



## A.4. THE CHARTER OF GOOD PRACTICE IN USING PUBLIC-PRIVATE DIALOGUE FOR PRIVATE SECTOR DEVELOPMENT

### Charter of Good Practice in Using Public-Private Dialogue for Private Sector Development

**Recognizing** that economic progress depends on a business climate conducive to private investment and enterprise, which in turn requires a range of private sector development policies and institutions, infrastructure, access to services, and supporting laws and regulations designed within a coherent policy framework and with sensitivity to the interests of all sectors of society,

**Observing** in particular that reforms designed to improve the business climate are more effective when dialogue between the public and private sectors involves the ultimate beneficiaries of those reforms in diagnostics, solution design, implementation and monitoring,

**Aware** of the challenges experienced by practitioners in capitalizing on the benefits of dialogue, such as accelerating the reform process, maximizing returns on investment climate reforms and public-private investments, contributing to broader poverty reduction strategies and allowing public and private sectors to build mutual trust that commands widespread confidence,

**Conscious** of the demand that practitioners have voiced for good practice recommendations and a monitoring and evaluation baseline aimed at providing guidance, measuring success and increasing performance,

**Drawing** from experiences of numerous professionals from the public, private and donor communities and lessons learned from research into dialogue mechanisms, consolidated at the international workshop for public-private dialogue held in Paris in February 2006,

**Now, therefore,** by consensus, practitioners are recommended to draw on the following principles hereby set forth as the Charter of Good Practice in using Public-Private Dialogue for Private Sector Development.

### PRINCIPLE I: MANDATE AND INSTITUTIONAL ALIGNMENT

**A statement of objective is helpful for clarity. A formal or legal mandate can be an important help in some political and economic contexts, but mandates are never sufficient to establish good PPD. Wherever hosted and whenever possible, PPD should be aligned with existing institutions to maximize the institutional potential and minimize friction.**

- Dialogue depends on the capacity and mindset of participants, and a legal mandate is not sufficient to create this.
- Nonetheless, a formal mandate is a signal that can establish credibility, make continuity more probable, and enable dialogue to be better integrated into an existing institutional framework.

- A mandate with legal backing is especially likely to be helpful in transition economies or countries with strongly bureaucratic traditions.
- However, energy should not be diverted into establishing a legal status at the expense of losing momentum on substantive reform efforts.
- Legal mandates that are too detailed carry the risk of restricting flexibility and restraining initiatives from adapting to changing circumstances.
- Existing institutions should be capitalized on as much as possible. Even when hosted outside existing institutional frameworks, PPD is more effective when aligning its structure with existing institutional priorities and lines of command.

## **PRINCIPLE II: STRUCTURE AND PARTICIPATION**

**PPD's structure should be manageable while flexible, enable participation to be both balanced and effective, and reflect the local private sector context.**

- Appropriate structures can be formal, informal or a mixture. Their design needs to take into account existing processes and institutions.
- Participation of relevant representative stakeholders should be agreed on in a transparent manner and be balanced and practicable, so as to best serve the objectives of the dialogue.
- Dialogue structures can be set up to carry out specific participatory processes in a series of working groups, for example to contribute to the elaboration of reform strategies for specific sectors, issues or regional areas.
- An organizational design operated under the umbrella of a secretariat is often useful to help ensure a coherent approach to public-private dialogue, including the shaping of an overarching policy framework.

## **PRINCIPLE III: CHAMPIONS**

**It is difficult to sustain dialogue without champions from both the public and private sectors who invest in the process and drive it forward.**

- Backing the right champions is the most important part of outside support to PPD.
- It is easier for dialogue to survive weakness of champions in the private sector than the public sector.
- If champions are too strong, the agenda can become too narrowly focused, or dialogue can come to depend too heavily on individuals.

## PRINCIPLE IV: FACILITATOR

**A facilitator who commands the respect of stakeholders can greatly improve the prospects of PPD.**

- Important qualifications include negotiation skills, understanding of technical issues and an ability to converse easily with everyone from ministers to micro-entrepreneurs.
- An innovative and entrepreneurial approach is often helpful.
- A difficult question is whether the facilitator should be local or external – local knowledge is an advantage, but so is a lack of any personal baggage with participants.

## PRINCIPLE V: OUTPUTS

**Outputs can take the shape of structure and process outputs, analytical outputs or recommendations. All should contribute to agreed private sector development outcomes.**

- Analytical outputs can include identification and analysis of business roadblocks, agreement on private sector development objectives, and private sector assessment of government service delivery.
- Recommendations can address policy or legal reform issues, identification of development opportunities in priority regions, zones or sectors, or definition of action plans.
- Structure and process outputs can include a formalized structure for private sector dialogue with government, periodic conferences and meetings, ongoing monitoring of public-private dialogue outputs and outcomes, and a media program to disseminate information.

## PRINCIPLE VI: OUTREACH AND COMMUNICATIONS

**Enabling communication of a shared vision and understanding through the development of a common language is essential for building trust among stakeholders.**

- Common communication requires a mutual understanding of core motivation, which depends on frequent and iterative interactions between all parties.
- Dialogue should be as open-access and broadly inclusive as feasible. This necessitates an outreach program to the reform constituency. Elements can include use of the media, seminars, workshops, and roadshows.
- This also necessitates attention to building the capacity of the private sector to participate in dialogue to achieve a concerted strategy to communicate reform issues through clear and targeted messages.
- Transparency of process – in particular, an open approach towards the media – is essential for outreach, and also contributes to measurement and evaluation.

## PRINCIPLE VII: MONITORING & EVALUATION

**Monitoring and evaluation (M&E) is an effective tool to manage the public-private dialogue process and to demonstrate its purpose and performance.**

- While remaining flexible, user friendly and light, the monitoring and evaluation framework adopted by a PPD should provide stakeholders with the ability to monitor internal processes and encourage transparency and accountability.
- Definition of inputs, outputs, outcomes and impacts will be enhanced with designation of appropriate indicators with periodic review from stakeholders, which will rely on the collection of reliable data.
- Monitoring and evaluation techniques enable better overall planning, can ignite potential advocacy, and provide both internal and external motivation to promote more effective implementation.
- To this effect, PPDs should develop a baseline assessment to measure their effectiveness in order to enable the partnership to better measure how it is achieving its goals over time and delivering on its envisaged benefits.

## PRINCIPLE VIII: SUB-NATIONAL

**Public-private dialogue is desirable at all levels of decision-making, down to the most local possible level, especially as this is likely to be more practically capable of involving micro-entrepreneurs, SMEs and other local stakeholders.**

- Local level public-private dialogue allows local issues and solutions to be identified and taken to decentralized decisionmakers or channeled upwards to the appropriate level of authority at which they can be solved.
- Local dialogue can contribute to effective implementation of national policies. It may be particularly effective when explicitly aligned with dialogue taking place at a national or regional level.
- Local level dialogues can especially benefit from use of participatory tools, capacity building initiatives, and the use of local and neutral facilitators.

## PRINCIPLE IX: SECTOR-SPECIFIC

**Sector-specific or issue-specific public-private dialogues should be encouraged because they provide more focus, greater incentive to collaborate, and more opportunity for action.**

- To tackle the risk of missing the big picture, sector-specific dialogues should be linked to a broader, cross-cutting dialogue process.
- The choice of sectors to involve in dialogue can be controversial, especially where institutions are weak. This can be mitigated by a transparent process.

- Dialogue works best with the sectors most willing to invest time and resources – though this requires safeguards against unfairly favoring already-strong sectors.
- Rent-seeking activity is more of a risk in sector-specific dialogue.
- This can be mitigated by greater transparency, explicit enunciation of intended outcomes, and an inclusive approach that creates open access for all stakeholders with an interest in the sector's or cluster's value chain.

## PRINCIPLE X: INTERNATIONAL ROLE

**Broad and inclusive public-private dialogue can effectively represent and promote national and regional interests of both public and private actors in international negotiations and international dialogue processes.**

- Complex international challenges require broad, ad hoc alliances between state and non-state actors. These should be transparent, inclusive, and open-access.
- Involving local partnerships at the international level can give a more effective voice to national and regional interests by helping public and private sectors coordinate and thus widen their room for maneuver.
- International partners can foster an informal process of regional and multilateral policy dialogue, setting an example for national-level initiatives.

## PRINCIPLE XI: POST-CONFLICT / CRISIS-RECOVERY / RECONCILIATION

**Public-private dialogue is particularly valuable in post-conflict and crisis environments – including post-natural disaster – to consolidate peace and rebuild the economy through private sector development.**

- Because they focus on the specific and tangible issues of entrepreneurship, economic reconstruction and investment climate improvement leading to job creation and poverty reduction, public-private dialogue initiatives are very effective at building trust among social groups and at reconciling ethnic, religious, or political opponents.
- PPD can be especially valuable in enabling the sharing of resources and building capacity – a particular priority in crisis environments.
- Structures and instruments for dialogue need to be adapted to each post-conflict or crisis context. They need to take into account the inherent informality of the economic actors and the potential role of customary systems in re-establishing the rule of law.
- An external “honest broker”, possibly linked to international organizations in charge of peace building, may be needed to kick-start dialogue. But mechanisms should be in place for quick transfer of the initiative to local ownership.

## PRINCIPLE XII: DEVELOPMENT PARTNERS

Public-private dialogue initiatives can benefit from the input and support of donors (development partners) when their role is determined by the local context, demand driven, and based on partnership, coordination and additionality.

- Development partners can encourage conditions for dialogue, and initiate, promote, support, fund, and facilitate dialogue.
- Capacity building and disseminating international best practice are two areas where development partners can play a particular role.
- The role of development partners should be as neutral as possible, maximizing the local ownership and capacity, the development of trust, and the maintenance of a conducive and transparent environment.
- Development partners should consider social, economic, and political context, as well as exit strategies and sustainability issues.
- They should coordinate among themselves to avoid duplicating their efforts and maximize the availability of funds when partnerships are found to be worth supporting.

**This Charter was initially drawn up** on the Second of February, Two Thousand and Six, at the International Workshop on Public-Private Dialogue, organized by a cross-sectoral team from DFID, the World Bank, the IFC and OECD Development Centre, held at the World Bank Paris Conference Centre, and attended by over a hundred participants from thirty countries