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PUBLIC-PRIVATE DIALOGUE IN FRAGILE AND CONFLICT-AFFECTED SITUATIONS



Experiences and Lessons Learned

Investment Climate | World Bank Group



In partnership with





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About the Investment Climate Department of the World Bank Group

The Investment Climate Department of the World Bank Group helps governments implement reforms to improve their business environments and encourage and retain investment, thus fostering competitive markets, growth, and job creation. Funding is provided by the World Bank Group (IFC, the World Bank, and MIGA) and over 15 donor partners working through the multidonor FIAS platform.

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Abbreviations

CCIAMA	Chad Chamber of Commerce
CPIA	Country Policy and Institutional Assessment
IFC	International Finance Corporation
FCS	fragile and conflict-affected situations
GICAM	Groupement Inter-Patronal du Cameroon
PPD	public-private dialogue

All monetary values are in U.S. dollars unless otherwise noted.

Introduction

Public-private dialogue (PPD) is highly necessary in fragile and conflict-affected situations (FCS)¹ to fill the gap resulting from the lack of legitimate institutions, to help create transparency and trust among stakeholders, and to identify the need for reforms and interventions that can improve the business environment and attract investment. Moreover, creating a platform for PPD can provide a useful starting point for private sector development in FCS for projects in key sectors, such as agribusiness and extractives, where PPD can help build links between large-scale investments and the local economy.

To support PPD projects in FCS, the World Bank Group has conducted a survey of 27 Task Team Leaders and other program staff members with experiences from 30 FCS countries. The survey was followed by in-depth interviews with 13 key staff members who have experience from selected countries. By conducting in-depth interviews, the Bank Group aimed to capture important experiences and lessons learned, including a description of challenges, useful tools and methods, and do's and don'ts.

¹ FCS are countries and economies that (a) have a harmonized average Country Policy and Institutional Assessment (CPIA) rating of 3.2 or less (or no CPIA rating) or (b) have had a United Nations or regional peacekeeping or peace-building mission during the past three years or (c) meet both those criteria. The 50 countries and economies classified as FCS for at least one year in the period 2005–12 are Afghanistan, Angola, Bosnia and Herzegovina, Burundi, Cambodia, Cameroon, the Central African Republic, Chad, the Comoros, the Democratic Republic of Congo, the Republic of Congo, Côte d'Ivoire, Djibouti, Eritrea, The Gambia, Georgia, Guinea, Guinea-Bissau, Haiti, Iraq, Kiribati, Kosovo, the Lao People's Democratic Republic, Liberia, Libya, the Marshall Islands, Mauritania, the Federated States of Micronesia, the Republic of the Union of Myanmar, Nepal, Nigeria, Papua New Guinea, São Tomé and Príncipe, Sierra Leone, the Solomon Islands, Somalia, South Sudan, Sudan, the Syrian Arab Republic, Tajikistan, Timor-Leste, Togo, Tonga, Tuvalu, Uzbekistan, Vanuatu, West Bank and Gaza, Western Sahara, the Republic of Yemen, and Zimbabwe.

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Executive Summary

PPD project managers operating in FCS face conditions that threaten the weak institutional structure that keeps the countries they work in standing. In FCS, basic societal agreements and structures are either failing or so new that they lack the capacity to comply with their own mandates. Respondents to the survey indicated that weak government and private sector institutions present the greatest challenges to achieving PPD project objectives.

From January to March 2014, the World Bank Group conducted a survey and interviews that captured the knowledge of 27 professionals with experience implementing PPD projects in more than 30 countries. This report documents their experiences and lessons learned.

The main conclusions from the study are as follows:

- Project design should be conflict sensitive and based on stakeholder mapping and political economy analysis.
- Communicating commitments publicly, including in the media, is an effective means of creating transparency and accountability.
- Inclusiveness, although difficult to achieve in FCS, is achievable over the long term and is crucial for success.
- In FCS, finding people who are available to serve as champions can be difficult. Furthermore, when a champion can be found, she or he often lacks sufficient capacity to implement PPD initiatives. Projects need strategies to work effectively with the champions who are available, while mitigating the risk of depending on one or a few people too heavily.

- Engaging stakeholders requires an understanding of the values and culture in which a PPD project is embedded. Often, this understanding requires that a PPD platform have a politically savvy staff with a deep understanding of political and social networks and how those networks relate to drivers of conflict or tensions.
- PPD in FCS may achieve better results by focusing on a key sector, such as extractives or agribusiness, and by using PPD as a tool for increasing investment opportunities.
- Successful PPD platforms understand the particular risks of working in FCS and develop mitigation plans to address them.
- The timeline for successful implementation and transition to local ownership in FCS is often much slower than in other countries. Often, the timeline needs to be extended to ensure a sustainable outcome of the project.
- The results of PPD are produced by the reforms it initiates and also the process it implements. In FCS, the peacebuilding and conflict-mitigating results are difficult to capture. However, the stakeholders that benefit from the results highly value them.

This study will inform the design of guidelines intended for PPD project managers operating in FCS environments.



Key Findings and Recommendations

Project Design

Understanding the Context

Study participants in our survey and interviews pointed to stakeholder management as the most resource-consuming and important part of their PPD platforms. They value assessments that map stakeholders and provide information about their political values, networks, and economic relationships (figure 1). Other types of assessments that respondents valued were conflict assessments and political economy analysis.

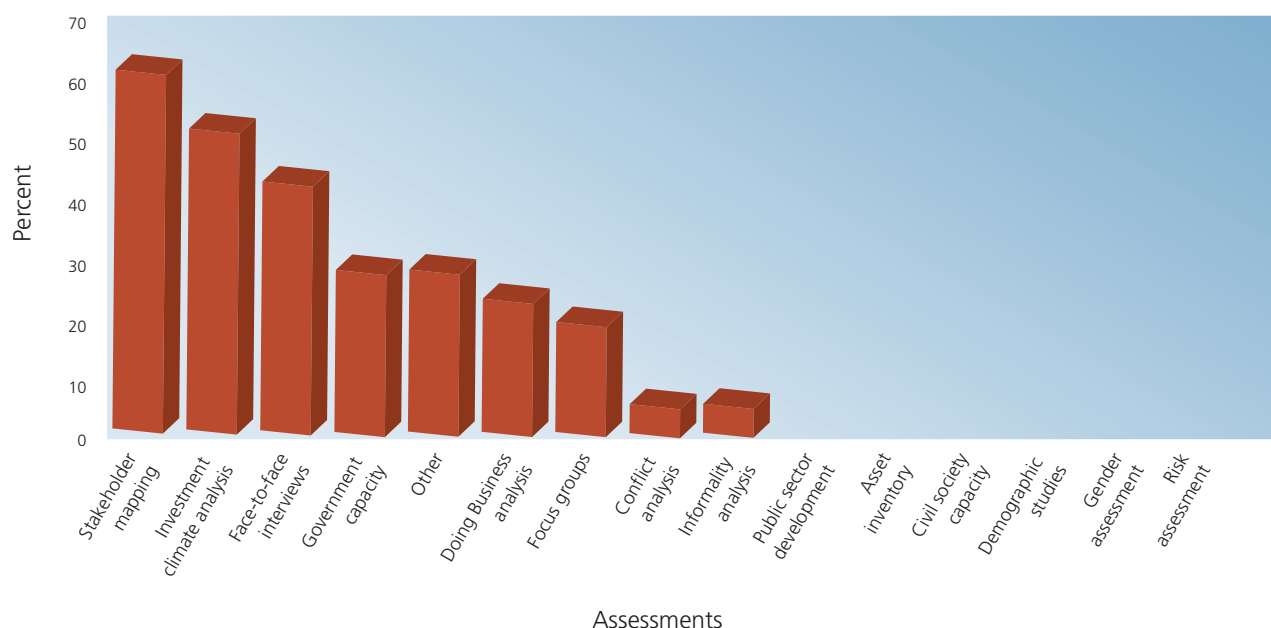
Respondents pointed to difficulties with stakeholder management as their biggest challenge. They also indicated that maintaining close dialogue and understanding how to incentivize desired behavior was the most effective means of troubleshooting challenges that arise over the course of a PPD project.

“Learning history and culture reveals important information, especially in FCS countries. Without that, you might undermine your own work. Learning history and culture will tell you how dialogue happens in a country. You will find out to whom they listen, if it’s elders, youth, women, or foreigners. Most tribal structures require that you master how they communicate.”

—José Ricardo Silva, Operations Officer, Timor-Leste

EXAMPLE: In South Sudan, analysis of the history and context of the country informed project design. Foreign companies were seen as colonizers, and the Sudanese government had suppressed South Sudanese entrepreneurship. This context created a deep mistrust in

FIGURE 1: MOST USEFUL ASSESSMENTS



Note: PPD = public-private dialogue.

Source: Survey of Task Team Leaders and program staff members in FCS, World Bank Group.

public-private sector relations. The government did not want to open the possibility of colonization by talking to large businesses. Consequently, South Sudan had no entity able to organize and represent the private sector. Knowing the background of this relationship, the World Bank Group started the project with a very gradual process to help the local private sector organize itself into associations and build trust among stakeholders.

Recommendations: Project managers suggested that researching clients and counterparts goes a long way in heading off issues that may arise, though sometimes it may be necessary to take a chance and work with a particular person or group. They had the following suggestions:

- Do Google searches on the people and institutions you will work with. Learn their history and the issues that they are struggling with.
- Talk to trustworthy local sources about these people and institutions. Understand their strengths and weaknesses and identify anything that could derail the project.
- If the World Bank Group has an office in the country, interview staff members that have worked with your clients and counterparts previously.

- Talk to PPD staffs working in other FCS countries with similar classification (the World Bank Group FCS team is developing a classification of different types of FCS).
- Talk to other donors and implementing partners.

Recommendations: In designing a PPD project, it is important to understand the relationship between the economy and the state, including power dynamics and triggers of conflict. Survey and interview respondents indicated that political economy analysis and tracking over the course of a project are necessary to keep the project on track. Though each country had its specific characteristics, common elements of the political economy that project managers found valuable to include in the analysis were as follows:

- A description of different political parties
- A description of the party in power and its path to power
- An explanation of how leaders are determined in government and ministries
- A description of private sector political affiliations
- An 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 government and the economy
- A summary of how stakeholders' names or backgrounds might connect with their political alliances and power relations
- A description of how decisions are made, both formally and informally, and the cultural norms for decision making.

Identifying an Appropriate Entry Point

In most FCS, public sector institutions are weak, the private sector is fragmented, and politics are divisive. These elements are the main challenges to achieving project objectives, including PPD. Other externalities may negatively effect the implementation of projects (figure 2). Consequently, many World Bank Group staff members recommended focusing on subnational, sector-specific, process-oriented issues, especially in the first stage of a project. Starting a PPD project with a subnational focus allows newly empowered stakeholders to address practical problems with solutions that require few resources. Respondents and interviewees also recommend choosing process efficiency issues over addressing the legal framework in a PPD project's first phase. Examples of the types of early interventions that staff-recommend projects target are filling potholes, improving trash collection, making basic improvements to business registration

processes, and solving local coordination issues that do not require legislative action. It is simpler to bring government and business together to benefit the business environment at a local level than a national one.

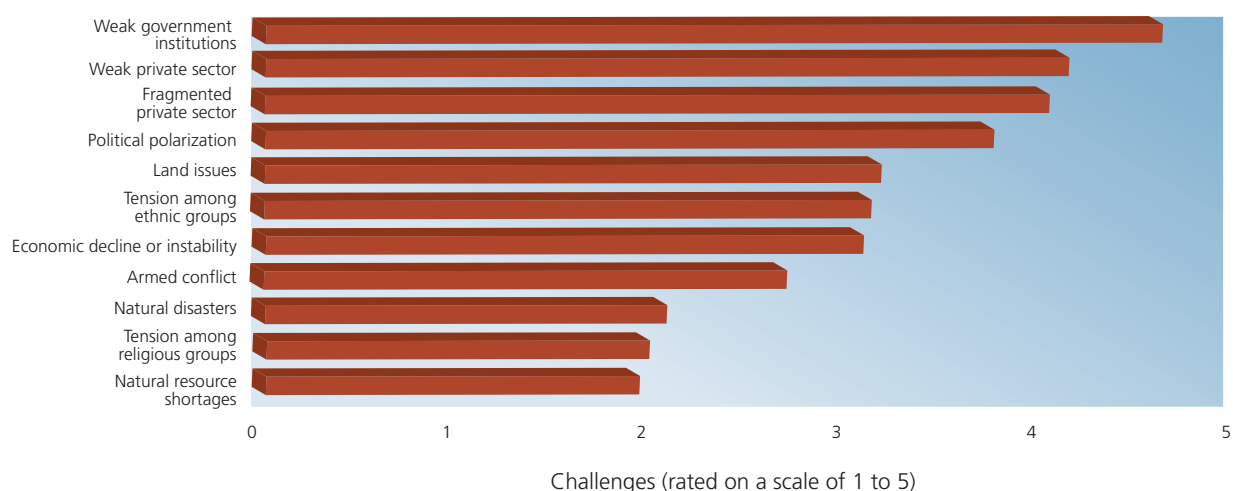
Historically, PPD platforms have focused on economywide reforms but increasingly, new PPD projects are focusing on a key sector (such as agribusiness or extractives) with a strong emphasis on developing investment opportunities and supporting value chain development. However, in FCS, a combination of a sector focus and economywide interventions is often needed to remove key obstacles and improve access to finance, infrastructure, and other broader issues with implication for the sector.

In a number of FCS countries included in the study, staffs found that the private sector lacked representation entirely. Staffs determined that, for PPD to proceed in these countries, projects should begin with supporting the creation of institutions to represent the private sector's side of the dialogue. Doing this requires skills in not only dialogue but also organization governance, representation, and capacity building.

Recommendation: Determine the PPD project's entry point in the assessment phase. Decisions about point of entry include considerations about the following:

- Whether to begin work with the public sector or private sector
- Whether the focus should be the national or subnational level

FIGURE 2: CHALLENGES TO ACHIEVING PROJECT OBJECTIVES



Source: Survey of Task Team Leaders and program staff members in FCS, World Bank Group.

- Whether the project will start with a sectoral focus or an economywide focus or a combination of the two.

Setting Objectives and a Timeline

FCS contexts slow the implementation of activities and the achievement of results. Initiatives that seem basic in most environments take on new complexities. New, game-changing events such as conflict outbreak, radical changes in government, or extreme economic volatility are much more likely. The World Bank Group staff members recommend that project designers take the FCS context into consideration when deciding what is achievable and how quickly benchmarks can be met. In addition to Nepal, examples of projects for which initiating the PPD platform took longer than expected include Cameroon and South Sudan. In retrospect, leaders of those projects felt that project designers should have taken the FCS status of the country into consideration when determining how long it would take to accomplish objectives. It is also true that one may have to go a step back once in a while and that an incremental approach is desirable.

EXAMPLE: At the initiation of the PPD project in Nepal, World Bank Group staff members and consultants estimated that the task of conducting the PPD diagnostics and holding workshops to engage stakeholders would take two weeks. Irina Niederberger, Nepal program manager from 2008–10, estimates that the diagnostic phase actually took about two years.

Recommendations: Project designers should take the FCS status of the country into consideration when determining how long it will take to accomplish milestones and objectives. They should consider outlining an incremental approach to achieving objectives. An incremental approach involves understanding that a legal reform may take longer than the project's life. Accordingly, an incremental project design would do the following:

- 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 successfully carry reform forward after the project ends.

Putting the Team Together

Respondents and interviewees recognized the importance of having technical staff members who understand economic issues as well as dialogue and governance issues. A good understanding of economic issues can help project staff members understand the nature of the process that is required (for example, some dynamics in the process may be influenced by economic drivers). Dialogue experts who may have a good generic understanding of process dynamics may be handicapped if there is no one on the team who can speak to the role of economic drivers. In FCS, establishing a successful PPD process is often just as important as achieving the reforms or economic results that the process produces.

EXAMPLE: In Nepal, the project staff created a position to track changes in the government and the implications of those changes.

Recommendations: Concerning the composition of the team, interviewees recommend the following:

- Hire local staff members who understand the actors and know how to find local champions to work with.
- When searching for someone to hire, consider people who are good, quick decision makers who feel comfortable to responding to rapid changes in the project's environment.
- Hire a political economy analyst to serve on staff.
- Be sure to hire staff members with leadership skills and political savvy, which is as important as hiring staff members with deep technical knowledge.

Communication, 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, which will drive action, and the need to hold open and frank discussions without the threat of punishment for voicing controversial or unpopular ideas. Interviewees emphasized that public commitments, made through publishing meeting minutes and tracking the progress of planned reforms, were the

most effective means of promoting transparency and accountability (see figure 3). However, in some instances, providing open access to the press can hinder open dialogue more than it promotes the desired cultural changes.

EXAMPLE: FCS may have an underdeveloped media sector, or, as is the case Myanmar, may have had strong government censorship in place until very recently, thereby resulting in weak journalistic practices.

Recommendations: Respondents also had these suggestions for creating transparency and accountability:

- Use the media to publish the decisions regarding reforms and the progress made in implementing them.
- Have working groups report publicly to higher authoritative bodies.
- Have the PPD secretariat 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.

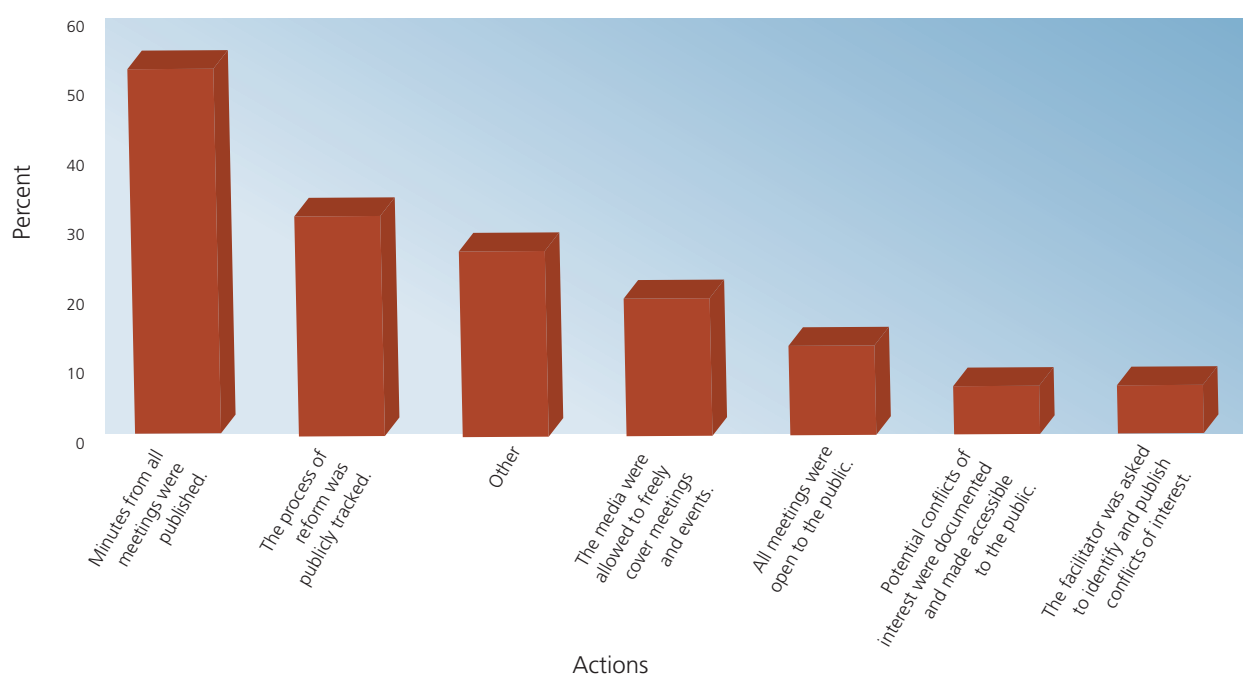
- Provide a neutral party to facilitate the process. Especially early in a project, FCS PPD participants need a neutral, trusted party to lead the process until stakeholders are comfortable managing it themselves.
- Make decisions public and identify individuals responsible for specific action items.
- Use social media to reach youth groups.

Creating a Communications Strategy

Building credibility is an important part of PPD in FCS. Project leaders have to ensure that promises are specific and delivered on exactly and that successes are not exaggerated.

A point of discussion was the role of the media in promoting transparency and accountability, which was felt to be potentially in conflict with the need to hold open discussions. Also, some interviewees felt that in countries that have historically lacked a free press and a sophisticated media industry, the media often hindered discussions and that their access to PPD participants should therefore be limited to public events.

FIGURE 3: HOW PROJECTS MAINTAIN TRANSPARENCY



Source: Survey of Task Team Leaders and program staff members in FCS, World Bank Group.

Another note of caution was expressed regarding branding the platform as a World Bank Group project. Staff members felt that doing so could create dependency. Once stakeholders identify PPD as a service of the World Bank Group, extricating the Bank Group and handing the platform over to local stakeholders becomes more difficult (discussed in more detail in the “Planning for Sustainability” section).

EXAMPLE: In Liberia, the project leaders held a five-city road show to reach business people who could not easily travel to Monrovia. Town hall-style discussion events designed to promote a tax campaign and encourage people to file taxes were advertised on the radio and held in central locations.

Recommendations: Study participants ranked the groups they found most difficult to reach with their communications strategy (figure 4). Among the methods they listed as most successful for reaching stakeholders were the following:

- Road shows that brought public and private sector participants in the PPD platform to rural areas for town hall-style discussions

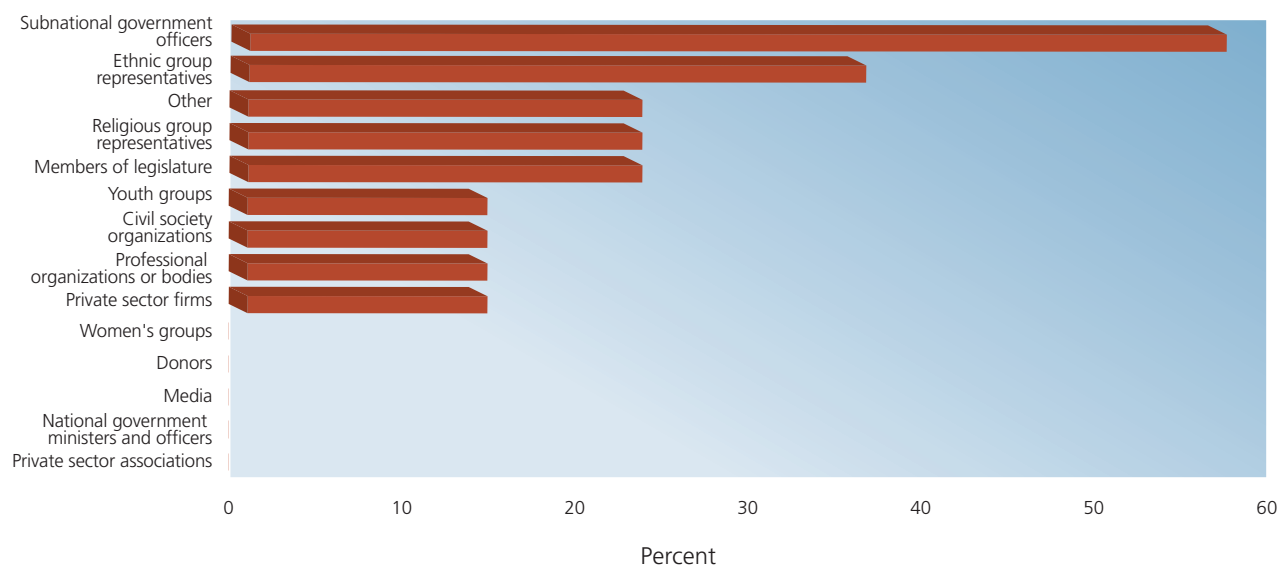
- Traditional media such as television and newspapers, or, in countries with high levels of illiteracy, radio
- Short message service (SMS), especially to plan meetings and events with stakeholders in distant places.

Inclusion

Promoting Inclusiveness

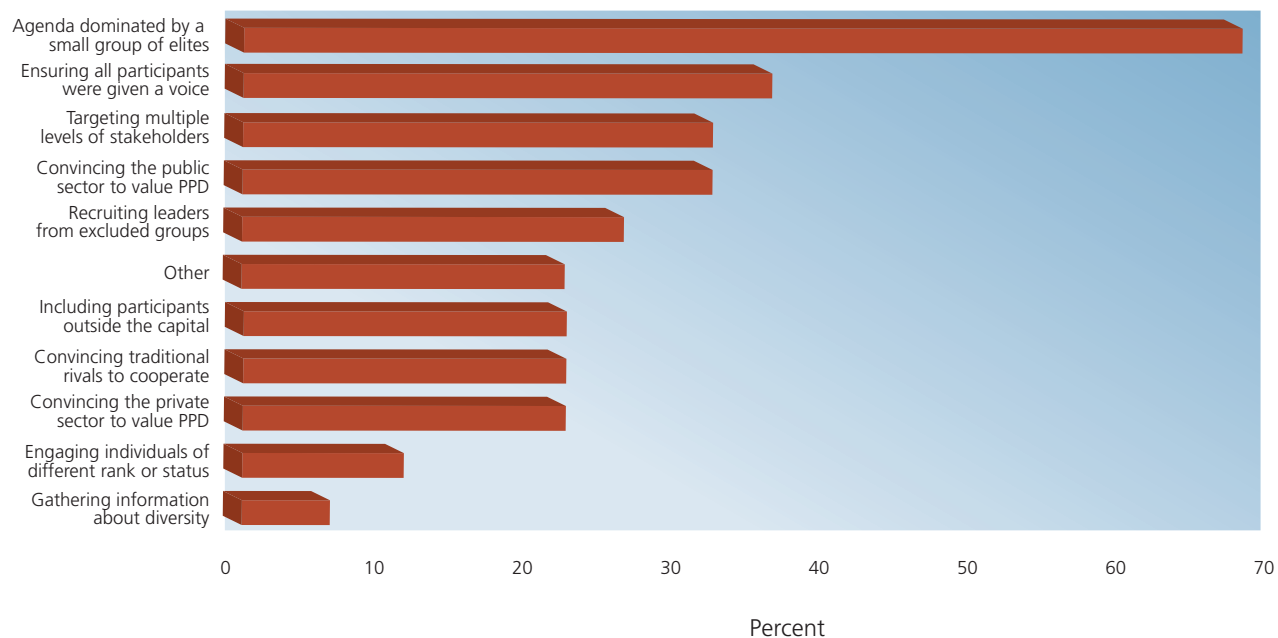
PPD platforms are most successful when they accurately represent all segments of a population, including ethnic minorities, women, and youth. Indeed, although inclusiveness is a key element of all PPD processes and platforms, inclusiveness is even more important in FCS and postconflict environments where divisions within the society are prevalent. Participants in this study reported that poor infrastructure, high levels of illiteracy, traditional power structures, and other factors contribute to the difficulties of achieving a PPD platform that represents a population well (figure 5). Geographically, project managers found reaching groups outside of the capital city difficult (figure 6).

FIGURE 4: THE MOST CHALLENGING GROUPS TO REACH THROUGH COMMUNICATIONS OR OUTREACH



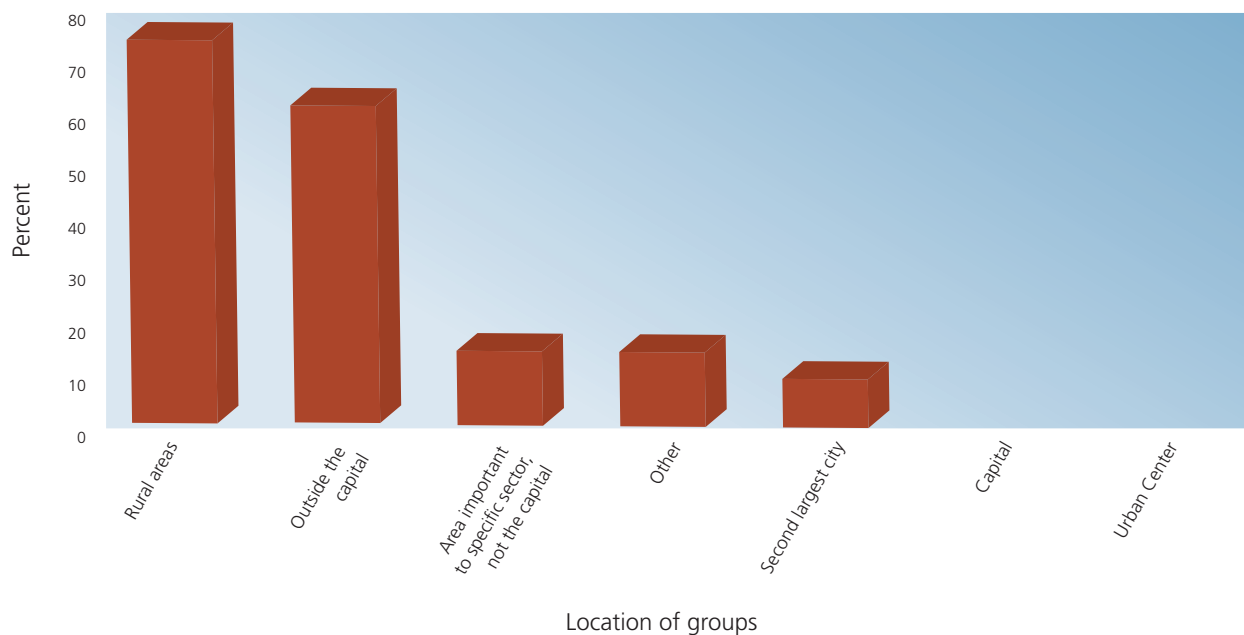
Source: Survey of Task Team Leaders and program staff members in FCS, World Bank Group.

FIGURE 5: MOST DIFFICULT ASPECTS OF BUILDING INCLUSIVENESS INTO PPD PROJECTS



Source: Survey of Task Team Leaders and program staff members in FCS, World Bank Group.

FIGURE 6: UNDERREPRESENTED STAKEHOLDER GROUPS



Source: Survey of Task Team Leaders and program staff members in FCS, World Bank Group.

EXAMPLE: In Myanmar, project leaders emphasize inclusiveness with every stakeholder. The project works with women and is bringing international business into the discussion for the first time. However, minorities are difficult to engage, especially those that live near the border. One action the project takes is to not let the Federation of Chambers of Commerce, the major private sector organization, take sole responsibility for distributing invitations to participate in working groups. Instead, the Bank Group and the Federation of Chambers of Commerce work together to make sure working groups are inclusive and representative.

Recommendations: Participants in the study suggested the following techniques for maximizing inclusiveness:

- Understand that inclusiveness starts with a strong stakeholder analysis that reveals local political, ethnic, religious, and social relationships, and links that analysis to conflict dimensions.
- Have a coordinator who speaks local languages; this allows for the building of trust and greater inclusion.
- Build the capacity of private sector associations to develop subnational chapters and to collect input from those chapters for use at the national level.

- Closely monitor the establishment of working groups and make sure that the project team participates in assembling invitations.
- Consult with traditionally excluded stakeholders independently so that they are aware of the PPD process.
- Be patient and persistent. Building inclusivity takes time and consistency of message.

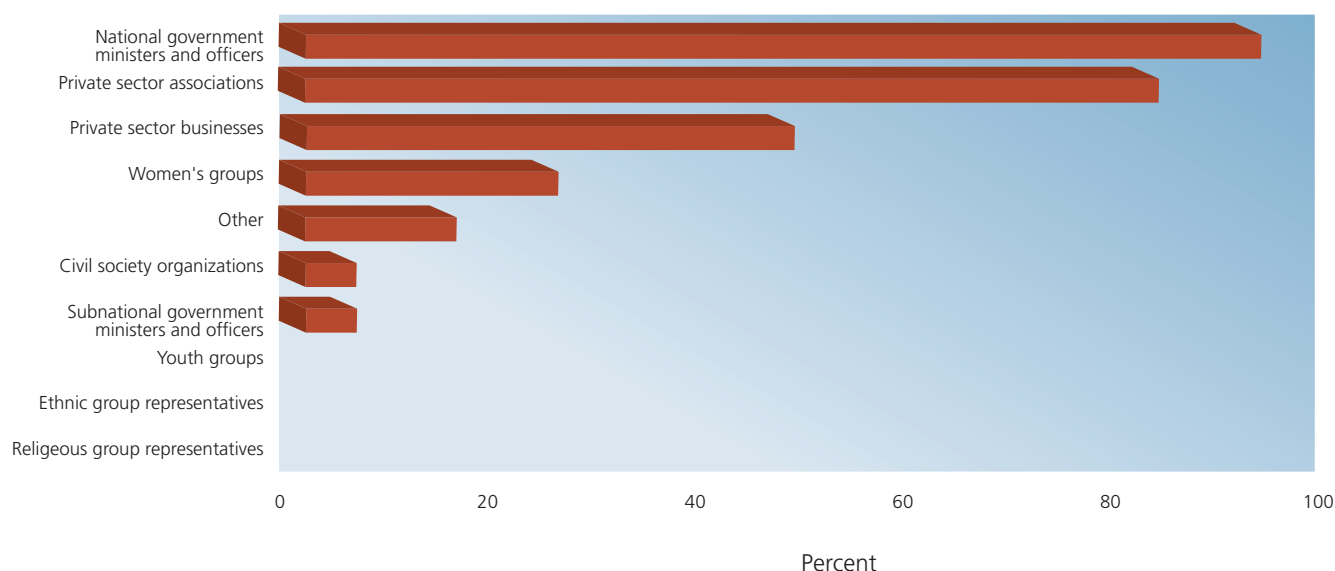
Champion Engagement

Working with Champions

Identifying effective champions is challenging in FCS. In countries with a small private sector, many donors want to work with the same few people. This may leave the PPD platform with a person who is spread too thin to devote the time required to make the dialogue work.

Survey respondents indicated that government was their main source of champions (figure 7). This may be because the mandate for the project most often comes from national government officers (figure 8). In FCS, the private sector is often operating under a transitional status and just beginning to form representative institutions. This

FIGURE 7: STAKEHOLDER GROUPS THAT PROVIDED CHAMPIONS MOST IMPORTANT TO PPD SUCCESS



Source: Survey of Task Team Leaders and program staff members in FCS, World Bank Group.

often makes it difficult to find private sector champions who have capacity to manage a PPD, are willing to take the risk of trying something new, and have the trust of many types of stakeholders. It is also important to bear in mind that elite groups may hijack champions.

Maha Hussein recommends that “project managers make sure that trusted local staff [members] advise on identifying champions. There are potential champions that might charm foreigners, but that locals know would hurt the project.” She points out that in FCS, “it’s hard to find ideal candidates, so a project manager has to accept the best people who are available.”

—Maha Hussein, Operations Officer for the Middle East and North Africa

Recommendations: Study participants had the following advice regarding identifying champions:

- Do not rely on only one or two senior champions; instead, make the champion base broader.
- Interview current World Bank staff members, the United Nations, and other key development partners in the country.

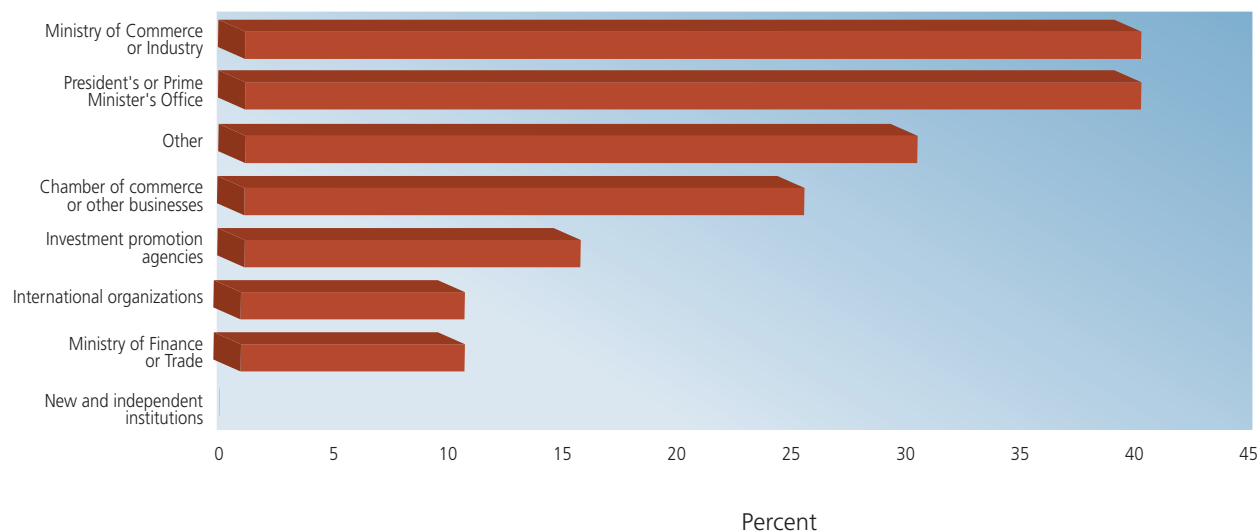
- Look for intellectuals and professors, who are often seen as neutral parties in public-private sector debates. Accountants and lawyers have also worked well.
- Work with your client to recruit champions for stakeholder groups.
- Understand that professional groups that provide services to businesses, such as bankers, lawyers, and accountants, cannot only be part of the dialogue but may also help in dealing with some of the challenges of the PPD process, given their leverage on businesses.

Managing Work with Champions

A well-respected champion may bring together divided stakeholders and political groups to work toward a common goal and serve as the glue that holds the project together. However, in FCS a very strong and effective champion poses a risk. If the champion is forced to leave, the future of the project may be threatened. Survey respondents identified several important challenges regarding their work with champions in FCS, including the following:

- Dealing with frequent change in the management of government institutions and private sector organizations
- Combating the lack of trust among stakeholders in FCS

FIGURE 8: GROUP ISSUING THE MANDATE FOR PPD IN FCS



Source: Survey of Task Team Leaders and program staff members in FCS, World Bank Group.

- Obtaining a time commitment from private sector champions and the expectation of compensation
- Convincing champions to strive for inclusiveness
- Understanding the political implications of working with specific champions
- The capacity of champions who are available
- Facing the risk of elite groups hijacking the champions.

EXAMPLE: Nepal had a strong champion that was responsible for nearly all of the project's early accomplishments. Stakeholders respected him for his independence and honesty. However, when he left the project, the project fell into crisis. The lesson was to ensure that when a project relies heavily on one individual, the staff has a backup plan in place for when that individual leaves.

EXAMPLE: In South Sudan, the World Bank Group team's strategy was built on investing heavily in individual champions, but it also went beyond this to work with organizations. Because the project created the Chamber of Commerce as the main private sector participant in

PPD, it also had to work with the Chamber of Commerce's constituencies. The project worked with subchambers, such as the women's chamber and sectoral organizations, to ensure that they were demanding services and holding the chamber accountable. Their effort was an example of the deep institution building that, although not part of traditional PPD, was necessary to build a foundation for the PPD platform.

Recommendations: Study participants had the following recommendations regarding working with champions:

- Consider bringing groups together to address small, noncontroversial issues before recruiting a champion.
- Be careful of relying on large associations for champions. You may spend a lot of time recruiting them, but they may never come on board.
- Ensure that champions have access to decision makers on both the public and private sector sides of the dialogue.
- Select a number of champions. Having several will help ensure inclusiveness and avoid one interest group dictating the agenda.



Stakeholder Engagement

Establishing Credibility with Clients and Stakeholders

A great challenge to conducting PPD in FCS is the high levels of mistrust that come along with weak institutions and sectarian strife. Add to this the large numbers 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 in which a PPD project is embedded. In some countries, the World Bank Group's reputation helps establish the credibility of the project. In others, adopting a well-respected elder or statesman as a champion creates enough credibility. Still others rely on the personal relationships and the personal record of achievement of the World Bank Group staff.

EXAMPLE: Some examples of how projects established credibility are as follows:

Afghanistan: Hiring a project manager with a strong record of accomplishment, making and quickly fulfilling promises, participating in formal and informal events despite security issues.

Nepal: Recruiting a senior vice minister who was respected and who delivered on promises.

Timor-Leste: Recruiting the vice minister for commerce, who was crucial for convincing the private sector associations to organize under a single Chamber of Commerce so as to provide a single voice in dialogue with the government.

West Bank: Appointing a project manager with origins in the region and a good command of the language, as well as bringing in consultants with regional records of success to build credibility with public sector stakeholders.

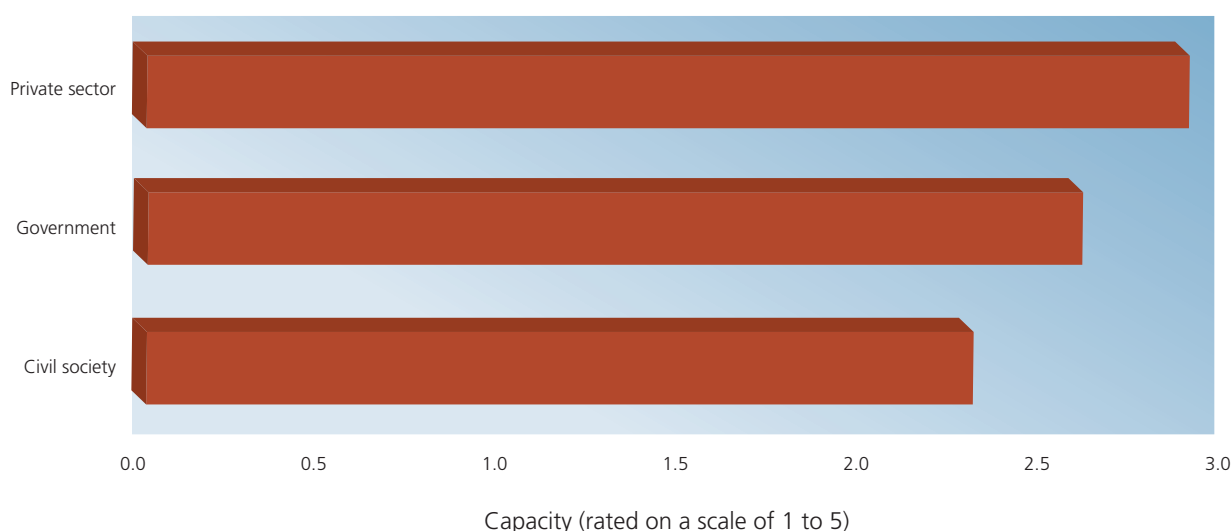
Yemen: Capitalizing on the World Bank's reputation.

Building Stakeholder Capacity

Building stakeholder capacity to communicate and solve problems is a core part of PPD in FCS. When asked about the readiness of the public, private, and civil society sectors to participate in PPD at the initiation of the project, survey respondents indicated that most sector members had just enough or less than sufficient capacity to participate (figure 9).

The types of capacity that stakeholders required varied. The skills that stakeholders, in general, most required were

FIGURE 9: STAKEHOLDER CAPACITY TO SUCCESSFULLY ACHIEVE OBJECTIVES AT PROJECT INITIATION



Note: A score of 1 means "absolutely no capacity." A score of 5 means "more than enough capacity."

Source: Survey of Task Team Leaders and program staff members in FCS, World Bank Group.

centered on communication skills and data collection (figure 10).

Recommendations: Some suggestions for building stakeholder capacity are as follows:

- An early assessment of stakeholder capacity is critical in FCS because it helps the project staff set attainable objectives.
- The staff must ensure the project has a sufficient budget and enough time for technical assistance done in partnership with stakeholders to address issues raised during working group meetings.
- Stakeholder capacity needs are very context specific. The staff should keep an open mind and assess needs thoroughly.

Working with Other Donors and Implementing Partners

A public sector capacity challenge unique to FCS is the large presence of international donors, relief

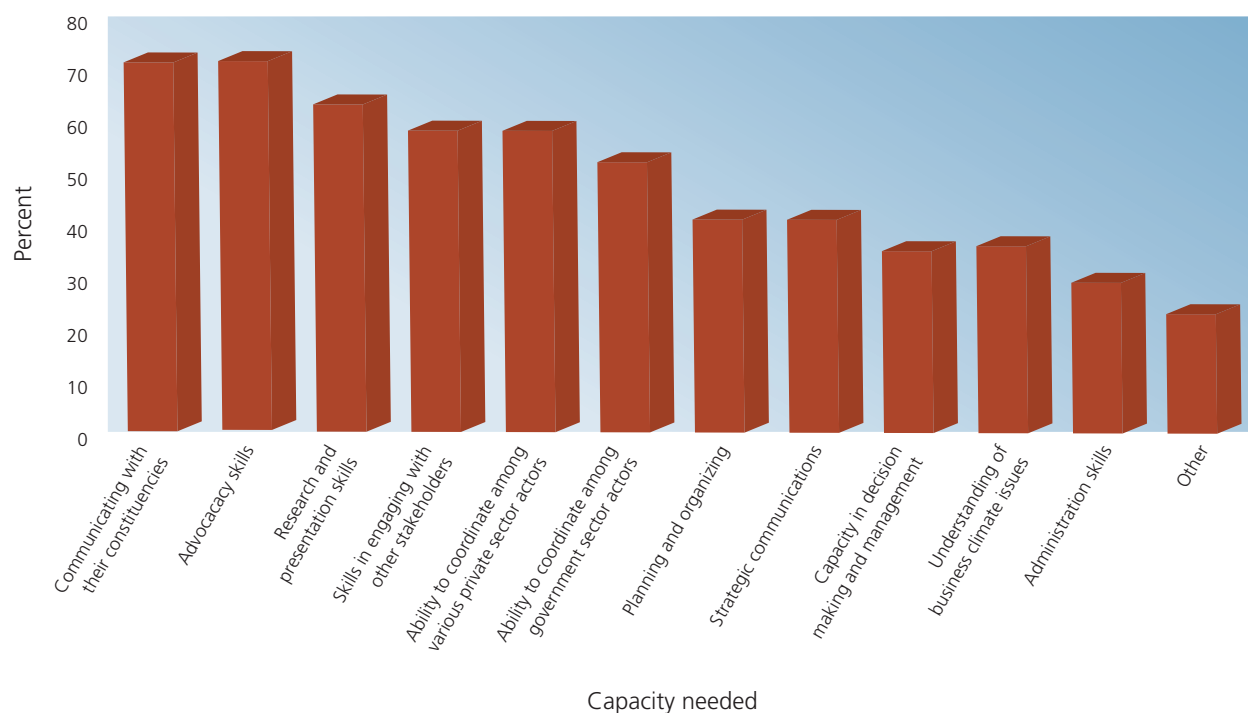
organizations, development agencies, and other institutions demanding the government's attention. Although many government capacity issues center on the limited abilities of government employees, in the West Bank World Bank Group found that government employees were highly capable and fairly well educated. The issue was simply a lack of sufficient human resources. Also, West Bank government employees were paid poorly and irregularly. Lack of sufficient capacity in FCS governments creates a need for more handholding and support.

EXAMPLE: In South Sudan, the project team spent a lot of time and resources assisting the government with activities such as writing invitations and initiating basic activities.

Recommendations: Things to consider when working with the international donor community are as follows:

- The PPD platform may empower the government to coordinate donor activities. Many times, governments with limited personnel and resources find that

FIGURE 10: TYPES OF CAPACITY DEVELOPMENT MOST NEEDED BY STAKEHOLDERS AT PROJECT INITIATION



Source: Survey of Task Team Leaders and program staff members in FCS, World Bank Group.

many donors in their country implement similar and overlapping private sector development projects.

- Leveraging donors who specialize in building the capacity of business associations is important.
- Often, a large international donor and development agency presence means that individuals capable of serving as PPD champions or staff members of PPD secretariats are in short supply.

Flexibility and Risk Management

Mitigating Risk

PPD platforms in FCS face unique sets of challenges. In highly fragile environments, the possibility of a violent disturbance is ever present. More commonly, wide variation in the beliefs of political parties and frequent personnel turnover in government and business associations slow down achievement of the project's goals. Consequently, successful PPD projects mitigate common risks and remain flexible in their management plans to address circumstances as they arise. Common solutions to these problems include ensuring that the PPD secretariat is housed in the most stable institution available, maintaining regular contact with a large number of stakeholders so that the project can replace key points of contact as the need arises, and being willing to redefine objectives without changing the overall purpose of the project.

Examples of how PPD projects have managed frequently changing contexts include the following:

EXAMPLE: In forming the Chad Business Forum, the project staff worked with stakeholders to house the secretariat with the Chad Chamber of Commerce (CCIAMA) rather than within a government ministry. Though the private sector was institutionally weaker than the government, the project staff determined that in the highly likely event of a conflict-related disruption to the project, the CCIAMA would be more likely to reform and continue PPD activities as opposed to the government. Additionally, regular changes in government ministers and cabinet members made the likelihood of continuing, enthusiastic support from the government questionable. To build ownership within the CCIAMA, the World Bank provided budgetary support and let the CCIAMA hire the staff members for the secretariat. Empowering the CCIAMA ensured that employees were loyal to both the

chamber and the platform and were incentivized to return to work in the event of disruption.

EXAMPLE: When the Bank Group initiated the design phase of a PPD project in Nepal, the challenge was immediately apparent. As Irina Niederberger, a member of the design team, explained, the concern was “How to design (PPD) differently in the context of constantly changing government and stakeholder lists. Nepal was on the verge of crisis every day. The labor unions were always on strike. There were 20 to 30 very active political parties declaring ultimatums to each other, leaving and joining the government, and reconfiguring themselves. How do you work in those shifting sands every day?” In Nepal, the key to overcoming the “shifting sands” was talking to every stakeholder. The project staff particularly focused on stakeholders who were members of multiple associations. Two business associations were the major players, but they would not work with each other. Finding people who had membership in both to support the project helped bring the two together. For example, many bankers belonged to both associations and were influential enough to move the private sector aspect of the project forward.

Recommendations: When asked how projects addressed these challenges and others the project faced, all respondents emphasized the importance of understanding stakeholders, clients, and counterparts. Tools for addressing challenges emphasized the importance of regular, frequent, face-to-face contact. They also recommended that project leaders do the following:

- Conduct a political economy analysis and conflict assessment when deciding on PPD platform structure. Look for institutions that are stable and likely to survive political and economic disturbances when deciding where to house the PPD secretariat.
- Maintain relationships with all stakeholders, even the political opposition. The message should always be that you are a representative of a development agency and you are there to improve the investment climate, regardless of who is in power. Keep a strong relationship with whoever is in charge, but also make sure to keep out-of-power parties informed and feeling respected.
- Build relationships with people in key positions—including lower levels—who are responsible for implementation of decisions. You can stop by their offices, and also bring new people by and introduce

them. This will help build clients' confidence in their relationship with the World Bank Group and help project staff members develop multiple relationships.

- Take security risk into account and plan for proper security arrangements if needed.

Ownership and Sustainability

Planning for Sustainability

Interviewees discussing the management of the initial stages of PPD in FCS discussed the temptation to become heavily involved in the management of the PPD platform in the beginning. Directly managing the secretariat that implements the platform, or hiring a coordinator as a formal project staff member, creates the possibility of speeding up achievement early on and bringing the PPD platform instant credibility. The temptation is especially great for PPD projects in high profile countries where there is pressure to show quick results. However, giving in to the temptation has a big downside. In particular, it can

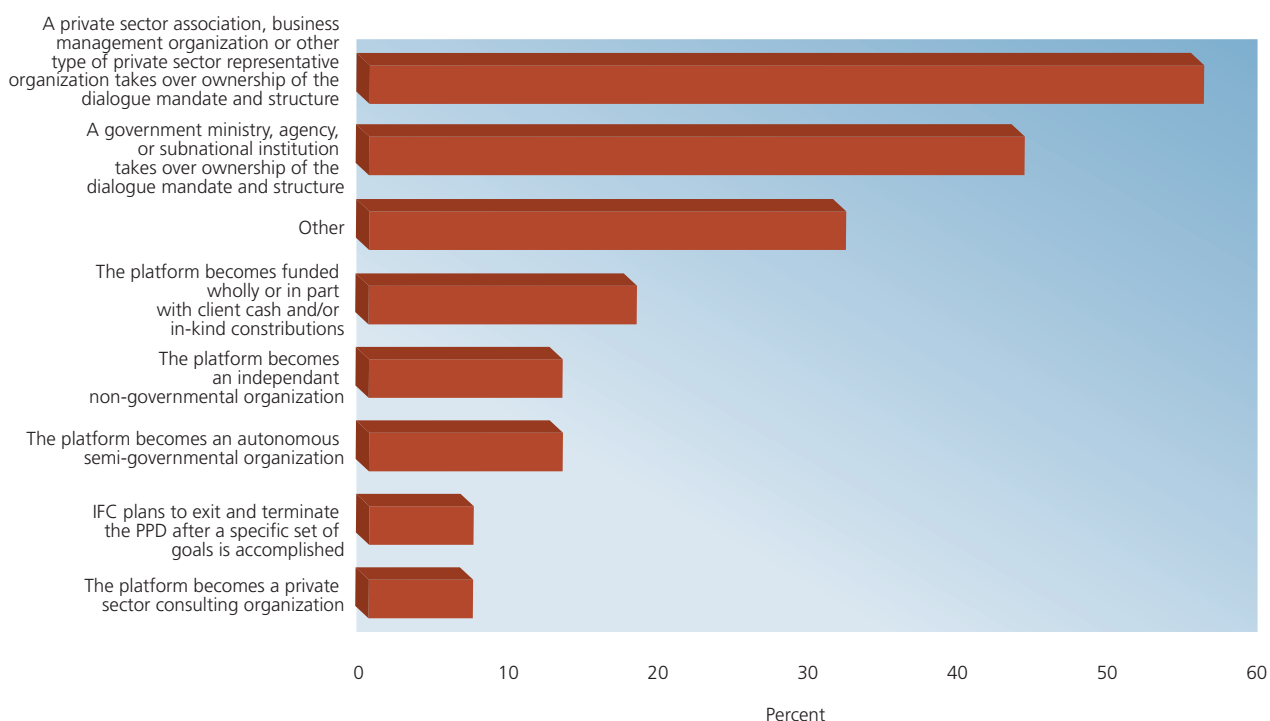
make transitioning the project to local ownership difficult, especially when a client has become used to receiving the platform's management as a service paid for exclusively by international donors.

Survey respondents indicated that the top two most common means of handing a platform over to local ownership are a government agency or private sector organization taking responsibility for the management and sustainability of the platform. The third most common method was for an autonomous joint public-private sector semigovernmental institution to house the platform (figure 11).

A practical challenge in planning for transition to local ownership is timing the project's exit from the platform. There is also a risk that political change at a crucial moment could derail the transition.

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.

FIGURE 11: PLANS FOR TRANSITION TO LOCAL OWNERSHIP



Source: Survey of Task Team Leaders and program staff members in FCS, World Bank Group.

EXAMPLE: Laura Watson, Nepal program manager, took over as program manager for the Nepal Business Forum and is currently managing the final phase of the project. Her challenge is to prepare the forum for transition to local ownership, which means reducing technical assistance so that project stakeholders become used to providing technical services themselves. Her second challenge is managing World Bank funding of the project. World Bank funding covers the project until June 2014, with a possible follow-on grant in the beginning of 2015. This leaves the project with a six-month gap for which the project will have to find funding. This timing also provides an opportunity to transition the project to local ownership. Since Laura Watson has begun implementing the strategy for transitioning to local ownership, the project has housed the project in government offices and handed control of the forum over to government staff members. The project also has secured a contribution from DANIDA, the Danish development agency, to support the project going forward.

Recommendations: Early project results may come at the expense of longer-term sustainability. Planning for sustainability at the beginning of the project ensures that (a) consistent messaging regarding handover takes place throughout the project's life, (b) stakeholders expect the transition and are more prepared with the funds and skills

to manage it, and (c) projects make a cleaner break that leads to sustained reforms.

Implementing a Timely and Successful Exit

Promoting sustainability and ownership takes door-to-door sales. You have to communicate regularly with the business community. Running effective meetings is the best public relations you can do. Word of mouth is stronger than all media promotions.

—Charles Schneider, Acting Resident Representative, Myanmar

EXAMPLE: From 2007–12, the government of Liberia aggressively pursued reforms to improve the business environment with the assistance of the World Bank and the PPD portion of the Liberia Investment Climate project. During these years, the project staff worked with Liberian stakeholders to found the Liberia Better Business Forum, built capacity for PPD, and guided stakeholders through several crucial sector-specific reforms. The project also secured government approval and enthusiastic private sector support for a transition to local ownership. The forum would be lodged within the Ministry of State, and the government included funding for the forum in its



next fiscal year. In June 2013, the forum was officially registered as an independent entity, and plans were in place for full transition to local ownership by July 2014. However, the transition faces several challenges common to FCS countries. Liberia's current government, brought to power in the 2011 elections, is less able to focus on reform than previous administrations because it has competing priorities, such as a persistent budget deficit that will require tough decisions regarding government spending. This makes the Liberian Better Business Forum, at \$300,000 a year, less appealing as a locally owned asset. In addition to financing issues, the forum will face the responsibility of ensuring that previous reforms stay in place, that research-based advocacy continues, and that the private sector and government stay engaged at the same level as they have in the past.

Recommendations: Successful transition to local ownership happens when the period and terms of the project are clearly laid out at launch and sustainability themes are present in activities through the project's life. Study participants had the following suggestions for implementing a successful transition to local ownership:

- Start the project with a clear memorandum of understanding that states the period and terms of the Bank Group's support for the PPD and the responsibilities of the client in transitioning to local ownership. Throughout the life of the project and its activities, managers must keep the message clear.
- 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 private sector and public sector to acknowledge their contribution to the organization's finances.
- Create a realistic timeline for the transition. Remember that it takes longer to build capacity in FCS countries and that 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 transition. For example, government may provide office space while private sector organizations may supply staff members to manage the platform.

- Avoid providing 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 the challenge of attribution in such a complex environment. Study participants expressed the belief that the standard monitoring and evaluation framework excludes important results, especially those that represent nonstandard achievements such as increased transparency, trust, and peacebuilding. Others see the standard indicators as inappropriate for FCS classified countries.

EXAMPLE: The World Bank Group's standard evaluation framework measures cost savings as a result of reforms. However, in a country such as South Sudan, where there have been no regulatory processes at all until very recently, implementing processes for the first time might increase costs in the short term but simultaneously improve the investment climate.

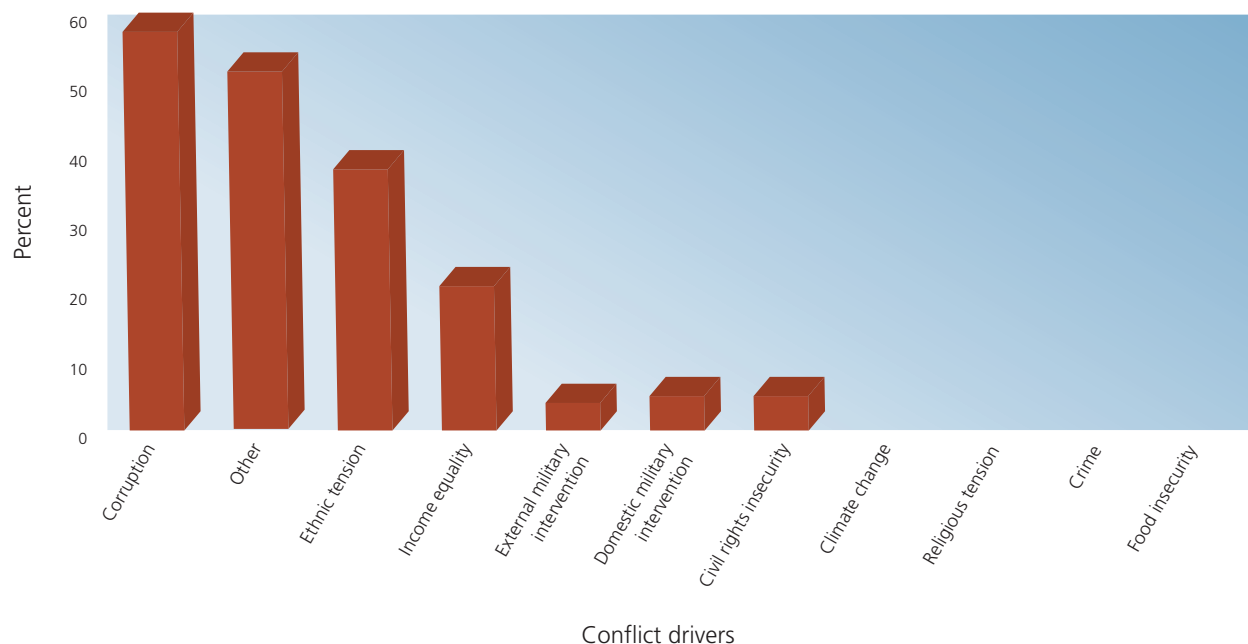
Survey respondents indicated that the most common conflict drivers that PPD addresses are corruption and ethnic tension (figure 12). However, more than 50 percent of respondents selected other conflict drivers that they believe PPD addresses, including the following: mitigating regional instability, creating a more equal distribution of power, increasing trust among traditionally adversarial factions, and building a sense of pride in the previously disenfranchised. Those responses demonstrate how dependent PPD projects are on specific contexts and political economy.

Nearly two-thirds (63 percent) of survey respondents believed that PPD contributed to peacebuilding efforts in the country they worked in. The activities that contributed most to peacebuilding were building trust among stakeholder groups, creating a culture of dialogue, and fostering a culture of transparency (figure 13).

Recommendations: Study participants had the following recommendations on capturing PPD results in FCS:

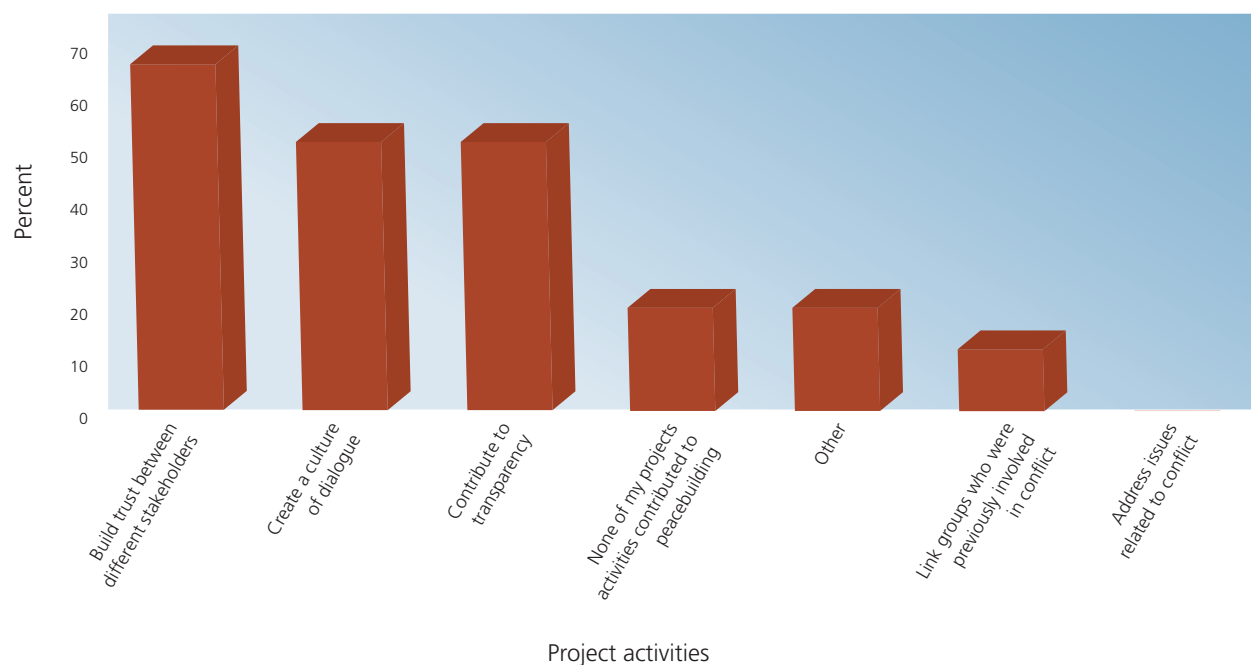
- Promote greater understanding of the political economic context among headquarters and regional managers. Sharing information about the complexities of the environment could lead to improved indicators and more appropriate milestones and objectives.

FIGURE 12: CONFLICT DRIVERS ADDRESSED BY PPD



Source: Survey of Task Team Leaders and program staff members in FCS, World Bank Group.

FIGURE 13: PROJECT ACTIVITIES THAT MOST CONTRIBUTED TO PEACEBUILDING



Source: Survey of Task Team Leaders and program staff members in FCS, World Bank Group.

- Negotiate with the monitoring and evaluation team about what constitutes a reform. In environments where establishing or improving a needed process is what is achievable, define that objective 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.



Key Lessons

Because of the challenging contexts in FCS, the design and implementation of PPD in these countries must take into consideration some unique characteristics, such as the following:

- In FCS, informal arrangements among political and economic actors often fill the gap left in the absence of strong formal institutions. A variety of stakeholder and political economy assessments help project leaders understand informal arrangements and maintain current information on them.
- Public media coverage of PPD activities and events creates a culture of transparency and accountability. Still, a successful PPD project balances the need for openness with the need for open discussion and the often limited capacity of the media in FCS.
- 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 achieve economic goals. Nonetheless, including all stakeholders is crucial to PPD platforms and is achievable over the long term. Creative ways should be found to include them.
- PPD initiatives very frequently encounter difficulty finding sufficiently qualified and motivated people to serve as champions. PPD projects need strategies to work with champions who are available, while planning for any eventualities that may arise from those champions' limited time commitments or other difficulties.

- Engaging stakeholders in FCS requires understanding how authority is determined, having an effective means of communication with stakeholders, and establishing political and social networks. Projects find local staff members who have a deep understanding of these issues extremely valuable.
- In addition to planning for the achievement of objectives, successful PPD projects in FCS develop risk mitigation plans to prepare for the common disruptions that characterize work in FCS.
- The transition of a PPD platform to sustainable local ownership often takes longer than expected because of the limited resources, rapidly changing context, and instability of FCS.
- The results of PPD are produced by the reforms PPD initiates and the process it implements. In FCS, the peacebuilding and conflict-mitigating results are difficult to capture. However, the stakeholders who benefit from them highly value the results.

This report summarizes an initial examination of the challenges and benefits of PPD in FCS. The authors hope that it provides project designers and managers with some guidance on successful implementation and inspires researchers to look deeper into the topics covered.



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