INNOVATIVE PLATFORMS FOR PUBLIC-PRIVATE DIALOGUE

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EXECUTIVE SUMMARY:
Multinational corporations are increasingly recognized as a key partner for governments in development planning, resource mobilization, and project investment and implementation. The nature of corporate-government engagement is a crucial determinant of development outcomes, not least in fragile and conflict-affected environments where effective consultation and cooperation pose a particular challenge. New accountable models of engagement are beginning to emerge, but much work is still needed to sustain, replicate and scale what works.

WHAT IS THE CHALLENGE?
Multinational corporations are increasingly recognized as a key partner for governments in development planning, resource mobilization, and project investment and implementation. Effective corporate engagement with host governments is particularly important, and most challenging, in difficult operating environments. In such situations governance institutions, public sector delivery capacity, domestic management capabilities and civil society are usually weak, and public trust in both government and large corporations tends to be low. The nature of corporate-government engagement under these circumstances is a crucial determinant of development outcomes, either positive or negative.

Well-structured and accountable public-private engagement can be an important driver in strengthening governance and delivery capacity, leveraging resources, building trust, and jump-
starting more inclusive and resilient growth and job creation. Conversely, public-private engagement characterized by cronyism and lack of transparency often results in rent-seeking, corruption, increased inequality and negative socio-economic and environmental externalities, and may underpin or exacerbate conflict. There is growing consensus among multinational companies, governments and the development community on how to achieve more effective and accountable models of consultation and cooperation, although much work is still needed to sustain, replicate, and scale what works.

HOW CAN MULTINATIONALS ENGAGE WITH HOST GOVERNMENTS?

Multinational corporations, and where relevant their domestic business partners, engage with host governments at the national, regional, sector, and local or project-level. They do so in numerous informal and formal ways. These range from private meetings and joint community projects to representative policy dialogue structures, legally binding work contracts, and investment agreements.

Corporations engage with government officials and public sector entities on an individual or bilateral basis as well as collectively. Collective engagement occurs primarily through representative business associations, such as chambers of commerce and sector-specific trade and industry associations. In recent years, more development-oriented groups of business leaders have started to voluntarily work together around specific development challenges or on a precompetitive basis to tackle economic, environmental, social, and governance issues within the same industry sector.

At any one time with the same corporation and/or project, government officials and public sector bodies at different levels may be acting as regulator, tax collector, facilitator, convener, champion, customer, co-investor, and operating partner. This multiplicity of relationships 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.

To ensure that corporate-government engagement is in the interests of citizens as well as the interests of business and government leaders, there is a need for greater transparency and accountability. Governments need to balance interventions aimed at attracting private investment and enabling innovation and competitive markets with the implementation of policies and regulations to protect human rights, worker and consumer safety, the environment, and the most vulnerable populations. This is easier said than done even in OECD countries, let alone in fragile or conflict prone states and other difficult operating environments. Yet, there are growing examples to demonstrate that mutually beneficial corporate-government engagement is possible.

In order to build more efficient and inclusive markets and achieve better development outcomes, there is a particular need for government consultation and cooperation with companies in creating
an “enabling” business environment and mobilizing private sector investment and innovation, and promoting responsible business conduct. These goals can be achieved through public-private engagement at the national-level, sector-level and company or project-level. The following examples illustrate some of the evolving modes of engagement.

**National-Level Policy Dialogue and Planning**

Structured engagement between corporations and government at the national level occurs through a combination of advocacy and lobbying by representative business associations and more exclusive joint public-private dialogue platforms.

**Representative Business Associations**

At a national level there are longstanding examples of representative business associations that bring together companies across different industry sectors and provide them with a public advocacy platform as well as access to networks, information and other business support services. A key role is to collect and aggregate their members’ views to lobby governments for direct business interests and for policy reforms to strengthen the broader business environment. They range from traditional chambers of commerce and industry that represent multinational and domestic corporations to associations that represent the interests of small businesses and traders, smallholder farmers and producers, and ethnic minority or women entrepreneurs. These representative bodies often have sub-national chapters at the level of regions, states, or cities.

The strengths and weaknesses of business associations often derive from their representative nature. This makes them more inclusive of diverse private sector interests, but often constrained by the need to achieve consensus across such diverse interests. They are an important part of any business ecosystem and can provide a foundation for other types of public-private dialogue to occur. Their agenda is focused primarily on the direct business interests of their members, although they clearly have indirect development multipliers. In some cases they have established dedicated units to focus on the role of business in supporting national development goals. The Confederation of Indian Industries (CII), for example, has a variety of units that focus on topics such as rural development, climate change, and corporate-community investment.

In countries where representative business bodies do not exist, or are weak, donors and multinational companies can play a valuable role in helping to establish and/or sustain these foundational business associations. The World Bank’s International Finance Corporation (IFC) and the Center for International Private Enterprise, for example, both provide advisory services to strengthen the governance, membership development, financial sustainability, and advocacy and communications skills of these representative business associations.
Public-Private Dialogue Platforms

The past few decades have also seen the growth of joint public-private dialogue platforms aimed at improving the investment climate, and in more recent years at promoting responsible business conduct and enhancing the quality of development planning. These tend to be more exclusive, with a small number of well-known business leaders or the heads of representative business associations—and in certain cases trade union and civil society leaders and academics—meeting on a regular basis with the president or prime minister and/or specific government ministers and civil servants. They include mechanisms such as Presidential Business Advisory Groups, Investor Councils, Competitiveness Councils, and National Business Forums. Increasingly, they include public-private platforms dedicated to tackling issues such as corruption, national skills and employability, worker health and safety, green growth, and other priority development goals. The following examples illustrate national public-private dialogue models in four countries that have previously faced or are facing post-conflict transition and/or economic transformation:

- In Liberia, the Liberia Better Business Forum (LBBF) was established in mid-2007, with official endorsement from the president and private sector leaders. A balance of public and private representatives serve on both the governing board as well as on more targeted working groups. LBBF facilitates structured dialogue between business and government to identify, prioritize and resolve key constraints to private sector development and to engage the private sector in nation building.

- The Myanmar Centre for Responsible Business (MCRB) was established in 2013 to promote responsible foreign and domestic investment and business activities, with support from six donor governments, the Institute for Business and Human Rights and the Danish Institute for Human Rights. MCRB is working with key government ministries, the Myanmar Investment Council, the Union of Myanmar Federation of Chambers of Commerce and Industry, foreign embassies, and foreign investors such as Total, the Coca-Cola Company, Western Union and Chevron. Among other activities, it is facilitating sector-wide impact assessments in key sectors such as oil and gas, garment manufacturing, financial services, tourism, and consumer goods.

- The National Business Initiative for Growth, Development and Democracy (NBI) was established in South Africa 1995, with strong endorsement from then-President Nelson Mandela and a group of South African business leaders. A preceding business-led initiative, the Consultative Business Movement, had provided support to peace building efforts, the multiparty constitutional negotiations and voter education. NBI’s goal is to mobilize national and multinational companies to partner with the government in supporting more inclusive and sustainable growth. It facilitates public-private dialogue platforms and collective action around issues such as infrastructure demand and utilization, skills development, local economic clusters, and energy efficiency, water and climate change.
• **The Vietnam Business Forum** (VBF) is a public-private dialogue mechanism established in 1997, which consists of a consortium of 16 international and local business associations, co-convened by Vietnam's minister of planning and investment, the World Bank and the IFC. VBF is co-chaired by the President of the Vietnam Chamber of Commerce and Industry and a representative of the American Chamber of Commerce. In addition to an annual forum, ongoing working groups of business leaders and government officials focus on banking, capital markets, education, infrastructure, investment and trade, mining, and tourism.

**Sector-Level Strategies and Resource Mobilization**

Sector-specific dialogue platforms and partnerships can provide a coordinated approach to identifying, prioritizing and tackling constraints to investment, growth and competitiveness in key productive and social sectors or subsectors. They can also enable structured collaboration among governments, companies, donors, civil society and communities to tackle systemic development challenges or to include low-income producers, workers and employees along specific commodity or manufacturing value chains.

As with national-level engagement, there is an evolving distinction in many countries between representative trade and industry associations that draw their members from a specific sector (such as manufacturing, farmers and bankers associations or chambers of energy and mines), and which focus mainly on improving the business enabling environment, and more development-oriented leadership groups that target a specific commodity value chain and/or set of socio-economic and environmental issues in a particular sector.

Research by the World Bank has identified the top 13 sectors in attracting foreign investment to fragile and conflict-affected situations (FCS) between 2005 and 2012, with financial services, oil, gas and mining, food and beverages and communications accounting for over 50 percent of investments (Table 1). In a practice brief on how to attract foreign investment to these sectors, the Bank emphasizes the need to focus on, “...a relatively narrow range of attractive subsectors, for example, rice processing or garment assembly (rather than broad sectors, such as agribusiness and manufacturing) and even specific viable projects.
Table 1: The Top 13 Sectors in Attracting Foreign Investment to FCS (2005 and 2012)

<table>
<thead>
<tr>
<th>Sectors</th>
<th>No. of Projects</th>
<th>Percentage of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Services</td>
<td>363</td>
<td>25.0</td>
</tr>
<tr>
<td>Coal, oil and natural gas</td>
<td>132</td>
<td>9.1</td>
</tr>
<tr>
<td>Food and beverages</td>
<td>125</td>
<td>8.6</td>
</tr>
<tr>
<td>Metals</td>
<td>121</td>
<td>8.3</td>
</tr>
<tr>
<td>Communications</td>
<td>106</td>
<td>7.3</td>
</tr>
<tr>
<td>Business Services</td>
<td>91</td>
<td>6.3</td>
</tr>
<tr>
<td>Transportation</td>
<td>72</td>
<td>5.0</td>
</tr>
<tr>
<td>Textiles</td>
<td>41</td>
<td>2.8</td>
</tr>
<tr>
<td>Industrial machinery, equipment, tools</td>
<td>39</td>
<td>2.7</td>
</tr>
<tr>
<td>Real estate</td>
<td>38</td>
<td>2.6</td>
</tr>
<tr>
<td>Building and construction materials</td>
<td>36</td>
<td>2.5</td>
</tr>
<tr>
<td>Alternative and renewable energy</td>
<td>35</td>
<td>2.4</td>
</tr>
<tr>
<td>Hotels and tourism</td>
<td>28</td>
<td>1.9</td>
</tr>
</tbody>
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Even in FCS, some level of domestic trade and industry associations usually exists in these key sectors and can play a valuable role in advocating for and supporting the government in designing and implementing sector-specific reforms to the investment climate and helping with targeted outreach to multinational companies in their sector.

In addition to the work of these sector-based trade and industry associations, one of the most important developments over the past decade has been the emergence of pre-competitive platforms where companies in the same industry sector join forces with government, donors and other stakeholders not only to attract new investment, but also to explicitly manage the environmental, social and governance (ESG) risks of such investment and/or to optimize the development benefits or multipliers of such investment. Examples include the following:

**Improving resource governance and benefit sharing in the extractive sector.** Oil, gas, and mining continue to be major sources of foreign investment and public revenues in many developing countries, including FCS. Yet, the challenges of the “resource curse” are well documented. There is growing recognition by extractive sector companies and governments of the need to work more strategically together to improve resource governance, benefit sharing and national content development and ensure that host communities and citizens get a fair share of the benefits from resource extraction and do not shoulder an unfair proportion of the costs and risks. Public-private platforms developed at the global level are being implemented at the sector level in a growing number of resource-rich countries.
The Extractive Industries Transparency Initiative is one such platform. It brings together 25 compliant governments with over 80 of the world’s largest oil, gas, and mining companies and other organizations to improve the transparency of their revenues. In 2013, EITI disclosed revenues worth over $1 trillion, giving citizens better information with which to hold both companies and their governments to account. In each participating country, there is a requirement to establish a public-private or multi-stakeholder working group to monitor implementation and build national capacity. Other examples being implemented in country at the sector level include the Voluntary Principles on Security and Human Rights and frameworks developed by the International Council on Mining and Metals, the Responsible Mining Development Initiative, and the Natural Resource Charter.

Enhancing food security and nutrition. The agricultural sector often accounts for at least half of GDP and employment in many developing countries. It has a vital role to play in reducing poverty, enhancing food security and nutrition and addressing climate change. This is another area where precompetitive dialogue structures and platforms can help to mobilize investments and at the same time improve development and environmental impacts along the food value chain from inputs to production, processing, and distribution.

The New Alliance for Food Security and Nutrition is one example. This joint initiative between African governments, the private sector and development partners promotes responsible investment in agriculture and aims to lift 50 million people out of poverty by 2022. As of 2013, six participating African governments had made some 97 policy reform commitments and over 80 companies had made investment commitments, with G-8 governments also committing nearly $4 billion in support. The Global Alliance for Improved Nutrition has worked with partner governments in 19 countries along with multinational food companies and domestic food processors to establish public-private National Fortification Alliances. A 2012 assessment of the alliances in Africa estimated that they had provided access to fortified foods for more than 270 people million to-date. The New Vision for Agriculture and its regional, country and commodity specific public-private platforms in Asia, Africa, and Mexico is another example, along with a growing number of other public-private commodity-specific initiatives in agriculture, fisheries, and forestry.

Building more inclusive financial services. Mobile money services offer high potential for increasing financial inclusion for the 2.5 billion people who are unbanked and the socio-economic benefits this will enable. They can also leap-frog more capital and management-intensive branch banking models, overcome infrastructure constraints, and deliver cost savings and efficiencies worth billions of dollars in many developing countries. Yet, despite well-documented successes in a few countries, these mobile services are not replicating and scaling as much as anticipated due to ongoing policy obstacles and lack of market incentives. This is an area where there is clear need for governments and private sector service providers to engage more proactively and strategically.
A number of platforms encourage public-private engagement at the country-level to support relevant policy reforms and in some cases to undertake joint investments in financial inclusion projects. The Alliance for Financial Inclusion, the Consultative Group to Assist the Poorest, the Global Partnership for Financial Inclusion, and GSMA’s Mobile Money for the Unbanked program are examples of such platforms. They engage with a combination of Central Bank Governors, Ministers of Finance and Communications, and other government departments as well as multinational and domestic banks, mobile technology companies, retailers, microfinance institutions, and foundations.

**Project-Level Investment and Implementation**

Engagement among project investors, operators, and governments is particularly intense at the outset of a project or investment, when legal agreements and relative roles and responsibilities are being negotiated. However, it remains an ongoing priority throughout the project or investment life cycle, especially in difficult operating environments where there is often a challenge in allocating project-related risks and benefits among different stakeholders.

Increasingly, investment agreements or contracts for specific projects include sections on non-technical risk management and benefit sharing. This is especially the case in large-scale oil, gas, mining, and infrastructure projects, often with time horizons spanning 20 years or more. It is also becoming more relevant in agribusiness, manufacturing, information technology, tourism, healthcare, marketing, and distribution, financial services, or professional services investments.

All of these types of projects have potential to attract foreign investors and jump-start economic development in fragile and conflict-affected situations. In particular, as World Bank research concludes, “major reconstruction, resource extraction and infrastructure development often provide unique opportunities to a small and quickly identified pool of large, capital-rich investors with experience in FCS.” Such projects can also play a crucial role as anchor investments or pioneer investments around which other projects and even industries can develop over time. Their contribution to poverty alleviation and shared prosperity will depend largely on the nature of the agreements negotiated with government and the manner in which project risks and benefits are shared among the investor(s), government and other stakeholders.

Large-scale extractive projects, for example, can work with host governments not only to meet their direct project-related commitments in the areas of risk management and benefit sharing, but also to help strengthen technical training institutions, support business development ecosystems, strengthen health systems, and co-invest in shared physical infrastructure. Independently evaluated examples of where this is happening in practice include the PNG LNG Project in Papua New Guinea (a $19 billion capital investment), the Mozal Project in Mozambique (which has invested some $2 billion), and the Simandou Project in Guinea (which finalized a $20 billion investment agreement in 2014).
Although at a lower level of capital investment, these development multipliers can also be supported by investments made along agribusiness, food and beverage value chains. The Coca-Cola Company is cited by the World Bank as being one of the 10 companies with the most investments in fragile and conflict-affected situations and offers a number of well-documented examples of development multipliers. Together with its bottling partners, which range from other multinationals such as SABMiller to regional and domestic companies, the Coca-Cola system is engaging with host governments and donors in FCS as diverse as Myanmar, Haiti, and the West Bank to establish local bottling plants and to support thousands of local smallholder farmers, small-scale suppliers, distributors, and retailers. Other multinationals such as Nestle, Unilever, PepsiCo, Danone and DSM are also investing in projects along their global value chains that improve agricultural productivity, natural resource management, and food security for low-income producers and consumers.

Multinationals engaging with host governments around their core business operations is obviously where the greatest potential for scale and development impact lies. At the same time, there are encouraging examples of companies making substantial and long-term commitments to work with host governments through their social investment or corporate foundations.

One example is the Niger Delta Partnership Initiative (NDPI) Foundation, established in 2010 and to which Chevron has committed $90 million as well as leveraging additional funds from donor agencies. NDPI is working with state and local governments on a variety of policy advocacy, capacity building, and project implementation efforts in the areas of economic development and peacebuilding.

Another example is the Africa Comprehensive HIV/AIDS Partnership (ACHAP) in Botswana, established in 2000 by the Botswana Government with a commitment from the Merck Foundation and the Gates Foundation of $106.5 million alongside medical donations and technical assistance. ACHAP has engaged with the government on a wide range of health policy reforms and health systems strengthening efforts to improve the reliability, affordability, and quality of patient care.

In Tanzania, Abbott and its foundation, the Abbott Fund, has worked with the Ministry of Health to strengthen the emergency and laboratory facilities and the broader medical, administrative, financial, information technology, and governance capacity of the country’s main referral hospital and a network of laboratories in 23 regional hospitals. To-date the company has committed over $100 million and some 47,000 hours of support from its relevant technical experts.

**HOW CAN WE SUSTAIN, REPLICATE AND SCALE GOOD PRACTICE?**

A growing number of multinational companies are engaging with host governments to support national policy dialogue and planning, sector-based strategies and resource mobilization, and individual project investments and implementation. There is potential to increase the scale of
existing public-private platforms and to replicate effective models to other sectors and countries. There is also the challenge of sustaining government and corporate interest in supporting and improving these platforms over the longer term. Achieving effective and accountable corporate-government engagement is hard work. It is time consuming and resource intensive. And it requires strong leadership and both technical and interpersonal skills.

Multinational companies must play a key role in sustaining energy and engagement, and in replicating and scaling models and lessons through their own global value chains, but governments, donors and private foundations must also support progress. Although there is enormous diversity in the structure and scope of public-private platforms, there are four common challenges that need to be overcome in almost all cases in order to sustain, replicate, or scale good practice. These are often particularly important in fragile and conflict-affected situations.

1. **Build trust through increased transparency and accountability.** Lack of trust, credibility and legitimacy is a major obstacle to building and sustaining effective public-private platforms. This includes mistrust between the government and corporate sector, mistrust between different parts of governments, and public mistrust by citizens of both sectors. Not surprisingly, this challenge tends to be greatest in FCS where there is often a legacy of past cronyism, corruption, and conflict. An important step is to increase transparency and public disclosure of performance. Research by the World Bank of effective public-private dialogues highlights the value of: 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. A number of public-private platforms have developed their own websites and communication strategies to address this challenge.

Multinational companies can also build trust by reporting on their development impact and ensuring that there is third party validation. Standard Chartered, Unilever, Coca-Cola, SABMiller and Visa are all examples of companies that have issued independently verified reports of their development impact in selected countries and regions. In Myanmar, as part of U.S. State Department requirements, Coca-Cola, Western Union, and several emerging market investment funds have produced Responsible Investment Reports, which are available on the U.S. embassy’s website. The PNG LNG project in Papua New Guinea issues regular third-party social and environmental compliance reports as part of its investor requirements, and project-level reporting is becoming common in other major extractive investments. Rio Tinto and SABMiller are two of only a few companies that have issued separate public reports on their tax payments. More of these and other efforts to engage with stakeholders are needed to build trust.
2. **Strengthen capacity in the public and private sector.** The lack of individual and institutional capacity is another common obstacle. Although government ministers and corporate leaders may see what is needed and make public commitments to engage, mid-level civil servants and corporate managers are often a major block to effective and sustained implementation. In addition to weak technical skills in areas such as data collection and analysis, there is often lack of a consultation culture on the part of governments and advocacy skills on the part of companies, and a lack of partnership building skills on both sides. Mid-level managers in both sectors usually lack incentives to engage—or have different incentive structures—and hence are averse to taking risks.

One way to partially address the capacity challenge is to invest in skilled intermediaries, both individuals and institutions that can act as the broker and the “backbone” for sustaining engagement. Even with such intermediaries, however, there is no alternative to painstaking and long-term investment in building relevant skills and capacities in both government and the private sector. Donors and foundations can play a valuable role here, and ongoing skills development and incentives should be a key element of any public-private platform. The World Bank has worked with other partners to develop a “Charter of Good Practice in using Public-Private Dialogue for Private Sector Development,” supported by toolkits, case studies, and regular exchange of lessons.8

3. **Catalyze and de-risk private investment, especially pioneer investments.** The need to provide financial and/or technical support upfront to de-risk certain types of public-private dialogues and project investments is well documented. There is also growing understanding of the types of catalytic and risk-mitigating instruments that are most effective. These include donor-supported challenge and innovation funds, public and private co-investment in sector funds such as energy infrastructure and healthcare, advance market commitments, and other guarantee and risk insurance facilities.

4. **Take a comprehensive or systemic approach to engagement.** Most successful project-level investments are linked to effective sector-level strategies and national-level policy dialogue and planning. Multinational companies, governments, and donors therefore need to understand the broader political economy and ecosystem of stakeholders in which they are working. Stakeholder mapping, scenario planning, and multi-level impact analysis are all tools that can be used to better understand the ecosystem and gather sound data and information for making decisions on when and how to engage most effectively in public-private consultation and collaboration.

In conclusion, while donor engagement remains essential in many developing countries, there is a growing need for more systematic government interaction with multinational companies. The 2014 World Investment Report states that developing countries face an annual gap of $2.5 trillion for financing projects in the sectors that will be relevant to achieving the sustainable development
goals. More effective and accountable corporate-government engagement can help to leverage the resources, build the trust, and strengthen the governance and delivery capacity that are required to fill this gap and to jump-start more inclusive and resilient growth.

REFERENCES


Initiative for Global Development. 2012. The Business Case for Development: How companies can drive sustainable development and how governments and donors can leverage their impact.


Innovative Platforms for Public-Private Dialogue

1 The diversity of names and structures used for joint public-private dialogue platforms at a national level is illustrated by the case studies presented at the 7th Global Public-Private Workshop hosted by BMZ, GIZ, the World Bank and IFC in March 2014. They included: the Afghanistan Private Sector Advocacy Forum; Bosnia and Herzegovina Competitive Regional Economic Development initiative; the Burkina Faso Government-Private Sector Meeting Group; The Ethiopia Public-Private Consultative Forum; the Iraq Private Sector Development center; the Kyrgyz Republic Business Development and Investment Council; the Liberia Better Business Forum; the Macedonia National Entrepreneurship and Competitiveness Council; the Morocco National Committee for Business Environment; the Nepal Business Forum; the Palestine National Economic Dialogue; the Papua New Guinea Business Coalition for Women; the Rwanda Public-Private Dialogue; and the Tajikistan Regional Consultative Council on Improvement of the Investment Council.

2 IFC Annual Report 2013


6 Ibid.

