

TPSD Facility – How-to tools

Facilitating Public-Private Dialogue in Fragile and Conflict-Affected Situations

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About the TPSD Facility

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1 INTRODUCTION

Public-Private Dialogue (PPD) is particularly useful in fragile and conflict affected states (FCS) to mitigate entrenched interests, rebuild trust and spur inclusive and sustainable growth. This how-to tool seeks to equip EUDs with recommendations and share best practices on how to conduct or facilitate PPD such context. Part 2 will provide definition of key concepts, part 3 will shed light on specific challenges in FCAS affecting PPD, part 2 will provide specific recommendations to address these challenges and part 4 will illustrate

2 KEY CONCEPTS

2.1 Public-Private Dialogue

Public-private dialogue (PPD) is a type of structured dialogue, a **systematic, planned, participatory, and inclusive approach to policymaking**. It is directed at **reforming governance and the business climate**, especially where other policy institutions are underperforming. Dialogue improves the flow of information relating to economic policy and builds legitimacy into the policy process. It also seeks to overcome impediments to transparency and accommodate greater inclusion of stakeholders in decision-making[1].

2.2 Fragile and Conflict-Affected States (FCAS)

The OECD provides the following definition: "A fragile region or state has **weak capacity to carry out basic governance functions and lacks the ability to develop mutually constructive relations with society.** Fragile states are also more vulnerable to internal or external shocks such as economic crises or natural disasters. More resilient states exhibit the capacity and legitimacy of governing a population and its territory. They can manage and adapt to changing social needs and expectations, shifts in elite and other political agreements, and growing institutional complexity. **Fragility and resilience should be seen as shifting points along a spectrum[2]".**

In 2018, the OECD list of fragile contexts was the following[3]: Somalia, South Sudan, Central African Republic, Yemen, Democratic Republic of Congo, Afghanistan, Chad, Syrian Arab Republic, Burundi, Ethiopia, Eritrea, Sudan, Haiti, Iraq, Mali, Pakistan, Kenya, Congo, Liberia, Zimbabwe, Niger, Gambia, Mozambique, Libya, Guinea, Guinea-Bissau, Democratic People's Republic of Korea, Mauritania, Uganda, Myanmar, Cameroon, Tanzania, Sierra Leone, Bangladesh, Nigeria, Egypt, Burkina Faso, Madagascar, Angola, Gaza Strip, Venezuela, Tajikistan, Guatemala, Zambia, Papua New Guinea, Equatorial Guinea, Rwanda, Nepal, Côte d'Ivoire, Lao People's Democratic Republic, Honduras, Comoros, Swaziland, Djibouti, Solomon Islands, Iran, Timor-Leste, Malawi.

3 CHALLENGES AND POTENTIAL BENEFITS OF PPD IN FCAS

Since 2011, there is a new international consensual approach on peace, fragility and private sector development (PSD) since the publication of the OECD Fragile States Principles[4], the New Deal for Engagement in Fragile States, and the World Bank World Development Report 2011[5] stressing that PSD is a critical component of peacebuilding, that PSD should be promoted as early as possible, and that the success of any intervention depends on the extent to which it takes into account peace- and state-building needs. The rationale for PSD in FCAS is that even in context of open and sustained violence, businesses continue to operate either by adapting to the conflict situation and contributing to an economy of war or by providing livelihoods and consequently supporting peacebuilding. In addition, local businesses sustain local development since they are labor-intensive, grow local business linkages,

[1] CIPE, Public-Private Dialogue: The Key to Good Governance and Development, 2015
[2] OECD, Fragile States 2013: Resource flows and trends in a shifting world, 2012, p15
[3] OECD, States of Fragility 2018: Highlights, 2018, p10
[4] OECD, International Engagement in Fragile States: Can't we do better? OECD Publishing, 2011
[5] The World Bank Group, World Development Report 2011

and invest locally. Doing so, they support re-stabilizing violent contexts through economic and non-economic impacts and pave the way for a more successful post-conflict reconstruction.

It is generally admitted that economic recovery is crucial for stability in FCAS, since the conflict trap of lower income / higher risk of conflict outbreak / slow economic recovery is looming. But PPD, and more broadly business environment reform (BER) is not an easy process in FCAS. It is hindered by low human capital formation deriving from conflict, weak social contract, deficiencies of basic societal and institutional structures, weak enforcement of law, sub-optimal public sector capacity and credibility, political economy[6] constraints and complex or outdated business environments[7].

The PPD Handbook lists a series of traditional constraints impacting negatively the investment climate in FCAS and discourage much-needed investment[8]: higher informality of the private sector originating from poor regulation capacity of the governments and weak access to finance; access to land problems; political instability, unpredictability and security issues; weak private sector technical and managerial capacity; dysfunctional judiciary system; widespread mistrust and impaired value chains. **According to Dan Hetherington[9], when supporting PPDs in FCAS, development partners face many challenges that are different or more acute than in other countries**:

- Higher need to understand political situation
- Higher need to understand cultural background
- Increased difficulty to achieve inclusivity
- Identifying champions (considered neutral) is more problematic
- Reform progress is slower
- Organizational and financial sustainability is harder to achieve
- Distrust is generally higher and more problematic to overcome

As Jane Nelson pointed out in the report Innovative Platforms for Public-Private Dialogue[10], *"[the] multiplicity of relationships [between the public and the private sector] creates opportunities for enhancing both business benefit and development outcomes, but it also creates opportunities for conflicts of interest, rent-seeking, corruption, and undue influence. The latter is especially a threat in situations where local media and civil society are weak or restricted, and there are insufficient civic "checks and balances" in place*". It is therefore key to design well-structured and accountable PPD platforms that reduce political patronage and lack of transparency resulting in rent-seeking, informal arrangements and exacerbate tensions.

When PPDs overcome these challenges, they can contribute to restore confidence, and create conditions for economic revival and support more inclusive and resilient growth and job creation. Therefore, benefits of PPDs in FCAS are mainly twofold: peacebuilding and economic reconstruction. Dialogue platforms can contribute to dispute resolution, conflict prevention, return of internally displaced people and reconciliation by addressing issues such as corruption, rule of law and respect of human rights. Moreover, their input to economic recovery can be valuable since they aim to increase governmental and donors' responsiveness to economic development challenges through structured dialogue and bring quicker results than systemic business environment reform plans[11].

[6] According to the OECD-DAC, Political economy refers to *interaction of political and economic processes in a society: the distribution of power and wealth between different groups and individuals, and the processes that create, sustain and transform these relationships over time.*

[7] The majority of the worst performers in the World Bank's Doing Business ranking are fragile states

[8] Benjamin Herzberg and Andrew Wright, The PPD Handbook: A Toolkit for Business Environment Reformers, 2006, p121

[9] Dan Hetherington, Public-Private Dialogue Interventions in Sub-Sarahan Africa, October 2016, p27

[10] Jane Nelson, 2014 Brooking Blum Roundtable, Innovative Platforms for Public-Private Dialogue, 2014, p2

[11] Benjamin Herzberg and Andrew Wright, The PPD Handbook: A Toolkit for Business Environment Reformers, 2006, p121

4 STRATEGIES TO DESIGN AND FACILITATE PPDS IN FCAS

The various strategies presented in this section are mostly extracted from the World Bank document "*Public-Private Dialogue in Fragile and Conflict-Affected Situations*[12]". This report was produced in 2014 and based on a survey sent to 27 professionals with experience of PPD implementation in more than 30 countries. We will detail these strategies and illustrate these with examples of specific interventions from development partners.

4.1 Project Design, flexibility and sustainability

Stakeholder management is perceived by practitioners as the most sensitive and time-consuming aspect of PPD implementation in FCAS. To have an accurate picture of the context in which a PPD takes place, it is suggested to conduct background checks of stakeholders (Google search, cross-checking information between donor agencies and other individuals and institutions), consider cultural and historical legacies, and carry out in-depth political economy analysis (PEA) at the stage of PPD project design. PEA allows to reveal why and to what extent rent-seeking exists in specific sectors[13]. A practical guide for stakeholder analysis in PPD using the Net-Map method has been developed by the World Bank. In Box 1, we summarize this practical guide.

Box 1: Political Economy, Stakeholder and Conflict Sensitivity Analyses

The aim of **Political Economy Analysis** (PEA) is to better understand what political, social and economic processes enable of block change. It allows to detect aspects that would not be immediately visible and related for instance to power, rules of the game, formal and informal arrangements. For BER, a PEA would identify who obtains benefits from specific reforms, and who would lose and would be more likely to block this process.

PEA can be conducted at three levels: macro, sector and issue-specific analysis. At any level, the process should focus on identifying entry points and opportunities for engagement, as well as addressing challenges and barriers. At each level of PEA, the gender dimension should also be considered since gender is the most fundamental power relationship.

- ✓ *Macro or Country Level Analysis:* the objective is to understand the political aspects of development in a particular country or region. For example, it might ask: What is the underlying nature of the governance regime? Who holds power and in whose interests is it used? Are women and men equally able to access positions of political power?

- ✓ *Sector-Level and Issue-Specific Analysis:* which reveals political dimensions at the sector level and is instrumental to identify specific obstacles and opportunities. Traditional questions include: What are the key areas or issues within the sector that we want to focus on? Who are the key players (from both public and private sector)? Which groups have the capacity to influence policy-making and how can they contribute?

- ✓ *Stakeholder Analysis:* relates to the process of systematically gathering and analyzing qualitative information to determine whose interests should be taken into account when developing and/or implementing a policy or program. For BER, stakeholders can either be 'reformers' or 'anti-reformers'. This process also includes mapping the stakeholders' interests, motivation, networks and influence.

More specifically, the World Bank has developed a **practical guide for stakeholder analysis in PPD** using the Net-Map method[14]. This guide recommends sequencing a stakeholder analysis in 3 steps:

[12] The World Bank Group, Public-Private Dialogue in Fragile and Conflict-Affected Situations, Experiences from Lessons Learned, 2014, pp3-18

[13] OECD (Nicolas Pinaud), Public-Private Dialogue in Developing Countries, Opportunities and Risks, 2007, p39

[14] The World Bank Group, Practical guide for stakeholder analysis in PPD using the Net-Map method, May 2016, pp13-26

1- *Identify the purpose of stakeholder mapping*: according to the PPD project phases, stakeholder mappings can have different objectives. For instance, at the initial phase of a PPD, a stakeholder mapping would aim at identifying entry PPD to start consultation, selecting a key ministry and influential private sector actors. In the opposite, stakeholder mappings realized during the implementation of a PPD would aim at building consensus among participants

2- *Stakeholder mapping*: this step consists in collecting quantitative date about stakeholder connections, interest and influence, as well as qualitative data about their perspectives. Four elements compose a stakeholder mapping: a) *political economy of change* – seeking to isolate political patronage, informal arrangements, and other types of political risks; b) *identification of relevant stakeholders* – select the right participants who will participate to the PPD platform and consider inclusivity and communication/outreach; c) *stakeholder participant* – clarify the stakeholders' perceptions of a specific issue and reveal their mutual attitudes, assess their willingness to engage, detect which persons are influential and why, point out the personalities against a specific project and explain their opposition; and d) *empowering opinion leaders* – select champions who will own the process and bring it forward, and leverage their energy to mobilize a wider range of PPD participants

3- *Stakeholder analysis*: this action aims to design specific strategies to mitigate risks, stakeholder support programmes, and conceive a communication planning based on the information collected from the stakeholder mapping.

For FCAS, it is recommended to conduct four type of stakeholder analysis: power and interest analysis; importance and influence analysis; roles and relationships analysis; and networks and coalition mapping. Furthermore, project design of PPDs should always take into account that reform processes are slower in fragile environments, and priority should be given to issues that can be resolved relatively quickly and easily. **This entails to focus, at the early stage of a PPD, on sector-specific, subnational and process-oriented issues (for instance, making basic improvements to business registration processes instead of legislative changes) to achieve tangible and rapid results, to generate trust from participants and secure their support.** After this stage, it is recommended that PPDs in FCAS focus on a combination of economywide and sector-specific reforms, for the sake of unleashing investment and support priority value chains development for rapid economic recovery.

The project design of PPDs in fragile environment should also pay additional attention to flexibility and risk management, as well as to sustainability[15]. In theses contexts, it is recommended to always keep close contacts with PPD stakeholder and meet them more frequently. This also entails working with opposition leaders, and search for the most stable institutions to work with. To ensure sustainability and conceive a successful transition strategy at the end of project funding, practitioners stress the need to invest heavily in capacity building of stakeholder (see section 4.5). Finally, it is key for PPD design to consider an extended timeline for transition and agree from the beginning with project partners on a strategy enabling ownership transfer. To achieve successful transition, most common strategies in FCAS consist in handing over a PPD platform to a PSO or a governmental agency and securing sufficient financial resources to operate the secretariat[16].

In FCAS, an additional **conflict sensitivity analysis** should be carried out by development partners: this includes careful analysis, design and monitoring of the possible positive or negative impacts that interventions may have on existing tensions or conflicts in a given context. The aim is to reduce unintended negative impacts and to maximise

[15] Proceedings from the 7th Global Public-Private Dialogue Workshop in 2014 highlight that for 12 case studies, sustainability was the most challenging common denominator. The 'sustainability challenge' poses itself in a variety of ways: PPDs are too dependent on the donors (both technically and financially); in other situations, the sustainability of reforms suffers because of changes in government; and, in many occasions, the challenge is simply a financial one, see 7th Global Public-Private Dialogue Workshop in 2014, Lessons Learned and Proceedings, 2014, p15

[16] The World Bank Group, Public-Private Dialogue in Fragile and Conflict-Affected Situations, Experiences from Lessons Learned, 2014, p16

positive impacts, i.e. identifying both risks and opportunities related to conflicts and tensions. These risks and opportunities exist in all societies but are higher in contexts affected by conflict, violence and fragility.

In the DEVCO Refence Document N17[17], Note No1 focuses on **conflict sensitivity and analysis for effective EU external action**. Various strategies are proposed for any EU external action in FCAS along the cycle of project operations (programming, identification, implementation, evaluation & audit). For instance, at the stage of programming, the questions below should be answered: What would be the impact of the intervention on conflict dynamics and issues? Which groups are likely to benefit or lose the most from your intervention? How will the intervention impact gender inequalities? How will the intervention be perceived by different groups with an influence over conflict in the context? Etc. During the implementation of an EU external action, several practical methods are proposed to ensure conflict sensitivity, including making conflict sensitivity analysis part of the strategic planning exercise, putting emphasis on monitoring and evaluation and including indicators that measure the peace and conflict impacts of the given intervention.

4.2 Emphasis on communication, accountability and transparency

Since FCAS are characterized by lack of trust (made up of mistrust within the public sector, fragmentation of the private sector, and distrust between private and public sector), development partners should invest important efforts to increase transparency and public disclosure of performance of PPDs. Specific strategies donors can adopt include: publishing minutes of meetings; publicly tracking and reporting on reforms and project performance; allowing media and in some cases the public to attend consultations and meetings; and being open about challenges and potential conflicts of interest; use social media.

Box 2: DFID/DANIDA Business Enabling Environment Programme (BEEP) in Zimbabwe

In order to improve the business environment, media have a role to play especially in facilitating dialogue around business issues. In a mature and transparent media market, journalists search for interesting and valuable information (including opinions, research, and statistics), while potential sources of information, such as business associations and think-tanks, package information in an engaging and newsworthy manner. This information exchange is a win-win situation where journalists are able to develop interesting coverage at lower cost, while providers of information are able to get their messages covered by the media. Unfortunately, this kind of information exchanges were commercialised in Zimbabwe and private sector players would pay to play in the media arena.

The **Business Enabling Environment Programme (BEEP)** was a £5.8M joint DFID and Danida funded programme implemented from 2014 to 2017 that comprised two components: 1) a policy level investment climate reform component, delivered by the World Bank; and 2) technical assistance to Ministries, Departments and Agencies (MDAs) and Business Member Organisations (BMOs) to effectively engage in dialogue and utilise research to develop and implement pro-growth policies. The second component was managed by the Zimbusa Trust[18], that concentrated its work on improving business advocacy in Zimbabwe through PPD. The BEEP logframe included 4 outputs: 1) government, ministries and agencies engage BMOs and CSOs in inclusive dialogue for improved business environment, 2) BMOs sustainably provide evidence-based inputs to policies, 3) media produce and disseminate inclusive business products for an improved business environment that are issue and audience-based, and 4) research institutions deliver research that supports PPD[19].

BEEP thus included a specific media component that supported media houses in Zimbabwe to design, launch and market media products that are issue-based. It looked at how the media market was structured and identified

[17] EC DEVCO, Refence Document N17 – Tools and Methods, Operating in Situations of Conflict and Fragility, June 2015, p35

[18] Zimbisa is an advisory consultancy that was established in January 2014 with the goal of helping Zimbabwe achieve sustained economic growth and reduce poverty by fulfilling the ambitions set out in Zimbabwe's various economic policies, through improved PPD

[19] Business Environment Reform Facility, Future Options for Zimbisa. Report to DFID Zimbabwe, April 2016, p12

various constraints, among them that the media focused on issues of personalities instead of facts and covered too much politics instead of business, finance, agriculture, and other topics of interest for the general public. There was a tendency to sensationalize stories and because of the polarization and political interests, business issues were not covered appropriately by the media. Investigative content was absent about business issues partly because business reporters lacked capacity and media houses did not receive enough feedback from their audience to adapt their products. Finally, the private sector was reluctant to engage with the media, reducing the sources for business journalism.

Zimbisa focused on producing issue-based, business environment content targeting the mass of micro and small entrepreneurs by providing training as well as mentorship to business journalists. It worked with various media (written press and radio) including the Sunday Mail, the Herald, ZIFM, Chronicle, SKYZ FM, the Sunday News and ZBC. For instance, the Sunday Mail introduced two new media products: the SME monthly focus and *womenomics* (on women entrepreneurship), and the Chronicle started the SMEs weekly corner. Two universities were also recipient of technical assistance to develop new curricula on business journalism. Zimbisa furthermore built a pool of local media relations consultants to help BMOs, research institutions and MDAs produce newsworthy content. The aim was to allow media partners to lower production costs and BMOs, research institutions and MDAs to improve the effectiveness of their dialogue, advocacy and research initiatives. Finally, Zimbisa produced a media relations manual[20], aiming at supporting an improved coverage of business issues in the media. This manual seeks to equip key players in the PPD such as BMOs, Research Institutions, and MDAs with the skills to engage the media. The manual provides 10 steps for media engagement, such as the importance of developing and maintaining relationships with journalists, communicating effectively to the media through the development of key messages, important tools for media engagement and interview techniques for broadcast (television and radio) and print interviews.

4.3 Pursue greater inclusivity

Inclusivity is a key success factor for all types of PPDs, but it is even more critical in FCAS because societies in these environments are fractured by deeper divisions. In order to be inclusive a PPD should involve independent Private Sector Organizations, avoid political capture by the public sector, and be well structured. When conducting a PPD, facilitators should **support unorganized interests** to participate as well. **This is especially the case for marginalized and underrepresented groups like women entrepreneurs, youth entrepreneurs and informal businesses[21]**. To increase inclusivity, it is key that PPD project managers reach groups outside of the capital city and deal with sub-national issues. The box below presents the work of CIPE to increase PPD inclusivity in Kenya.

Box 3: CIPE's work in Kenya – support PPD at a decentralized level[22]

Following contested 2007 elections, Kenya endured a post-election crisis which exacerbated political and ethnic tensions and jeopardized the country's stability and governance. The post-election violence led to the deaths of more than 1500 people, including members of Parliament, and the displacement of another 600 000 citizens. After a power-sharing agreement, the country entered a period of political transition marked by intense public debate about the future political organization of the country and consultations were held about constitutional reform and decentralization.

Against this backdrop, CIPE designed a three-pronged strategy to promote social, economic, and political reform in Kenya that included 1) building the organizational capacity of private sector organizations (PSOs) 2) developing and promoting tools (national business agenda and budget monitoring) and processes for policy dialogue to support the private sector's engagement with government and 3) promoting reform at local level in five pilot counties. Through this project implemented from 2010 to 2017, CIPE supported a wide range of

[20] Zimbisa, Media Relations Manual, p7

[21] The informal sector can account for 80-90% of all businesses in some countries, but the informal sector is by definition unorganized and uninvolded in PPD

[22] CIPE, Kenya Cumulative Assessment Report, 2017, pp

partners[23] that included the apex PSO, informal traders' associations, regional and county coalitions, and an economic think tank. CIPE partners participated in at least 191 PPD events to improve the business environment, ranging from high-level national events to sub-national events at the regional and county levels. These PPD events were attended by at least 9,400 people participating from the private sector, civil society, and government. Many of the forums carried out as project activities became institutionalized after project completion.

Along the reform process, decentralization efforts led to the establishment of 47 counties. The purpose was to reduce economic inequalities, government cronyism/nepotism, and ease ethnic tensions. This requested to enhance governance in the county, sub-county and ward governments[24]. The newly-established sub-national governments, however, suffered low capacity to design policies and provide dialogue platforms allowing to collect input from local private sector and civil society organizations. Mainly two types of tools were developed by CIPE to support PPD at a decentralized level: regional business agendas (RBAs) and budget monitoring tools (BMTs). RBAs are presented to governments at the sub-national level and used to facilitate dialogue with local government, and BMTs aim at measuring government expenditures and citizen satisfaction with public services, as well as providing a framework for examining county budgets. With CIPE's support, the Kenya Association of Manufacturers (KAM) regional coalitions adopted RBAs. Through the KAM coalitions, 56 business associations and CSOs engaged local government on policy and regulatory reforms and infrastructure development to improve the local business environment. Results included improvements in roads, sewage systems, street lighting, street cleaning, and security, as well as reduced transportation fees. Today, the coalitions continue to engage government through forums on a quarterly basis even though CIPE's support ended, demonstrating the institutionalization of the process.

Box 4: SIDA's work in Liberia – GROW programme support to grassroot organizations

GROW is an agri-business and investment advisory programme financed by SIDA that partners with businesses, investors, associations, and government agencies to accelerate inclusive economic returns within high growth industries in Liberia. GROW works within cocoa, rubber, and agro-inputs industries. Across all sectors, GROW works to improve the business management capacity of all partners, with the overall goal of strengthening Liberian markets.

In 2019, a Liberian government agency – LACRA (Liberia Agricultural Commodities Regulatory Authority) introduced new regulations for the cocoa sector, making it mandatory for a cocoa exporting company to have a minimum bank balance of 2,5 million USD at time of application to qualify, to have the capacity to export a minimum of 3,000 tons of cocoa per season and present a bank guarantee of 250,000 USD. Through these regulatory changes, the cost of obtaining an export license was fixed to 10,000 USD (instead of 3,500 USD for Liberian businesses and 5,000 USD for foreign businesses previously) and the royalty on cocoa and coffee increased to 50 USD per metric ton (instead of 10 USD per ton). Finally, it was made mandatory to use LACRA's warehouses to store cocoa for export. More generally, these new regulations would have granted de facto monopoly to Aya Group which is a part of Sidani Enterprises (Lebanese) to export cocoa.

GROW convened a workshop at the UK Embassy with the association's members in July 2019. The objectives of this workshop were: To ensure exporters speak with 'one voice' on the regulations; to develop a position on key points on the regulations; and provide evidence of impact of regulations on cocoa sector. Following this workshop, an official Position Paper including alternative options to the new regulations was produced and presented to LACRA. Following this advocacy campaign (also supported by Solidaridad and USAID), LACRA removed these new regulations and announced in October 2019 that export license fee for local firms would be reduced to 5,000 USD and foreign exporters' license fee set at 10,000 USD. In addition, the royalties were

[23] Project beneficiaries included: The Kenya Private Sector Alliance (KEPSA), Kenya Association of Small Vendors and Informal Traders (KENASVIT), Kenya National Chamber of Commerce and Industry (KNCCI), Health Rights Advocacy Forum (HERAF), and Micro and Small Enterprise Federation (MSEF)

[24] A ward is a local authority area, typically used for electoral purposes.

reduced to 10 USD per ton and exporters were allowed to process cocoa in their own warehouses considering they respect conformity with international standards.

This example shows how even a small business association at the grassroot level could, with the support of development partners, and using the media to increase public pressure on the Government, influence positively decision-makers to improve the regulatory environment of an economic sectors of strategic interest. This success story should be replicated in other economic sectors.

4.4 Relying less on champions

For traditional interventions, it is recommended to put strong emphasis on the identification and empowerment of champions from the public and the private sector to invest energy in the PPD process and mobilize participants to work toward a common objective. Nevertheless, this approach is not relevant to FCAS as their use is problematic in fragile environments: competent champions are rare, especially champions perceived as neutral[25]. The scarcity of available champions can be attributed to high turnover of public officials and PSOs managers, as well as narrow private sector base. **To address these issues, and also reduce the risk of individual capture, it is recommended to avoid relying on just one or two PPD champions**, because if they leave, they can threaten the future of the PPD process. On the contrary, **selecting several champions will increase inclusivity, and mitigate the risk of capture of the PPD agenda by one interest group**. In addition, it is advised at an initial stage to address process-oriented issues before selecting champions for PPDs in FCAS, as mentioned in section 4.1.

Box 5: SIDA experience in Ethiopia: PSD Hub

Private Sector Development Hub (PSD Hub)

The PSD Hub was established as a capacity-building mechanism for the Ethiopian private sector since 2012 and hosted the Ethiopia's first PPD framework, the Ethiopian Public Private Consultative Forum (EPPCF). Since 2012, the PSD Hub has supported PPD and capacity building for the Ethiopian private sector. In 2015, Sida signed an agreement with the Ethiopian Chamber of Commerce and Sectoral Association (ECCSA) for phase III of the PSD Hub with a focus on research, advocacy and public-private dialogue and capacity building interventions. As part of these interventions, the enhancement of the Ethiopian Chamber system and the building of the financial sustainability of BMOs through the Innovative Grants Fund (IGF) intended to create an enabling business environment to the private sector actors and contribute to the economic growth of the country.

However, several constraints affected the relevance of the project, and jeopardized the achievement of its objectives. Firstly, the centralized structure of the Chamber system was too rigid and dysfunctional, which resulted in weakening the collective power of the private sector. It did not adequately reflect the actual business ecosystem in Ethiopia as some economic sectors were not represented in the Chamber system (only having six predetermined sectoral associations – member of ECCSA). A mid-term review of the PSD Hub also pointed out that ECCSA tends to believe that the private sector has a homogenous voice and fails to recognize that differences exist between businesses according to their size, geographic areas and economic sectors. This failure to recognize the diversity and granularity of the private sector impacts negatively the representativity of ECCSA. Finally, the governance of this organization impacted negatively the effective and timely implementation of the PSD Hub project objectives[26].

Based on recommendations in the PSD Hub Midterm review report, conducted by Genesis Analytics in 2018/2019, Sida decided to re-establish the PSD Hub as a program independent from any potential beneficiary organization, such as ECCSA, due to skill and personnel constraints. Another element supporting the decision to relocate the PSD Hub outside of ECCSA was the lack of sustainability of the model: as an apex body for the private sector, ECCSA appeared heavily dependent on the development partners' financial support to cover the

[25] In such contexts, professors, lawyers and accountants are frequently perceived as neutral.
[26] Genesis, Mid-term Review of the Private Sector Development Hub, February 2019, p22

cost of its additional research and advocacy work and has a low impetus to strengthen its financial sustainability since donor support is almost considered part of its operations[27]. Finally, ECCSA was considered as having weak capacity to drive change in the Ethiopian private sector as it did not engage effectively with the government, nor did it develop a strong relationship with its members.

4.5 Capacity building

Ministries, Department and Agencies (MDAs), as well as PSOs have weaker capacities in fragile contexts. Therefore, development partners should invest greater resources and dedicate more time to capacity building of stakeholder in FCAS than in other countries[28]. The public sector's capacity should be strengthened in order to: Be technically well equipped to engage with the private sector on substance of proposals; Analyse reforms proposed and assess the impact of their enactment through Regulatory Impact Assessment (RIA); Integrate PPD issues on its reform agenda; Improve governance, transparency and cast aside internal vested interests; Improve coordination and communication within MDAS, and better inform the business community about regulatory changes; Increase MDAs' accountability to the private sector on the reforms proposed; Commit to enact and implement the reforms agreed through the PPD process and monitor their implementation.

In order to contribute constructively to PPDs, PSOs requires the necessary skills to scope, analyze, prioritize and present business constraints to Government. This includes capacity to: Identify and properly scope issues using various research tools and techniques and based on inputs from individual businesses. This requires good command of surveying techniques; Present their business impediments and the consequences that these cause on their activity in a coherent / structured / informed way (involving statistics, legal and economic expertise); Provide options to address these constraints and assess the economic (but potentially also social and environmental) impact of each option; and propose clear implementation plan including sequencing and timeline of activities and which entities need to engage; Providing feedback on the effectiveness of the reform's implementation over time.

Box 6: DANIDA's work on business advocacy

DANIDA funds business advocacy programmes in several sub-Saharan countries: Tanzania – the advocacy component of the Business Environment Strengthening programme (BEST-AC); Kenya – Business Advocacy Fund (BAF); Mozambique – Fundo para Ambiente de Negocios (FAN).



As an example, in Mozambique, The Fundo para Ambiente de Negocios - Fund for Business Environment ("FAN") was established with Danida support in 2011 as a project. The FAN's strategy focuses on empowering the private, public and trade unions so that they provide relevant services to their members, developing actions to promote productive public-private dialogue and facilitating international partnerships. FAN's interventions are articulated around 4 areas:

1- Increase the management and performance capacity of chambers of commerce, business associations and trade unions to represent the interests of their members
2- Strengthen the capacity of the private sector to advocate for institutional policy changes aimed at improving the business environment and the quality of PPD
3- Promote partnerships to improve public-private dialogue at national level as a way to guarantee the cross-cutting inclusion of the sectors involved in the business environment

[27] Only 7% of ECCSA budget comes from membership fees paid by members
[28] Dan Hetherington, Public-Private Dialogue Interventions in Sub-Sarahan Africa, October 2016, p27

4- Facilitate partnerships between national and international companies as a way to guarantee an attractive, responsible and sustainable business environment in Mozambique

More specifically, grants are provided by FAN to PSOs, Chambers of Commerce and Trade Unions to implement projects that contribute to build their capacity to engage in advocacy activities for a better political, institutional and regulatory framework. The projects to be financed should be designed as a package including mentoring, research, media involvement, training, and advocacy activities. The results of such projects should lead to: Better capacity of beneficiaries to plan and implement advocacy campaigns; Effective advocacy efforts made; and Improving the legitimacy and representativeness of PSOs in relation to their members. **For the sake of sustainability and local ownership, FAN was transferred in 2016 by DANIDO to a National Mozambican Foundation.**

Box 7: Somalia Investment Climate Reform Program

The IFC Private Sector Trust Fund (TF)[29] for Somalia is a comprehensive five-year program implemented by DANIDA and DFID that includes the following five interventions: **Somalia Investment Climate Reform Program** (SICRP); Financial Sector Development; Value Chain Development; Public-Private Partnership (PPP); Gender Mainstreaming.

The SICRP includes the **establishment of at least two PPD platforms**. Indeed, the objective is to support the establishment and development of national and sectoral (ICT, energy, finance) dialogue platforms in Mogadishu. In Somaliland, a Presidential PPD platform as well as two working groups will be supported. The program will strengthen reform units in government (Somalia and Somaliland) and engage with the private sector and the diaspora to build trust, strengthen collaboration, and facilitate collective resolutions of agreed priorities.

In this context, the **EUD recently signed an agreement with IFC (May 2019) to participate to the IFC Private Sector TF for Somalia**, which includes support to the national PPD and building the capacities of key institutions, including private sector organizations (total of EU contribution: 1.5M€). Under this agreement, the pilot project implemented by the Confederation of Danish Industries (DI) will comprise the following areas of support[30]:

1- **Research**: for instance, institutional capacity assessment; focus group discussions with members and key stakeholders including SMEs, women groups; building the capacity of the PSOs (i.e. Somali Chamber of Commerce) to undertake evidence-based research and advocacy on topical issues
2- **Legal framework, corporate governance**: for instance, training and mentoring on corporate governance; reform leadership training; peer to peer training to expose the Chamber leadership to regional good practice
3- **Manpower and support services:** for instance, capacity building through provision of targeted experts to sit at the Chambers and provide training and support; development of a PPD website at the Mogadishu Chambers and support to replicate to other chambers over time
4- **Income generation**: for instance, use of the membership survey, publications and directory to generate revenues; improved communication with the members, and provision of services to members and non-members
5- **Enhancing reach and inclusion**: for instance, support working groups that touch on gender and youth issues; stimulate collaboration with regional chambers

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