International workshop on

Public-Private Dialogue

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Proceedings

Including the

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

May 2006

February 1 & 2 2006 | The World Bank Paris Conference Center

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

May 2006

Organized by a cross-sectoral team from World Bank, IFC, DFID, OECD Development Centre

1 – 2 February, 2006, World Bank Paris Conference Centre

Edited by Benjamin Herzberg and Andrew Wright

The proceedings were prepared by Andrew Wright, development consultant and Benjamin Herzberg of the Private Sector Development Vice-Presidency of the World Bank. Tony Polatajko of DFID, and Nicolas Pinaud and Henri-Bernard Solignac Lecomte of the OECD provided valuable comments on an earlier draft. The case studies used in the proceedings were commissioned by the public-private dialogue program, an initiative aimed at building knowledge and capacity for public-private dialogue, which is co-sponsored by DFID, the World Bank (Private Sector Development Vice-Presidency), the IFC (SME Department Capacity Building Trust Fund) and the OECD (OECD Development Center). Authorship of specific case studies is given throughout the report. The Paris workshop was organized by the team mentioned above, complemented by valuable logistical help from Gracia P. Sorensen. More details on the workshop and the initiative can be found on www.publicprivatedialogue.org.

Contents

By bringing together key stakeholders from widely diverse sectors, including both local and central governmental agencies and private sector advocates, ranging from non governmental organizations, scholars, donors and leading experts in the field, the Paris Workshop played a vital role in shaping the future of Public-Private collaborations.

There has been growing interest from stakeholders around the world in recent years in how to build momentum for private sector development in states with poor investment climates. Dialogue between the public and private sectors, in various forms, has often been integral to attempts to build such momentum. It became increasingly clear that there was a demand from the field for guidance based on international best practice.

In 2004–2005, responding to this demand, the World Bank, DFID and OECD Development Centre independently conducted or commissioned reports drawing together lessons learned from field experiences in using public-private dialogue to promote private sector development reform efforts. While numerous case studies had existed, this was the first time comprehensive efforts had been made to synthesize lessons. The papers were:

- **Competitiveness Partnerships—**Building and maintaining public-private dialogue to improve the investment climate[1]
- **Reforming the Business Enabling Environment—**Mechanisms and Processes for Private-Public Sector Dialogue[2]
- **Dialogue Public-Privé dans les pays en developpement:** Opportunités, Risques et Prealables[3]

The development of the three papers in a short period indicated a growing recognition among the international donor community of the importance and potential of public-private dialogue as a tool for promoting private sector development with the ultimate aim of poverty reduction.

Recognizing the complementarity between their research efforts, and their common interest in identifying international best practice, a cross-sectoral team from the World Bank, IFC, DFID and OECD Development Centre co-organized a first International Workshop on Public-Private Dialogue, which was held in Paris in February 2006.

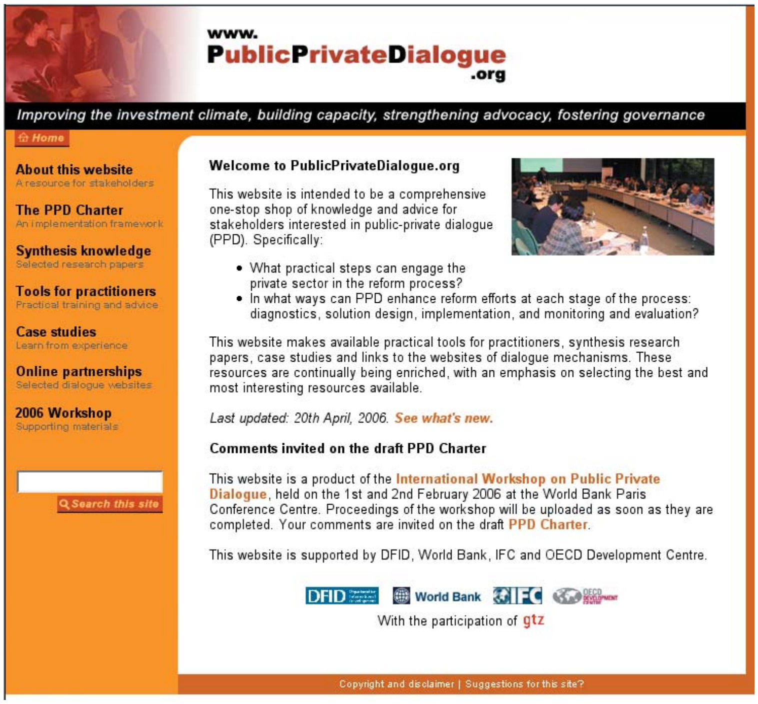
[1] By Benjamin Herzberg and Andrew Wright. World Policy Policy Research Working Paper 3683.

[2] By Bannock Consulting Ltd, for DFID.

[3] By Nicolas Pinaud, OECD Development Centre.

The two-day workshop was attended by over 100 participants from 30 countries. It featured plenary presentations by authors of the above papers, a total of 24 case study presentations by practitioners followed by question-and-answer sessions, plenary presentations on the subjects of monitoring and evaluation in PPD and strengthening business membership organizations, and a plenary discussion on future directions for public-private dialogue.

An important output of the conference was the draft Charter of Good Practice in using Public Private Dialogue for Private Sector Development. The draft Charter, comprising principles put together by working groups, is intended to form a basis for discussion and adaptation.



Another important output is the website, www.publicprivatedialogue.org, which makes available the papers, presentations and case studies discussed at the workshop, plus a selection of other resources. It invites feedback on the draft Charter and is intended to become a one-stop shop of knowledge and advice for PPD practitioners.

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 a strongly bureaucratic tradition.
- However, energy should not be diverted into establishing a legal status at the expense of losing momentum on substantive reform efforts.
- Legal mandates which 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 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 decision-makers 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 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 to coordinate and thus widening 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 some economic actors and the potential role of informal 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 but 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 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, 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.

Recognizing the growing role of PPD in private sector reform

Private-public sector dialogue (PPD) is increasingly regarded as an essential prerequisite for effective private sector policy reform processes. The development and strengthening of representative and advocacy institutions to ensure the private sector is properly represented in policy and legislative reform dialogues, and can advocate for change to government in an effective manner, is increasingly considered by governments and donor agencies as a necessary condition for the effective design and implementation of business enabling environment reform strategies.

Yet there is much uncertainty about how best to go about engaging the private sector in constructive policy dialogue with government.

While some grassroots initiatives have lost momentum after a promising start, others have morphed into institutionalized mechanisms of consultation. Overall, because PPDs can serve as an umbrella process and a focused outlet for engagement of all relevant actors—including defining reform priorities, building consensus, proposing solutions, filtering, implementing and monitoring reforms—request for PPD support from government representatives and private sector advocates has been steadily growing.

Over time, donors have responded by supporting several such initiatives, through technical assistance, capacity building and best practice. This convergence has resulted in the setting up of business forums, investors councils, competitiveness task forces and various other types of programs aimed at improving private sector development through dialogue.

To address this increasing interest, a number of aid agencies—the World Bank Group and DFID in particular—have recently invested in building knowledge and synthesizing lessons learned on this topic. Many agencies are also in the process of rationalizing the support they provide to such partnerships in the field. The OECD Development Center, who co-organized this event together with the World Bank Group and DFID, is particularly eager to see the development of process-oriented guidelines for good practice in setting and maintaining public private dialogue initiatives. These agencies are also in agreement with the need to create a monitoring and evaluation framework that would enable stakeholders and practitioners to better perform over time and maximize their "return in investment" in supporting such initiatives.

In view of the above, some of the key challenges ahead include (i) developing a common framework of PPD development bearing in mind the private sector, institutional and political context and the implications at micro and macro level; (ii) harmonizing the different approaches and donor interventions to contribute more effectively to the development of PPD; and (iii) exploring good ways to design and implement PPD programs in support of private sector development.

Objectives of the Paris PPD workshop

The aim of the workshop was to take stock of the PPD concept by looking at experiences and initiatives currently under way around the world; to inform practitioners of effective techniques they can use, and facilitate exchanges between PPD actors through the launch of a Community of Practice on PPD; and to identify areas for future work and potential collaboration. Specifically:

1) **Capacity building:** to bring together people that are involved on the matter in the field, from 20 leading partnerships around the world, and have them share their experience and learn from others. Together, they form a south/south network of experts that would be leveraged through a Community of Practice to help gain and disseminate knowledge and support ongoing or new dialogue initiatives.

2) **Implementation framework:** to create a framework for public private dialogue. One of the outputs of the events was a "Charter of Good Practice in using Public-Private Dialogue for Private Sector Development", which is intended to be widely disseminated to guide practitioners in their PPD efforts. This is currently being followed by the development of a handbook for practitioners.

3) **Best practice:** to take stock on the worldwide experience so far on the role of the private sector in the reform process and draw lessons learned, and best practice in term of implementation techniques and policy implications for public private dialogue.

4) **Aid coordination:** to provide avenues for donors to enhance their current and future support of PPD initiatives. This would involve better documenting the PPD concept and better informing development agencies and practitioners, governments and private sector advocates through a dissemination effort.

Benjamin Herzberg (World Bank) and Tony Polatajko (DFID) introduced the workshop, while Wolfgang Bertelsmeier welcomed participants on behalf of the World Bank Paris office.

Benjamin Herzberg made a presentation based on his World Bank Policy Research Working Paper "Competitiveness Partnerships—Building and maintaining public-private dialogue to improve the investment climate", going through the rationale for dialogue, the outputs that can be aimed for, and success factors in making dialogue work.

Key findings of the paper include the importance of structure, an effective secretariat and facilitator, transparency of process, outreach and advertising, and transferring ownership of the dialogue from donor agencies to local stakeholders. The most important challenges include finding ways to involve SMEs, sustain momentum, reach out across the political spectrum, and set targets which can be effectively benchmarked and monitored.

"Dialogue is like baking bread—the ingredients are simple and there are various end products that work, but without sufficient expertise it's easy to get it wrong."

Questions included the cost of establishing and maintaining public-private dialogue. Herzberg believed that it should be possible to run an effective dialogue process, including employing a secretariat and convening working groups and an annual plenary meeting, for less than half a million dollars per year.

Tony Polatajko introduced a presentation on the DFID-commissioned research paper "Reforming the Business Enabling Environment—Mechanisms and Processes for Private-Public Sector Dialogue", a review of DFID's experience in promoting PPD. Polatajko noted that the list of do's and don'ts for donors which came out of the report was especially interesting.

Richard Waddington of Bannock Consulting Ltd, who authored the paper, presented its key findings. These include the importance of paying attention to non-homogeneity in the private sector, with SMEs' interests often diverging from those of multinational corporations, and the risk of dialogue being dominated by state-owned enterprises. He noted that DFID's experience was of pockets of capability in the public

"If it sets an example of transparency, PPD can counter policy-making by shouting or backroom deals."

sector, with blockages often coming from middle-level officials even when there is support from the top.

Experience in DFID countries is that there is no ideal duration, scope or formality for dialogue—where dialogue is hosted is more important than how it is structured—but that issue-based PPD tends to be more productive. Donors can play an important role as emissaries and by providing funds to build local capacity, but need to facilitate rather than dominate and remember that dialogue is a means to improve the investment climate, not an end in itself.

Questions included the extent of research done on how specific socio-cultural contexts affect dialogue, given the lack of a one-size-fits-all approach, and the role of dialogue in PRSPs; Tony Polatajko noted that DFID research on both subjects is available on their website. Another questioner challenged the Bannock paper's conclusion that the government is the best host for PPD, pointing to the example of the National Action Group in Malawi, which hosts dialogue in a neutral space. Richard Waddington responded that there had been internal debate in the Bannock team about this issue.

Louka Katseli, director of the OECD Development Center, introduced the OECD Development Centre's work on PPD. She emphasized the importance of paying attention to the development level of countries and to local factors affecting the politics of stakeholder relations when designing dialogue mechanisms. She also stressed the need to keep donor involvement driven by stakeholder demand and guard against the danger of creating an industry of PPD facilitators.

"When the private sector is fragmented and disorganized, it is especially necessary to tackle the risk of "dialogue" being a cloak for rent-seeking activities."

Nicolas Pinaud presented the results of the OECD Development Centre's research, based on the paper "Dialogue Public-Privé dans les pays en developpement: Opportunités, Risques et Prealables", alongside a brief review of selected OECD countries' experience of PPD. The paper deals with the who, how and why of PPD. An organized private sector with strong representative business associations which have analytical capacity is important, as are credible champions for the process as well as competent and "embedded" bureaucrats. Both bottom-up and top-down approaches are necessary.

High-level meetings combined with permanent working groups at technical levels are a good approach. PPD is inherently unstable and faces the risk of rent-seeking and capture. As a result, dialogue works best when it is ad hoc, flexible and inclusive, having a limited, concrete agenda, with time-bound discussions addressing specific issues.

Questions focused on the risk of subverting democracy and the consequent need to involve NGOs and civil society organizations, and the challenges posed in this regard by political cultures which do not regard such non-state actors as acceptable. Nicolas Pinaud noted that it can be hard to get NGOs involved at first but there is often scope to widen involvement as dialogues become more established. More work needs to be done on this subject. After the presentations of the three seminal research papers on PPD in general, two further presentations in the morning session focused on subjects of particular relevance to PPD—monitoring and evaluation, and strengthening business membership organizations.

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These papers and presentations are available in full on the workshop website.

Jesse Biddle, of the Center for International Development at SUNY Albany, made a presentation on the particular difficulties of monitoring and evaluation in relation to PPD. There has not yet been a serious effort to develop a monitoring and evaluation framework for public-private dialogue, and there is a need to develop a commonly accepted methodology for determining how effective donor efforts to set up dialogue mechanisms have been.

"Take a long-term view of M&E and put effort into quantifying changes in perceptions, understanding and trust."

One difficulty is that facilitating dialogue is largely about empowering participants to decide which path they wish to follow, making it difficult to set specific targets during the design phase of a project. Another difficulty is that long-term "soft" outputs of dialogue, such as improved levels of trust and understanding, may be more important than short-term "hard" outputs such as specific reforms, but are much harder to measure.

Recommendations are to start with a checklist of issues to consider—the PPD Charter which forms an output of this workshop could be used as a basis—and to build in stakeholder monitoring sessions after six and twelve months which assess progress under each point. As far as practical, participants should be involved at the start of the process in developing an M&E framework and agreeing on indicators. It is important not to be too rigid in the design phase, to be prepared to go with the flow and build in mid-stream correction mechanisms such as focus groups. Because of the difficulties involved in M&E in PPD, it is reasonable to expect that proportion of budget devoted to it should be higher than usual.

Andrei Mikhnev, Program Manager of the World Bank SME Department's Business Enabling Environment programme, made a presentation based on the World Bank's publication "Building the Capacity of BMOs: Guiding Principles for Project Managers", by Alejandro Alvarez de la Campa et al., now in its second edition, which analyses the problems typically faced by BMOs and gives guiding principles on how to design, implement and evaluate a project aimed at building their capacity to become a strong and reputable representative of the private sector.

"BMOs must be demand-driven, not donor-driven."

The presentation focused on the rationale for strengthening BMOs—they can represent the private sector, provide services, disseminate knowledge and promote self-regulation, which can be especially useful in helping SMEs to have an effective voice in dialogue. Strong BMOs can facilitate establishing a healthy public-private relationship, can improve the implementation of policy reforms, and can be especially helpful in building civil society in post-conflict situations. It is important for donors who support BMOs to have an exit strategy and to engage existing BMOs rather than trying to create new ones.

Discussion following these presentations touched on the importance of creating trust and the difficulty of measuring it. Jesse Biddle noted that the best way to measure trust is to ask people, and that improved trust works over a long time-frame: an example is that dialogue in Mexico in the 1980s to tackle hyperinflation was critical in laying the grounds for effective dialogue in future years on negotiations for accession to NAFTA.

Asked about the timeframe of donor involvement in BMOs, Andrei Mikhnev responded that one to three years would be a reasonable time to accomplish capacity-building, and that one indicator of success would be when governments invite BMOs to have input on the drafting of relevant legislation.

Case Study 1—The Bangladesh Private Sector Forum

Presenters: Mamdood Hussain Algamir, Director, Prime Minister's Office, Bangladesh; Mamum Rashid, Chief Executive Officer, Citibank, N.A., Bangladesh; Craig Wilson, Program Manager, Investment Climate Assessments, SouthAsia Enterprise Development Facility, IFC, Bangladesh.

Case study summary: This paper describes the design phase of a major, multi donor-funded Private Sector Development Support Project (PSDSP) which is scheduled for commencement in mid-2006. It details the preparatory process, in which a government-appointed task force has been conducting dialogue with a private sector group formed by 25 leading companies. It explains how dialogue in the design phase has been divided into eight major projects, including reviews and capacity building. The paper notes that the dialogue process leading up the PSDSP has been so successful, it is likely to be formalized into an ongoing Private Sector Forum to tackle business climate issues.

"The PSF must aim to take a non-partisan approach."

Discussion summary: Discussion touched on the need to involve opposition politicians, trade unions, the press and civil society, which is very active in Bangladesh. There is also a need for better coordination of efforts between donor agencies. Bangladesh has history of public-private dialogue mechanisms going back to 1982, but desire and will on the part of the public and private sector are now at a high point. Thanks to the PSD Core Group, which consists of around 37 senior working-level civil servants, encouraging changes are starting to be seen in the mindset of bureaucrats.

Dialogue is currently centred on Dhaka, which reflects the structure of both the government and economic activity in general in the country, but it is an important challenge to reach out to other parts of the country and broaden the base of private sector participation, including Chambers.

Case Study 2—The Regulatory Reform Task Force, Fiji

Presenters: Isireli Koyamaibole, CEO, Fiji Ministry of Commerce, Business Development and Investment; Ken Roberts; CEO, Employers Association, Fiji.

Case study summary: Fiji's Regulatory Reform Task Force (RRTF) was established in December 2004 as a result of experience of public-private dialogue on the investment approvals process initiated three years earlier by the Ministry of Commerce, Business, Development and Investment. The paper describes how the RRTF was designed, the principles and expected outcomes that informed its development, and how it has progressed in its operations to date. It examines the RRTF's achievements so far and identifies the challenges it faces in maintaining dialogue towards an ongoing programme of reform.

Discussion summary: Government and private sector enjoy close relationships in Fiji. A helpful part of this process has been a private sector survey by a research company of investors in Fiji, which aimed at identifying any problems and delays in their experiences and setting benchmarks for different government agencies. Asked about his title as CEO of the Ministry, Isireli Koyamaibole noted that this had been changed from permanent secretary to send a signal of the public sector adopting a results-oriented mindset.

Local conditions are especially relevant in Fiji, with a well-organized indigenous community, and with the physical location of the islands offering both advantages and disadvantages in seeking investors—while enjoying a climate conducive to tourism, its remoteness is also a potential drawback for some investors.

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The full case studies and presentations are available on the workshop website.

Case Study 3—The National Action Group, Malawi

Presenter: Jason Agar, Director, National Action Group Secretariat, Malawi.

Case study summary: Malawi moved from a highly centralized, government-dominated economy prior to 1990 to a more diverse and liberalized economy post-democratization, but levels of public-private distrust remained high. The paper explains how the NAG process grew out of informal dialogue initiated by some forward-looking individuals in the public and private sectors. It explains how NAG evolved opportunistically as a low-cost and deliberately low-profile facilitator of dialogue, and how it has remained informal and without a legal mandate. The paper looks at NAG's objectives and results, and identifies the challenges it faces, notably the need to maintain momentum and prevent other dialogue mechanisms from unnecessarily duplicating and diluting its efforts.

"Our experience in Malawi teaches us that secretariats need to be opportunistic, flexible, selective and realistic."

Discussion summary: Initially NAG was voluntary, and grew by invitation—there is still no formal basis for saying who should be there, and the NAG co-convenors and secretariat decide on a case by case basis who to invite. Civil society is involved as much as possible. Parliamentarians are invited to NAG, and there is a plan to take parliamentarians on visits to businesses to increase their understanding of issues and pressures faced by business-people.

NAG's media-shyness comes from a fear of being damaged by over-simplification of issues, and also keenness that achievements be attributed to participants rather than to NAG as an institution. Nonetheless it is possible that NAG has been too shy of the media and needs to re-evaluate its public relations strategy. Local facilitators are important: the presence of Malawian consultants helps to insulate NAG against charges of being "too white".

Case Study 4—Is it possible to institutionalize a public-private dialogue mechanism to reform economic regulation and policy dialogue in Mexico by the end of the current administration?

Presenter: Miguel Flores Bernes, General Coordinator for Regulatory Impact Assessment, Federal Regulatory Improvement Commission (COFEMER), Mexico

Case study summary: There is currently no formal or institutional mechanism that allows for a wide- ranging public-private dialogue between the Mexican government and the private sector, to define economic public policy and regulation. However, there are existing mechanisms which could be formalized and institutionalized—even before the end of President Fox's administration in November 2006. This case study looks at the background to PPD in Mexico, discusses the existing fora for discussion, and concludes with a proposal that the Regulatory Improvement Council—an existing advisory body—could be institutionalized into the formal and wide-ranging PPD mechanism that Mexico lacks.

Discussion summary: COFEMER's use of the internet is central to transparency and on a scale that has not been seen before in comparable federal initiatives in Mexico: minutes, reports and timetables are all made available and open for comments from the public. New regulations must pass a cost-benefit analysis before being implemented. With reference to the likelihood of federal reform efforts transcending the end of the Fox administration, COFEMER is working to transfer ownership of the institutional structure to the private sector in the hope that new governments will follow their recommendations.

Case Study 4a—Public-private dialogue in the State of Aguascalientes, Mexico

Presenter: Armando Jiminez, Secretary of Economic Development, State of Aguascalientes

Case study summary: The State of Aguascalientes is one of the one of the most active promoters of private-public dialogue in Mexico, with solid experiences of sustained and effective dialogue. This paper looks at three examples of PPD in Aguascalientes—workshops on public-private competitiveness policies, in which government agencies met with private sector representatives to plan economic policies for the coming six years; public-private partnerships; and a new payroll levy which is collected and disbursed by a trust in which the private sector has input. The case study notes the success of PPD in improving the business environment, as measured by the World Bank's Doing Business survey.

Discussion summary: Discussion touched on why dialogue in Aguascalientes had proceeded at a stronger rate than elsewhere in the country; it is a difficult question to answer, but reasons include the attitudes and desire of the people, the political environment and presence of champions.

"The objectives of state-level PPD in Aguascalientes include to improve transparency in both public and private administration."

Case Study 5—The Nigerian Economic Summit

Presenter: Mansur Ahmed; Director General and Chief Executive of the Nigerian Economic Summit Group

Case study summary: In 1992/93, a group of leading private sector executives who were concerned with the country's economic direction sought to engage Government in a dialogue intended to find solutions to the economic decline. Since then the Nigerian Economic Summit Group has become established as a platform for public-private interface. The paper outlines the structure, workings and achievements of the NESG, and identifies its current challenges. Lessons learned include the difficulty of following through implementation and establishing the genesis of reforms in the NESG, leading to a lack of public appreciation.

Discussion summary: Discussion touched on the difficulty of maintaining pressure on the government when the private sector does not speaking with one consolidated voice. A maximum of three people from any organization can participate in the NES process, ensuring that no one sector can dominate—in practice, compromises are reached that may not meet any particular sector's aspirations. In response to a question about the NES having a dual role, being both a private sector advocacy organization and a platform for dialogue, the presenter replied that taking a long-term view helped reconcile potential tensions between these roles.

Case Study 6—Local/National Level Economic Policy Dialogue: the Competitiveness Council and Economic and Social Councils in Croatia

Presenters: Kresimir Sever, , President, NHS Trade Union Confederation, Croatia; Joe Lowther, Senior Manager, Emerging Markets Group, Ltd.

Case study summary: Croatia has extensive experience of policy dialogue between the public and private sectors, labor and academia. The paper explores the history of the main dialogue mechanisms and how national dialogue has been successfully spread to the local level, including a public education campaign to popularize the idea. Lessons learned include the importance of donors providing training on process and facilitation, to indigenize the knowledge they can bring; exposing members to international best practice is helpful. Unbiased reporting and analysis are important, as are secretariats, which should report to all members not just one.

"Donors can help by providing training in communication and facilitation techniques."

Discussion summary: Appreciation was expressed at the presenters' openness and ability to be self-critical. Expanding on the role of donors, Joe Lowther noted that initially USAID took a low profile, with their involvement not known widely beyond the participants—they had to move out of the Office of Social Partnership to a more neutral space to avoid being seen by trades unions and employers as too closely identified with the power structure.

Discussion touched on the importance of independent research analyses commissioned by USAID from independent think tanks which commanded wide respect. Kresimir Sever noted that this helped because there had been a heritage of mistrust between the government, unions and private sector of analysis provided only by one side.

Case Study 7a—Public-Private Dialogue in the making of the Unified Enterprise Law and the Common Investment Law in Vietnam

Presenter: Thomas Finkel, Chief Technical Advisor, Ministry of Planning and Industry, GTZ SME Development Program, Vietnam

Case study summary: The Unified Enterprise Law and Common Investment Law are the most important ongoing attempts to address problems in Vietnam's business climate, notably an inconsistent and fragmented legal framework. The paper describes the role of GTZ in facilitating the consultation process involved in drafting these laws, including organizing meetings, providing technical advice and helping with regulatory impact assessments and business impact test panels. Use of the media has contributed to businesses becoming more proactive in representing their views to the government, and the dialogue process around these two laws is seen as an example of how the consultation mandated by Vietnamese law should work.

Case Study 7—Launching the Vietnam Private Sector Forum, 1997–2000

Presenter: Wolfgang Bertelsmeier, Special Representative EU, Operations, IFC Paris (Country Manager for Vietnam, Laos and Cambodia, 1997–2000)

Case study summary: This paper is a comprehensive step-by-step account of how the Vietnam Business Forum was set up, prompted by the Asia financial crisis of 1997. It details how, with political will and the support of international donors, initial challenges were overcome to create a dialogue process which has stood the test of time. Lessons learned include: a sense of urgency was necessary, and participants shared common fundamental goals; an initial roadmap is not necessary; communication is critical, as is ensuring that the dialogue does not become hijacked and responds to the interests of the private sector at large; pursuing low-hanging fruits is a helpful early strategy, and a secretariat and working groups form a good structure.

Discussion summary: While there were some ambivalent feelings at first among the private sector, everyone was invited to be involved in the process from the beginning and so Chambers did not feel significantly threatened by the process. At first though the process was driven by western firms, and it took two or three years to convince the private sector broadly that all players had something to gain.

An important step forward has been to encourage businesses which are not legally registered to feel able to expand and take on new staff, as previously the owners of small businesses had felt unwilling to risk growing their businesses lest they attract unwelcome attention from the authorities. Donors are now starting to move out to the regions in Vietnam, establishing dialogue forums at the local level.

"It is important to bring out issues of interest to the private sector at large, and make sure dialogue does not get hijacked by a particular interest group."

Case Study 8—Lao Business Forum

Presenters: Pascale Rouzies, Lao Business Forum Coordinator, Mekong Project Development Facility, IFC

Case study summary: The Lao Business Forum arose from an agreement between the Lao PDR government and the Mekong Private Sector Development Facility, a multi-donor initiative set up by the IFC, which serves as the forum's secretariat. The forum is still in its early stages of development: it will be driven by four issue-specific working groups, each co-chaired by a government representative and a member of the associated private sector working group. The latter started meeting in 2005 to determine priorities, and working groups first met in January 2006. There will be twice yearly forums. The paper outlines the structure of the forum and anticipated next steps.

Discussion summary: Discussion touched on the importance of remembering the ultimate aim of public-private dialogue in reducing poverty, and the political context of Lao PDR as a one-party state with emerging democratic rights—the government is to be congratulated for opening up to dialogue. Initially there was concern from both public and private sectors about how freely they could speak, and the experiences of Vietnam and Cambodia in public private dialogue has been instrumental in demonstrating how such meetings can occur in a positive atmosphere.

An initial challenge has been to identify the issues for discussion: the private sector came up with a long list, and a selection was agreed with the government. Some issues were shelved for the moment as being too sensitive, but they will have to be returned to at a future date.

Case Study 9—The Rwanda Revenue Authority

Presenter: Eugene Torero, Commissioner for Large Taxpayers, Rwanda Revenue Authority

Case study summary: The case study—co-authored by the presenter, Max Everest-Phillips, Senior Governance Adviser, DFID, and Richard Stern, African Regional Program Coordinator, FIAS—looks at how Rwanda's Revenue Authority (RRA) has used dialogue with the private sector to improve tax revenue collection. The RRA is a semi-autonomous agency with around 650 staff. Since it was set up in 1997 it has improved tax collection from 9.5% of GDP to over 13%, and it has been recently been given self-financing status, keeping 2.6% of the revenues it collects to fund its future development. Dialogue with the private sector involves personal visits to large taxpayers—the top 280 companies pay over 90% of taxes—and regional tax advisory councils which involve local private sector leaders.

Discussion summary: The RRA seeks to offer a "red carpet service" to large taxpayers, making it as easy as possible for them to pay their taxes. Reforms, such as standardizing the days of the month on which payroll and value-added taxes become payable, have been implemented after outreach to taxpayers to hear their concerns. Part of the RRA's strategy is public outreach aimed at changing the popular perception of taxpaying—there is a National Taxpayer Appreciation Day, and reliable taxpayers are rewarded with certificates of compliance.

"The National Taxpayers Appreciation Day makes taxpayers feel they are contributing to the country."

Discussion touched on the challenges of broadening the tax base to take the pressure off the larger companies, which in turn requires capacity building among SMEs. The RRA wants to move to a position where it is held to account by taxpayers, rather than by donors and government, but much of the private sector is too weak to take advantage of the taxpayers' charter by which the RRA abides. Building trust is important, and this necessitates the government being transparent and using tax revenues wisely for social programs which show an unequivocal benefit.

Case Study 10—The Psi (Private Sector Initiative) in Southern Africa

Presenter: Corin Mitchell, Director of Operations, SBP South Africa

Case study summary: SBP is an independent private sector research and development company based in Johannesburg. The Psi operates in Tanzania, South Africa and Malawi, and involves big businesses in innovative forms of dialogue with both public sector actors and SME representative organizations to improve the business climate by improving SMEs' ability to take part in the corporate supply chain. SBP also leads the Cutting Red Tape initiative in Southern Africa, which prioritizes independent research to clarify problems and facilitate evidence-based advocacy on investment climate issues.

"Research must be perceived as independent to form a trusted evidence base on which dialogue can be built."

Discussion summary: An example of how the Psi has improved business by facilitating linkages between large and small businesses comes from Tanzania, where a multinational drinks-producing corporation, unable to find a local company which could supply labeling for bottles to an adequate standard, were persuaded to invest time and energy in building the capacity of a local printing firm. This has now become a successful market leader, building the vibrancy of the local economy, to the benefit of all.

SBP's independent research is important in creating conditions for good dialogue. It is important for participants to be able to trust that the research evidence on which advocacy is based is unimpeachably independent, and for that reason SBP has turned down funding for research from major corporations.

Case Study 11—Utilizing Public-Private Dialogue to Create a Market for Reform

Presenter: Beatriz Boza, Executive Director, Ciudadanos al Dia (CAD), Peru.

Case study summary: Intermesa is a public-private working group with 24 institutional members; Ciudadanos al Dia (CAD) plays the role of its coordinating secretariat. Using interesting variations on standard PPD approaches, it works to create demand for reform, and hence to create political will. This includes benchmarking to establish levels of service offered by municipal governments, and use of the media to publicize the results in citizen-friendly formats such as comparison maps, raising the issue of municipal governance on the public agenda and creating incentives for politicians to pursue improvements. A parallel strategy is to identify the most effective technocrats and train them to become consultants who can build capacity among their peers across the country. A significant milestone was reached in January 2006, when Peru's government adopted a national municipal simplification plan.

Discussion summary: A competition recognizing good performance helps to create healthy competition among local governments; there are prizes for the best district and the most improved. It is important to get the press involved, and CAD's belief is that research evidence is useless unless it can be summarized and presented in a way that the average grandmother will understand it.

"Information must be citizen-friendly. If your grandmother couldn't understand it, it's no use."

Use of words is important: CAD is careful never to accuse municipal governments, but presents the facts in a neutral way which allows others to draw their own conclusions. The language of rights is helpful in framing issues: the right not to stand in a queue, the right to free application forms. A key challenge now is to get the private sector on board more fully: while initial skepticism has been dissipated, the aim is for the domestic private sector to be funding the benchmarking and advocacy efforts.

Case Study 12—Public-Private Sector Dialogue in the Development and Implementation of Regional Projects: Tomsk Oblast, The Russian Federation

Presenter: Yevgeny Babushkin, Head, Department of Investment and Economic and Legal Expertise, Tomsk Oblast Administration

"Following our experiences with PPD, visitors to Tomsk remark on the unusually high level of understanding between the public and private sectors."

Case study summary: The case study details how recent experiences of Tomsk Oblast with public-private dialogue have progressively built trust between the public and private sectors. A joint project on removal of administrative barriers with FIAS and USAID support gave the Oblast, which had little tradition of dialogue, its first real experiences of PPD. This went on to enable dialogue to underpin the development of the Strategy of Tomsk Oblast Development until 2020, and the increased level of public-private trust and cooperation went on to bring tangible results in the form of successful participation in a competition between states of the Russian Federation for the right to establish a pilot Special Economic Zone. Focus groups with trained facilitators have been central to the process of dialogue in Tomsk Oblast.

Discussion summary: Indicators of the improved levels of public-private trust include opinion surveys by FIAS which show the positive attitude of businesspeople towards the regional government, and their higher expectations. Individuals matter: the personality of the head of the Oblast was crucial in building levels of trust. Where the limits of regional government's responsibility are reached, dialogue can also play a helpful role in creating awareness among federal officials of reforms which need to be taken.

Day Two: Drawing up the Charter

The second day of the workshop was largely devoted to drawing up a draft charter on good practice in using public-private dialogue to promote private sector development.

In the morning, participants split into breakout groups for two sessions of five simultaneous working groups. Each working group was tasked with bringing back to the afternoon plenary session one of the ten principles of the draft charter. The subjects of the ten principles were assigned in advance, though participants were reminded that this is a draft charter and principles could be merged or added at a later date. Moderators of the groups were asked to draw up the principle in the form of a short summary sentence followed by a paragraph of elaboration and explanation, bringing out the main points.

Lasting one and a half hours, the working groups each started with a case study presentation and went on to discuss the topic of the principle they had to draft. They concluded with the moderators expressing the consensus of the group in the wording of the draft sentence and paragraph, and the groups choosing a rapporteur to explain the thinking behind the principle in the afternoon plenary.

The workshop organizers had distributed a draft preamble to the charter at the end of the previous afternoon. In the morning plenary session before the breakout groups, participants noted that the preamble was too narrowly focused on PPD as a means of tackling regulatory reform, and needed to be broadened to emphasize its aim of poverty reduction and relevance to other private sector issues such as infrastructure and access to services. The workshop organizers reflected these suggestions in a revised preamble to the charter presented at the start of the afternoon plenary.

The workshop organizers reminded participants that the draft charter is intended to be only the first step—it would serve as a basis for discussion, not as a final document It would be posted on the website after the conference and comments invited, allowing the wording to be refined through an ongoing, interactive process of iteration.

PRINCIPLE I: MANDATE AND INSTITUTIONAL ALIGNMENT

Do PPDs need a legal mandate to be credible, aligned with institutions and effective over the long run?

Working group moderated by Mierta Capul, with a case study from Tanzania—**Public-Private Dialogue for Self-Motivated Reforms in the Municipality of Moshi**—presented by Felician John Ifunya, CEO, AMFE Microserve, Tanzania

Case study summary: The case study describes attempts to establish a public-private dialogue mechanism in the municipality of Moshi, Tanzania. Initial efforts to establish dialogue foundered on lack of political will, technical capability and seed funds. Learning lessons from these, the latest attempt to establish dialogue is focusing initially on creating awareness among councillors and local businesspeople. The paper describes the processes being undertaken and envisaged milestones, and concludes with the key challenges: how to create political will among councillors and civil servants with a socialist mindset, and how to convince entrepreneurs to put effort into advocacy.

Working group rapporteur: Andrei Mikhnev

FIRST DRAFT: "A legal mandate can be an important help in some political economic contexts, but is never sufficient to establish good public-private dialogues.

"While not sufficient to create the capacity and mindset on which dialogue depends, a mandate is a signal that can establish credibility, make continuity more probable and enable better integration to the institutional framework. It is especially likely to be helpful in transition economies or countries with a strongly bureaucratic tradition. However, energy should not be diverted into establishing a legal status at the expense of losing momentum on substantive reform efforts. Legal mandates which are too detailed carry the risk of restricting flexibility and restrain initiatives from adapting to changing circumstances."

Questions and comments

There is a need to distinguish legal mandates from formal mandates. There are many shades of grey—from a legal status which compels participation, through an establishing decree issued by a senior politician, to a formal-sounding mandate with no actual status in law.

These comments, and others received after the conference through the online feedback mechanism, are incorporated in the draft of the Charter presented above, pp 3–8.

PRINCIPLE II: STRUCTURE AND PARTICIPATION

What structure can best translate dialogue into result? How does participation need to be balanced to ensure fair representation and legitimacy in PPDs?

Working group moderated by Tony Polatajko, with a case study from Pakistan—**the Small and Medium Enterprise Development Association (SMEDA)**—presented by Andleeb Abbas, CEO, Institute of Marketing and Sales, Pakistan

Case study summary: The Small and Medium Enterprise Development Association (SMEDA) is a public-private collaboration which works to foster the development of SMEs, through facilitation of policy-making, research and evaluation. The case study looks at challenges SMEDA has faced, its structure and participation, and future steps. Working committees have finalized recommendations in the areas of business climate reforms, access to finance, access to resources and services, and defining SMEs to allow for better monitoring. Challenges include helping to create a level playing field in which the voices of SMEs are heard alongside those of bigger private sector organizations with more political influence.

Working group rapporteur: Andleeb Abbas

FIRST DRAFT: "Public-private dialogues benefit from a structure that enables balanced and effective participation, remains manageable while flexible, and reflects the particular context and priorities affecting private sector development.

"Defining the appropriate structure entails organizing relevant representative stakeholders in a manner that is balanced, practical, that takes into account existing processes and institutions, and that best serve the announced objectives of the partnership. This may entail setting up coordination bodies and fora to each carry out specific participatory dialogue processes. "

Questions and comments

There is need for explicit reference to both formal and informal structures for dialogue, as both can be useful and complementary.

These comments, and others received after the workshop through the online feedback mechanism, are incorporated in the draft of the Charter presented above, pp 3–8.

PRINCIPLE III: OUTPUTS

Is there a typology of outputs for PPDs that best serve their cause?

Working group moderated by Craig Wilson, with a case study—**Communication sur le dialogue entre le secteur public et le secteur prive: Cas du Mali**—presented by Paul Derreumaux, CEO, Bank of Africa, member, Presidential Investor Council; Djibril Taboure, General Manager, Group A.T.S., member, Presidential Investor Council; and Mohammed Traore, Secretary, Presidential Investor Council.

Case study summary: The case study discusses the economic situation in Mali and the circumstances that led to the creation of the Mali Presidential Investors Council. It outlines the structure and workings of the council and its aim to create a formal forum for direct and ongoing dialogue to tackle specific issues. It lists initial outputs of the council, in the form of adopted recommendations.

Working group rapporteur: Craig Wilson

FIRST DRAFT: "Outputs from public-private dialogues should necessarily contribute to agreed private sector development outcomes in the shape of structure and process outputs, analytical outputs or recommendations.

"Structure and process outputs can include formalized structure for private sector dialogue with government, periodic conferences and meetings, ongoing monitoring of public-private dialogue outputs and outcomes or media programme to disseminate information. 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. Outputs should be measurable, time bound, visible, tangible and linked to indicators."

Questions and comments

There was a debate about whether the charter should have an extra principle on outcomes as well as outputs. Some felt it would be helpful to specify desired outcomes, in particular giving more prominence to poverty reduction, while others felt that outcomes could be taken as read from the preamble.

Another member of the working group suggested that changing "or media" to "and media" would be a better reflection of the discussion.

These comments, and others received after the workshop through the online feedback mechanism, are incorporated in the draft of the Charter presented above, pp 3–8.

PRINCIPLE IV: OUTREACH

What outreach and communication techniques can be used to push PPDs' agenda and achieve results?

Working group moderated by Sean Duggan, with a case study—**The Jamaica Cluster Competitiveness Project (JCCP)**—presented by Beverley Morgan, Director, Exporters' Association, Jamaica; and Kenneth Hynes, Director and Country Coordinator for OTF Group, Jamaica.

Case study summary: Productive public-private dialogue is a transformation process—it involves the transition from low to high levels of trust. In the case of Jamaica, this transformation has been helped by communication technologies, cluster methodologies, and adopting a more formal approach to dialogue. The case study outlines how the Jamaica Cluster Competitiveness Project (JCCP) broke the mould of previous informal dialogue mechanisms in Jamaica by using productive communications technologies including a "mental models survey" which highlighted where problems lay with existing private-public perceptions.

Working group rapporteur: Beverley Morgan

FIRST DRAFT: "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, and is helped by widening the opportunity to contribute through outreach to the reform constituency. Communication and outreach enable greater transparency of process, which in turn contributes to measurement and evaluation.“

Questions and comments

The report to plenary emphasised the working group's discussion of the importance of language as a way of clarifying and shaping the mental models that underpin discussion; as there are several audiences for dialogue, clarity of expression is paramount. Comments included the need for greater clarity about what is meant by outreach and how to go about it, together with a need to place more emphasis on transparency—which is closely linked to outreach as it entails involving the media in communication.

It was suggested to change the title of this principle from "outreach" to "outreach and communications".

These comments, and others received after the workshop through the online feedback mechanism, are incorporated in the draft of the Charter presented above, pp 3–8.

PRINCIPLE V: MONITORING & EVALUATION

How can process can be monitored and evaluated in PPDs?

Working group moderated by Jesse Biddle, with a case study from Bosnia—**The Bulldozer Initiative**—presented by Benjamin Herzberg.

Case study summary: The Bulldozer Initiative used a bottom-up approach to create political will for regulatory reform. Evaluation was central from an early stage, as travelling roadshows solicited recommendations for reform from private sector actors, which were carefully vetted by a committee of experts, ensuring that only high-quality and well thought-through proposals were presented to the public sector. After implementation of reforms, the Bulldozer mechanism was used to monitor delivery, with a bi-annual publication informing the public what stage each reform proposal had reached, and assessing impact. An adult comic series aimed at personalizing the reform effort was used to engage the general public in monitoring implementation.

Working group rapporteur: Mansur Ahmed

FIRST DRAFT: “Monitoring and evaluation 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, a monitoring and evaluation framework 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. Such frameworks could be used towards better overall planning, to ignite potential advocacy, to provide internal or external motivation and to enable more effective implementation. To this effect, public-private dialogues should develop a baseline assessment to measure their effectiveness in order to enable the partnership to better measure how it is achieving its goals and delivering on its envisaged benefits.”

Questions and comments

The central importance in monitoring and evaluation of gathering reliable data should be explicitly mentioned also.

These comments, and others received after the workshop through the online feedback mechanism, are incorporated in the draft of the Charter presented above, pp 3–8.

PRINCIPLE VI: SUB-NATIONAL

Do PPDs at sub-national level need specific strategies?

Working group moderated by Tatiana Ponomareva. With a case study from Ukraine—**Economic Regeneration in the Ukrainian Donbass**—presented by Alexandra Zayarna, Governance Advisor, DFID Ukraine.

Case study summary: DFID has been supporting PPD in the Ukrainian Donbass since 2001 through the twin approaches of strengthening the Chamber of Commerce and Industry and a community development project working with local businesses. The case study outlines the genesis, structure and results to date of the interventions in Donbass. It identified lessons learned, including the importance of local facilitators and the need to encourage build the capacity of businesses to make their voices heard, given the non-homogeneity of interests in the private sector.

Working group rapporteur: Jan Vlaar

FIRST DRAFT: "Public-private dialogue is effective at all levels of decision-making down to the most local possible level.

"Local level public-private dialogue allows local issues and solutions to be identified and linked to the degree of decentralization of decision making. It formulates issues which need to be channeled upwards to the appropriate level of authority at which they can be solved. Local dialogue also contributes to effective implementation of national policies. Bottom-up and top-down approaches are both important, and micro and macro conditions for growth must be linked. Local level dialogues can especially benefit from use of participatory tools, capacity building initiatives, and the use of local and neutral facilitators."

Comments and questions

It was debated whether the principle should be strengthened from the observation that dialogue is effective at local levels to a recommendation that dialogue should be implemented at the most local level possible. A compromise suggestion was that the word "effective" should be changed to "desirable".

It was suggested to add to the opening sentence that local dialogue is particularly valuable in creating opportunities for involving SMEs, micro-entrepreneurs and other local stakeholders who could be squeezed out of dialogue held at a national level. It was also pointed out that local PPDs may work better when explicitly aligned with those taking place at broader regional or national level.

There was debate about whether "neutral" is an appropriate word to use about facilitators—as the act of facilitation itself implies neutrality, it was suggested to substitute the word "credible".

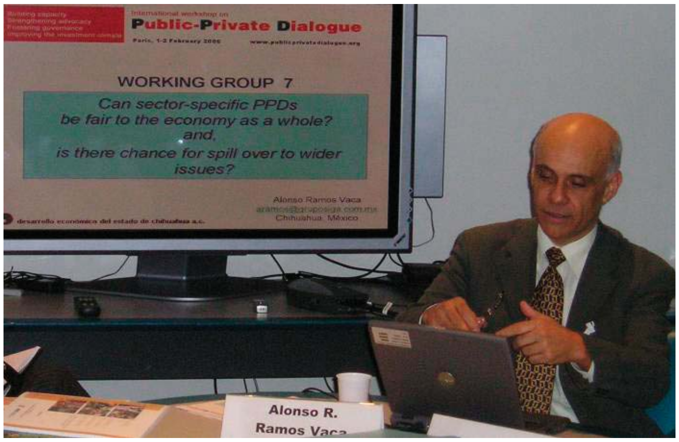
These comments, and others received after the workshop through the online feedback mechanism, are incorporated in the draft of the Charter presented above, pp 3–8.

www.PublicPrivateDialogue.org
All the working group case studies and presentations can be found on the website.

PRINCIPLE VII: SECTOR-SPECIFIC

Can sector-specific PPDs be fair to the economy as a whole and is there chance for spill over to wider issues?

Working group moderated by Alec Hansen, with a case study from Mexico—**Dialogue, Partnerships and the evolution of Clustering Efforts in Chihuahua**—presented by Alonso R Ramos Vaca, Senior Advisor, Chihuahua Nuevo Milenio Project



Case study summary: The case study traces the development of cluster initiatives in Chihuahua from the 1960s to the establishment of the Chihuahua Siglo XXI (CS21) project, which improved competitiveness considerably in the 1990s, and is now continuing under the banner of the Chihuahua Nuevo Milenio Project. It identified lessons learned specific to cluster initiatives, which include the importance of communication and outreach and participatory processes, creating a climate of collaboration and adopting local and regional approaches.

Working group rapporteur: Goran Lindqvist

FIRST DRAFT: "Sector-specific public-private dialogues should be encouraged because they provide more focus, greater incentive to collaborate, and more opportunity for action.

"Cross-cutting issues can be better understood and addressed when parallel sector-specific dialogues are linked to a broader, cross-cutting dialogue process aimed at a generally improved business environment. The choice of sectors can be controversial, especially where institutions are weak, but this can be mitigated by a transparent process or self-selection based on willingness to invest time and resources."

Comments and questions

It was questioned whether the benefits claimed for sector-specific dialogue would not also apply equally to issue-specific dialogue and location-specific dialogue, and that the emphasis should be more on focused working groups than sector-specific.

It was pointed out that recent research suggests an increased danger of rent-seeking activity when only one BMO is involved in dialogue, which is more likely to be the case in sector-specific dialogues—this increases the importance of transparency, strengthening institutions and clearly stating the overall welfare-maximising intention of dialogue.

Another good way to reduce the danger of rent-seeking is to emphasise inclusiveness of all stakeholders affected by a sector, including both consumers and suppliers—that is, a value chain approach—together with labor unions, academics and civil society groups.

The wisdom of "self-selection" was questioned, a danger being that the sectors that are already strongest will be best positioned to take advantage of the opportunity to dialogue, further marginalising sectors which are more in need of attention.

These comments, and others received after the workshop through the online feedback mechanism, are incorporated in the draft of the Charter presented above, pp 3–8.

PRINCIPLE VIII: INTERNATIONAL ROLE

Can PPDs at the national level leverage their legitimacy to represent their country internationally?

Working group moderated by Mercy Karanja and Henri-Bernard Solignac Lecomte, with the following case studies:

- **A Case Study of the Philippines Task Force on the WTO Agreement on Agriculture Renegotiations (TF-WAAR)**, Raul Q. Montemayor, National Manager, Federation of Free Farmers (FFF Philippines)
- **La participation des cotonculteurs d'Afrique de l'Ouest et du Centre aux négociations commerciales internationales**, Eric Hazard, Chargé de Programme, Prospectives Dialogues Politiques, ONG Enda Tiers monde, Senegal
- **Farmers dialogue—NEPAD process experience**, Philip M. Kiriro, Vice-Patron KENFAP, President EAFF, Vice-President IFAP

Case study summaries: The Philippines case study traces how dialogue was used as a tool by the Philippines government to prepare for WTO negotiations. It identifies lessons learned including the importance of commitment from the public and private sectors. Eric Hazard's case study discusses efforts to incorporate input from cotton growers' associations in Benin, Mali, Burkina Faso and Chad into international trade negotiations. The case study from East Africa makes the case that farmers' organizations have an important role to play in informing public sector negotiators in the international arena, notably in the NEPAD discussions.

Working group rapporteur: Henri-Bernard Solignac Lecomte

FIRST DRAFT: "Broad and inclusive public-private dialogue can effectively represent and promote national and regional interests of both public and private actors in international negotiations.

"Responding to complex international challenges requires broad, ad hoc, inclusive alliances amongst a variety of state and non-state actors. Involving local partnerships at international level can enhance the overall coordination and capacity of public and private actors, widen their margins of manoeuvre and effectively voice national and regional interests. To achieve this, actors may need additional resources and expertise. "

Questions and comments

It was questioned why the group had restricted the wording to "negotiations", and suggested to add the phrase "and international dialogue processes". The importance of the words "broad" and "inclusive" were emphasised, with a suggestion to bring this out more by explicitly mentioning that such dialogues should be open-access and transparent.

These comments, and others received after the workshop through the online feedback mechanism, are incorporated in the draft of the Charter presented above, pp 3–8.

PRINCIPLE IX: POST-CONFLICT / CRISIS-RECOVERY / RECONCILIATION

How can PPDs play a specific role in healing post conflict societies and speed up economic recovery?

Working group moderated by Lisa Curtis, with a case study—**Cambodian Government-Private Sector Forum (G-PSF)**—presented by James Brew, Project Manager, IFC.

Case study summary: The case study outlines the structure of the Cambodian Government—Private Sector Forum, which operates through seven working groups co-chaired by public and private sector representatives, and associated private sector working groups which prepare the agendas. The IFC provides a co-ordinating and facilitating role

through the secretariats, in particular with regard to preparation for the meetings. The IFC's role and reputation as an honest broker has been crucial in setting up the G-PSF. By promoting constructive and participatory consultation, this neutral, shared, non-political platform played an important role in bringing together stakeholders in a difficult post-conflict environment.

Working group rapporteur: Joe Lowther

FIRST DRAFT: "Public-private dialogue is particularly valuable in post-conflict and crisis environments to consolidate peace and rebuild the economy through private sector development.

"Dialogue is most effective when it focuses on the specific issues of economic reconstruction and investment climate improvement, leading to job creation and poverty reduction. Dialogue should contribute to increased trust across social groups and between private sector and government, and can be especially valuable in enabling the sharing of resources and building capacity. Structures for dialogue need to be specific to each context. An "honest broker" may be needed to kick-start dialogue."

Questions and comments

There were suggestions that "post-conflict" should be broadened to include "conflict-prone" societies, and "post-natural disaster" societies, bearing in mind that PPD has had some positive impact in tsunami-affected countries. The rapporteur responded that the words "and crisis environments" had been included for that reason. One questioned wondered whether "post-socialist" qualified, but the consensus was that the challenges there were very different.

The importance of capacity-building was emphasised, as was the danger of politicization unless the focus is kept firmly on PSD.

These comments, and others received after the workshop through the online feedback mechanism, are incorporated in the draft of the Charter presented above, pp 3–8.

PRINCIPLE X: DONORS

What role for donors in PPD?

Working group moderated by Justin Highstead, with a case study on South Africa—**The Role of Donors in PPD and the SADC Regional Business Climate Survey**—by Thomas Bedenbecker, Senior Advisor, GTZ, South Africa

Case study summary: The Advisory Service for Private Business (ASPB) is a multi-country and multi-partner project. The project is implemented through the German Technical Cooperation (GTZ) and funded by the German Government. The case study outlines how ASPB promotes dialogue with the objectives of involvement in drafting and monitoring relevant laws, elaborating the national budget, and defining the national position on international trade issues. It further details how regional business climate surveys of the fourteen SADC countries have helped to provide an evidence base to support dialogue.

Working group rapporteur: Sean Duggan

FIRST DRAFT: "Public-private dialogue initiatives can benefit from the input and support of donors when their role is determined by the specific local context, when it is informed and demand driven, and when it is based on partnership, coordination and additionality.

"The role of donors can incorporate aspects of encouraging conditions for dialogue, and initiating, promoting, supporting, funding and facilitating dialogue. The role should be as neutral and minimal as possible whilst maximizing the local ownership and capacity, the development of trust and the maintenance of a conducive and transparent environment. Donors should consider social, economic and political context, while always carefully considering exit strategies and sustainability issues."

Questions and comments

The rapporteur noted that many members of the group were themselves from the donor community and were uneasy about any hint of presuming that donors necessarily have a role; they were clear that there were many circumstances in which PPDs could manage well without any donor involvement at all. A questioner however felt that the group had gone too far in specifying that donor involvement should be "minimal", and instead the word should be "optimal"—there were circumstances in which a more than minimal involvement would be better.

Another comment suggested that the principle explicitly note capacity building and international best practice dissemination as two important services that donors can provide. It was also suggested to add a specific reference to donor coordination and the need to avoid duplicating existing initiatives.

There was a debate about whether "donors" is becoming a pejorative word. Several participants commented that they preferred to use the term "development partners" instead, to reflect the nature of support being more in terms of technical assistance and advice than donating money.

These comments, and others received after the workshop through the online feedback mechanism, are incorporated in the draft of the Charter presented above, pp 3–8.

www.PublicPrivateDialogue.org
All the working group case studies and presentations can be found on the website.

ADDITIONAL PRINCIPLE ARISES FROM PLENARY DISCUSSION

In the morning session, workshop organizers had distributed a sample principle on facilitators. While this had been intended to demonstrate the format the Charter principles should take, plenary discussion brought out the importance of the role of the facilitator, which it was suggested was sufficient to merit a principle of its own. The sample principle on the facilitator was, therefore, incorporated in the draft Charter which emerged from the workshop for ongoing discussion and adaptation, making a total of eleven principles. Following the online consultation, another principle was added on the role of champions in the public-private dialogue process. The final draft of the Charter is presented at the start of this publication on page 3–8, and available on the website www.publicprivatedialogue.org.

The workshop closed with a plenary discussion following addresses by Luc Rigouzzo, Director, Financial and Private Sectors Department, Agence Française de Développement; Rotyslav Pavlenko, Head of the General Analytical Department, Secretariat of the President of Ukraine; and Farooq Sobhan, President, Enterprise Institute, Bangladesh.

Keynote presentations

Luc Rigouzzo's presentation addressed the future of development aid and the role of public-private dialogue in leveraging its effectiveness. Aid is increasingly being reoriented from government-to-government financial transfers to a multi-stakeholder approach placing more emphasis on soft loans and developing local businesses. The donor community is moving towards doing more in helping businesses to access loans, mitigate risks, and find solutions to financial problems, together with building the capacity of local governments and addressing infrastructure, as well as regulation, as a limiter of competitiveness. There is clear potential for PPD to play a role in determining priorities and maximizing returns.

Rotyslav Pavlenko talked about the move to institutionalizing public-private dialogue to ensure sustainability in the context of Ukrainian society after the Orange Revolution. The Ukrainian government since the Orange Revolution has put more emphasis on private sector development, and Pavlenko discussed how technical aid from donor communities could be focused in more effective ways within a PPD context. Technical aid is important for advising decision-makers and building the capacity of middle-level officials, and also bringing important analytical capacity that facilitates the public monitoring of government and catalyses the growth of civil society.

Farooq Sobhan addressed the importance of establishing public-private dialogue for private sector development on the global development agenda, noting that it has already assumed a central relevance in Bangladesh and encouraging participants to disseminate the draft Charter among different groups and encourage feedback and debate. He identified key points for effective dialogue: that a

"PPD needs a champion to get results"

champion is necessary, though not sufficient; the need for maximal inclusivity, reaching out across the whole political spectrum; the need to educate and involve the media; and the importance of donor coordination.

www.PublicPrivateDialogue.org
Presentations are available on the workshop website.

Next steps

The workshop closed with a plenary discussion about next steps. Points made included:

- There is a need for a catalogue of positive impacts of PPD: concrete examples which can demonstrate to outside observers why this process is worthwhile. This is important for spreading the message that PPD can be a valuable tool.
- There is also a need to catalogue failures and lessons that can be learned from them.
- Practitioners would benefit from establishing a network which facilitates sharing of information and experiences, and interaction on common problems.
- The draft Charter needs to be complemented by more concrete practical recommendations to be useful to practitioners in the field. A practitioner's handbook would be useful in that regard. There should be an emphasis on practical tools which have proven replicability, such as the matrix presented in the Lao case study, based on Cambodia's which in turn was adapted from Vietnam's.
- A good sign of progress would be the holding of a second international workshop on PPD. An even better sign would be if the workshop were to be financed by private sector organizations, with more direct involvement of grassroots entrepreneurs as well as private sector representative organizations. Ideally such a workshop could be held in a country with a functioning dialogue mechanism and timed to coincide with a meeting, so participants could watch a dialogue process in action and discuss what can be learned.
- For future workshops, it could be helpful to classify case studies as "early" (when the structure is still being worked on), "growth" (the structure in place but the direction is still evolving), and "mature" (when dialogue is becoming sustainable and institutionalized). This will help PPDs to classify themselves and to clarify their aims and trajectories.
- Sustainability and donor involvement are especially fertile grounds for further discussion. Political will is crucial, and donors need to understand the political economy of setting up a partnership—if done badly in politically fragile countries, it could be a hindrance. Personalities are also crucial to the success or failure of PPD, and play as important a role as the culture of a country.

- It would be useful to set up an expert peer review committee to identify good and bad practice. This would add weight to statements about what works and help to establish PPD on the political agenda of more governments.

- We should look at ways to do cost-benefit analyses of PPD. Although benefits can be hard to quantify, costs are generally low.

- Poverty reduction is the ultimate aim of PPD, and it should never be forgotten that PPD is not an end in itself. A broad and inclusive approach to dialogue is of paramount importance.

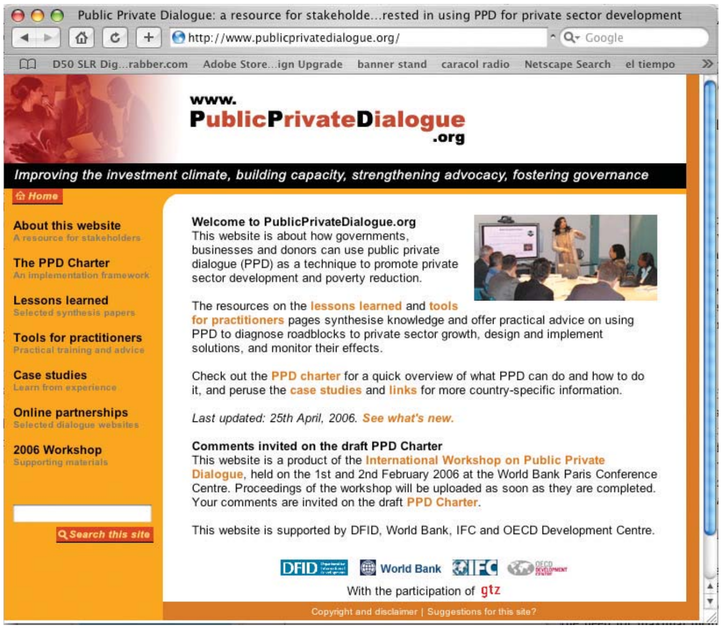
PublicPrivateDialogue.org is intended to serve as a comprehensive one-stop shop of knowledge and advice for stakeholders who are interested in building or maintaining public-private dialogue to improve the business climate. It provides the full background materials of the PPD workshop but also gives access to the PPD Charter, lessons learned, tools for practitioners, case studies and selected links.

Further information—www.PublicPrivateDialogue.org

Further information can be found on the website, www.publicprivatedialogue.org. An output of the workshop, the website makes available all the supporting material used by participants: the synthesis papers, case study documents and, when available, the powerpoint presentations.

The website also makes available the latest version of the draft PPD Charter, and invites feedback and suggestions to be incorporated into future drafts.

The Charter will serve as the basis of a handbook, now being developed. Aimed at practitioners and presented with succinct and straightforward language, the handbook will expand on the principles in the charter and offer practical tools and advice on establishing and maintaining dialogues. The handbook will be made available on the website when it is completed.



While a product of the workshop, the website is not limited to the workshop, and will be enriched with further relevant resources and links to selected dialogue websites, with an editorial emphasis on presenting the best and most interesting resources available. The website is intended to serve as a one-stop shop of knowledge and advice for stakeholders interested in using public-private dialogue for private sector development.

Every public-private dialogue is different. But many face similar problems. This section presents a collection of 10 case studies written for the workshop by actual PPD facilitators, with the aim of enabling practitioners to learn from others' experiences...

Annex I: List of participants

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Annex II: Sample case studies

This annex presents a representative sample of case studies presented and discussed at the workshop. Due to space constraints, it is not possible to annex all the papers and case studies which formed the basis of workshop presentations. These case studies have been selected to give a fuller taste of the issues and experiences which formed the basis for breakout sessions.

All the case studies, together with powerpoint presentations when available, can be downloaded from www.publicprivatedialogue.org.

CROATIA: Local/National Level Economic Policy Dialogue: the Competitiveness Council and Economic and Social Councils in Croatia
Joe Lowther, Senior Manager, Emerging Markets Group, and *Kresimir Sever*, President, NHS Trade Union Confederation

FIJI: The Regulatory Reform Task Force
Isireli Koyamaibole, CEO, Ministry of Commerce, Business Development and Investment; and *Ken Roberts*, CEO, Fiji Employers Association

JAMAICA: The Jamaica Cluster Competitiveness Project (JCCP)
Kenneth Hynes, Director, and Country Coordinator for OTF Group Jamaica, and *Beverley Morgan*, Director, Jamaica Exporters' Association

MALAWI: The National Action Group (NAG)
Jason Agar, Facilitator, NAG Secretariat, and *Chancellor L. Kaferapanjira*, Chief Executive, Malawi Confederation of Chambers of Commerce and Industry (MCCCI)

MEXICO: Dialogue, Partnerships and the evolution of Clustering efforts in Chihuahua
Alonso R. Ramos Vaca, Senior Advisor, Chihuahua Nuevo Milenio Project

NIGERIA: A Case Study of the Nigerian Economic Summit
Mansur Ahmed, Director General and Chief Executive of the Nigerian Economic Summit Group

PERU: Utilizing Public-Private Dialogue to Create a Market for Reform
Beatriz Boza, Executive Director, Ciudadanos al Día (CAD); and *Luke Haggarty*, Program Manager, Business Enabling Environment Program, LAC Technical Assistance Facility, IFC

PHILIPPINES: A Case Study of the Philippines Task Force on the WTO Agreement on Agriculture Renegotations (TF-WAAR)
Raul Q. Montemayor, National Manager, Federation of Free Farmers (FFF Philippines)

RUSSIA: Private-Public Sector Dialogue in the Development and Implementation of Regional Projects: Tomsk Oblast, the Russian Federation
Babushkin Evgeny, Head of the Department of Investment and Economic and Legal Expertise, Administration of Tomsk Oblast.

VIETNAM: Launching the Vietnam Private Sector Forum, 1997–2000
Wolfgang Bertelsmeier, IFC Country Manager for Vietnam, Laos and Cambodia, 1997–2000

CASE STUDY—CROATIA

Local/National Level Economic Policy Dialogue: the Competitiveness Council and Economic and Social Councils in Croatia

Joe Lowther, Senior Manager, Emerging Markets Group
Kresimir Sever, President, NHS Trade Union Confederation

Introduction

Croatia has a wealth of experience in developing economic, social, and labor policy through dialogue between the public and private sector. During the past five years, Croatian governments, businesses, and trade unions, with help from two USAID projects, have made a concerted effort to develop effective venues for the dialogue.

The projects assisted the national-level Economic and Social Council (hereinafter referred to under its Croatian acronym "GSV") and the National Competitiveness Council (NCC), and helped establish mechanisms for local dialogue between businesses, governments, and trade unions that provides input on national level policy.

This case study examines the challenges encountered, strategies developed, management of the process, and results obtained. The study will provide lessons learned that are applicable to other countries that are seeking to rapidly develop institutional mechanisms to facilitate business and labor input on national policy development.

Institutional Framework

The dialogue began at the national level, with the tripartite GSV. Business leaders also founded a Business Competitiveness Council, and the Government then worked with business, trade unions and academic institutions to establish the National Competitiveness Council ("NCC"). With USAID's assistance, local Economic and Social Councils ("local GSVs") were set up in most of Croatia's 21 counties. Several of these councils are very effective and feed policy issues (and solutions) to the national-level GSV.

In general, the partnerships have the same objective: improve the business environment by getting input from government, business, labor, and academia on policies. In Croatia, the GSVs focus on economic, labor and employment issues, while the NCC focuses on microeconomic and macroeconomic policy issues that affect competitiveness. The leaders on the councils had only moderate interest at best in ensuring a voice from the regions in developing economic policy, but USAID and E.U. projects assisting them pushed this agenda. The venues for dialogue at the local level—local GSVs and ad hoc groups focused on competitiveness—had clear objectives to identify constraints to regional/local economic development and develop strategies to overcome or eliminate those constraints. The issues and constraints that needed to be addressed at a national level were then communicated to the national level councils or directly to the national government.

The councils are organized as follows:

- **National Competitiveness Council (NCC)**—five Government Ministers; nine business leaders (CEOs of leading companies and presidents of business associations); four leaders of trade union confederations; four professors from the leading universities.
- **National Economic and Social Council (GSV)**—the eighteen members include six trade union confederation presidents, six representatives of the Employers Association, and four government ministers and two vice-presidents of government.
- **Local GSVs**—an even split of members from government, the local Employers Association office; and trade unions (18 total members).
- **Local ad hoc competitiveness groups**—mainly local business leaders with some participation from local government, academia, and trade unions.

Processes and Milestones

In Croatia, prior to 2000, the national GSV was inconsistently managed and had uneven results. At the request of the newly installed, reform-minded Government, USAID commenced the Tripartite Dialogue Project that was tasked with improving the Council's operations and performance. Subsequently the Croatian Government, trade unions, and Employers Association asked the Project to help establish local GSVs.

Another USAID project, the Competitiveness Initiative, was tasked with helping establish the NCC. The NCC had no mission to work at the local level or establish local counterpart councils, but the USAID Competitiveness Initiative was tasked with doing some pilot work on regional economic development based on competitiveness principles.

With USAID assistance, several members of the GSV and the NCC visited Ireland, and Irish participants in its Economic and Social Council came to Croatia to discuss how to improve the Council. The GSV members saw the Irish ESC as a good model and reorganized the GSV to try to emulate its success. The Irish National Competitiveness Council was also used as a model for establishment of the Croatian NCC.

Both councils worked very hard to incorporate lessons learned from Ireland, including establishment of secretariats, obtaining unbiased analysis on economic and labor issues, crafting a vision and yearly strategy, and identifying a limited number of issues to work on. Both councils are now more effective in determining priorities, utilizing neutral analysis, and engaging in constructive dialogue that provides the Government with solutions to economic policy issues and microeconomic constraints.

The USAID projects helped the GSV and NCC develop capacity to access and utilize research and analysis on priority issues. The Tripartite Dialogue Project also trained all members of the national and local GSVs on dialogue techniques, using the framework developed by the Harvard University Negotiation Project, and the Project trained Croatian facilitators to improve the dialogue process.

The Tripartite Dialogue Project worked with the newly formed Office for Social Partnership (the secretariat for the GSV) to spur establishment of local GSVs. Outreach activities were conducted and in most counties local leadership emerged. The leaders then had to solicit business, government, and labor leaders to participate.

Some were unsuccessful in getting leaders from all three sectors to the table. In several counties the GSVs were either not established or collapsed because of a lack of interest from the local government. But in about half the counties, the set-up phase was successful, and the local GSVs are functioning, with regular meetings and outcomes. Several counties' GSVs are very active, particularly when leadership emerges either from government, business, or trade unions.

Representatives from all local GSVs meet regularly with the Office for Social Partnership, and this has helped to get local opinions into the dialogue of the national level body. However, most of the local issues don't get significant attention unless there is a crisis, e.g. a labor problem in a state-owned company. Some of the local GSVs benefited from the EU Quick Impact Facility (QIF) regional economic development project that helped several counties develop strategies for economic development.

The local GSVs successes include providing input into national policy on temporary employment, getting the national Government to address day-care and pre-school needs (which affect employees' productivity as well as children's school performance), helping establish a successful mediation service for collective bargaining disputes, and improving the local business environment and attracting significant foreign investment in several counties.

Outreach Strategies

The GSV had little credibility with the public and even within trade unions, the business community, and government, and was known as a talk shop that accomplished nothing. Thus, members and the public alike needed to be convinced that this dialogue venue was important and could help solve economic development issues. This also affected establishment of local GSVs, since members needed to be convinced that their investment of time and effort was worthwhile.

The Tripartite Dialogue Project, GSV, and Office for Social Partnership developed a public education campaign that relied on successful foreign experiences with economic and social councils, primarily in Ireland and the Netherlands, and joint appearances of GSV members from trade unions, business, and government. In 2001, the social partners developed a Partnership for Development document that was signed with great fanfare and set forth their joint commitment to policy dialogue and development and implementation of economic reform policies. However, this document was only effective for a few months, and it seems clear that the agreement was put together too quickly and needed to be based on expert analysis and a longer dialogue on the GSV's vision, mission, and strategy.

In addition, some GSV members traveled throughout the country to advocate that trade union, business, and local government leaders join the local GSVs. The Project also organized a workshop for new local GSV members, which several national GSV members participated in. As the national and local GSVs progressed, success stories were publicized. See, e.g., www.socialno-partnerstvo.hr.

The NCC also engaged in a public outreach campaign, although as a new body with members that included CEOs of Croatia's top companies it did not suffer from the same negative image that the GSV had. The Competitiveness Exercise Project worked with the NCC to establish policy dialogue at the local level in selected municipalities, and the primary means of outreach were presentations and workshops.

Monitoring Mechanisms

Local GSVs are supposed to report quarterly in writing to the national GSV, and many do. Activities are discussed in detail at the yearly local GSV conference. The GSV and NCC produce annual reports of their activities. During the USAID projects, the projects submitted monthly reports including a report of results versus indicators and benchmarks.

Results

The local GSVs have had some successes, including input into some national policy reforms and improvement of several counties' business environment and resulting attraction of foreign investment. Several of the local groups have been very successful in developing and implementing changes in their business environment and in communicating their issues and proposed solutions to the national level.

The national councils are now taken seriously, and the Government and Parliament do utilize their recommendations. But, because Croatia's economic and social policy reform process is slow and uneven, the national GSV and NCC have had mixed results. For example, the GSV quickly developed an effective new labor inspection regime, but after almost a year of dialogue on amendments to the Labor Code, the resulting changes were mainly cosmetic.

Challenges

The councils and donor projects faced many challenges in getting local input into the policy dialogue process, several of which continue:

- Legacy of top-down government-driven decision making—this was a feature of the Yugoslavian socialist governments until 1990, and decentralization and democratization didn't move quickly until 2000.
- Legacy of a lack of decision-making power at the local level.
- Lack of understanding of the economic problems and the global economy.
- Lack of a culture of solving problems through dialogue and compromise.
- Different economic bases and obstacles to growth in different counties.
- Too many counties for a country of 4.4 million people mean that several counties make up each true economic region.
- Poor management of the Office for Social Partnership (secretariat) leading to a lack of assistance for local GSVs in general and particularly in coordinating work and communicating with the national GSV and Croatian Government.

Lessons Learned

Croatia's experiences provide lessons learned for other countries and donors. We feel that among the important lessons learned are:

- Donors should provide training on process (e.g. effective communication) and substantive issues. It is most effective when it includes representatives from all social partners and they can discuss issues. Such training leads to improved relationships and communication, and can often lead to resolution of disputes.
- Donors should help facilitate relationships between councils and local experts as much as possible. This strategy builds sustainability by indigenizing the services and skills we bring to the project.
- Facilitation is of great importance to developing policy dialogue. In Croatia, as in other transitioning countries, there is limited experience and appreciation of using facilitators to improve stakeholder interactions and increase the productivity of meetings, seminars, etc.
- The public in Croatia and other transition countries still looks to the Government as the primary driver of the economic and social reform process, and the councils should work to change this perception through strategic public relations activities.
- Exposing GSV members to successful and professional economic and social councils has tangible improvement on GSV members' professionalism and attitude toward social dialogue and partnership.
- As demonstrated by the successful work of the social partners in Ireland, Belgium, Netherlands, and Austria, research and analysis are among the most important factors in building social partnership. Thus it is necessary to set up an arrangement for unbiased research and analysis to be performed, either through a secretariat, outsourcing to think tanks and experts, or through collaborative work between social partner experts as is done in Austria.
- Council secretariats are very important and their role should be well-defined and they should answer to the entire council, not one member, e.g. the Government.

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CASE STUDY—FIJI

The Regulatory Reform Task Force

Isireli Koyamaibole, CEO, Ministry of Commerce, Business Development and Investment; and *Ken Roberts*, CEO, Fiji Employers Association

Background—investigating the investment approvals process

Fiji's current experience in public-private dialogue for investment climate reform arose from a government initiative to review Fiji's investment approvals process. Acting on concerns raised by the private sector, in 2001 the Ministry of Commerce, Business Development & Investment (MCBDI) conducted a review of why the investment approvals process in Fiji was so long, complex, non-transparent and excessively costly, both for investors to comply with and government to administer. After its own initial review, the MCBDI commissioned a consultant to conduct an in-depth study of Fiji's investment approvals agencies, with a view to recommending improvement strategies.

The MCBDI had already carried out a detailed review of Fiji's Foreign Investment Act (FIA). The FIA was amended to provide a simple, open and non-discretionary process for the Fiji Trade and Investment Bureau (FTIB) to register foreign investors. With the amendments, the FTIB had to grant or refuse applications for registration by foreign investors within five working days.

The consultant's report was presented to the Cabinet Sub-committee on Investment (CSI), chaired by Fiji's Prime Minister.[4] 78 specific reform recommendations from the consultancy report, covering 19 different government agencies, were endorsed by Cabinet in 2003, aimed at enhancing the efficiency and investor friendliness of Fiji's investment approvals process.

Recognizing the need for private sector engagement

Before embarking on implementing these reforms, the MCBDI carried out an awareness-raising exercise for government agencies and departments. This focused on the proposed implementation of the Cabinet's directive for all investment approvals authorities and amendments to the FIA. Government agencies reached consensus on the reforms in a

[4] The Cabinet Sub Committee comprises of the Prime Minister (Chairman), Attorney General and Minister for Justice, Minister for Finance and National Planning, Minister for Commerce, Business Development and Investment, Minister for Foreign Affairs and External Trade, Minister for Tourism, Minister for Fisheries and Forests, Minister for Public Enterprises and Public Sector Reforms, Minister for Works and Energy, Minister for Agriculture, Sugar and Land Resettlement, Minister for Lands and Mineral Resources, and Minister for Transport and Civil Aviation.

workshop in early 2004. However, they also recognized a need to engage with the private sector, particularly investor agents and intermediaries, who had first-hand experience of the investment approvals process.

Fiji's Prime Minister launched the reform process and the revised FIA report was officially launched in mid 2004. The Prime Minister stated that government would involve the private sector in the reform process.[5]

Initial private sector engagement for regulatory reform

In conjunction with the FTIB, the MCBDI held a series of public seminars, targeted at private sector organizations, to raise awareness about the revised FIA and the cabinet's directive for reform to the investment approvals process. This generated a lot of interest from existing local and foreign investors and intermediaries.

Private sector involvement was welcomed because it brought another dimension of thinking and revealed flaws in the investment approvals process from a user's point of view.

Development of the Regulatory Reform Program

With the support of FIAS and the World Bank, a regulatory reform program was agreed with the Fiji Government. The main expected outcomes include:

- measurable improvements in the time and cost of establishing a business in Fiji, and also in simplifying and reducing the burden of government regulation on private sector activity;
- improved efficiencies and a more customer-friendly approach on the part of regulatory agencies;
- improved coordination between regulatory agencies, to avoid duplication;
- established procedures to monitor performance and improved capability within the agencies to rectify shortcomings;
- closer and more effective dialogue between government and the private sector in relation to regulatory and administrative impediments and the most effective means of achieving reform;
- practical action plans for each agency for the broadening and strengthening of reforms in relation to regulatory and procedural impediments to private sector investment; and

[5] The Prime Minister stressed that *"Traditional civil service thinking will not carry us through. In fact, that will kill the reforms before they have a chance to work. We need a fresh, more vigorous and positive attitude from the administrative decision makers. They must become more aware and responsive to the needs of the business people. There is a gap that must be closed between the business community and the Civil Service."*

- development of the necessary skills within the various agencies to maintain the reform, and the provision of necessary tools to undertake their tasks in an effective manner.

The Regulatory Reform Task Force (RRTF)—important features of the reform program

The Regulatory Reform Task Force (RRTF) was set up by the MCBDI in December 2004. The RRTF has ten members—five from government and five from the private sector. The five members of the private sector are representatives of large private sector organizations in Fiji. The World Bank committed to providing technical support when the task force requested it, giving greater flexibility.

Another key factor was the recruitment of a regulatory reform specialist, based in the MCBDI, to help government agencies implement their reforms—this is critical both specifically in helping agencies to carry out reforms, and generally in sustaining the momentum. The CSI has since continually monitored the implementation, progress and effectiveness of reforms.

RRTF—structure and role

The role of the RRTF is to provide input through a public/private consultative mechanism to guide the day-to-day work of the regulatory reform program. The aim is to help ensure that the expected program outcomes are achieved. In particular, the RRTF is designed to:

- provide a forum for identifying and discussing important regulatory reform issues;
- develop new programs to address identified bottlenecks in the regulatory environment;
- decide on the appropriate sequencing of reform initiatives;
- monitor the progress of reform implementation;
- report on the progress of reform to the CSI and recommend changes to policy and legislation.

A number of principles were used to determine the size and make-up of the RRTF:

- Number of members was kept to a manageable size, to minimize logistical difficulties in convening meetings and facilitate the building of a team atmosphere within the task force.
- Balanced representation, between the public and private sector and between organizations. This was to ensure the task force is not dominated by the views of any particular group.
- Public sector agencies represented on the task force should have a broad investment mandate. This means senior officials from government agencies with general oversight responsibilities for investment, rather than responsibility for specific investment

approvals—there are many such agencies and their narrow focus on a particular regulatory process can make it difficult for them to take a broader view of the overall regulatory environment that investors face.

- Private sector representatives should be registered associations with large and broad memberships, not individual business people—associations needed to be generally accepted as the key bodies representing their areas of interest in the country, and with a sizeable membership. Together, the associations were to reflect a broad national range of business interests.

RRTF—process and progress

In a little over a year since its establishment in December 2004, the RRTF has met seven times and identified the following areas to be addressed to improve the business and investment climate in Fiji:

1. A review of the company registration process;

2. Contract enforcement;

3. Improving the transparency of the investment approvals process; and

4. Establishing a mechanism for obtaining the views of the private sector on the efficiency and investor-friendliness of the investment approvals process.

The MCBDI provides secretariat service to the RRTF—scheduling and preparing agendas and notifications of meetings, drafting discussion papers, minute-taking, following up on issues discussed during meetings, and implementing decisions taken by members. The chairmanship of the RRTF also rests with the MCBDI.

Attendance at the RRTF meetings has been good, with the private sector contributing first-hand experiences and suggesting improvements to Fiji's investment climate. There was initial skepticism shown by the private sector in the first two meetings, fearing that the RRTF might be discarded in the future and serve no useful purpose. However, these fears seem to have subsided. Members have also come well prepared, which has allowed focused discussions and outcomes.

Overall, the establishment of the RRTF has been well received with positive feedback from the private sector. The RRTF produces a newsletter titled "Regulatory Reform News" which is circulated to stakeholders, both public and private. It has also issued press releases and paid advertisements in the dailies to ensure a broader outreach.

Monitoring reform improvements

The current monitoring mechanism, endorsed by the cabinet, requires investment approvals agencies to provide a report to the MCBDI. This report consists of a progress update on cabinet's specific reforms for implementation by individual agencies, and a self-evaluation by agencies on application processing times and compliance costs to investors. These reports are normally presented to the RRTF and then to the CSI, which is tasked by the cabinet to monitor the implementation, progress and effectiveness of the reforms. With the RRTF now in place, the CSI has also assumed overall responsibility of monitoring its activities and additional reform initiatives.

Achievements to date

- *Review of the Company Registration Process*
  In August 2005, with the assistance of FIAS, a team of consultants from Norway completed a review of the Office of the Registrar of Companies' process to register a business name and company. The findings of the review were tabled in Cabinet in November 2005, and outlined the reforms to be implemented to improve the system of business registration. The implementation of reforms will allow online registration of business and company names.

- *Contract enforcement*
  The World Bank estimates that the time taken to enforce a contract in Fiji's courts is more than double the global average—320 days versus 139 days. Following a preliminary assessment by the RRTF, the cabinet in August 2005 endorsed the need to clarify the importance of the courts and alternative dispute resolution as mechanisms for settling contract disputes. Cabinet also agreed that the Asian Development Bank should be approached for technical assistance in early 2006.

- *Improving the transparency of the investment approvals process*
  There is a lack of concise, comprehensive up-to-date information about the different steps involved in the investment approvals process in Fiji. The RRTF, through FIAS, contracted a legal firm to assist in addressing this gap. The firm is currently preparing information summaries for 12 approval processes. This will help ensure that the each approval process is transparent and assist investors in making sound decisions. The work is now almost complete and final drafts have been sent to the various agencies for clearance by the respective Chief Executive Officers. When cleared, these information summaries will be made available on the FTIB website.

- *Establishing a mechanism for obtaining the views of the private sector on the efficiency and investor-friendliness of the investment approvals process*

List of Government Authorities and Approvals Addressed in Cabinet IAR Directive

Authority	Approval
Fiji Islands Trade and Investment Bureau	Foreign investment registration
Reserve Bank	Approval of share transfer
Department of Immigration	Key post work permit; time post work permit
Office of the Registrar of Companies	Business name registration; company registration
Fiji Islands Revenue and Customs Authority	Tax registration
Department of Lands	Approval for dealings in freehold or state land; Foreshore lease approval
Native Land Trust Board	Native land lease approval
Department of Town and Country Planning	Approval of a development master plan; for sub-division of land; for rezoning land
Municipal Councils, Rural Local Authorities and Department of Town and Country Planning	Building approval
Fiji Islands Maritime Safety Administration	Vessel survey and registration certificates Coastal trading licence
Department of Fisheries	Fishing licence; Fisheries project development approval
Department of Mineral Resources	Prospecting licence
Department of Environment	Environmental impact assessment
Ministry of Tourism	Concessions under the Hotel Aids Act
Public Works Department	Reviews of scheme and engineering plans re site development approvals

In monitoring the implementation, progress and effectiveness of reforms, the RRTF has solely relied on the progress reports submitted by individual investment approvals agencies. The MCBDI, through FIAS, contracted an statistical research company to conduct a survey of private sector experiences in complying with the investment approval processes. As a pilot, the study examined five approvals: foreign investment registration certificate; work permits; issuance and transfer of shares to non-residents; business name and company registration; and tax registration. The survey establishes baseline indicators and benchmarks for each agency against which performance improvements can be measured. The findings were presented to the five agencies, they are required by cabinet to develop action plans to address priority areas for improvement. In 2006, the survey will be extended to the 12 remaining investment approvals agencies.

The on-going role of the RRTF

Apart from ensuring the smooth implementation of the cabinet's specific directives for reform, the RRTF has also identified bottlenecks in the broader investment approvals process and ways to address them. The RRTF has also begun to broaden its reform agenda to cover other regulatory areas in need of reform. It is envisaged that the RRTF will play an increasingly important advisory role in investment climate policy reform.

The RRTF has also mapped out additional areas which will require detailed diagnostic analysis and study, such as Fiji's physical planning process and hotel licensing process.

Conclusions

Fiji has had one year of experience with its RRTF. The establishment of benchmarks and indicators through the Private Sector Survey is an independent basis for assessing whether the reforms have achieved the desired outcomes.

It is early to ascertain whether the reform initiatives have yielded the expected outcomes. Reforms take time, as do changes in internal institutional mechanisms within agencies, changes in legislation, and changes in the attitudes and mindsets of reform beneficiaries and managers. The reform process, however, was always intended to be an ongoing one.

The RRTF is now in place and the challenge is to maintain, foster and strengthen this working relationship to produce the desired outcomes, and demonstrate that public private dialogue is vital if Fiji is to improve its business and investment climate.

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Isireli deals directly with the Prime Minister and other senior cabinet ministers on matters relating to national strategic plans, investment strategies at various levels, competition policies and fair trading, export strategies, private sector involvement, regional development, bilateral and multilateral agreements, WTO issues, standards and conformance and so on.

He is currently the Chair of the National Trade Facilitation Committee and the Regulatory Reform Task Force in Fiji. This is in addition to his membership of the various other Boards in Fiji—the Fiji Islands Trade & Investment Bureau, Fiji Audio Visual Commission, Fiji Investment Corporation Ltd., and National Centre for Small & Micro-Enterprises Development.

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Ken Roberts is Chief Executive of RIM Consultants. He works as a consultant to Fiji Employers Federation, with the title of Chief Executive Officer. This contracted position provides all the duties of the CEO of an employers' organisation, with responsibility for maintaining all membership services, all liaison functions and the economic viability of FEF.

Mr Roberts is a member of: the Labour Advisory Board; Trade Union Advisory Committee; Manufacturing Industry Wages Council; Consultative Committee on Economic Strategy; NES Taskforce on Employment Creation; Tripartite Forum; University of the South Pacific MBA Advisory Council; Steering Committee to establish Fiji Islands Chapter of Transparency International; Board of Coconut Industry Development Authority; Board of Copra Millers of Fiji Ltd.; Public Enterprise Advisory Board; USP Solutions Board; National Economic Development Council; and Steering Committee on Reorganisation of Department of Immigration.

An Australian-born Fiji citizen, he is also Honorary Consul for both Finland and Sweden in Fiji; founder Vice Chairman of the National Health Promotion Council; and past president of Suva Chamber of Commerce, Federation of Chambers of Commerce in Fiji, and Rotary Club of Suva. He was a founder member and past president of Fiji Manufacturers Association.
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CASE STUDY—JAMAICA

The Jamaica Cluster Competitiveness Project (JCCP)

Kenneth Hynes, Director, and Country Coordinator for OTF Group Jamaica, and
Beverley Morgan, Director, Jamaica Exporters' Association

Overview—a case study about techniques in building trust for productive dialogue

Productive public-private dialogue is a transformation process—it involves the transition from low to high levels of trust. In the case of Jamaica, this transformation has been helped by communication technologies, cluster methodologies, and adopting a more formal approach to dialogue.

Context—economic stagnation and mutual public-private mistrust

Jamaica has not experienced sustained economic growth since its independence, 43 years ago. Average annual growth in real terms has hovered at or below 1% per annum. Both a cause and consequence of the island's economic stagnation had been the increasingly adversarial dialogue between the public and private sectors. Lack of cooperation and coordination undermined efforts to address mutually reinforcing deteriorations in levels of security, public health, education, governance and economic growth.

The prevailing paradigm for public-private dialogue in Jamaica was predominately informal. IDB studies found an alarmingly high amount of ministerial discretion in the providing exemptions for tax and customs. Informal dialogue led to rent-seeking behavior, to the detriment of the wider economy. The scope for arbitrary favors was a disincentive to new investment and to forming cohesive private sector institutions that could effectively engage the government with one voice.

To address the country's deteriorating economic performance, the government launched its National Industrial Policy (NIP) in 1997. The NIP intended to bring the private sector into collaboration with government to elaborate the details and implement related policies, but the underlying assumption of the NIP was that government was the master strategist in economic affairs.

By 2002 it had become clear that the NIP had not succeeded either in delivering growth for Jamaica or fostering a sense of partnership between the public and private sectors. This failure compounded the prevailing sense of distrust between the public and private sectors. Surveys conducted in Jamaica at the outset of the JCCP found that 84% of respondents considered the trust between the island's public and private sectors to be amongst the worst in the world.

This was the context within which the JCCP was launched in September 2002. The JCCP was a two-year pilot project managed by the Jamaica Exporter's Association (JEA). The project was funded by DFID, USAID, the Government of Jamaica, the JEA and participating firms.

Within two years the JCCP had successfully fostered a formal and high-trust PPD in all three of its targeted sectors (Agribusiness, Tourism and Entertainment). The PPD fostered by the JCCP was the result of a highly structured cluster process that focused on strengthening the linkages between firms, government agencies, and the international market. In effect, the JCCP helped to fill the many "missing links" that existed throughout the economy.

Objectives

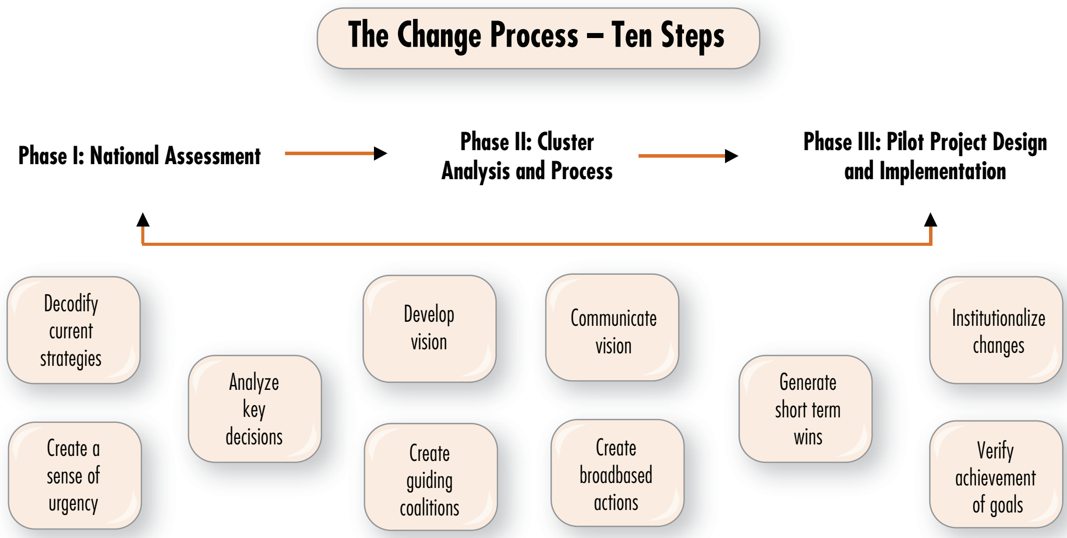
The goal of the JCCP was to generate greater prosperity in Jamaica by building new competitive advantages at the firm level, to increase firms' export capacity and their contribution to the nation's economy. The project sought to:

1. Increase sales and profits at the firm level by way of new products, new sales channels, and targeting more attractive customer segments;

2. Improve the enabling environment by eliminating regulatory constraints to growth and competitiveness and strengthening the capacity of the private sector to engage in a PPD around issues of competitiveness.

Processes and Milestones

The JCCP was designed in recognition of the fact that competitiveness is driven by firms, not governments. This was in marked contrast to the NIP's approach of government taking the lead, which created a set of unrealistic expectations on the part of the private sector and a mandate the public sector could never fulfil. To re-establish the trust needed to build competitiveness after the mutual resentment caused by the NIP failure, a ten-step change process was introduced:



Productive communication technologies

Phase I of the JCCP focused on improving PPD by explicitly addressing the attitudes and beliefs that shape and steer the dialogue. Productive communication technologies focus on identifying the belief systems that determine the tone and content of the PPD. Only by making these attitudes and beliefs explicit can they be reconciled and/or altered.

One of the productive communication technologies employed during the JCCP was a "mental models survey". The survey was administered at the outset of the project to approximately 400 respondents drawn from the public and private sectors. More than 50 questions were asked on critical economic development issues such as 'the role of government' and 'the competence of the private sector'.

The results of the survey were used to identify prevailing beliefs, assumptions and expectations which were then discussed in a series of facilitated workshops. It was the mental models survey that highlighted the disconnect that existed between the private sector's poor opinion of government (87% of respondents agreed that government did not know what's best for Jamaica) and their expectation that government should lead on most economic issues. This was the very thinking, implicitly espoused by both the public and private sectors, that fatally undermined the NIP process.

The survey results were used to identify and openly discuss the paternalism that had come to dominate the PPD in Jamaica. This was the critical first step towards breaking a very unproductive PPD paradigm.

Productive communication technologies were employed in the context of cluster process. Cluster methodologies emphasize the strengthening of linkages between the many industries, suppliers, and government agencies that must work together in order to produce the complex products that sophisticated customers demand. Phase II of the Ten-Step Change Process brought leaders from the public, private, and donor communities together under the guidance of a Cluster Coordinator to collaboratively develop mutually agreed industry objectives, plans, budgets, and commitments.

In each of the three clusters, detailed market research was used to ensure the PPD was data-driven and not fed purely by emotion. Bringing participants together in a structured, and brokered, process entailing on-going interactions over time fostered greater trust between the public and private sector resulting in a more productive PPD.

High-level annual events can be helpful, but such events are no substitute for the hundreds of interactions that occur between public and private decision makers within the cluster process. In many respects, Phase II was about creating the collaboration needed to implement the cluster strategy.

Process Outcomes

By the time each cluster began to develop their action plans, buy-in of the strategy had already been secured and workgroup members were ready to work together on implementing the strategy. Specifically, the PPD that had been fostered enabled:

1. *The development of a shared vision for the industry.* The development of a shared vision is critical milestone in the process because it serves to focus the energies of each stakeholder around a common aspiration so that their respective efforts complement one another.

2. *The respective roles of the public and private sector to be defined.* With a shared vision and market research to guide them the public and private sector were able to mutually agree on their respective roles in the creation of prosperity. The private sector realized that it must lead on the development of business strategy. For its part, the public sector accepted that it must support the private sector by upgrading the island's human and institutional capital.

3. *The development of an industry strategy and implementation plan.* Not only was a strategic plan developed but the means of its implementation was clearly defined. Both the private and public sector had a sense of ownership.

Results

With these enabling factors in place, the JCCP surpassed its objectives in several respects:

- *Bottom line results:* the project's ROI amounted to approximately 300%.
- *Reach:* More than 200 firms and 100 institutions participated in the programme, well above the 60 called for by the project.

- *Sustainability:* Several initiatives became self-sustaining in Phase III of the 10-Step Process. Both the Tourism and Entertainment Clusters were institutionalized with the election of representative Executive Committees. The fact that these organizations were established on the basis of a shared vision strengthened their ability to engage the public sector with one voice.

Going Forward

The JCCP was recently extended for three more years. The mandate of the programme has been broadened to include the development of structures to support broad based PPD around both economic and social issues. We are confident that the lessons learned during the pilot phase of the JCCP will serve us well in this regard.

Authors:

***Kenneth Hynes*, Director, and Country Coordinator for OTF Group Jamaica**
Kenneth Hynes has over ten years of experience working with private and public sector leaders on a range of strategy issues, including competitiveness building, strategic alliances, and export development programs. Ken currently leads the project team for the National Competitiveness Program in Jamaica, working with over 200 Jamaican SMEs on a variety of collective and firm-level initiatives to improve their competitiveness, and is a Director of the Jamaica Exporters Association's Competitiveness Company.

Ken leads strategy coaching and training engagements for several of the most prominent organizations in Jamaica, advising public and private sector leaders in the areas of corporate strategy and public policy. He is frequently asked to speak on issues of organizational strategy and global competitiveness. Recently Ken co-led a DFID-sponsored seminar on sugar diversification in the Caribbean and spoke on opportunities in the region at a Wharton School of Business conference. In addition to his work in the Caribbean, Ken supports OTF Group project teams in Africa.

Prior to joining OTF Group, Ken worked as a Commercial and Political Risk Underwriter with the Export Development Corporation in Canada, where he helped Canadian firms expand internationally by way of export promotion, foreign direct investment, and strategic alliances. Ken worked in a variety of countries in Africa, Asia, and Latin America, specifically in the consumer food products and financial services industries.

Ken's interest in developing and transitional economies stems from his work experience in a number of emerging markets. He is particularly interested in business strategy for firms in developing countries, and the collaboration that is required between the public and private sectors to find sustainable solutions in the development process.

Ken holds a BA in Economics from Concordia University. He earned a Masters of Arts from The Fletcher School of Law and Diplomacy, Tufts University. Ken's research work at The Fletcher School was later published as an Executive MBA case study by Harvard Business School
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***Beverley Morgan*, Director, Jamaica Exporters' Association**

Beverley Morgan is a director of the Jamaica Exporters' Association, largely responsible for new project design and development. Her projects include a World Bank investment of US$8m for innovation, new technology and technical support for export expansion, and the Small Business Export Development Project. She designed and was Project Coordinator for the Jamaica Cluster Competitiveness Project, which worked with OntheFrontier Group and was funded by international partners to enhance the competitiveness of Jamaican firms. Beverley is head of the Competitiveness Company of the JEA that was formed to institutionalise and expand competitiveness initiatives.

Beverley is a member of the Civil Society Advisory Committee of The InterAmerican Development Bank, charged with ensuring that the Bank's lending to the public sector is reflective of positive social and environmental values. She was a member of the Task Force on Agribusiness (1997–1999) of the InterAmerican Development Bank's Informatics Initiative 2000, and presented the position paper on technology and agribusiness on behalf of nineteen countries in the region.

Beverley chaired the Advisory Committee to the Minister of Technology on Electronic Commerce from 1999 to 2001, as well as the first joint venture company established by the University of the West Indies and private sector interests to undertake the commercialization of certain research findings of the Life Sciences Faculty of the University. She chaired the Agribusiness Industry Advisory Cluster of the National Industrial Policy and was the Chairperson of the Jamaica Agricultural Development Foundation, a not-for-profit international partnership between Land O' Lakes Dairy Cooperative of Minnesota, the Rockefeller Brothers Foundation and the Jamaican private sector. The aim was to monetize surplus dairy products from the United States PL480 programme, and the proceeds were used to make loans to more than 500 small farmers.

A Director of the Bank of Jamaica between 1992 and 2000, Beverley is the Chairperson of the Anti-Dumping and Subsidies Commission, the organization charged with ensuring equity in international trade and with implementing international trade remedies. This Commission has been singled out by the World Trade Organisation as a model organization for international trade remedies, worthy of emulation by developing countries.

Beverley is also a director of Area Youth Foundation, a not-for-profit, foundation that works with urban at-risk youth, teaching life skills and personal development, and organising educational programmes to enhance their employment opportunities.

Beverley has an Honours Degree in Spanish from the University of Manchester, a Masters Degree in Latin American Studies from the University of Liverpool, a Certificate in Export Marketing from the Graduate School of International Studies, University of Miami, and is a Hewlett Packard Doctoral Fellow at Case Western Reserve University's Weatherhead School of Management.

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CASE STUDY—MALAWI

The National Action Group (NAG)

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Background to the NAG Process

Malawi moved from a highly centralised, government-dominated economy prior to 1990 to a more diverse and liberalised economy post-democratisation. In the period after independence, Malawi's economy was characterised by high levels of government ownership, influence and control of many industries and businesses, in co-operation with a select and privileged number of private sector partners, both local and international—often through monopolies which were run, sanctioned or supported by the state.

The opening up of the economy in the early 1990s led to a greater diversity of private sector ownership and more competition. Previously closed areas of the economy were opened up to other private sector producers.[6] In addition, a privatisation programme has made considerable progress, but with some way still to go, particularly in utilities. The economy has been partially liberalised in areas such as trade, investment, business licensing and to some extent foreign exchange. There is still quite a way to go for the economy to be fully liberalised, with progress patchy and regular reversals.

A good example of change is the sugar industry, which was operated as a state-private sector monopoly (with Lonhro) where quotas and concessions to sell sugar were used as a form of patronage in a protected and regulated market. The system was inefficient and not conducive to economic development. By the late 1990s, a majority stake in the Sugar Corporation of Malawi had been sold to Illovo of South Africa, who changed the model to be based on efficiency and competitiveness, not favour, in its choice of distributors. Unfortunately, the perception of many in government and outside is that it is still operated as a favour-based model.

A second example is Press Corporation, which was a conglomerate controlled by the first President of Malawi that held many manufacturing, service and retail monopolies through its subsidiaries. Press is still owned by a trust that is for the benefit of the nation, but it now operates as a normal competitive company driven by normal commercial goals: return on capital, and growth. It has relinquished many of its monopolies and spun out many of

[6] Government used to control what crops could be grown in certain areas, which was used as a means of patronage—for example, smallholders were excluded from growing burley tobacco, with a regulated quota system for estates.

its subsidiaries. However, once again perceptions of Press in the public sector, media and the general public have not always kept up with such changes.

The experience of this model of government-controlled, monopolistic, regulated business created barriers to effective dialogue between the public and private sectors both at the time and beyond. It created resentment amongst those excluded from power and fostered a general view that the private sector is exploitative and not to be trusted. Levels of distrust, mutual suspicion and misunderstanding are still high on both sides.

With government so entangled with the private sector for so long, civil servants generally took a very dirigistic approach to policy-making and implementation that continued post-liberalisation. Now that businesses are not 'controlled' by government, this has often led to suspicion of both the old and the new businesses. The effect has been that consultation with the private sector by public sector was, and to many individuals still is, very superficial and often cosmetic. And, by virtue of being ignored over many years on the many issues that impacted upon it, businesses generally responded with hostility, criticism and acrimony. Some dialogues degenerated into a running argument in private and in public, resulting in further entrenchment of positions and even abandonment.

Although there were attempts in the late 1990s to engage private sector (and civil society) more widely, often at the prompting of donors or multilaterals, these processes were generally weak and inappropriate—for example, expecting business people to sit through a five day consultation event usually away from the main business centres, when everyone knew the chance of making substantive changes was minimal. Businesses became frustrated in this period, often ignoring governmental processes or being unhelpfully critical of government.

However, other processes emerged that created opportunities for a more mature and effective dialogue. These arose organically, often initiated by more forward-looking business people, civil servants and ministers who saw the need and benefits of engaging with each other. An early example included the formation of a working group on trade policy, co-convened by the Ministry of Trade and the private sector in 1997.

Following a national event on development of the private sector in mid-2001 that was co-convened by the Minister of Finance and the CEO of Press Corporation—which is still Malawi's biggest company—a small group of senior public and private sector leaders met initially to prioritise growth sub-sectors for national focus. This National Action Group recognised the need for a senior level dialogue on a range of issues, and continued to meet with the help of a local facilitator. From late 2001, the 'NAG' expanded the discussions by inviting in other key persons and organisations who could help resolve the particular barriers to the development of business.

At first the NAG was supported pro bono by two local consulting firms interested in private sector development. From late 2002, DFID funded a Secretariat (c. $100,000/p.a.) to support the facilitation of the NAG process, convene the Forum, establish supplementary dialogues to resolve particular enabling environment issues, undertake supporting analysis, establish and develop industry working groups and follow up on agreed actions.

In 2003, the NAG Forum determined that it should not just address issues as they arose, but should develop a "Business Plan for Malawi". This resulted in a joint public-private strategy for private sector development, the Malawi Economic Growth Strategy. This had the personal involvement of the Minster of Economic Planning, who subsequently has become the President of the Republic of Malawi. The MEGS is central to governmental activities relating to business and the focus for the Forum agendas.

The NAG Forum meets every two months and receives inputs from the various sectoral working groups and supplementary dialogues facilitated by the Secretariat and in close conjunction with the Chamber of Commerce in such areas as tax reform, performance of utilities, export development/trade, investment and foreign exchange, covering minor and major policy issues and implementation.

Objectives of the NAG Process

The objectives of the NAG process can be summarised as:

1. Improve the business enabling environment through dialogue and action

2. Establish mechanisms for dialogue and/or strengthen existing ones that will lead to changes.

3. Change attitudes to dialogue and deepen the culture of engagement between private and public sectors

Although objectives two and three are crucial to sustaining the outcomes of one, real progress on objective one is needed all the time to ensure that businesses stay engaged. This is both in terms of quick wins and more substantive changes. One example has been by identifying ten areas that the incoming government could do to improve the environment at limited cost. Most of were implemented in full within the first year, or committed to.

Sustainability should be seen in terms of more and better mechanisms for engagement and a changed culture towards dialogue. When policy makers really understand that the private sector not only should be involved in policy formulation, but can substantively contribute, then they seek out and listen to responsible inputs. The NAG Forum will probably change considerably over the coming years and there may not be a need for a funded secretariat, as that function could be taken on by government and private sector champions.

Structure and Participation

In outline, the NAG process:

1. Is one of progressively increasing/deepening engagement between private and public sectors
2. Has at its centre a regular Forum attended by key economic Ministers and officials, key public sector institutions (Reserve Bank, Privatisation Commission, Investment Promotion Agency etc.), CEOs of leading investors and representative private sector bodies (sectoral and cross-cutting), Heads of Missions for development partners and some economic-related civil society partners.
3. Has related sub-sectoral working groups with public-private representation addressing sub-sectoral specific issues (sugar, tea, tourism, cotton, textiles/garments, mining, etc).
4. Works with an established cross cutting group on trade (Trade Policy National Working Group - TPNWG) and with various groups on investment related issues (tax reform etc).
5. Initiates ad hoc groups and/dialogue processes on 'current' cross-cutting issues such as exchange controls, business licensing, severance pay etc.
6. Works with other governmental and donor processes to better integrate private sector related agenda/processes of World Bank, IMF, USAID, DFID, EU, UN and others.
7. Has a joint governmental, private sector and donor secretariat providing an access and communication point for each of the three main categories of stakeholders.
8. Undertakes capacity building and co-ordination of the private sector to enable more effective engagement in dialogue processes—the NAG is currently organising a private sector coalition of associations—which helps to enhance the private sector's understanding of the 'rules of the game' for policy making and implementation.
9. Provides e-information on business related issues direct to an e-mail database of businesses and those interested in business (public sector, donors, NGOs etc.).
10. Takes a deliberately low media profile, seeking to be a neutral facilitator between parties rather than act as a lobby group, which is the role of representative associations.

Within the above process and activities, the main NAG Forum serves several purposes:

1. Resolves cross-cutting issues that impact on businesses of all sizes.
2. Encourages sub-sectoral working groups to work by giving them a place to bring cross-sectoral issues which they cannot resolve alone.
3. Builds trust through opportunities for personal interaction and hearing other views.
4. Raises awareness of investment climate issues by educating businesses and government.
5. Allows for monitoring of progress on promised action linked to the strategy.
6. Provides the Secretariat with a mandate to work and the basis on which to engage stakeholders.

Key Characteristics of the NAG Process

1. Was initiated by private and public sectors as a joint 'home grown' initiative without donor input in its initial phases.
2. Builds on earlier more collaborative dialogue initiatives such as the TPNWG, and avoids the formalised approaches of the Business Council, which collapsed before it even started.
3. Is embedded in Malawi's private and public networks through the involvement of a Secretariat with contacts and credibility amongst the many stakeholders.
4. Has developed organically and often opportunistically in its responses and in the particular dialogues it has pursued, according to where progress is possible.
5. Has credible private sector individuals from companies and representative bodies who have stuck with the process.
6. Has been low cost, with minimal funding by donors supplemented by private sector and Government of Malawi contributions. All parties cover their own costs. This aids sustainability but is also part of the participant commitments.
7. Has DFID funds for Secretariat support but no funding for projects or activities beyond the dialogue processes, policies, practices and implementation—it was a deliberate choice to limit funding to avoid becoming embroiled in money issues, and to keep the focus on the main environmental constraints for private sector, many of which are within the power of the stakeholders to change without substantial funding allocations.
8. Has engaged a Secretariat through a (part-time) consulting contract with embedded local firms which have business operating experience in Malawi, working with two officials from two key ministries and with support from a (part-time) DFID secondee who interfaces with donor stakeholders.
9. As a deliberate choice, has no legal status but instead works by collaboration and commitment from the different stakeholders. Although there is sometimes pressure for formalising the NAG as a way of compelling involvement, this confuses the form of a process with its function. There are many ignored pieces of legislation, policies and strategies in Malawi, suggesting that formalisation is not necessary or even helpful to a better enabling environment. What is more critical is the willingness of parties to engage in meaningful dialogue and the commitment to act even when this is difficult.[7]

Results

The NAG process has achieved change in several business environment areas, notably:

1. Substantial changes to tax administration and tax regime proposed and adopted.
2. Prioritization and implementation of short-term actions to improve electricity supply and formation of an inter-ministerial committee to improve medium term supply.

[7] As in many countries, legislation may take years to develop and pass, and momentum may be lost or needs change faster than the legislative frameworks. The demise of the putative Business Council the day before it was launched show that political will can evaporate before implementation.

3. Sub-sectoral policy changes and problem solving in priority sectors.
4. A public-private 'business plan' for Malawi, which has become central to the government's business environment activities and led to a reappraisal of policy on neglected core sub-sectors.
5. Helped the main cross-cutting business association, the Chamber of Commerce, to revamp its governance, refocus its efforts on lobbying and improve its lobbying effectiveness.
6. Establishment of a nascent private sector coalition, initially focusing on tax reform.
7. Changes in specific issues, such as withholding tax for smallholder farmers, which has increased incomes for the poorest farmers as well as reduced revenue collection costs for government and for business, without substantively affecting government revenues.

Challenges

1. Need to continue to generate short-term results to keep the private sector engaged, without alienating government by being perceived as overly negative and critical.
2. Increasing the accountability of the public sector for commitments made, particularly in implementing changes in policy and procedures, but without threatening them.
3. Integrating an understanding of the political economy of change and policy-making into the lobbying, so that the private sector understands how to bring about change.
4. Improving co-ordination within the private sector so that lobbying is more effective and efficient, as well as making it easier and more efficient for the public sector to engage with the diverse private sector.
5. Shifting the focus of private sector representative bodies more onto enabling environment activities than on more survivalist revenue-raising activities—for example, there have been cases of associations running events for members to engage with ministers more so that they could charge a fee than for the opportunity to have a meaningful dialogue.
6. Coping with regular changes of government personnel, from ministers downwards.
7. Integrating other dialogue processes that compete for attention but are driven by particular funder agendas without necessarily advancing the enabling environment.[8] By participating in everything going, and trying to co-opt those activities with most promise, the NAG Secretariat seeks to reduce overlap, confusion and misplaced effort.
8. Overcoming legislative and parliamentary blockages, and weaknesses in the capacity to change and implement policies on the part of ministries and government agencies.
9. Addressing misunderstandings of the process, either overly optimistic or pessimistic, and deliberate misrepresentations of it. Critics can always find reasons to criticize the NAG for being too white, too British, too donor-driven, too big business, not deliver-

[8] In addition to the MEGS developed by the NAG stakeholders, Malawi has or is developing the: Malawi Growth and Development Strategy, National Export Strategy, Integrated Framework action matrix, Private Sector Development Strategy and an Economic Empowerment Strategy. Various bodies undertake overlapping studies including an Investment Climate Assessment Survey in addition to three similar studies in the recent years.

ing quick enough and so on. Sometimes they criticize out of ignorance, but often they criticize because the NAG process impedes or threatens them. Government officials can resent a coherent private sector voice that they have to respond to and be held to account by, having become used to limited scrutiny. Some donors prefer to start something new that fits with their own country agenda or reflects a standard model being implemented internationally.

10. Balancing the need for the Forum to be broad enough to be representative and small enough to function well. The private sector covers so many areas and issues that there needs to be wide involvement of many public sector agencies and private sector groups, but this can lead to a lack of focus and issues not being relevant to participants, inhibiting progress.

Whilst NAG has faced many obstacles and challenges in its short life, it is has become and stayed the main focal point for dialogue on the private sector. To do this it has responded to challenges and opportunities by changing its approach and shifting its focus. Its flexibility and persistence, as well as attention to the political economy of policy making, has enabled it to survive and show results, though it continues to face challenges and the need to rejuvenate itself on a regular basis.

Authors:

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Jason Agar has a BA (Hons) in Law (Oxon), an MBA (Henley Management College) and an MA in Development Studies (Distinction). He had a successful career in UK blue chip companies (Marketing) before working in Kenya as an advisor to an informal sector micro-finance project. He then worked at the Small Business Centre of Durham University Business School as Director of the Network Unit, focusing on business support organisations, before starting his own UK-based consulting firm. After consulting on enterprise and private sector in several developing countries in Africa and Asia, he joined Kadale Consultants, Malawi in 2001. He has invested in, and operates, two companies in Malawi, gaining first hand experience of running businesses in a difficult environment.
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seen as the main voice of the private sector. Before joining MCCCI, Mr Kaferapanjira was Deputy General Manager of the Malawi Investment Promotion Agency, a quasi-government agency charged with the mandate of promoting both foreign and domestic direct investment in Malawi.

MCCCI is a membership-based private sector organisation with an average annual membership of 300 members of all sizes of businesses. Its main role is to serve and promote the interests of its members through lobbying government on issues of concern to private sector, and business facilitation such as holding trade fairs and trade missions. MCCCI is the main private sector representative organisation at the NAG Forum.

Mr Kaferapanjira has a Bachelor of Commerce (Business Administration), an MSc in Strategic Management and a Post-graduate Diploma in Marketing from the Chartered Institute of Marketing in the United Kingdom, and is a Member of the same institute (MCIM).
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CASE STUDY—CHIHUAHUA, MEXICO

Dialogue, Partnerships and the evolution of Clustering efforts in Chihuahua

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Background—clustering efforts in Chihuahua date from the 1960s

Clustering efforts in the state of Chihuahua started in the 1960s, against a background of national economic deterioration and incipient social unrest, with a series of specific economic development initiatives by the private sector which became institutionalized as the Chihuahua Economic Development Council (DESEC)—the first private economic development council in México.

This private-sector organization turned out to be a very successful actor in public-private dialogue, and is nowadays the longest running mechanism of its kind in México. It has been a reference for many similar efforts in México and, in the year 2000, was an instrumental influence in defining the current national policy for regional development.

DESEC was born at a time when the local government did not have a corresponding office for economic development, so the state government initially depended on the private sector for these activities. From the early 1980s, as the government developed its own capabilities, it continued to actively support DESEC's efforts—initially through funding, staff, and economic information, and later including partnership in establishing several spin-off organizations.

In the late 1980s and early 1990s, this collaboration crystallized in the launching of Chihuahua Siglo XXI (CS21), one of the first cluster initiatives in México. This alliance attracted support from federal agencies in several areas, such as science and technology, tourism and industry. In the period 1992–1998, 9 clusters were developed, the automotive cluster being the largest.

The World Bank co-sponsored the first International Workshop for Practitioners in Cluster Formation in the city of Chihuahua in November 1997, with participants from around 30 countries. In this venue, Chihuahua introduced the concept of Clustering (cluster projects viewed as a process) and stressed the relevance of the human factor.

CS21—objectives and structure

The ultimate objectives of the CS21 council were to develop a competitive economy in Chihuahua with better paying jobs and a better quality of life, and to establish a consensus-led strategic planning process involving the government and the private sector.

The project was led by a steering committee integrated by a first level state cabinet official and top business leaders. Initially, it contracted consultants to manage the process but soon realized the need for a local counterpart team to manage the daily process and to act as the depository of the technology being transferred by the consulting team.

This counterpart team evolved into a General Coordination Committee dedicated entirely to coordination of all CS21 efforts. The capability of this Coordination Committee developed to the point that successfully advanced the technology transferred by the consultants, while the General Coordinator, Leonel Guerra, established himself as an authority with international recognition.

The process started with a series of meetings by industry that identified strengths, weaknesses and opportunities for stronger linkages. These meetings involved businessmen, government officials and university professors. This process also provided the opportunity to identify and involve key private-sector players and potential leaders, those with knowledge of their industries and proven commitment to CS21. These leaders eventually led the cluster groups, while the Steering and Coordinating Committees provided credibility and support.

The cluster-model structure had three levels. At the bottom, the dialogue process allowed the private sector to communicate its needs in areas mostly controlled by Government, such as infrastructure. The middle level provided fertile ground for joint private-public initiatives, such as supplier development. At the top level, leading companies profited from being able to combine competition and collaboration.

The initiative with most potential for extensive economic impact and public promotion were labeled 'Flagship Initiatives'. Some were cluster-specific initiatives, such as the creation of the Advanced Materials Research Center, but they were mostly cross-cutting, with impact on several economic activities. This is because the virtuous cycle of cluster-infrastructure development is usually started with improvements in infrastructure.

In contrast with other early cluster efforts elsewhere, CS21 recognized the need for a comprehensive effort covering several clusters. Initially, nine clusters were identified, grouped in three areas: Light Manufacturing (automotive, electronics, textiles and apparel); Natural Resources (agribusiness, forest products, materials); and Services (business services, tourism, transport and distribution). More recently, this list has been revised with the addition of some emerging or potential clusters in aerospace, biotechnology and information technologies.

Results—overall economic improvement, and successful specific initiatives

The project has had a major impact on competitiveness and long-range thinking, not only in Chihuahua as whole but also at company level. Although it is hard to isolate the impact of CS21 on the state economy, a comparison with its historical trends and those of other

Mexican border states shows a better performance in terms of job creation, investment attraction and overall competitive advantages.

A host of specific projects were implemented in the private sector. In the first five years, over 150 initiatives were developed, and over 60% were successfully completed—an outstanding result. In the automotive and electronic clusters, joint efforts to rationalize and upgrade the local supplier base have taken place. In tourism the physical infrastructure has been strengthened and developed.

The competitiveness of traditional products such as apples, pecans, chili peppers, dairy products, has been increased with the introduction of new technologies. Spin-off organizations established include: Coordinating Council for State Economic Development, Chihuahua NOW¡ (an investment attraction organization), Puro Chihuahua (a program to promote Chihuahua products in local markets), Labor Improvement State Council, Supplier Development Center, the Advanced Materials Research Center, the Drought Research Center, and the Center for Research on Food and Development.

Sustaining the momentum—political change endangers continuity

CS21 confirmed to Mexican leaders that co-opetition can yield better and lasting economic and social results and can help reshape a region's economic future. But CS21 also showed that cluster processes in developing countries are highly vulnerable to political changes.

In 1998, a new state governor publicly refused to enter into any private-public dialogue, which meant many activities were suspended and a limited unilateral effort was sustained solely by the private sector. This led to a markedly impaired capability for the region to face the economic downturn before and after the 9/11 events.

A complete turnaround took place when the current state administration took office in 2004. An overall indicator of this evolution is the magnitude of the financial support. What started as a one-time investment of over $1 million US Dollars in 1992-93, split evenly between the private sector and the state government, became a yearly budget of around $400,000 US Dollars until 1998. From 1999 to 2004, the private sector sustained an effort of roughly $100,000 US Dollars. In 2005, the renewed collaboration brought the joint effort back to the initial levels.

The current administration reestablished public-private dialogue at full strength, giving rise to new opportunities, among which are the planned development of an aerospace cluster, spawning from the old automotive cluster.

New structure—CODECH and CNM

The Council for Economic Development of the State of Chihuahua (CODECH) was established in late 2004 to oversee the process. It is headed by the private sector, with the

Governor acting as Honorary Chairman. It consists of approximately 30 high-ranking representatives of the governmental, business, labor, and educational sectors.

Following the lessons of CS21, the CODECH is not an implementing body, but rather is in charge of promoting action-oriented, plural organizations in each of the 12 regions in the State of Chihuahua. However, CODECH retains a specific responsibility in coordinating efforts with neighboring Mexican states, with the Mexican government, and with Texas and New Mexico.

CODECH is launching a continuation of CS21 with the name of Chihuahua Nuevo Milenio (CNM). An innovation in this new cycle is the realization of four initial diagnostics by independent consultants, with the intention of adopting a more strategic approach. These diagnostics are essentially concluded, and cover:

1. ***Competitiveness of Chihuahua:*** using a model similar to the ones used by the IMD and the WEF, the State of Chihuahua is evaluated against other Mexican states, and the different regions in the state are compared.
2. ***Long range economic opportunities:*** this study identifies potential activities for the state and its regions according to global trends in new technologies, relating them to local current capabilities.
3. ***Regional organizations:*** assessing the interest and commitment of regional public-private organizations and their capability to sustain a renovated effort.
4. ***Fast Track Initiatives:*** identification of initiatives ready for implementation, with the objective of ensuring immediate "small victories".

These four diagnositics facilitate public-private dialogue through the establishment of clear guidelines and objectives. The Fast-Track initiatives provide consensual priorities for short-term action and goal setting.

2006 will see the progressive launching of at least six of the regional projects. Each project will have a design suitable to the local conditions. In the case of the regions around the cities of Chihuahua and Juárez, the projects are again taking a cluster approach with the focus on the potential activities identified in the diagnostics.

From the automotive cluster to the aerospace cluster

The emergence of the automotive cluster in Mexico, and in Chihuahua in particular, was the result of the world auto industry identifying México as a low-cost export platform for small engines and global sourcing of auto components. It has attracted the production of certain types of engines, and a limited range of auto parts—particularly wire harnesses, radios, seat coverings, mufflers, and exhaust pipes. The maquiladoras that manufacture auto parts have played a tremendous role in this process. Many are the only plants that produce certain types of auto parts for the US market. In addition, they are the main generators of employment in Chihuahua and in Mexico.

A more recent development has been the establishment of third-stage maquiladoras, including engineering and design centers and knowledge-intensive work. The third-generation plants are no longer oriented either to assembly or manufacturing solely, but rather to the integration of design, research and development with manufacturing.

All these have resulted in the development of new technical and production capabilities in Chihuahua. One of the more compelling initial results of the diagnostics has been the feasibility of developing an aerospace cluster based on the capabilities developed locally around the auto cluster. Some initial successes have been achieved in attracting international players to Chihuahua, including leading American and French groups, while an effort is being launched to develop local suppliers and infrastructure.

An analysis of different value-chains in the aerospace industry shows some interesting opportunities for Chihuahua. The challenge will be how to leverage the current capabilities and how to steer the joint efforts of government and the private sector. An anticipated advantage of the aerospace cluster is in relation to the long sought goal of supplier development. In contrast with the barriers represented by the high volume/low mix and the corresponding low margins in the automotive cluster, the aerospace cluster is more suitable for qualified local suppliers because of the lower volumes and a higher diversity of designs, and the accompanying higher margins.

Lessons learned

Communication and outreach: From the beginning, CS21 had a very active outreach program stressing its forward-looking name, a distinctive logo and an inspiring theme: "Chihuahua, the first 21st century economy in Mexico". The communication program included brochures, newspaper articles, public forums and promotional videos.

Roles: The Coordination Committee identified three different roles for the participants in this process: strategists/authors, implementers/actors, and beneficiaries. The probability of success increases in cases where all three roles are embodied in the same person or group of persons—hence the need for truly participative processes.

Institutionalization: For most participants, cluster-related responsibilities are simply added onto other work-related activities. So it is important to formalize mechanisms that support these participants over time. An early attempt in 1998 to formalize the Coordination Committee and other organizational elements, through an Economic Promotion state law, failed when the administration changed, but has been retaken recently and is currently a priority for the State Congress.

Managing the consultants: CS21 avoided the common trap of shifting project responsibility to the consultants by embracing at an early stage the central role of local leaders. In fact, local leadership was so active and involved that the support of the consulting team was utilized to its full extent. Key factors were the Coordination Committee and a technical counterpart team.

Financing: CS21 was financed equally by the government and the private sector. When the private sector contributes its share, it establishes an initial level of credibility, sets the precedent for funding the action initiatives later and sustains commitment over time.

Collaboration climate: Three central values emerged from the collaboration experience: the acceptance of a joint responsibility for economic development, the need for multiple leadership through the commitment of many champions, and the central role of trust in building social capital.

Monitoring and evaluation: One of CS21's major limitations was the lack of adequate quantitative information to assess current and past performance. A related program was contemplated initially but was not implemented for lack of funding. Currently, this problem is being addressed with a more quantitative approach.

Geographic dimension: CS21 started as a statewide program, but it was later realized that a more regional and local approach was required. Also, a natural result was the formation of a transnational effort at the border cities of Juárez and El Paso, expanding to a larger region along the historic road known as Camino Real running from Chihuahua City to Santa Fe in New Mexico.

Author:

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Born in Chihuahua City, Mexico, Dr. Ramos carried out his professional studies at the Monterrey Institute of Higher Learning & Technology (ITESM) in Monterrey, N.L., México, (BS in Chemical Engineering, 1973). In 1977, he received a Doctorate degree (Sc.D.) in Chemical Engineering from the Massachusetts Institute of Technology (MIT). From November 1977 to October 1978, Dr. Ramos engaged in laboratory research and in the development of mathematical models for forecasting the physical behavior of polymers at the Centre de Recherches sur les Macromolécules, Strasburg, France. As a result of his work at MIT and Strasburg, he has published ten written works and holds two patents.

From 1978 to 1985, Dr. Ramos was employed at the Grupo Industria Alfa (the largest conglomerate in Mexico at this time) in Monterrey, N.L., where he gradually advanced from technical competence to positions in financial administration and general management. In late 1985, Dr. Ramos returned to Chihuahua, Mexico, to take charge of a family firm, which he continues to direct to this date.

Apart from his regular activities in the private sector, Dr. Ramos has participated actively in volunteer community work. In 1990, he was founding President of the Chihuahua Center for Quality and Productivity (CChCP), and was Chairman of the Board of the private sector organization, Economic Development of the State of Chihuahua (DESEC). As a result of his involvement in both organizations Dr. Ramos has published several articles, developed various materials, and imparted conferences and related presentations. In addition, Dr. Ramos sits on the boards of Coparmex (the national employers association) and

Tecnológico de Monterrey Campus Chihuahua. Since its inception, Dr. Ramos has had an active role in the Executive Committee of the Chihuahua Economic Development Board (CODECH).

In 1995, Dr. Ramos was invited to the State of Campeche, in Southeast Mexico, to present his findings in Project Chihuahua Twenty-first Century, which resulted in a similar effort in the State of Campeche, denominated "Transforming Campeche". Also, Dr. Ramos has assisted similar programs in the Republic of El Salvador, the Republic of South Africa, the Northeastern region of Brazil and the Dominican Republic. From Oct 2000 to May 2001, Dr. Ramos worked full time as advisor to President Fox on regional economic development. Currently, on an honorary basis, he is the senior advisor for the Chihuahua Nuevo Milenio Project (the CODECH leading project).
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CASE STUDY—NIGERIA

A Case Study of the Nigerian Economic Summit

Mansur Ahmed, Director General and Chief Executive of the Nigerian Economic Summit Group

Background

The Nigerian economy in the late 80's and early 90's was characterized by gross mismanagement of public enterprises, dwindling and weak infrastructure, inefficient service delivery, declining economic fortunes, inadequate health care and educational facilities, non-allegiance to the rule of law, poor investment climate and civil and political unrest.

In 1992/93, a group of leading private sector executives who were concerned with the country's economic direction sought to engage Government in a dialogue intended to find solutions to the economic decline. A member of the group, Chief E.A. Shonekan, was invited to head the interim national government in January 1993, and convened the first Nigerian Economic Summit (NES).

The first summit was a success, with appreciation of the advantages of public/private sector collaboration in the pursuance of national development goals progressively widening support for the summit process. Except for 1994 and 2004, the NES has been held each year since then. The summit has retained its focus of providing a forum for public-private sector dialogue and a platform for contributing to the development and progress of Nigeria, especially in the area of economic policies and management.

The Nigerian Economic Summit Group (NESG)

After the success of the first two summits, which were organised by individual champions of public-private partnerships, it was thought that a more formalized structure should be established to anchor the summit process. The Nigerian Economic Summit Group (NESG) was established in 1996 as a platform for the private sector to interface with the public sector.

The NESG, a company limited by guarantee, is an independent, non-partisan organization which aims to foster open and continuous dialogue on Nigeria's economic development. The NESG's vision is "to become Nigeria's leading private sector think-tank committed to the development of a modern globally competitive economy". Its mission is to be "dedicated to achieving sustainable economic development, in the national interest, through responsible private sector initiative."

The distinguishing ethos of the NESG is its focus on the national interest and emphasis on the private sector, with the personal commitment of chief executives and their organisations to an ethical and professional code and the virtue of '*paying to serve*'.

The Three-Day Annual Summit

The National Economic Summit is usually organized for three days, although the summit process transcends the three days of intensive dialogue. The three-day summit comprises plenary sessions, break-out workshops and a session for networking and sharing experiences.

- *Plenary Sessions:* participants share information and perspectives on cross-cutting economic issues.
- *Breakout Workshops:* participants dialogue and debate on sector-specific policies and programmes.
- *Networking/Sharing Experiences Session:* This session facilitates more face-to-face interaction between the public and private sector participants.

The summit is almost always officially opened by the president, with other participants including senior public sector policy makers, chief executives of private enterprises and other stakeholders.

At the end of the summit, conclusions of the various working groups, plenary and other sessions are pulled together into a coherent set of policy recommendations and submitted to the highest level of government for adoption and implementation. Subsequently, the NESG follows up through seven newly-formed Policy Commissions to monitor the implementation and impact of the summit's recommendations.

The Policy Commissions

In the early stages of the NES, one drawback was the lack of a framework for sustained follow-up and monitoring of policy implementation in between the annual summits. To address this need, the NESG introduced in 2003 the idea of Policy Commissions (PCs). There are seven PCs, made up of the core group of participants of the various NES breakout workshops.

The PCs' areas of focus are:

1. *Infrastructure:* energy (gas and power); water; transportation (aviation, rail, inland waterways, ports and roads).
2. *Agriculture:* agricultural production, processing, storage, marketing and finance.
3. *Investment Climate & Competitiveness:* macroeconomic framework; investment; trade policy and competitive industrialisation; privatisation and deregulation; budget and economic coordination.
4. *Human Development:* primary and vocational education; youth development; health.
5. *Non-Oil/Non-Agric Sectors:* SMEs; solid minerals; NEPAD; tourism; banking, finance and insurance.
6. *Governance:* rebuilding institutions; corporate governance.
7. *Science & Technology:* biotechnology; ICT; R&D.

The objective of the PCs is to facilitate the adoption of NES recommendations. They work throughout the year with the active involvement of the Policy Analysis Unit of the National Planning Commission to follow through the implementation of the various reforms recommended by the NES.

The PCs provide an ongoing platform for top-level public-private dialogue on specific sector issues. They identify priority issues, which will be reviewed every two years, and seek to establish consensus on policy options, implementation strategies and performance evaluation, within the framework of a long-term vision.

Achievements

Over the twelve years since the NES began, and especially since the NESG's incorporation in 1996, the NES process has sustained a vigorous and consistent effort to help create an enabling environment which is conducive to good governance, responsible private sector investment and sustainable economic growth and development.

This means improving economic and business management, increasing incentives for the private sector, encouraging participaction from stakeholders—including legislators, the judiciary, academia, labour and civil society organisations—and fostering broad support for economic reforms. Some examples:

- ***Deregulation:*** Summit advocacy led to deregulation in sectors including aviation, finance, communication, primary and secondary education, power, oil and gas.
- ***Improving the Investment Climate:*** The NES has consistently expressed its concern over the country's poor international image and has repeatedly recommended ways to improve the investment climate so that Nigerians and foreigners alike will be more prepared to invest. These efforts led to:
  - The repeal of the Nigerian Enterprises Promotion Decree (the Indigenization Law), which restricted foreign investments in Nigeria.
  - The enactment of the Nigerian Enterprise Promotion Act 1995, which removed the restriction on foreign investment and provided a general framework for facilitating and promoting investment in Nigeria.
  - The repeal of the Exchange Control Act 1962 and its replacement with the Foreign Exchange Act 1995, which liberalized foreign exchange controls in Nigeria.
  - Efforts are being made to implement other recommendations including a comprehensive and credible privatization programme, consistency in policies to promote macro-economic stability, and the repeal of anti-investment laws. There has been some policy stability in the past four years, the rate of inflation is reducing, and the establishment of the Nigerian Investment Promotion Council has contributed towards reducing the hurdles that prospective investors used to encounter. However, a lot more needs to be done to improve Nigeria's investment climate.
- ***Public Sector Reforms:*** The summit has persistently advocated for public sector reforms, notably the need to reduce corruption and promote transparency and good

governance, monetizing fringe benefits and paying improved wages for public servants. The government has responded positively to these recommendations, although much remains to be done.
- *Private-Public Partnership:* Perhaps the most enduring contribution of the summit has been to reduce mutual suspicion and mistrust between the public and private sectors.
- *Vision 2010:* A long-term economic blueprint for the country, Vision 2010 was adopted as a result of the 1995 and 1996 summits. Although the document was jettisoned by the present government, most of its recommendations have nonetheless been implemented.

While others have also been advocating for the same things, there can be little doubt that the NES process has been the most significant driver of the reform initiatives that the federal government has been gradually implementing over the years. Unfortunately, implementation—especially planning and coordination—has often fallen short of expectation and so the impact on the economy has been less than what was hoped.

Challenges

- *Sustainability:* NESG as a Membership Based Organization gets most of its funding from membership fees and more often than not, membership fees are often inadequate and inconsistent. Challenges faced by the group with respect to this include:
  - *Funding:* Narrow and unstable financial base given the fact that the group must keep abreast of emerging economic policy issues and mobilize resources for research.
  - *Inadequate research infrastructure/capacity:* The group cannot effectively deliver its services without an adequate research and infrastructure capacity.
  - *Focus and value proposition:* As a non-partisan organization, NESG is faced with the challenge, on one hand, of pursuing a value-free and independent mandate, and on the other hand, of keeping its membership base by ensuring their continuous support especially in the areas of funding and participation.
  - *Data/Information:* In-availability of up-to-date and reliable economic data. Engaging in analysis without current and up-to-date data is difficult.
- *Networking:* The mandate of the NESG cannot be effectively and successfully achieved in isolation, and therefore the need for networking. The NESG needs to broaden its partnership and collaborations with other institutions (both local and international) for it to effectively and successfully influence development policies.

Lessons Learned

- Due to the fact that policy implementation and impact have often fallen short of expectation, the average Nigerian has not experience the full benefit of the dialogue process and therefore often tend to see the Summit as some 'talk-shops'.

- While there is hardly any major reform policy that the government has implemented over the past ten years or is currently in the course of implementing which cannot be traced to one summit recommendation or the other, the result of advocacy is difficult to exclusively arrogate to any one organization or individual, since other organizations and individuals have also urged the same or similar policy initiatives.
- Policy makers often fail to acknowledge the significance of advocacy organizations in policy implementation.

Conclusion

The NESG believe the prescription for sustaining reforms and unlocking Nigeria's potential is clear: free markets, allegiance to the rule of law, and investment in public health care and education. A framework for well structured PPD helps non-state actors to maintain pressure for sustaining reform and improving the business environment and economic performance.

Although the achievements of NESG are now well recognized, as noted in the World Bank's Regional Program for Enterprise Development (RPED) Survey of 2002, there is need to sustain and indeed strengthen its human and institutional capacity, especially in the areas of research and advocacy, to enable it to continue to engage government and other stakeholders effectively on issues of private sector development. To do this, NESG needs to broaden its source of funding and build collaborative linkages with similar institutions both at home and abroad.

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Mansur Ahmed is currently the Director General and Chief Executive of the Nigerian Economic Summit Group, a position he assumed in January 2004 following his retirement from the Nigerian National Petroleum Corporation. He had been involved in the activities of the NESG as one of its public sector collaborators since the inception of the Nigerian Economic Summit in 1993.

Mansur Ahmed has a first degree in Mechanical Engineering from Nottingham University (1972) and a Masters degree in Industrial Engineering and Administration from Cranfield Institute of Technology (now Cranfield University 1975) both in the UK. He also has a postgraduate certificate in Investment Appraisal and Management from the Harvard Institute of International Development among other qualifications. Between 1973 and 1984 he worked in various manufacturing industries including Dunlop Nigeria Industries Limited, Bagauda Textiles Limited and Kaduna Textiles Limited. In 1984, he joined the New Nigerian Development Company Limited (NNDC), a development finance company with subsidiaries in various sectors in manufacturing, commerce and banking. He was Executive Director in charge of the Construction and Building Products Division, which oversaw the company's investments in cement manufacturing, steel and aluminum fabrication and other building materials.

In 1988 he transferred his services to the Nigerian National Petroleum Corporation (NNPC). He served the Corporation from 1988 to 2003 in various capacities including Managing Director and Chief Executive at Kaduna Refining and Petrochemical Company (1988–91) and Managing Director and Chief Executive at Port Harcourt Refining Company (1992 –99). In July 1999 he was appointed Group Executive Director in charge of the Corporation's Refining and Petrochemical Directorate. He retired from the corporation in August 2003.

Ahmed is a fellow of the Nigerian Society of Engineers and the Nigerian Institute of Management. He is a non-executive member of the board of directors of Dunlop Nigeria Plc and serves on many national committees including the following:

- The Nigerian Vision 2010 Committee;
- The Oil and Gas Sub-Committee of the National Privatization Council;
- The National Working Group for the conduct of the African Peer Review Mechanism in Nigeria;
- The Committee on the Assessment and Monitoring of the Millennium Development Goals; and
- The National Council on Reforms.

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CASE STUDY—PERU

Utilizing Public-Private Dialogue to Create a Market for Reform

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Summary

Since 2004, the IFC has been working to improve the business climate in Peru by helping to simplify the regulatory environment for the private sector at the municipal level. In order to complement these efforts, a public-private working group, now called Intermesa, has been created to help ensure that there is broad-based support and an organized constituency to help plan and sustain reform initiatives.

The creation of Intermesa is the culmination of nine months of work by a partnership of the IFC and Cuidanos al Dia (CAD), a local NGO. In approaching this task the team consciously set out to create a market for reform, paying attention to both supply and demand of reform. This approach has led to interesting variations on standard PPD approaches.

For example, in addition to targeting business groups (demand), central government agencies (demand) and central and local political leaders (demand), the team also targeted technical level officials as both potential reform implementers (demand) and as potential consultants to other municipalities (supply). Intermesa also has a number of international cooperation groups in it which helps to ensure that demand for reform is coordinated with support for supply of technical assistance.

Intermesa is now playing an integral role in spreading the reform process to new municipalities through its support for a national plan for municipal-level administrative reform in Peru (*TramiFacil*). Intermesa has grown to include more than 20 prominent public and private sector organizations, and has become deeply integrated in all aspects of the reform process.

Background

Like many countries in Latin America, Peru is burdened with complicated and costly business regulations. According to Doing Business in 2005 it takes over 100 days to register a new business in Peru and over 200 to get a construction permit. Such long and difficult process can have serious costs to communities since they help to increase informality, and hinder local economic development and job creation.

High costs of compliance with business regulations also denies governments much-needed tax revenues, thus further lowering public expenditures on critical government services (such as education) and infrastructure (roads and water) which are critical toward increasing competitiveness.

In 2004 the Metropolitan Municipality of Lima (MML) chose to address these issues, and, with IFC assistance, embarked on a program to simplify the processes for registering a business in the municipality. This was particularly important because municipal-level procedures account for about 60% of the time to register a business in Peru, a trait shared by many Latin American countries.

As part of the project the IFC insisted that the beneficiaries of the reform (the private sector) be involved through the creation of a local advisory council to help oversee the reform and, most importantly, promote them to the public and defend them when there is a change of administration.

The process was slow, but influential public and private sector organizations began to realize the scope and potential impacts of proposed reforms, and jumped on board to support its successful implementation. Such integrated involvement and coordination from the private and public sector, as well as from multilateral organizations, differentiated this from prior attempts at simplifying administrative procedures and regulations in Peru.

Intermesa as part of a national plan for reform in Peru

Initial success in the Lima simplification project, and growing involvement and interest from public and private sector groups, helped to generate higher levels of interest and demand for reform expansion throughout the country, and the development of a national plan that was led by an ever-expanding Intermesa. This culminated in the official launch of the National Municipal Simplification Plan, *TramiFacil*, on January 10, 2006, which was signed by 24 Intermesa institutions (see Annex I for a complete list of signing institutions).

Intermesa is the strategic planning committee and working group for *TramiFacil*, and is involved in the following core areas of the national reform program:

- Extending reform programs to four new municipalities in the coming year
- Continuing to develop reform leadership (through continued public-private dialogue) and a unified methodology
- Developing systems to coordinate and sustain continuous reform expansion to municipalities throughout Peru
- Identifying and training a network of local technicians who are able to independently implement reforms
- Creating and implementing systems to monitor reform progress and track its results
- Launching an extensive communications campaign to spread reform messages

Intermesa has also identified a six-month work plan that includes the following:

- Establishing a schedule to promote reform across the country
- Creating an organization manual for Intermesa
- Helping to produce training material (e.g. IFC Toolkit), and conduct training workshops for new consultants
- Developing a list of municipalities that will be supported during this period
- Launching a website for *TramiFacil*

Additional ongoing Intermesa activities that support this work plan include:

- Community outreach events and market consultations to gauge public opinion
- Promoting and lobbying for reforms, and establishing reform as an important issue on the public and political agenda
- Sharing reform experiences with other municipalities and interested government agencies
- Collaborating with regional institutions to develop local public-private working groups that will further assist reform initiatives and expansion

Composition and organization of Intermesa

Intermesa is composed of 24 institutions (see Annex I for a complete list). This includes national government agencies such as the Presidency of the Council of Ministers (PCM), the Ministry of Economy and Finance, and the Commission for the Promotion of Micro and Small Enterprises (PROMPYME), as well as local government institutions such as the Municipalities of Lima, Cajamarca, and Piura. Intermesa members from the private sector include the National Confederation of Private Business Institutions (CONFIEP) and the National Confederation for Peruvian Micro and Small Enterprises (CONAMYPE). Ciudadanos al Dia (CAD) plays the role of technical secretariat, helping to coordinate the activities of Intermesa.

Intermesa has an Executive Committee that consists of the PCM and PROMPYME from the public sector, CONFIEP as a private sector representative, and the IFC, an international organization. Intermesa holds regular meetings to discuss important reform issues and advancements, and is divided into three sub-committees focused on implementing specific portions of the plan:

1. Building local capacities and institutions, and sharing reform best practices

2. Communications, coordination, and monitoring strategies

3. Strategies to pass relevant regulations and policies that support reforms

Intermesa milestones and results

The most evident milestone is the signing of *TramiFacil* by 24 Peruvian institutions, and publication of the workplan. This has generated momentum and increasing interest in the reforms as several municipalities have now asked to participate in simplification reforms and benchmarking studies that measure their bureaucratic processes, and national government bodies continue to voice their support and approval. However, each of the subcommittees of Intermesa have already seen results, for example:

- The subcommittee on norms is currently revising a proposed law on municipal operating permits that would help structure the process at the local level and reduce superfluous requirements
- The communications subcommittee has approved a communications strategy and planned a series of regional fora to explain the national plan throughout the country and enhance regional representation.
- The local capacity subcommittee has gathered best practices from all members of Intermesa and is compiling a single Simplification Toolkit that will be used by all members.

Additionally, the media has reported on events such as *Doing Business in Peru*, and the launch of the National Plan which has helped generate public interest, and encouraged public and private figures alike to speak out on its benefits and the importance of reform.

Lessons Learned with Intermesa and Challenges Moving Forward

Some of the lessons learned during the creation of Intermesa include:

- In order to truly engage the relevant public and private sector stakeholder groups, these actors should be actively involved in the activities, which may include: community outreach events, serving as general reform advisors and helping with proposal development, and promoting and lobbying for reforms.
- To reach consensus among numerous institutions, it is a good idea to put all institutions at the same level (including the facilitating institution). That is to say that there is not one leader of the group, but rather, equal partners and voices throughout all discussions.
- One must take into account the amount of time it takes to achieve consensus and create a truly well-developed plan. It is better to overestimate the amount of time it takes and try to set realistic goals, rather than hurrying up the process for the sake of moving forward.

Some potential challenges for the future of Intermesa include:

- Moving beyond strategic planning, and ensuring implementation and sustaining successful reform across the country.
- Successful national expansion and coordination, considering that current reform in Lima is only 14 months old.

- The ability to weather changes in government, as Peru will undergo national, regional and municipal elections in 2006.

- Increasing local capacity to implement reforms and willingness to pay for them, since donor support will diminish in the future.
- The ability to expand the agenda to include other issues critical to the private sector (local taxes, other regulations, etc).
- Maintaining solidarity and organization as a working group (Intermesa), and continuously improving as an entity.

ANNEX I: List of 24 Intermesa institutions that signed *TramiFacil*

Executive Power

PCM: (Presidency of the Council of Ministers)
Ministry of Work and Promotion of Employment
Ministry of Economy and Finance
Ministry of Production
INDECOPI (National Institute for Competition and the Protection of Intellectual Property)
ProInversion: (Government) Agency for the Promotion of Private Investment
PROMPYME: Commission of the Promotion of Micro and Small Enterprises

Local Governments

Municipality of Lima
Municipality of Cajamarca
Municipality of Piura
Municipality of Independencia
Municipality of Villa Maria de Triunfo
Municipality of Bustamante y Rivero

Private Sector Interest Groups

CONFIEP: (National Confederation of Private Business Institutions)
SNI: (National Society of Industries)
CONAMYPE: (National Confederation for Peruvian Micro and Small Enterprises)

International Organizations

IFC: (International Finance Corporation)
FIAS: (Foreign Investment Advisory Service)
OIT: (International Labor Organization) (Organizacion Internacional del Trabajo)
GTZ: (Society for Technical Cooperation) (German Sust. Econ. Dvlpmt Organization)
USAID: (United States Agency for International Development)

Projects / Programs

PROPOLI : (Program for Overcoming Poverty in Lima)

Non-Governmental Organizations

Ciudadanos al Dia
Simple

Authors:

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Beatriz Boza is Executive Director of Ciudadanos al Día (CAD), a Peruvian-based think tank and government watchdog organization promoting citizen participation and empowerment in public policy development. Main projects include the improvement of fiscal transparency through the provision of information to the public and the creation of Peru's Best Government Practices Prize, organized on the basis of research performed by a Yale Law student.

Also currently a weekly columnist at El Comercio, Peru's leading daily newspaper, and Professor of Legal Ethics at the Catholic University of Peru Law School. Was one of four experts on The World Bank's 2004 External Advisory Panel on Improving Investment Climates: An Evaluation of World Bank Group Assistance.
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Luke Haggarty is the Program Manager for the Business Enabling Environment program of the IFC's Technical Assistance Facility for Latin America and the Caribbean. The program is currently focused on simplification of business regulation at the Municipal Level.

Prior to joining the IFC, Mr. Haggarty was a senior economist in the Private Sector Development group in the Latin American and Caribbean region in the World Bank where he focused on issues connected to improvements in the investment climate across Latin America, working on several Central American countries as well as Brazil, Bolivia, Peru, and Chile.

Prior to moving to the Latin American region, Mr. Haggarty worked in the Development Economics Research Group in the World Bank. Over the last decade he has worked on issues concerning reform of state owned enterprises, privatization, regulation of infrastructure and private sector development in Latin America, Eastern Europe and Africa.
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CASE STUDY—PHILIPPINES

A Case Study of the Philippines Task Force on the WTO Agreement on Agriculture Renegotiations (TF-WAAR)

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Background

The GATT-Uruguay Round established for the first time a comprehensive set of rules covering international trade in agricultural products. The Philippines was an active participant in the protracted negotiations and an eventual signatory to the final agreement which was adopted in Marrakech, Morocco in 2004. In the negotiations on agricultural trade rules, the Philippines was represented by Geneva-based negotiators and capital-based officials and consultants working under the direction of the Department of Agriculture (DA).

Prior to the Uruguay Round, several agricultural sectors and crops enjoyed trade protection through quantitative import restrictions, relatively high tariffs, and other non-trade barriers. In turn, Philippine agriculture was suffering from low or stagnant yields and productivity, cost uncompetitiveness, and general unpreparedness for open competition in the world market. Hence, there was a clear need for Philippine negotiators to calibrate the country's liberalization commitments with the capacity of its agricultural sector to engage in open trade with foreign competitors.

This situation should have stimulated a close interaction between the government negotiators and the affected private sector groups, particularly the small farmers who comprise the bulk of the agriculture-based population. Unfortunately, very limited, if any, consultations were conducted during the course of the Uruguay Round negotiations. When the negotiations were suddenly revived after a brief standoff, the haste to rapidly hammer out an agreement also left little time for government officials to consult and validate data with the private sector.

This resulted in serious overstatements of the country's tariff rate quota commitments for chicken and pork, comparatively low tariff equivalents for products that previously enjoyed QR protection, and a general tariff reduction commitment that was more progressive than required and relatively more generous that that proffered by many other countries.

These oversights and excessive commitments of government negotiators, which could be traced to some extent to their failure or unwillingness to consult with the private sector during the negotiations, have been widely blamed for the country's deteriorating trade performance during the Uruguay Round implementation period. Although exports and imports may have been influenced by many other factors, data nevertheless shows a ballooning of the country's agricultural trade deficit to a current average level of about US$1 billion per year from a slightly positive trade balance at the start of UR implementation in 1995.

Government has likewise been criticized for prematurely exposing small farmers to open competition without accurately evaluating its ability to provide budgetary support, assistance and safeguards, and despite repeated assurances that the trade agreement would be beneficial for agriculture as a whole and would be complemented by adequately funded competitiveness-enhancing programs.

The Task Forc on the WTO Agreement on Agriculture Renegotiations (TF-WAAR)

The public backlash that arose from the errors and excessive commitments made during the Uruguay Round negotiations led officials from the Department of Agriculture to rethink their strategy and institutional set-up in preparing for subsequent negotiations in the WTO, and later on, also in negotiations under various regional and bilateral trade agreements. Private sector groups, including farmer organizations and NGOs, also became more vocal and aggressive in pushing for changes in how the government conducted these negotiations, demanding that affected sectors be involved in crafting positions and strategies.

These developments coincided with the onset of a new Round to follow the UR, starting with the failed ministerial meeting in Seattle in December 1999 and the subsequent adoption of the Doha Development Agenda in November 2001.

As a result, the Department of Agriculture, through its division handling trade negotiations, decided to establish a permanent committee composed of representatives from key agricultural sectors and NGOs that would regularly provide advice to the Department and its negotiators on issues being discussed in, and proposals submitted to, the WTO.

This led to the creation of what was called the *Task Force on the WTO Agreement on Agriculture Renegotiations*, or TF-WAAR. At present, this task force is composed of about 20 representatives from the rice, corn, chicken, hog, sugar, vegetable, coconut, coffee, agribusiness and processing, and related sectors, some NGOs, and selected officials from relevant government agencies who are invited as needed.

Although originally convened as an ad-hoc task force, the TF-WAAR has evolved into a consultative body with which Department officials regularly interact and dialogue with on WTO matters. (A similar body has since been established for other trade negotiations, particularly those involving Free Trade Agreements (FTAs), with the eventual aim of setting up a fully functional consultative body within the Department for trade negotiations in general.)

In addition to the TF-WAAR main committee, the Department established a smaller Core Group consisting of selected private sector representatives that would meet more regularly and analyze proposals and issues in more detail in between regular TF-WAAR meetings. This was deemed necessary to provide the Department with a more focused, intensive and dependable source of inputs, since there were practical difficulties in convening and ensuring the constant participation of private sector representatives in the main committee meetings of the TF-WAAR.

The Core Group presently involves three private sector representatives with specific assignments and fields of expertise relating to the three pillars of the agricultural trade negotiations (market access, domestic support and export competition). These Core Group members interacted regularly with the Department's capital and Geneva-based negotiators and helped the Department develop detailed negotiating positions and strategies, simulate the effect of proposed modalities and disciplines on domestic sectors, and generate feedback and information from their contacts both locally and abroad.

The outputs of the Core Group, as refined through interactions with the government negotiators, were in turn presented to the TF-WAAR main committee for validation and endorsement, and subsequently incorporated into the negotiating position of the country's official negotiators in the WTO.

This set-up worked smoothly in the run up to the WTO ministerial meeting in Hong Kong in December 2005, and government officials were considerably more relaxed and confident in the negotiations given the much clearer mandates and support they had secured from the private sector. In turn, selected private sector representatives were included as members of the official government delegation, enabling them to observe the proceedings first hand and engage government officials in real-time discussions on developments and emerging issues.

Although much more has to be negotiated to complete the Doha Round, the preliminary achievements in Hong Kong, particularly in the areas of special products (SPs) and the special safeguard mechanism (SSM) on which the TF-WAAR and Core Group spent countless discussions and workshops, have provided clear evidence of the effectiveness and utility of the participative and interactive approach adopted by the Department of Agriculture.

The previously acrimonious and adversarial approach of many private sector groups towards the Department with respect to the trade negotiations has also perceptibly given way to a more constructive and broadminded willingness to work together, discuss issues more amicably, and try to come up with common positions before the formal negotiations.

Lessons Learned

Although it sounds commonsensical that governments should consult with affected sectors, the experience with TF-WAAR shows that several factors have to be in place in order to make such a consultative system work effectively.

First of all, government officials must acknowledge and be convinced of the need for such a consultative and interactive system of preparing for, and participating in, trade negotiations. This attitudinal shift is necessary to erase lingering perceptions among government officials that the private sector will only push for their parochial interests, have little to contribute, and will only create additional problems and headaches for the negotiators.

In turn, only when the private sector feels that the government sincerely needs and wants their involvement will they be willing to invest their time, effort and resources to constructively participate in the process. Government will then have to place their trust in the private sector representatives, particularly when involving them in discussions over sensitive matters, granting them access to internal confidential communications and documents, and giving them off-the-record comments and assessments of developments.

Secondly, the consultative mechanism must be formalized, institutionalized and fully synchronized with the government's internal structure for handling the negotiations. Ad-hoc, informal and emergency meetings may be helpful, but a protracted negotiating process such as that in the WTO and in FTAs needs a clear structure linked up with the negotiating system and a more-or-less permanent membership that is involved in the whole process of negotiations.

This is all the more important given the complexity of the issues and modalities being discussed in these trade negotiations, such that meaningful participation can only be achieved through an accumulation of information acquired at each step of the negotiating process.

Thirdly, the private sector must complement the government's willingness to consult by being ready to invest their time, effort and resources to the activity. They must make the effort to read and study documents, learn the issues and intricacies of various proposals, and gauge the impact of these proposals on their respective sectors and the agricultural sector in the country as a whole. They should be ready to match the trust and confidence entrusted to them by the government by handling confidential information judiciously and discreetly.

They should also institute a parallel participative and interactive process within their own organizations, so that the information they receive at the national level filters down to as many affected and interested groups and persons as possible.

Fourthly, preparation is critical for any negotiating initiative to succeed. Government negotiators, in tandem with the private sector, must meticulously do their homework in preparing for formal negotiations and meetings. Proposals should be evaluated, impacts should be simulated, problems should be anticipated, and positions should be crafted well in advance of formal meetings where decision-making is usually ministerial in nature.

This requires the active, regular and sustained involvement of the private sector and their constant interaction with negotiators and public officials throughout the negotiation process. When the formal meetings are held, government negotiators should already have a firm and clear idea of their negotiating positions and strategies and the confidence that they have the support of their private sector constituencies.

Fifth, the government, with the assistance of the private sector, must make adequate and appropriate investments in acquiring and organizing data and information relevant to the negotiations, including the appropriate hardware, software and personnel to handle and manipulate such information. In many cases, proposals cannot be evaluated, and simulations cannot be executed, because basic data which is needed for the analyses is either missing or unavailable. This makes it difficult, if not dangerous, for negotiators to make commitments and proposals.

Although the task of gathering the information and setting up the data systems is initially daunting, it would prove to be a very cost-effective effort since much of the data will be of use in practically all subsequent trade negotiations, whether multilateral or not. Additionally, quantitative analyses of options will make it easier to resolve internal sectoral conflicts and disagreements, and help government officials arrive at a fairer negotiating position that is also most acceptable to all sectors concerned.

Finally, there is clearly a need to bring the consultative and interactive process to a higher level in order to exert meaningful influence in the negotiations. By itself, the Philippines is a very minor player in the WTO, and no amount of persuasive and well-crafted argumentation will advance its interests if it acts alone in the negotiations. Hence, it is very important that the country's negotiators build and join alliances within the WTO and other negotiating fora with countries who have common interests and concerns.

In the WTO for example, the Philippines has been an active member of the G33 and G20, and maintains its linkages with the Cairns Group. The inputs from the TF-WAAR have been instrumental in giving the country's negotiators heightened credibility and confidence within these negotiating blocs while at the same time expanding the impact of the TF-WAAR's efforts beyond the country's own negotiating system.

To some extent, this alliance-building process within the WTO has been complemented by parallel interaction between TF-WAAR members and their private sector counterparts in other countries. Some of the farmer organizations, NGOs and agribusiness associations and firms represented in the TF-WAAR are affiliated to international organizations which are also involved or interested in the trade negotiations.

This gives an opportunity for private sector groups to bring their concerns and proposals to the international arena, utilizing the information and ideas they gather from the TF-WAAR meetings. Feedback from such interaction with peers from other countries can in turn be shared during TF-WAAR meetings so that a comprehensive assessment of country and sectoral positions regarding trade issues can be made.

Conclusion

The consultative and interactive system adopted by the Philippine Department of Agriculture in the course of the Doha Round negotiations has indeed been beneficial and instructive to both the government and the private sector alike.

As mentioned earlier, the TF-WAAR has made it possible for the government to craft more credible negotiating positions and strategies that are fully supported by its constituents. The private sector in turn has used the opportunity to ventilate its concerns and proposals in a more constructive manner and at the same time understand more clearly the effects and implications of trade agreements on their individual sectors and the agricultural sector in the country as a whole. There is indeed much to gain, and little to lose, from involving the private sector in the process of trade negotiations.

As the negotiations proceed and new trade agreements are put on the line, the need for more active, intensive and broader private sector participation will increase. The government itself, with its limited resources and personnel, will more than ever need the assistance of the private sector in evaluating emerging proposals and estimating their impact on domestic sectors. The private sector must rise to the occasion, accepting both the responsibility and the challenge to help the government achieve what is best for the country.

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Mr. Montemayor is currently a member of the Executive Committee and Chairman of the Asian Regional Committee of the International Federation of Agricultural Producers (IFAP), to which the FFF is affiliated. Mr. Montemayor is also a member of the Board of the International Food and Agricultural Trade Policy Council (IPC).
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CASE STUDY—RUSSIA

Private-Public Sector Dialogue in the Development and Implementation of Regional Projects: Tomsk Oblast, the Russian Federation

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Background

Tomsk Oblast is one of 89 subject states of the Russian Federation. Located in West Siberia, it is about the size of Poland and has a population of over one million people. Around half of them live in the Oblast administrative center, the city of Tomsk.

There are oil and gas deposits in the north of the Oblast and a number of large agricultural enterprises in the south. The main industries are fuel, chemical, petrochemical, non-ferrous metallurgy, machine-building and metal processing. Tomsk is a major center of the Russian nuclear industry, and one of the leading scientific and educational centers in Russia, with six universities.

This case study looks at three examples of Tomsk Oblast's experience with public-private dialogue:

- A joint project on removal of administrative barriers to investment in Tomsk Oblast, conducted in cooperation with the Foreign Investment Advisory Service of the World Bank Group (FIAS) and with financial support of USAID, beginning in 2000;
- The development of the Strategy of Tomsk Oblast Development until 2020
- Preparation for the federal competition between regions of the Russian Federation for the right to establish a pilot Special Economic Zone in late 2005.

International agency support brings an appreciation of PPD

Tomsk Oblast first appreciated the benefits of public-private dialogue during a project on identifying administrative barriers to investment, which began in cooperation with FIAS in November 2000. Prior to this, there had been little tradition of dialogue between the administration and businesspeople, and there was some uncertainty on the part of all stakeholders when FIAS came in about whether such dialogue could be made to work.

The FIAS team came to Tomsk Oblast to define and evaluate the existing problems, and by summer 2001 a first report had been prepared with an analysis of the problems and recommended solutions. Three reports have now been prepared with recommendations on removal of administrative barriers. Two large-scale surveys of businesses have been conducted, and a work program has been developed and periodically revised on creating a favorable business environment.

During all stages of the FIAS project there was a constant dialogue with the business community of Tomsk Oblast. The goal was to involve a broad cross-section of businesspeople in discussion of priorities and strategy of the regulatory and investment climate reforms. Plans and results of the FIAS project were regularly covered by the mass media. As part of this project, FIAS organized workshops for representatives of the administration about how to attract potential investors, and what information they needed to make investment decisions.

The process has high-level backing, being under the control of a vice-governor of the Oblast. Issues are considered at a commission on removal of administrative barriers and creation of a favorable climate for entrepreneurship, which involves representatives of the state Oblast agencies. Representatives of federal agencies and municipalities—the levels of territorial administration above and below the Oblast level—are invited to participate in meetings, together with entrepreneurs and representatives of business associations.

Focus groups are central to PPD in Tomsk Oblast

The FIAS project involved focus groups organized with the participation of professional sociologists as facilitators. This approach proved to be very effective for finding solutions to the problems connected with reforming administrative barriers. After it was first used in Tomsk Oblast, the approach was then replicated in other Russian regions which participate in the FIAS project.

In total six focus groups have been held in Tomsk Oblast during FIAS missions, giving valuable experience enabling us to use the technique in other settings. Discussions involved representatives of business, state agencies, the regional administration and municipalities; focus groups can also be held with the participation of only one group of interest, such as entrepreneurs.

The presence of facilitators helped ensure that each participant was actively involved in discussions, and no single participant could dominate. All participants perceived the facilitators as neutral, which ensured they could express their views without any reservations.

Each focus group took about 2.5 to 3 hours, included no more than nine people and at least two facilitators—one to lead the discussion and the other to take notes. Participants could request that their contributions would be anonymous in the report of the focus group.

These discussions revealed which reforms businesspeople thought were most urgent, and which the representatives of state agencies thought were most practicable. Working from the reports of the focus groups, FIAS made a draft action plan for a reform program.

This project improved the investment climate of Tomsk Oblast, in particular by facilitating the public/private sector dialogue—a fact confirmed both by monitoring of the reform impact in 2002 and 2004, and the anecdotal opinions of the private sector.

PPD techniques contribute to the Strategy of Tomsk Oblast Development until 2020

Learning from this experience, the administration sought the participation of regional businesses in developing the Strategy of Tomsk Oblast. This was approved by the Tomsk Oblast State Duma at the end of 2005.

The strategy was developed by the regional administration together with a Russian consulting company. Developing the strategy involved identifying the key challenges, problems, competitive advantages and opportunities for the development of Tomsk Oblast. On the basis of the analysis, a long-term vision was defined for the Oblast's development, aims and goals, and the strategic priorities of the regional administration. The strategy document is among the first experiences in Russia of using modern approaches of strategic management in government.

The strategy identifies these priorities for Tomsk Oblast: science and education, and innovation in the areas of biotechnology, information technology and new materials technology.

In developing the strategy, we understood that the results would largely depend upon how it was accepted by the regional business and scientific community. Therefore at all stages of its development we kept an active dialogue with all stakeholders.

In total over 300 experts representing enterprises, scientific and educational institutions participated in this work. The focus groups were organized along industry lines, including support sectors—finance, trade, construction, etc.

The general scheme of the work at every stage was the following:

1. Focus groups were organized to discuss the problems and define priorities.

2. The results of the discussion of all focus groups were aggregated by the strategy consultant, taking into consideration the opinions of Russian and international experts.

3. The consultant's report was again discussed in focus groups to get coordination and agreement.

To help regional enterprises and organizations develop their own strategies, together with the strategy consultant we conducted many workshops on strategic planning at an enterprise level. As a result, participating companies have got a better understanding the work of the administration and why the strategy is important for everybody, both public and private sector.

Despite the labor-intensive nature of the organization of the dialogue, the results have been worth the effort. Government has become more transparent for businesspeople.

They have come to trust us, demonstrating understanding of our goals and recognizing the efforts we make to support and develop the economy of Tomsk Oblast. They know they can rely on our assistance, based on the mutually-approved priorities expressed in the strategy, and this should ensure the successful economic development of the region.

PPD's role in winning a federal competition to establish a Special Economic Zone

Dialogue in Tomsk Oblast did not stop when the strategy was developed. It was central to capitalizing on an opportunity which presented itself when the federal government announced a competition for the right to establish a Special Economic Zone for new technology development.

Russia had no previous experience in holding this kind of competition, and when the announcement was made in September 2005 we had very little time for preparation. The main criteria for winning were to prove that there is scientific and innovative potential in a region and sufficient capability to host the special economic zone.

We proposed to the Tomsk scientific and educational complex, and selected innovative companies, that we should prepare for this competition in cooperation. We chose together priorities for the future economic zone—the development of biotechnology, information technology and new materials technology—and identified competitive advantages.

As a result of this collaborative effort, Tomsk Oblast became one of only four winners out of 28 regions which participated in the competition. We have now started the project implementation, and plan that in 2007 the Tomsk Special Economic Zone will be open for business.

Conclusion

The results achieved by Tomsk Oblast make us confident about the region's economic prospects. Cooperation with international organizations has been critical in the process of building successful dialogue, as they have helped us learn about and replicate international best practice. Their independent evaluations of our activity, proposals and recommendations have helped both public and private sectors to form a new mentality.

The success of PPD is shown by the fact that representatives of federal and regional state agencies and both Russian and international companies visiting Tomsk all note the high level of mutual understanding between the public and private sector, and our solidarity in achieving goals.

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CASE STUDY—VIETNAM

Launching the Vietnam Private Sector Forum, 1997–2000

Wolfgang Bertelsmeier, IFC Country Manager for Vietnam, Laos and Cambodia, 1997–2000

The Setting

After the fall of Saigon in April 1975, the centrally planned economy along socialist models was extended throughout the country and the private sector was marginalized, if tolerated at all. Since the results in terms of economic performance were disappointing, Vietnam in the late 1980's adopted Doi Moi, the new economic policies which became a tremendous success, starting with the privatization of agriculture. Foreign investment increased rapidly, but the boom sometimes overlooked fundamentals: for example, 14 foreign companies were licensed to build cars in a country that acquired p.a. about 5000 vehicles.

By 1996, a hangover set in among foreign investors. FDI declined. Coupled with this was a sense—real or not—that there was a slow down of the reform process; there was talk that Vietnam was "back sliding". Growth declined.

Then came the Asia crisis in mid 1997, beginning in July 1997 in Thailand and spreading through the region. During the December 1997 Consultative Group (CG) meeting of Vietnam and its donors in Tokyo, the Korean Won plummeted. All participants shared a sense of crisis and the uncertainty of how long it would last and how deep it would be. On behalf of the Government of Vietnam, the Deputy Prime Minister announced an eight-point program to increase growth and eradicate poverty. In its statement to the CG, IFC recommended a dialogue between government and the private sector to seek ways to improve the investment climate. The Government delegation, headed by Deputy Prime Minister Cam, reacted positively. The government clearly was concerned about the economic situation and wanted to act to reverse the negative tide.

The suggestion to have a dialogue stemmed from the notion that in the crisis situation, it might be helpful to sit down together and consider ways to achieve the common goal, i.e. more economic growth and more investment in Vietnam. But while this seemed helpful to all participants, little thought was given how such a dialogue should take place, who should participate, how often meetings should be held, whether this be done once, or occasionally. Probably what eventually emerged was way beyond everybody's initial expectations in 1997.

The Launching

It was the Prime Minister who took the initiative next. In February 1998, the Prime Minister called for a meeting with about 300 foreign investors in HCMC. Also invited were key bilateral and multilateral donors, including The World Bank and IFC. There was no agenda except for the government representatives to listen to the foreign investors. Some of the participants voiced general systemic concerns, but some also took the opportunity to advocate their own causes. Several companies asked for protection, one for a stop to issuing licenses for projects that would compete with theirs, one for an increase in import duties for competing imports, and one for a halt in imports of competing products. While it was good that foreign investors had a chance to convey their views to top government officials, in specific terms, the message from the meeting to the government was not clear and to some degree left the impression that foreign investors were asking for handouts. Something had been achieved in this first step, but more work needed to be done to make this a useful exercise.

Evolution

The next step was taken in May 1998 at a private sector meeting ahead of an interim CG meeting. The link with the CG came at the recommendation of the World Bank Country Director. And it was this link that probably ensured the survival of the initiative in 2000 when some critics of the initiative within government advocated the government withdraw from the dialogue. But while this link probably proved vital later on, it did not address the immediate need to find a way to have a dialogue between government and the private sector on systemic issues, rather than demands for favors by individual companies.

Discussions on how best to structure this took place in an informal group of private investors and donors, orchestrated by IFC. It became clear that in order to distill common concerns of the private sector one should be working through chambers of commerce and associations. The solution that was adopted was that instead of having a free flowing unstructured get-together where company representatives would compete for airtime, presentations would be made by business organizations. Moreover, the business organizations would discuss among themselves the topics to be raised with the government. And the papers to be presented would be discussed among the various associations. In this way, the agenda and the presentations would reflect concerns of the (foreign) private sector at large.

IFC was asked by the private sector to coordinate the process. IFC also maintained contact with government. In December 1998, the first IFC orchestrated PSF took place in Hanoi at the Metropole Hotel; just before the Consultative Group Meeting. It was a half day event and the feedback from the participants was very positive. Among the understandings reached was that the PSF should take place every three months to ensure a continuous dialogue; one of these meetings would precede the CG meeting, one the interim CG meeting, while two of these meetings would be stand-alone.

By December 1998 the PSF was established as part of the CG process with 3 parties: government, donors and private sector.

Also established at that time was the basic format for the PSF as a dialogue between government and the private sector, with the donor community backing and endorsing the process.

The presence of the donors in the background gave the process credibility, but it also acted to temper the statements from the private sector and to ensure that proposals were not contradictory to the main concerns of the donor community. So, the presenters needed to pay attention not only how their messages would be received by Government, but also by the donor community. This triggered discussions from time to time. A particularly contentious case was the preparation for the 2000 PSF in HCMC where labor market issues were on the agenda. There were some clear disagreements between a couple of private sector speakers and the donor community. As a result, the presentations were adjusted to be less inconsistent with the views of the donor community, and this probably helped limit the disagreements that developed at and after that PSF. In fact, this link to the donor community may have helped avoid the demise of the forum.

Key elements of the PSF were thus in place. But this still left unresolved important issues of how the PSF would be structured. The question was how the private sector would organize the work with the backing of the donors for the dialogue.

It was first confirmed that the dialogue on the private sector side would be structured through business groups and that the business groups all together would select the topics for the agenda with Government, select which group would prepare the presentation, organize a debate around the draft presentations and indicate who would make the presentation (in most cases, those who had prepared the draft notes).

It was further discussed that before each PSF a meeting of the private sector organizations was to be held to discuss agenda items, select draftors and presenters and agree on the overall approach. After each PSF, a post mortem would be held to review the discussions and what should be the next steps. These meetings would continue to be hosted by embassies to emphasize the support of the donors for the dialogue. For the sake of transparency and openness, government representatives would be invited to these meetings as well.

Now that the process of the Vietnam public-private dialogue had being going on for a bit over a year, the feeling was that the various events had been very successful in articulating concerns of the private sector and that this process should be continued. But there was also the sense that an element of continuity should be introduced to work in detail on issues rather than raising them time and again.

The solution that was adopted to address this was the proposal that working groups would be formed around key issues and should be staffed by members from both government and the private sector. There were suggestions to organize working groups meeting monthly around the following topics:

- Banking
- Legal
- Infrastructure
- Manufacturing & Distribution

Subsequently, some of the groups formed sub-groups on more specific topics (especially from the M&D group) and some groups were discontinued. For example the legal working group decided that it would be better to join other working groups rather than have a stand alone group on legal matters since they intersect the work of all other groups.

Finally, a further notion was introduced to support continuity and coherence of the process. This was the proposal to appoint a PSF chairman, but more precisely of the private sector initiative within the PSF, also as counterpart to Government. IFC agreed to play this role.

The first PSF with all the main elements in place happened in June 1999 in Haiphong.

There still remained an important challenge: how to expanding the PSF to fully include the domestic private sector. While the forum had been co-chaired from the beginning by Mme. Pham Chi Lan, who articulated concerns of the domestic private sector in a very eloquent way, it clearly was important to get domestic private sector groups involved directly.

Government initially was ambivalent about this, with some sense that voicing those concerns at a platform at which ambassadors from the donor countries were present would be inappropriate or even counterproductive. One government official stated: we have an ongoing dialogue with our own private sector, there is no need for the donors to organize that. At the same time, not having representation of the domestic private sector limited the credibility of the forum. The full inclusion of domestic investors was a gradual process with MPI starting to suggest the invitees to the forum. This was broadened over time.

As the various working groups were getting busy in 1999 and as sub-groups were formed—and all this work was taking place in two different cities, Hanoi and HCMC—another challenge arose. How to keep all this activity coordinated and avoid different groups getting in each others way? For IFC it was impossible even to attend all working group meetings, let alone be active in all of them.

This created the call for a secretariat for the PSF. From the beginning, there was a consensus that it would be best to have the secretariat operate under the IFC umbrella. There was also a consensus that this initiative should be funded by foreign chambers of commerce and donors. Also important was the emphasis on wide representation of funding sources to ensure there was broad ownership. A budget for two years was prepared and the funding mobilized from Western as well as Asian business groups and donors.

Vietnam—Private Sector Forum 2000

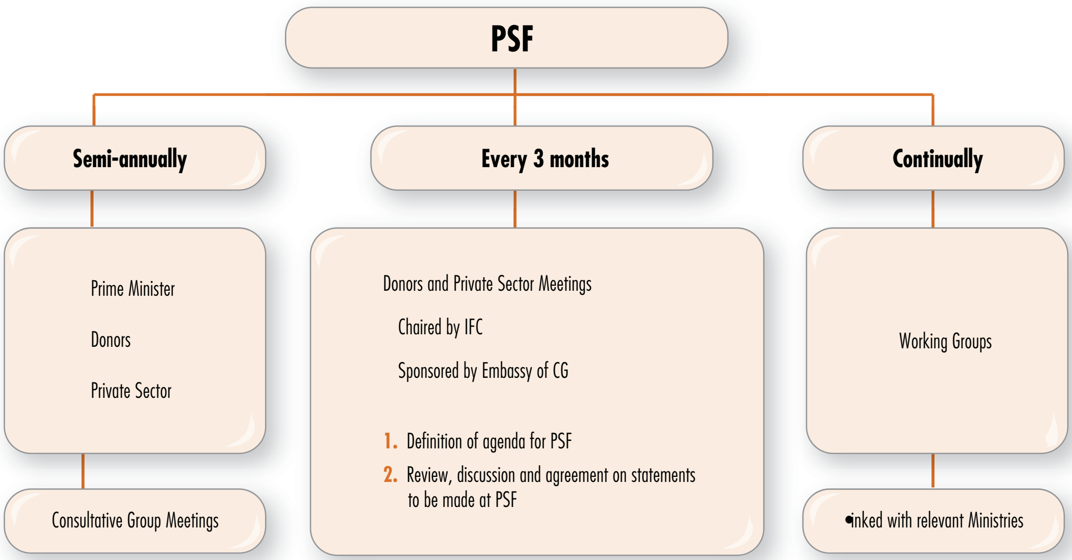
By 2000, the PSF had taken on the basic format that it has kept until today; it has three main components:

- the semi-annual meetings with senior government officials and with the donors in attendance; this is normally just before the CGM or interim CGM;

- every three months, meetings of the private sector and donors (with government also invited); these meetings condense and coordinate the work of the working groups, prepare the agenda for the upcoming PSF or review the various presentations that will be made at the PSF;
- there are the working groups that meet as required on average every 2 to 4 weeks; these groups typically have 10–20 members from the private sector and from government, and it is here that most of the work takes place.

Sometimes, there has been a bit of terminological confusion, with the term PSF being applied to both the meetings with senior government officials, or the meetings among private sector and donors (albeit with government and party invitees), or sometimes to the whole process. Sensu strictu, the semi-annual meeting with senior government officials is the PSF, later VBF. This event is co-chaired by the most senior government official (normally either the (Deputy) Prime Minister or the Minister of Planning and Investment), the World Bank country director, a representative of the Vietnam Chamber of Commerce (as a voice of the domestic private sector) and the IFC country manager.

The more frequent meetings of private sector and donors and government observers are really supporting events. These are chaired by IFC. The IFC country manager was also in charge of reporting to the CGM on the results of the PSF and two private sector participants in the PSF attended the CGM as observers, normally one from an Asian and one from a Western business group.



Challenges Overcome

Looking today at the VBF, one might have the impression that this emerged as a well-organized and smooth structure of a dialogue. In fact, not only was there no plan at the outset, challenges arose along the way that threatened the existence and survival of the forum.

However, what turned out to be important for the forum's survival during the early years was that opponents and supporters of the forum were located among all players, or to put it differently no player had a uniform view. While government broadly supported the forum, some in government did not and prevailed in some instances. And the same was true for the private sector and the donors. In addition to some opposition within government, some donors were hesitant, and there was fatigue and some reluctance among the private sector.

Within government, senior leaders as well as working level counterparts supported the overall goals of the process, but there was also concern about giving the private sector (initially foreign) too much of a platform for statements that were sometimes seen as too critical.

Among some donors there was a parallel concern of giving too much airtime to the (foreign) private sector to voice criticism, to the detriment of other issues and possibly the overall mood of donor-government relations.

Concerns about too much prominence for private sector issues were particularly strong coming from a few of the NGOs; although many supported the concept of the PSF, a number felt that it was not right for foreign investors—who, after all, were in Vietnam to make profit—to get such a high level platform with very senior government representatives, while the NGOs who had come to Vietnam to help the poor did not have that opportunity.

Although representatives of the NGO community attended the PSF as observers, these demands became increasingly strong in 2000 with the call for a Civil Society Forum modeled after the PSF. This contributed to the views of some in government that the whole process was going too far and that there was a risk that the government-donor agenda was becoming overloaded.

Interestingly, on the private sector side, some private sector investors expressed fatigue with dialogue and advocated terminating the forum because of a lack of progress and tangible results. A somewhat different pitch came initially from some associations that felt that because of their weight they had privileged access to senior government officials and did not want to share this with competitors, who might not be as successful in accessing government.

This referred to especially some Asian business groups who also felt that some of their Western colleagues sometimes were insensitive to Asian etiquette. The concern was that by participating in the forum, one implicitly endorsed what was being said by others and who was saying it, and therefore was subject to any potential irritation by the audience.

A further complication arose from the difference between domestic versus foreign investors. The law treated foreign and domestic companies differently, in most cases favoring the domestic companies. Rates for electricity, water, advertising and labor were different, and foreigners paid higher prices for many goods and services, for example airline tickets. For foreign investors, a level playing field became a demand that was often articulated and one of the PSF meetings was under the heading "Levelling the Playing Field".

Of course, competitors of foreign investors felt the opposite. Like some of the Asian business associations, a number of Vietnamese business groups were opposed to the dialogue. Some within government felt that airing concerns of the Vietnamese private sector in a platform shared with foreign donors and investors was not appropriate. One official said "we do not need the assistance of the foreign donors to talk to our own private sector". And in a way the low level of participation of domestic private sector organizations limited the credibility of the PSF—which was, in the early stages, seen by some essentially as a forum of the Western private sector.

So the challenges early on were to broaden the base of the PSF to include all foreign business groups and provide them an active role and at the same time reach out and include the domestic private sector associations. These twin challenges were met successfully.

Results Achieved

- Continued dialogue on economic reform and needs for reform
- Elimination of dual pricing system
- Leveling of playing field for foreign and local companies
- Improvement in investment climate

Lessons for Replicability

The Vietnam Forum responded to extraordinary circumstances. The Vietnam Forum emerged as response to the Asia crisis. A sense of urgency or crisis among the key players in government and the private sector would seem important to get a dialogue started. If there is no urgency, why bother?

Government, donors, and foreign investors were all looking for ways to improve the investment climate to accelerate growth and create more jobs. This is linked to the shared sense of urgency. Therefore key players all were genuinely interested in finding solutions and open to suggestions and criticism. There was a commonality of the main goals and readiness for dialogue and engagement by government, private sector and donors.

This sharing of fundamental goals among the key participants would seem essential for such a dialogue.

A model is not necessary. The Vietnam Forum started with no road map. The main actors shared a sense of urgency and common goals, and therefore were ready to engage in a dialogue. But the scope and frequency of this dialogue was not clear, neither the need for a supporting infrastructure (working groups and secretariat) that turned out to be so effective.

The dialogue started and went through many ups and downs. But maybe it was the sense of pragmatism on the part of all participants that was essential to help the Vietnam Forum not only survive but thrive. Few in 1997 and 1998 would have envisaged that on December 1, 2005, 400 participants would gather in Hanoi for the VBF. And certainly nobody imagined that there would be observers from South Africa and Brazil.

Communication is critical. This means not only being in contact but also ensuring, in a country which uses its national language for communication, that documents are translated into Vietnamese and that simultaneous translation is available at larger events. This was always emphasized in Vietnam.

Linking the Vietnam Forum to the CG process was vital. The link to the CG process in the Vietnam case is somewhat of a special feature. Not all such initiatives have this feature and a dialogue might well work without it. But in the Vietnam case the concept emerged at a CGM and thus was linked from the beginning; it also probably helped weather the 2000 crisis.

It is important to bring out issues of interest to the private sector at large, and ensure that dialogue does not get hijacked by a particular interest group. What should be avoided is raising points of importance to a specific company. Public-private dialogue should not be abused to ask for protection or hand-outs. In Vietnam this was achieved by working through chambers of commerce and other business groups. This can also help establishing continuity.

The doctrine of the low hanging fruits. While there was agreement that it would be important to focus on tangible results that could be achieved quickly in order to give the process credibility, there was also the view that longer term objectives should not be discarded in favor of a purely ad hoc approach.

An example that may illustrate this is the approach to what was called the dual pricing system, the already mentioned practice to charge different prices and rates to foreigners or Vietnamese. This had become the theme of the first PSF in spring of 1999 in Hanoi. As always, draft papers of the statement were submitted in advance to government. At the opening, the minister stated that it was the intention of the government to eliminate the dual pricing system. He also announced some immediate measures for implementation of this policy. This included that foreigners and Vietnamese would now pay the same price for entry tickets to museums and national and historic monuments. Some foreign private investors received this announcement with a dose of skepticism, others saw it as a concrete first step in a very important direction. Soon, further steps in this direction followed.

Aiming to get some tangible results early on is very important to maintain credibility of the process and to keep all participants committed. From experience in other countries, it does not seem very difficult to gather the private sector for a meeting with senior government officials. Of course, the convening power of the World Bank Group is impressive. The question is what will happen thereafter. Unless there are some real results within a reasonable time frame, the process is likely to wither away.

Working groups were crucial. While there was a feeling that the high level PSF meetings every three months or so were useful, there evolved the sense that there was a need for continuity to monitor progress and to develop solutions to the issues raised at the PSF. The vehicle to do this was the working group. They became very effective in functioning in a low-key way and allowing input from foreign and local private investors, bankers and lawyers into regulations as they were being prepared. Obviously a more effective way of dealing with regulations than trying to change them after the fact.

A secretariat is very helpful to ensure continuity. At the beginning, overall coordination of the Vietnam Forum was handled by IFC, while coordination of the emerging working groups was done by the co-chairs of the groups. For example, Unilever ensured coordination of the M+D group which operated in HCMC. With some groups working in HCMC and others in Hanoi, it became increasingly complex to ensure that all the work was consistent and did not contradict each other. This became important because the Legal working group cut across sectors. And there was nobody who was able to follow progress everywhere, especially since there were a number of sub-working groups.

It became evident in 1999 that the process needed a secretariat to sustain it. Funds were raised from a variety of donors. A conscious decision was made to ensure buy-in from both Western and Asian donors and also to ensure contributions from business associations. IFC wanted to make sure that people put their money where their mouths were. One multilateral institution pledged a contribution, but eventually did not pay, the lesson here being that pledges are promises which may or may not materialize. IFC agreed to provide space and equipment and to hire the two staff as IFC consultants.

Vietnam in the late 1990s was a place where donors were very interested in looking for attractive initiatives they could support. It might have been faster and easier to go for single donor funding. But this would have linked the process too much to a specific donor. The route that was taken, i.e. to look for support from as many donors and business groups as possible, ensured that there was widespread ownership of the process. It would seem that this is an important lesson.

One issue dominated the discussions regarding the need for a secretariat: the role of the secretary. Should he/she be a leader of the process? A spokesperson for the private sector? Or should the role be one of coordinating and ensuring that all participants were adequately informed of the work that was advancing in so many working groups and sub-groups? There was quite a bit of (sometimes heated) debate over this. What emerged was a clear majority view (but not a consensus) that the secretariat and the secretary should be facilitators and coordinators. Neither the private sector nor the donors wanted a new player that might undercut the participants from the private sector.

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To complement these proceedings, further reading is available at:

www.publicprivatedialogue.org

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