them and participating in formal and informal events despite security issues.

- Yemen: the World Bank Group's reputation.

- East Timor: the project recruited the Vice Minister for Commerce. The Vice Minister was crucial in convincing the private sector associations to organize under a single chamber of commerce and provide a single private sector voice.

- West Bank: the project manager's origin in the region, command of the country's language, and ability to bring in consultants with regional records of success.

Building Stakeholder Capacity

Building stakeholder capacity to communicate and solve problems is a core part of PPD in FCS. Many capacity issues focus on the skills of government employees, but there are exceptions. For example, in a PPD project in West Bank, government employees were highly capable and fairly well educated; the issue was simply that the government did not have enough of them. There was also discontentment over salary issues because the employees were paid poorly and irregularly.

Recommendations

To build stakeholder capacity:

- Assess stakeholder capacity early in FCS because it helps determine objectives.

- Make sure the project has budget and time for technical assistance done in partnership with stakeholders to address issues raised during working group meetings.

- Capacity needs are context-specific. Make sure that not only capacity needs are taken into account, but also barriers to capacity development such as dependence on local language or lack of understanding of basic concepts.

Study Tours

In FCS, civil service operations and private sector organizations often are newly organized or lack efficiency or customer service. Additionally, public budgets have limited training or travel funds for public government employees. Study tours give public and private sector representatives unfamiliar with PPD a concrete example of how dialogue leads to improvements that result in economic development, a chance to influence powerful and up-and-coming leaders, and an early opportunity to make a specific promise and deliver on it. Also, giving a tour of a successful PPD platform and its accomplishments in a country of similar economic and political status inspires and motivates stakeholders.

Recommendations

When conducting study tours:

- Choose participants wisely. Consider including employees new to their positions (not those who may be retiring shortly), deputies and assistants who may assume positions of influence in the future, and people the client believes are important and influential in the PPD platform.

- Provide a tour of a successful PPD platform and its accomplishments in a country of similar economic and political status.

Working With Donors and Implementing Partners

A unique FCS challenge related to public sector capacity is the large presence of international donors, relief organizations, development agencies, and other institutions that demand the government's attention.

Recommendations

Key considerations when assessing the international donor community in FCS:

- A PPD platform may empower the government to coordinate donor activities. Often governments with limited personnel and resources find that many donors implement similar and overlapping private sector development projects in their countries. The government can use the PPD platform to coordinate donor activities.

- A large international donor and development agency presence often means that capable individuals to serve as PPD champions or staff of PPD secretariats are in short supply.

Flexibility and Risk Management

Risk Mitigation

In highly fragile environments, the possibility of a violent disturbance is always present. Differing beliefs of political parties and frequent turnover in government and business associations can delay project achievement. Consequently, successful PPD projects mitigate common risks and remain flexible in their plans to address circumstances as they arise.

Recommendations

Addressing challenges requires regular, frequent, and face-to-face contact. Projects should also:

- Review the political economy analysis and conflict assessment when determining a PPD platform structure. Look for institutions that are stable and likely to last when deciding where to house the PPD secretariat.

- Maintain relationships with all stakeholders, even political oppositions. Maintain a strong relationship with those in charge, but also keep out-of-power parties updated and feeling respected.

- Assess potential security risks and plan for proper security arrangements as needed.

Ownership and Sustainability

Planning for Sustainability

It is important to mitigate the temptation to become heavily involved in managing the PPD platform in its initial stage. Directly managing the secretariat that implements the platform or hiring a coordinator as a formal project staff member could possibly speed up achievement early on and bring PPD instant credibility. The temptation is especially great in high-profile countries where program managers feel pressure to show quick results. However, giving in to the temptation can make transitioning the project to local ownership difficult.

Recommendations

Early project results may come at the expense of longer-term sustainability. Planning for sustainability at the beginning of the project ensures that:

- Consistent messaging regarding handover happens throughout the project's life.

- Stakeholders expect the transition and are more prepared with funds and skills to manage it.

- Projects make a cleaner break that leads to sustained reforms.

Implementing a Timely and Successful Exit

Successful transition to local ownership happens when the period and terms of the project are clearly defined at launch, and sustainability themes are present throughout the project's lifecycle. A practical challenge in planning for transition to local ownership is timing the project's exit from the platform. The platform's transition to local ownership should coincide with the end of project funding, the completion of technical and managerial capacity building, and the new host of the platform securing sufficient resources. The transition also faces a risk that political change at a crucial moment could derail the process.

Recommendations

To implement a successful transition to local ownership:

- Start the project with a clear memorandum of understanding that states the period and terms of the World Bank Group's support for PPD, as well as the responsibilities of the client in transitioning to local ownership.

- Find funding as early as possible. National budgets in FCS are unpredictable and often in deficit. Conduct a thorough consultation with stakeholders and prepare a financial plan early in the project. Encourage the public and private sectors to acknowledge their financial contributions. Other international donors and private large companies may also provide support.

- Create a realistic timeline for the transition. It takes longer to build capacity in FCS. Also, they are prone to volatile political and economic swings. Make sure the FCS context is taken into account when committing to a transition to local ownership.

- Consider the logistics of the project and how they will be managed after the transition. The government may provide office space, and private sector organizations may provide staff to manage the platform.

- Avoid creating demand for resources throughout the project that will be difficult to sustain after transition to local ownership.

Monitoring and Evaluation

Monitoring and evaluation is a difficult exercise in FCS. Challenges include the difficulty of collecting data and attribution in such a complex environment. Another challenge stems from the standard monitoring and evaluation framework that excludes important results, especially those that represent non-standard achievements such as increased transparency, trust, and peace building. In FCS, the peace building and conflict mitigating results are difficult to capture, but they are highly valued by the stakeholders that benefit from them. Others see some standard indicators as inappropriate for FCS-classified countries, such as those measuring cost savings as a result of reforms. However, in a country such as South Sudan, where there were no regulatory processes, implementing processes for the first time might increase costs and improve the investment climate simultaneously.

The most common conflict drivers that PPD addresses are corruption and ethnic tensions. Other drivers include regional instability, better distribution of power, increased trust among traditionally adversarial factions, and a sense of pride in the previously disenfranchised FCS.

Recommendations

Recommendations to help capture PPD results in FCS more accurately:

- Promote greater understanding of the political economic context to headquarters and regional managers. Sharing information about the complexities of the environment could lead to improved indicators and more appropriate milestones and objectives.

- Negotiate with the monitoring and evaluation team over what constitutes a reform. In environments where simply establishing or improving a necessary process is what is achievable, define that as an important reform to the business environment.

- Set intermediate metrics, such as the degree to which projects establish new institutions, processes, or systems that are the first step to bigger reforms.

Tools & Resources

- IFC, *Conflict Analysis of the Private Sector in Cote d'Ivoire* (CASA program): an example of a private sector-specific conflict analysis, including assessments of sector-specific issues.

- World Bank Group, *Dealing with Governance and Anticorruption (GAC) Issues in Fragile and Conflict-Affected States*: *Ten Things Team Leaders Should Know*: a note to share what the Bank Group has learned so far about some of the practical things that project leaders should take into account in designing and supervising Bank-financed projects in FCS.

- *The Donor Committee for Enterprise Development (DCED) Guidelines for Private Sector Development in Conflict-Affected Environments*: a practical guidance on how to work on private sector development projects in FCS. Developed by the fragile states' DCED working group.

- World Bank Institute, *Designing a Multi-Stakeholder Results Framework*: a comprehensive framework on capturing the intangibles of multi-stakeholder engagement.

- World Bank, *How to Notes: Political Economy Assessments at Sector and Project Levels*: a note intended to provide sector- and project-based operational teams with an understanding of why and how to commission a political economy assessment.

- IFC, *IFC in Fragile and Conflict-Affected Countries*: a brochure on IFC's strategic approach in FCS.

- World Bank, *Political and Social Analysis of Drivers of Fragility*: a political economy analysis with an FCS lens.

- Carlos Griffin and Robert Whyte, World Bank Group, *Promoting Foreign Investment in Fragile and Conflict-Affected Situations*: an *Investment Climate In Practice* note from the Investment Climate Department of the World Bank Group which shows top economic sectors in FCS that most effectively attracted foreign investment and provides guidance on attracting investment into FCS.

- World Bank Group, *Public-Private Dialogue in Fragile and Conflict-Affected Situations*: a report on the experiences and lessons learned which served as input to this quick guide.

- USAID, World Bank Group, *A Rough Guide to Investment Climate Reform in Conflict-Affected Countries*: a guide designed to help project teams engaged in investment climate reform in conflict-affected countries more effectively design, plan, implement, and evaluate reform projects.

- IFC, *Stakeholder Engagement in Post-Conflict Countries – The Liberian Experience*: a description of the World Bank's approach to developing a stakeholder engagement strategy in Liberia.