

# Strategic Communication for Privatization, Public-Private Partnerships, and Private Participation in Infrastructure Projects

*Daniele Calabrese*



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# Foreword

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As privatization, public-private partnership programs (PPP), public sector participation (PSP), and private participation in infrastructure (PPI) become more complex and controversial, we hope that this publication will help managers in public institutions and state-owned enterprises to review, mitigate, and manage political and development risks associated with these transactions and to create open platforms for stakeholder engagement and dialog by employing communication strategies and tools. The work draws extensively from the toolkit published by the World Bank in 2002 on Public Communication Programs for Privatization Projects.

This publication reviews the experiences of the World Bank and its clients in employing public communication programs during the processes of privatization and private sector participation. Drawing from academic and policy research as well as from case studies, it highlights good practices and identifies lessons learned through an examination of successes and failures. This publication also recommends principles of strategic communication and offers a methodology for researching and analyzing the communication issues associated with privatization and private sector participation. It includes an operational approach to design and implementation of public communication programs for the various forms of privatization and public-private initiatives.

The Development Communication Division of the World Bank believes that strategic communication can help privatization and private sector participation programs work better and be more socially and politically sustainable. Literature on these types of programs is understandably vast and this publication is not intended to address the broader subject of privatization. Rather it is meant to provide managers of privatization programs with tools for dealing with the most pressing issues at hand: How should the concept and practice of privatization be communicated in order to make projects successful? Which operational instruments are best suited for creating dialog with stakeholders and better-informed decisionmaking?

The range of privatization initiatives represents important instruments of economic and social policy in many developed and developing countries. These affect some core values around which societies are organized and have repercussions for the traditional relationship between institutions and citizens. It is critical for all stakeholders to understand what is at stake when governments decide to privatize state-owned enterprises (SOEs). Public-sector reforms, public-private partnerships, and privatization constitute a significant part of the World Bank's lending and technical assistance programs. The structural nature of these reforms might require that all stakeholders accept a significant change in beliefs, interests, and perceptions about the nature of delivery of public services. Privatization programs, therefore, require a shift in the rights and responsibilities of all societal players and call for a significant mobilization of civil servants, businesses, academics, media, consumers, and civil society to move the reforms forward and make them work better.

Over the past decade, the World Bank's shareholders have come to expect economic reform programs to have a greater impact on poverty reduction. This trend has coincided with broader demand for greater participation in development from civil society, which, in turn, has significantly changed the way the World Bank operates. Consequently, the task of communicating more effectively with citizens and key stakeholders on privatization

issues has become more challenging, complex, and, more importantly, necessary. New expectations have set higher standards for transparency and accountability on the part of all stakeholders who want to know more about how reforms can have a significant impact on poverty reduction.

Communication activities that were solely based on the output of products, such as radio and TV spots, newspaper ads, and the like, are no longer sufficient to meet the demands for participation, accountability, and transparency. Now, complex and innovative performance measurements have to be used to evaluate people's satisfaction with privatization programs aimed at improving public service delivery. Innovative implementation and measurement tools are also needed to assess political and social sustainability of privatization reforms. These require a systematic approach that integrates opinion research, political analysis, communication strategies, and planning.

These external demands have coincided with growing demand from inside the World Bank itself. Task team leaders ask for tools to manage projects' reputational risks and enhance the long-term sustainability of reform processes by enabling widespread stakeholder participation and local ownership.

In order to meet these challenges, there is the need to design two-way communication programs on the basis of development impact rather than project outputs. This entails moving from isolated tactics, usually product-driven, to long-term strategies. Public communication programs not only have to build support for privatization, but also must promote changes in social and political perceptions and values. To be effective, these communication programs must be based on socio-political analysis of stakeholders; development and pre-testing of key messages; and use of the most appropriate communication channels.

Fundamentally, this process involves an analysis of what types of stakeholders are affected by a privatization program and private sector participation and which instruments can open space for two-way dialog and participation. Strategic communication programs woven into all stages of a project's development define clear responsibilities for design, implementation, budget needs, and ongoing monitoring mechanisms to evaluate the long-term impact of the program.

This publication is divided into two sections. The first section includes examples of privatization efforts, failures and successes, noting the role that was played by communication, or lack thereof. The second section sets out the key concepts and tools that communication specialists bring to privatization programs, along with examples of their effective use in both developed and developing countries.

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# Why Include Strategic Communication in Initiatives for Privatization, Public-Private Partnerships, and Private Participation in Infrastructure?

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Technically sound privatization, public-private partnerships, and private sector participation projects in infrastructure can fail without a full understanding of socio-political dynamics and the value of communication in their design implementation. It is worth remembering that the very term “privatization” has a communication origin: in the 1980s, after the term “de-nationalization” spurred strong opposition to the selling of the state-owned British Aerospace, the government decided to adopt the term “privatization” in hopes that it would be less controversial. Today public asset divestment programs undertaken by governments around the world are under severe scrutiny from civil society organizations and citizens. Privatization programs can take different forms and degrees in the transfer of asset ownership and management of the service to consumers. Specifically, they can be complete sector divestments (telecom, other productive industries), private participation in infrastructure<sup>1</sup> (energy, ports, railways, and roads), or public-private partnerships (water services). For any of these initiatives, it is crucial to incorporate communication analysis and stakeholder engagement at the policy and program formulation stage. In this context all the privatization terminology will be used interchangeably vis-à-vis the sectors and countries profiled in the publication.

It is now widely accepted that the success of privatization depends on the maturity of the institutions in the market economy, including legal frameworks on property rights, private contracts, dispute resolution mechanisms, and rules of entry and exit for business enterprises. For privatization programs to be sustainable, however, they need to be properly understood, taking into account the interests and perceptions of all stakeholders. This

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1. For more information about Privatization, Private Participation in Infrastructure (PPI) and Public-Private Partnerships (PPP) please visit [www.ppiaf.org](http://www.ppiaf.org) and [ppi.worldbank.org](http://ppi.worldbank.org)

necessitates using strategic communication as policy design tool, rather than something added on once a policy has already been formed.

In the 1990s, many privatization programs in developing countries proceeded slowly or were aborted because of significant misconceptions and opposition among the general public. Whether opposition was voiced by political leaders, labor unions, media, specific stakeholder groups, or the public at large, these programs failed or were damaged because steps were not taken to secure the necessary political and social support.

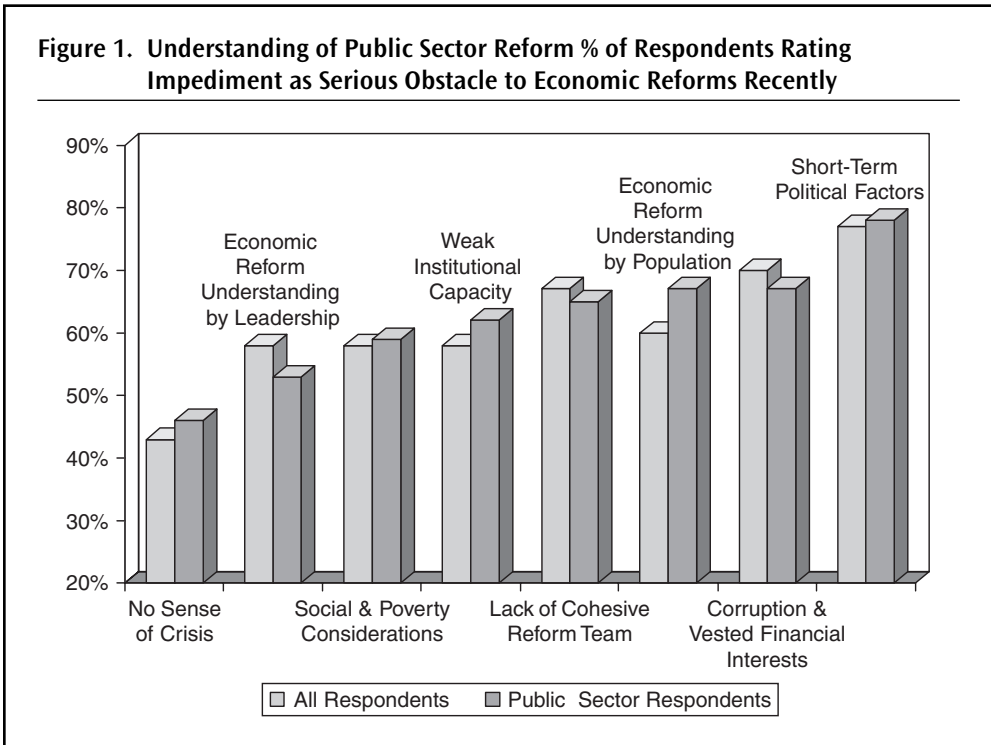
Communication activities for the range of private sector participation initiatives are more than just “public relations.” Their challenges and obstacles cannot be solved with traditional public relation tools, such as press releases, press conferences, and lobbying activities. Privatization programs require a carefully conceived and systematically applied approach to communication—one that integrates communication analysis and planning at each stage of the design and implementation. When used effectively, strategic communication can significantly increase political and social sustainability by creating space for dialog and stakeholder participation in the decisionmaking process.

## **The Purposes of a Strategic Communication Program**

A strategic communication program for privatization, private sector participation, and public private partnerships serve two broad purposes. First, it helps to avert failure by identifying current and potential sources of both support and opposition. This information is crucial not only in setting priorities for communication objectives, developing sound messages, and selecting the best possible communication channels, but also in using those channels effectively and creating new ones if needed. Communication research can raise awareness of an unsustainable status quo, uncovering existing attitudes on a range of relevant issues, such as the drain on public funds due to poor management of state-owned enterprises, political interference, clientelism, and nepotism. A well-designed communication program can explain the role of private interest in creating incentives to make society, as a whole, more prosperous.

Second, a systematic approach to communication helps to achieve a well-tailored privatization and private sector participation program, serving as a two-way check and feedback mechanism at every stage, from planning through execution. Public communication programs offer managers in public institutions and state-owned enterprises tools for the privatization process that coordinate well with national economic programs and fit political and social needs.

Communication programs create mechanisms for dialog with stakeholders through which expectations for privatization can be managed. Failure to use communication programs results in negative consequences found in countless development projects involving privatization. Neglect of consensus building among stakeholders for privatization weakens a project’s opportunity for success and sustainability. The consensus-building process needs to be considered at every stage, from the initial conception and strategic planning through the implementation. When preparing for privatization initiatives, a government and its advisers should make substantial efforts to engage political parties, managers of publicly owned enterprises, unions, workers, civil servants, business leaders, potential investors, national and international civil society organizations, and consumers about the program’s operations and benefits. General consensus may not be possible, but information flow and awareness raising among all stakeholders are often prerequisites for success in the range of privatization initiatives.

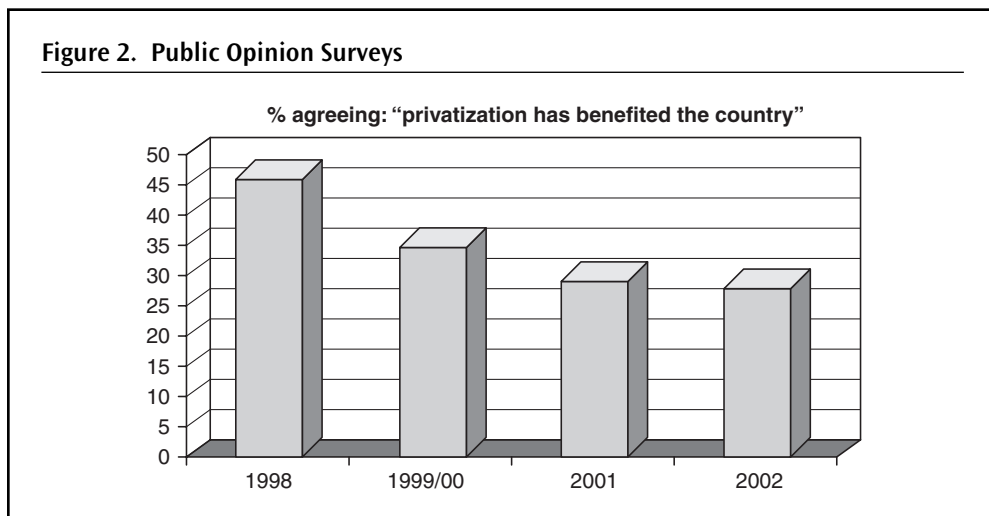


Source: Kaufman, 1997.

A sustained government effort to explain the expected benefits of privatization and the reasons for choosing specific approaches and techniques can help build a broad consensus. In 1996, a World Bank and Harvard University survey (Kaufman 1997) in 63 developing countries ranked priority concerns of senior public servants and civil society representatives about failure of reform processes (see Figure 1). The majority of respondents highlighted political factors and corruption as the biggest impediments to reform. This research indicates that strategic communication of government engagement in anticorruption and ethical practices aids the understanding success privatization programs.

For example, transparent and competitive sale procedures can reassure people who fear that public assets are being transferred to private operators at prices well below their true value. When these practices are not transparent, opponents of privatization are free to make false claims regarding the procedures that can worry or anger key constituencies. Even when transparent and competitive procedures are used, they can only effectively assuage fears if their use is preceded by adequate publicity and discussion.

Figure 2 that follows shows results from 1998–2002 Latino-Barometer public opinion surveys conducted in 17 Latin American countries at the national level on perceptions vis-à-vis the benefit of privatization programs to the country and the economy. Considering that most of Latin American countries underwent a series of privatization and public private partnership programs during the late 1990s with peak of public sector divestments in infrastructure, including water, telecom and energy if the years 1998–2000, the steady decline in public perceptions of the value and contribution of these programs to country economies calls for an integration of strategic communication into critical public sector



Source: Latinobarometro surveys, 1998–2002.

reforms at all stages. In fact, even after transactions occur, there is still a need to create spaces for dialog, show progress, and build support for reform.

Further examples of privatization and public-private partnership initiatives throughout the developing world highlight the role, or lack thereof, of strategic communication in the success or failure of a variety of reform programs.

## Reform Failures Due to Lack of Communication

The following examples, and the constraints listed in Table 1, illustrate the variety of settings where the lack of strategic communication hindered the success and sustainability of development initiatives in privatization, public-private partnership programs, and private participation in infrastructure.

### *Bangladesh*

In the late 1990s, the government neglected to involve local workers in the decisionmaking process to privatize a dockside warehouse. Uninformed, the workers feared losing their jobs and were strongly influenced by their trade union leaders' opposition to the privatization. The government's first communication with the workforce came too late. When a prospective investor visited the enterprise, a security guard threatened to kill him. The investor fled the country. After this incident, the entire project and transaction stalled for several years. Identifying the workers as important stakeholders, designing and implementing a communication program to ward off misinformation, and allaying fears could have averted the problem by allowing the government to acknowledge the workers' concerns; prepare sensitive educational materials; and organize meetings to discuss the likely results of privatization (Adam Smith Institute 2000).

**Table 1. Top Five Constraints to Privatization in Sub-Saharan Africa**

<b>Constraint</b>	<b>Causes</b>	<b>Effects</b>
<b>Lack of consensus</b>	Lack of information Lack of political will Ideological beliefs Vested interests	Weak government commitment Slow process Reluctance to sell enterprises
<b>Political uncertainty</b>	Historical setting Democratization Forthcoming elections	Tardiness Investor uncertainty
<b>Inadequate management capacity</b>	Weak institutional and human resources capacity Lack of commitment Fragmentation	Lack of transparency Distrust of valuation methods Poor design and preparation Incomplete transactions
<b>Legal constraints</b>	Old legislation Lack of commitment Weak judicial system	Insufficient authority given to agency Slow process
<b>Lack of program ownership</b>	Institutional jealousies and government interference Lack of involvement of indigenous private sector Donor driven	Lack of consensus Perception of program as driven by external agencies

Source: *Privatization in Africa*, Campbell-White and Bhatia, 1998.

### *Turkey*

In the 1990s, the privatization program did not consider fully national and regional political and social dimensions. The social safety net development, including labor adjustment programs, was badly timed and was not accompanied by any serious communication program. Lack of strategic communication allowed fierce resistance from trade unions to continue unabated (Calabrese 2002).

### *Ukraine*

Tension between pro- and anti-reform forces in government and parliament stalled the privatization process in the late 1990s. Recommendations for future programs pointed to the need to build broader support among stakeholders, NGOs, business associations, and political parties through effective use of strategic communication (Calabrese 2002).

### *Senegal*

In 1994, a national privatization program came to a halt after meeting with considerable resistance from politicians, employees of public enterprises, and the society at large. A main cause was the lack of stakeholder involvement. Stakeholders were not informed about their major concerns: the redistributive use of privatization proceeds, the links between poverty alleviation and expected outcomes of privatization, the underlying need for reform, and the potential benefits for the public (Bhatia and Campbell-White 1998).

### *Mozambique*

An opinion poll conducted during the implementation of the privatization program in the 1990s showed that most citizens in opposition believed that public enterprises had been sold to foreigners. In fact, 93 percent of the private capital involved in the privatization was national (Bhatia and Campbell-White 1998).

### *Benin*

The government failed to explain its privatization policy to the public, and the 1992 Privatization Law was harshly criticized. Although the privatization plan was transparent, for instance the details of procedures and bidding processes were open to public scrutiny, the government's lack of strategic communication played into the hands of political opponents (Bhatia and Campbell-White 1998).

### *Kenya*

In January 1995, 41 opposition members of the parliament published a press statement calling for some draconian measures against privatization, including the immediate removal of the head of the privatization agency, an investigation of the agency's activities, and the reversal of a privatization transaction. The attack revealed a lack of public awareness about the difficult conditions of public enterprises in the country (Bhatia and Campbell-White 1998).

## **Reform Successes Due to Inclusion of Communication**

Increasingly, managers responsible for planning and overseeing development initiatives in privatization, public-private partnership programs, and private participation in infrastructure are appreciating the lessons learned from past failures and making strategic communication a high priority in project design and implementation. The following examples, and the case cited in Box 1, represent the positive impact that strategic communication can have on development outcomes.

### *Guatemala*

In 1999 after conducting opinion research, a think-tank advising the government identified a powerful trade union, implacably opposed to any kind of reform or privatization, as being the most critical stakeholder to address. The workforce was identified as an even more important stakeholder for the success of privatization, but this group was difficult to reach due to the union's blocking of channels of communication. It seemed that the workers were being, at the same time, purposefully misled and frightened by union leaders. The government responded by sending a letter to the home of each factory worker, addressed not to the workers but to their wives outlining several benefits of privatization, such as share-options and potential redundancy benefits. In the end, the pressure from wives outweighed the objections of the trade union and the workforce supported the privatization (Adam Smith Institute).

### Box 1: Communication Challenges and Success of Ghana's Urban Water Project

The Ghana water sector has been characterized by limited coverage: only 51 percent of the population has access to improved water supply and less than 40 percent to sanitation services. The system has been in disrepair and operating below design levels. Lack of entrepreneurship in the management of the sector, high levels of non-revenue water, poor billing collection, and weak financial management were the roots of the problem.

The dismal financial and commercial performance ensured the sector was unable to generate enough revenues. Government realized the need for reform and launched a stakeholder consultation workshop in 1995 to examine eight options for restructuring the sector. Participants decided on Private Sector Participation (PSP) in the water sector, first a lease and then, in 2004, a management contract. The communication challenges were to broaden the debate, to communicate this decision to people who had seen privatization "fail" to solve the problems associated with state-owned enterprises, and to open up a dialog with urban-based groups.

*Approach:* The government decided to avoid a "quick and dirty" communication approach. They developed a communication strategy based on solid opinion research. The research revealed that Ghanaians were dissatisfied with their current water service and were more concerned about the availability (41 percent) and quality of water (32 percent) than the price (5 percent). Eighty-six percent viewed PSP as favorable for the country, while 81 percent viewed PSP favorable directly to them. Based on the results, the Ghana Water Project launched a Public Education and Communication Program aimed at ensuring that the public and key stakeholders had sufficient awareness and understanding of the public policy aims of the PSP process. A Water Communication Committee, with communication managers of the various water-related organizations, was also set up to ensure coordination and consistency of messages. The program included community rallies for Resident Associations; tailored workshops and presentations to media, Members of Parliament, NGOs, women's groups, labor unions and religious interests; and production and dissemination of TV documentaries and radio talk shows.

*Impact:* The major outcome was the emergence of a pro-PSP coalition made up of some resident associations, professional associations, and individual citizens. They marched in the street urging government to speed up implementation of PSP. The coalition allowed the debate to be more balanced and to consider alternative views to the NGO-sponsored "National Coalition against Water Privatization." In November 2005, a management contract was finally signed with a consortium of private companies. The communication challenges still persist and have taken a new shape, focusing on creating a new culture of transparency and public oversight, which helps to maintain confidence in the system and keeps up the pressure for better service.

### Zambia

In 1996 the government embarked on water sector reform, involving the establishment of three water companies. A communication program facilitated the participation of the trade unions by ensuring they were informed partners at every stage of the privatization process. Moreover, the Zambian Congress of Trade Unions played a major role in a wide-ranging public debate (Calabrese 2002).

### South Africa

In 1998 *ESKOM*, a large public electric utility, implemented the government's policy of rapidly increasing the provision of electricity to disadvantaged sectors of the economy. Due to its sheer dimension, the implementation of this policy required *ESKOM's* deep restructuring. The company established a special task force of three executive directors to redesign

### Box 2: Impact of Communication Interventions in the Water Sector

Fifteen water and sanitation projects that received communication support from the Development Communication Division of the World Bank were reviewed to derive lessons learned and to assess the issues common among these projects. Half of the projects with qualitative opinion research were also reviewed to assess common perceptions, attitudes, and knowledge about water supply and sanitation reform among consumers.

The following impacts of communication interventions were determined:

- Prevented delays in project implementation
- Ensured government commitment
- Built credibility of process
- Brought stakeholder inputs to project design
- Leveraged new funds for communication
- Improved client coordination
- Assisted (or replaced) Social Assessment
- Provided basis for consultations

The lessons learned from communication included the following:

- Capacity and coordination of government to implement programs was primary issue
- Projects rated politically risky are more likely to be delayed
- Opinion research provides government with empirical data to make informed decisions
- Biggest fear of citizens is cost
- Communication program must include education on role of regulator
- Health and water are linked very strongly
- Government is trusted to provide services, but people still think that private sector participation will bring benefits

*Source: Development Communication Division Sector Review, The World Bank, June 2005.*

the organization with the assistance of specialized consultants, whose work included the elaboration of a public communication program. The five trade unions representing *ESKOM* workers participated in early consultations on the restructuring of the company. *ESKOM* not only provided detailed financial and technical information, but also invited the trade unions to engage their own independent technical experts in order to provide feedback and advice (Calabrese 2002).

Evidence of the impact of communication on project design and performance is revealed in a review done between 2002 and 2005 of fifteen World Bank projects containing communication programs in the water and sanitation sector.<sup>2</sup> In 33 percent of these projects, the communication program is credited with having a significant impact on project design from the redesign of a project to achieve consensus among stakeholders in Nigeria, to the splitting of a project in Albania into two distinct components so the less controversial portion could proceed without delay. Furthermore, in 40 percent of the projects reviewed, communication programs were credited with building consensus and/or credibility for the government to undertake the reform. Many of the projects studied involved private participation—a particularly sensitive and easily politicized issue. Box 2 provides more details on the study and results of the impact of communications in the water sector.

2. Development Communication Division, Presentation on Communication Research in the Water Sector, World Bank, June 2005.

# Strategic Communication Program Design: Analysis and Strategy

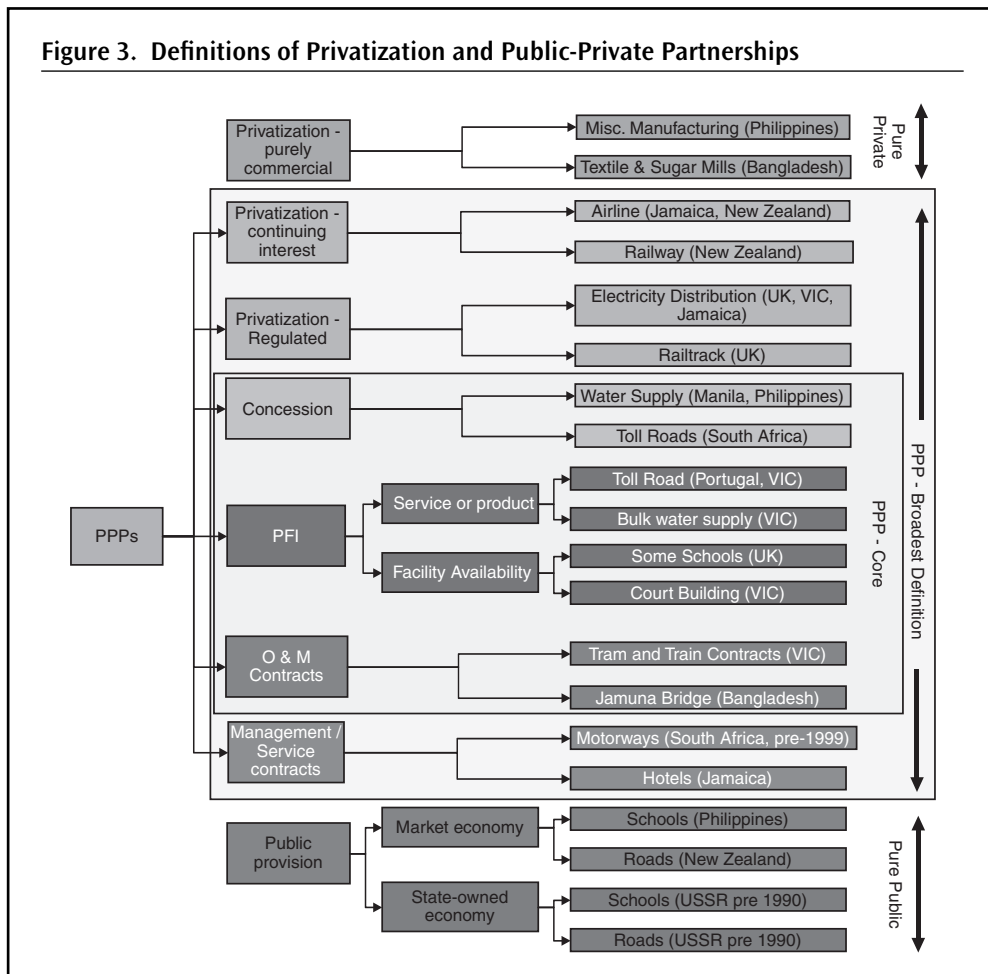
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**M**anagers overseeing privatization, public-private partnership programs, and private participation in infrastructure should integrate public communication programs into the initiatives to build support and understanding that is crucial to managing a privatization project's risk. A communication program enhances the sustainability of project objectives over the medium and long term by involving stakeholders in the decisionmaking process. For lasting success, privatization strategies need to be tailored to the political economy and specific circumstances of the country concerned. Once the privatization strategy and its priorities are determined, the communication program is designed to take the very nature of the privatization process into account.

## **Types of Privatization and Public-Private Partnerships**

There are three primary methods of privatization and public-private partnerships: divestment, displacement, and delegation. These methods are utilized according to the political economy of the country. Divestment of state-owned enterprises occurs in various ways, including selling assets to a single investor (rare), public-private joint venture, concessions, operations and management contracts, management-employee buyouts, private finance initiatives (PFI), free transfer of assets through shares or vouchers to employees and/or citizens, and, finally, liquidation of the assets by public offerings of shares.

The second privatization and public-private partnership method, displacement, is a process of gradual substitution of the public sector by private capital in the provision of goods and services. Displacement usually takes place by default, for instance, when private capital gradually enters into the supply of goods and services thus diminishing public sector activity and capital share in a particular business. Additionally displacement can take place



Source: *Finance and Private Sector Development Vice Presidency*, the World Bank 2007.

through restitution of capital when nationalized companies are returned to the original owners—de-nationalization. The third method, delegation, occurs when a private company manages a state-owned enterprise for a fee. Figure 3 presents different types and degrees of privatization and public-private partnerships in infrastructure and public service delivery, with examples from Bangladesh, Jamaica, New Zealand, Philippines, Portugal, South Africa, UK, the former USSR, and the Government of Victoria in Australia (VIC).

### The Reform Arena

Institutional reform under privatization and public-private partnership programs fundamentally shifts elements of authority and accountability away from large, centralized, inwardly-accountable public authorities to smaller, decentralized, outwardly-accountable private operators. In infrastructure projects and water provision programs that specifically rely on water consumers who pay tariffs, the consumers can hold service providers

accountable and demand performance improvements directly from them—the so-called “short route” of accountability.

Because water supply is an essential public good, the politics around it are often potent. For example in the case of water, politicians will try to retain control of tariff setting, sometimes based on legitimate social concerns, other times to please their constituencies. Private sector vendors will resist expanded coverage and more reliable water networks as bad for their business. An important supply-side aspect of the political economy of urban water and sanitation is that investment requirements for source development, mains, sewerage, and treatment plants are substantial and have long-term effects on finances, as well as on general urban development issues.

### **Institutions: Changing Incentives and Accountability**

In many countries, urban water supply management and tariff-setting has been, and still is, controlled by a central agency or utility. Introducing privatization and public-private partnership management contracts containing tariff reform necessitates a shift away from reliance on taxes and donor funds toward reliance on income from utility customers. Some reformers reason that cost for service provisions should be fully recovered through tariffs and that all consumers must be tariff-paying utility customers. If politicians are reluctant to raise tariffs for political reasons, the consequences for water supply sector reform can be terminal if not combined with other measures: improvement in collection rates; enlargement of customer base by charging all consumers, including those exempted (for example, public institutions); decrease in non-revenue water; and improvements in service quality, such as increased service hours.

Centralized public water agencies or utilities can resist tariff reform due to lack of or aversion to accountability to customers, resulting from various things, including tradition, perverse incentives, and so forth. An example of the complexities involved in establishing a functional public-private partnership in the context of urban decentralization is the public toilets in Ghana (refer to Box 3). The establishment of appropriate public sanitation was blocked by a combination of institutional “path dependency,” decentralization without fiscal decentralization, privatization of small, but only semi-independent public services, political patronage systems, and rent-seeking behavior.

### **Integration of Communication Analysis in Program Design**

The first step in designing a successful privatization strategy is to define the key objectives driving a government’s overall economic program, as well as the government’s particular objectives for privatization. The privatization plan then becomes a sub-strategy geared to the objectives of the government’s broader economic reform program. This assessment is necessary to design relevant public communication programs and the feedback generated improves the design and overall strategy of a privatization program. The communication assessment is therefore useful *before* the elaboration of the privatization program. Assessment and feedback on the variety of factors listed in Box 4, for instance, can help policymakers decide the timing, pace, and sequence of privatization transactions.

### Box 3: “Toilet Wars”: Politics of Public-Private Partnerships of Urban Sanitation Services in Ghana

In the cities of Accra and Kumasi in Ghana, public toilets have been poorly managed and are the site of local political conflicts, “toilet wars,” despite efforts at franchising and community management. Notwithstanding nearly 20 years of experiments with various forms of public toilet management by political groups, community businesses, and the Sub-Metropolitan Districts (SMDs), the situation has not changed much as of early 2003.

By the mid-1980s, there were 384 and 400 public toilets in Accra and Kumasi respectively, used by 38 percent of the population in Kumasi, and 25 percent in Accra—all in the poorest areas. At that time, structural adjustment started rationalizing the public sector work force, affecting sanitation laborers who used to clean the toilet facilities. District and metropolitan assemblies were mandated to collect user fees for the cleaning and maintenance. However, a high number of public toilets lacked adequate financing or fee income for maintenance. Problems were exacerbated by the continuing funding crises and never-ending retrenchments in the decentralized government system. This reinforced the appeal of a franchising or contracting policy to relieve local government authorities of the maintenance burden and to offer prospects of an improved revenue stream.

Public-private partnership (PPP) policies began in the 1990s, and toilet management and maintenance were formally “privatized” in 1994. Franchising and subcontracting of revenue-earning public services became extremely popular with the newly-elected local political elites. These initiatives had potential for boosting public revenues. They also rapidly became prizes in the political patronage networks of the city governments. The franchises involved revenue-sharing agreements between the franchisees and the SMDs: they remained one of the few sources of revenue still under SMD control. SMDs relied on the toilets for around 60–70 percent of their total revenues, which nevertheless remained totally inadequate. Contracts were supposed to be given to registered local companies with demonstrated capacity, but in practice beneficiaries tended to be the assembly members who used front companies as “community businesses” to employ local people. Many contractors were former leaders of Committees for the Defense of the Revolution (CDRs) from the 1980s, who continued to be dominant in local politics, but were (and remain) officially “non-party.” “Toilet wars” erupted when new generations of assembly members challenged the dominance of the old CDR leadership. Public toilets became politically protected business opportunities, which, like taxis or bars in other cities, were given out as political favors. Privatization led to a decline in the power of officials and increase in the power of politicians and contractors, forming a nexus of patronage relations hard for officials to challenge.

From 2000 onwards, the new government’s policy emphasizes “real,” transparent, and competitive privatization, in contrast to the franchising policies of the 1990s. Two new metropolitan chief executives for Accra and Kumasi were appointed, hoping that this would ensure implementation of the radical privatization policy. However, this brought the new chief executives into conflict with established local political networks, even within their “own” party. Full-scale political conflicts developed between assembly members and the chief executives, principally over their stated intention to introduce full transparency into the tendering procedures. The arrival of new cohorts of elected members simply produced new, often violent conflicts between former and new assembly members deriving from “direct action” takeover battles for physical control of the toilets between groups associated with different assembly members.

Community groups in the poorest districts were frequently created by or dependent upon local politicians and, in some cases, were part of an urban “political machine.” Thus, the normal logic of electoral politics—where politicians are punished for poor performance when they don’t bring government jobs and amenities to their localities—did not operate. Instead, the revenues generated by the privatization of essential public services, such as public toilets, were siphoned off by politicians who either

### Box 3: “Toilet Wars”: Politics of Public-Private Partnerships of Urban Sanitation Services in Ghana (*Continued*)

owned or protected them, in order to buy the support of crucial opinion leaders and community “vote-brokers.” The actual performance of the service became less important than the privately distributed payoffs it generated. The lack of party competition in Ghanaian local government also reinforces the power of well-connected politicians to punish community groups who step out of line, as well as to reward those who accept the benefits on offer. So the public toilets remain overflowing and unemptied for months on end. The political power of elected members and city officials, community politics, and patronage opportunities offered by this form of privatization are inextricably linked and cannot be “depolticized,” least of all at the community level. It is only when these realities are recognized that different and perhaps more effective policies can be developed.

*Source:* Based on Aye and Crook (2003).

The experience of the 1980s and 1990s shows that the sequence and pace of privatization should be considered from the outset, taking into account timing relative to other reforms occurring in the macroeconomic and state-owned enterprise sectors. The quantitative and qualitative research tools that are part of communication-based assessment help to fine-tune the sequencing, as well as providing it with more flexibility. The first part of the analysis involves opinion research, which can offer a wealth of information on the timing of parallel economic reforms and can identify major stakeholders’ perceptions of and interests in privatization. This opinion research, conducted repeatedly over the course of months and years, tracks changes in support, opposition, concerns, and perceptions of key stakeholders, as well as the general public. The analysis of the opinion research provides a crucial tool for decisionmakers to continually fine tune a privatization and public private partnership initiative.

The communication specialists must analyze carefully the political, economic, social, and institutional setting, as privatization is fundamentally a political process. Assessing stakeholders’ and policymakers’ interests anticipates likely obstacles. Reluctance or resistance, both within and outside the government and the relevant privatization agencies, can

### Box 4: Factors Analyzed by Communication Specialists

- Credibility of the government and other public institutions
- Trade unions’ willingness to collaborate
- Ownership history of company to be privatized
- Efficiency of government’s democratic decisionmaking
- SOE’s financial and competitive position
- Government’s ideological view of markets and regulation
- Regulatory structure in the country, both current and planned
- Government’s ability to commit, credibly, to respecting investor rights after divestiture
- Capital market conditions and institutional framework for corporate governance
- Sophistication of potential investors
- Government’s willingness to let foreigners own divested assets
- Current and potential role of the news media.

*Source:* Development Communication Division, The World Bank, 2004.

hinder the privatization process and limit its scope. Such opposition, which must figure into the definition of the communication strategy, can stem from a variety of concerns:

- Preservation of national economic sovereignty or independence;
- Desire to retain control over certain activities or interests;
- The idea that state ownership is needed to safeguard the “public interest;”
- Concern that wealth might become concentrated in the hands of a few;
- Distrust of all or certain segments of private sector and capital;
- Protection of bureaucratic and vested interests;
- Dismantling of industries;
- Labor unrest resulting from job losses; and
- Rising tariffs and costs.

There are numerous aspects of the political economy relating to privatization, public-private partnership programs, and private participation in infrastructure in which communication can play a pivotal role. For example, many of these initiatives are designed and implemented by high-level bureaucrats and civil servants. The privatization process, however, may adversely affect the civil service and state managers. A key focus of most privatization strategies, therefore, should be to overcome bureaucratic hostility. Strategic communication activities can consult and inform staff members through the process and assure them of their benefits and future career opportunities.

Firm commitment by a country’s top political leaders is a prerequisite for the success of a privatization program. Stakeholders and policymakers who champion the reform should be included as part of the communication effort and should be at center stage in the public discourse on privatization. Citizens must have confidence in the process, and political leaders must gain their trust by showing commitment, progress, and results. In the case of the privatization of Mexico’s telecommunication company, strong leadership was present. The president appointed the minister of finance as chairman of the board and gave him overall responsibility for the privatization.

## Transparency as Key Element of Reform

The political nature of privatization requires that it must be conducted with integrity and transparency. For instance, Argentina’s ambitious privatization of the telecommunication agency, ENTEL, was successful because President Menem established his office as the political champion of the reform program, and his government espoused the reform so clearly and supported it so vigorously.

Transparency is a critical ingredient of improved governance, and good governance is a key development indicator for countries seeking better outcomes. In addition, transparency measures have the benefit of scaling up other results as well: “The coupling of progress on improving voice and participation—including through freedom of expression—with transparency reforms can be particularly effective” (Kaufman 2005).

Lack of transparency is a recurrent complaint of critics of infrastructure privatization processes around the world. The sale of a nation’s assets by a government makes many uncomfortable, including those in the political opposition, members of civil society, and the general public. A range of questions needs to be addressed: Is privatization really

necessary? Will the price paid by investors be a fair one? Are there going to be individuals, either government officials or business people, benefiting from the deal at the expense of everybody else? Lack of information and misinformation fuels stakeholders' fears. These fears, while often unfounded, are understandable in situations when little is known about the ailments of the state-owned enterprises slated for privatization or when the process of sale itself is not a simple and clear one.

Governments can take many steps to lessen fears and to promote an open process that fosters trust. One is being transparent about the poor condition of many state-owned enterprises. While this seems an obvious measure, many governments are reluctant to disclose the terrible state of these industries either because they or their political party was partially responsible or due to fear of alienating powerful allies like unions. It is unconceivable, however, in democratic countries to promote a remedy—privatization—if society has not internalized the ailment—inefficient and heavily subsidized state-owned enterprises.

Another measure to build trust is for governments to select privatization processes that are simple and foster clarity and transparency. In the mid 1990's, the Government of Bolivia paid a lot of attention to these issues. First, it chose to privatize in auctions where the winner was selected on a single variable: all bids had to be equal in all aspects but one, thus reducing both confusion and scope for haggling after the bids were open. Price was often the one variable upon which bids were to be compared. All participants were asked to submit a pre-signed contract along with their bid, thus ensuring that the auction produced an immediate winner, leaving no room for after-the-fact maneuvering. The Government of Bolivia also committed to full transparency, not only making all the important privatization documents public, but also choosing to televise the auctions. While the public auctions never intended to attain a broad audience, they did serve to reassure skeptics that the government had nothing to hide, thus reassuring citizens that the privatization process was fair.

Applying communication to increase transparency in the development process can go a long way toward reducing opposition to reform, thus reducing political risks. This is particularly helpful with issues already having a high degree of public distrust, for example, the contracting process. Box 5 shows how important these measures were to the success of Bolivia's public-private infrastructure process.

#### **Box 5: ENDE in Bolivia: Promoting Transparency**

In Bolivia, where past experience with privatization was highly controversial, the government took a new and aggressive approach to the issues of transparency in its introduction of private participation in infrastructure (PPI) in ENDE, the state-owned electricity company. In 1995, the government polled stakeholders to measure the causes for opposition to PPI. They found that although many people objected to PPI in principle and were opposed to the idea of placing critical public services under foreign ownership, their greatest concern was related to the perceived levels of government corruption in the process. In response, the Government opened the procurement process for ENDE to public scrutiny, publishing invitations to bidders and promotional materials about the investment opportunity in local Bolivian newspapers and arranging for live television coverage at the opening of sealed bids and the announcement of the winner.

*Source:* Pearson (1998).

### Box 6: Trust: A Key Issue in Infrastructure Reform

In late 2003 opinion research in Mauritius on an IFC private sector participation initiative in the water sector showed that trust—or lack of it—was an important issue in why the public felt reticent about the impending reform. Whereas citizens were hoping for better drinking water and sanitation services, and to a large extent were aware that some sort of public-private partnership would be the best option to provide those services, they expressed a significant level of mistrust in the process and the ability of the government to carry out the reform properly. In particular, citizens were concerned about the lack of transparency: the possibility that the government talked about a privatization support project (PSP) yet wanted to outright privatize the water utilities, leaving them in foreign hands. Mauritians were concerned about corruption in the process and that unfavorable deals might be done under the table. A majority of the population also did not trust the government's capacity to ensure that a private operator would not raise the water tariffs to levels they could not afford. This absence of public trust was an important element in the government's understanding that it lacked the sufficient political capital to move ahead with the reform at that time.

*Source:* Development Communication Division operational support. The World Bank, 2003.

## Building Public Trust for Public-Private Partnerships

Many privatization programs are highly visible, expensive and politically volatile. Gaining public trust in the institutions undertaking the project and in the persons who champion and implement these programs is a key priority. Perceptions of corruption, even if unfounded, are enough to derail infrastructure reforms. Communication can pave the path for two-way dialog on contentious issues, so people's concerns and misconceptions are addressed promptly before public confidence and trust are eroded.

For infrastructure projects, trust can cut across many layers. Foremost, there is the trust needed between citizens and their governments. Sometimes citizens' mistrust is well founded and based on past instances where a few officials have made decisions regarding immense infrastructure investments and gained personally through corrupt practices. These experiences have rightly shattered citizens' trust in their leaders. In these cases, there is nothing that communication could or should do to alter the accurate perceptions that result. Where perceptions have not caught up with reality, however, when governments have cleaned house and are prepared to undertake straightforward practices, communications can help to bridge the gaps between perceptions and reality by creating transparent mechanisms and platforms for dialog in which trust can take root.

Other layers in infrastructure projects where trust frequently comes into play are with regulatory authorities and the private sector. The role of a regulatory authority in infrastructure development programs is often little understood. Consequently there is a lack of trust in their ability to ensure that private companies do not increase tariffs excessively. With the private sector, there is often a mistrust of intentions and fear of price hikes from unscrupulous operators. Box 6 contains an example from Mauritius. Although this is one the most challenging areas of intervention for communication professionals, good communication programs can facilitate mutual engagement and participation, help to bridge gaps, and create the trust that is needed for infrastructure development to succeed.

# The Structure of a Strategic Communication Program

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Effective communication programming for privatization, public-private partnership programs and private participation in infrastructure is based on sound opinion research and analysis, coordinated across ministries and sectors, and integrated with government's overall planning of economic reform programs. It is not limited simply to media or public relations events but makes full use of formal and informal communication channels available in a country, informing and building consensus, listening to important stakeholders, conveying and sharing a vision, publicizing progress, and creating confidence.

The first structural prerequisite of a successful public communication program is the availability of funding. Securing funding for strategic communication activities is a priority that government decisionmakers and World Bank project teams should address at early stages in the design of any project. The World Bank experience shows that funding sources for communication activities are varied: the governments in Brazil and in Nigeria's Lagos State-funded communication activities for World Bank-supported privatization projects; the World Bank's project budget provided funds for communication in Colombia, Uruguay, Paraguay, and Yemen; bilateral donors gave funds in Ghana, Jordan, and Nigeria; the Institutional Development Fund granted funding in six Central American countries, Niger, and Romania; Australian funds were used in India; and PHRD funds in Nigeria. The very nature of communication activities and their beneficial impact on privatization sponsors greatly facilitate a flexible approach to funding.

The second structural prerequisite for effective communication programming is to ensure high-quality, technical expertise to help a government develop a well-articulated strategy. Clear goals, professional opinion research, and messages delivered by credible communication sources through optimal channels are critical for success. In order to

achieve project goals, communication technical assistance and capacity building may be needed at different stages throughout the communication program.

The third prerequisite is linked closely to the second and ensures positive collaboration moving forward. A team representing all key agencies involved in the privatization ideally should agree to the well-defined goals that drive both the communication program and the privatization initiative on which it is based.

Several critical elements serve as the “building blocks” of a public communication program: identification of segmented stakeholders, key messages to be delivered, and institutional framework and communication channels to be used. The unique interests, perceptions, and relative weight in affecting policy outcomes of each stakeholder group must be analyzed. Different stakeholders may require separate communication approaches. Finally, at successive stages of implementation, a communication strategy involves ongoing evaluation, based mainly on opinion research, to determine whether any of the approaches adopted need to be modified.

## The Communication-based Assessment

The communication-based assessment is critical for design and implementation of a communication program (Chaman and Mitchell 2007). It is divided into four main parts: government and political risk analysis, stakeholder analysis, assessment of institutional arrangements and local capacity, and finally social and participatory communication. This publication focuses on the first three elements. The communication-based assessment is usually undertaken during project identification and preparation. It serves as the tool for gathering social and political information, analyzing public values, valuating risks, and defining the priorities that require further attention.

A communication-based assessment begins by estimating communication needs in relation to the privatization’s political, social, and cultural environment. It establishes an initial understanding of the context and the kinds of approaches to communication that may be needed. The communication-based assessment helps to identify key clusters of stakeholders, to gain insight into their concerns about privatization and private sector participation, and to aid decisionmakers to recognize possible obstacles to privatization.

The assessment also identifies stakeholder perceptions, expectations and desires; analyzes what would constitute the most appropriate messages and messengers; and establishes the most effective communication vehicles for articulating these messages.

By providing a methodology for systematic consideration of such key questions, a communication-based assessment enables project teams and policymakers to set priorities for designing and implementing a public communication program in relation to the overall privatization.

Since a sound communication program requires a clear understanding of stakeholders’ perceptions, attitudes, and behaviors vis-à-vis privatization, a communication-based assessment requires the collection of both qualitative and quantitative information. The qualitative component is carried out through methods such as focus groups discussions (FGDs) and in-depth interviews.

The purpose of this approach is to listen to key stakeholders such as Parliament members, community leaders, state-owned enterprise managers, workers, private business

providers, opinion leaders, and the media at the national and local level. Although the results obtained through focus groups discussions are not strictly applicable to larger groups of stakeholders, they can be built into the design of a questionnaire to be used in a general survey.

The quantitative component of the communication-based assessment consists of a survey of the general public, using a representative sample of the population to ensure statistical viability. This component is usually based on the composite learning of the qualitative component. Its main aim is to test quantitatively the assumptions based on the results of the focus groups discussions. It provides decisionmakers with valuable information on the public's perceptions of the role of the government in privatization and on benefits or shortcomings linked to the reform. Information is collected on the relative importance attributed to transparency, to the provision of public services by private operators, and to the quality of service delivery.

Privatization in Jordan is a good example of the role of qualitative and quantitative surveys in a World Bank-financed privatization project. The Center for Development Communication (CDC)<sup>3</sup> was hired as a communication consultant to help the Communication Office at the Jordanian Executive Privatization Commission. The CDC conducted research to assess public perceptions of the Jordanian privatization program. Respondents were asked to indicate their agreement or disagreement with the potential consequences of privatization:

- Creation of new job opportunities;
- Upgrade and improvement of the quality of services;
- Decrease in prices of the products and services of the privatized institutions due to competition; and
- Increase in productivity by employing the appropriate qualifications in the appropriate places.

Table 2 shows the overall results of this research. The results are very interesting as they indicate that Jordanians were more likely to agree that privatization contributes positively in the area of jobs, quality of services, and productivity, while there was much more uncertainty regarding the issue of tariff increases. The elaboration of the data by level of income, education, and profession provided more accurate insights into stakeholder opinions and offered more refined details to develop effective messages. These information were critical in the development of the communication and outreach strategy associated with the reform program.

### *Governmental and Political Risk Analysis*

Public policies and development interventions cannot be effective without an understanding of the political environment. The communication-based assessment provides details on political risk, transparency, communication capacity, institutional support, human resources, and legal considerations.

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3. Center for Development Communication, result of omnibus research, Jordan, 2001.

**Table 2. Public Perceptions of the Privatization Program in Jordan**

Statement	Strongly agree	Somewhat agree	Uncertain	Somewhat disagree	Strongly disagree
Creating job opportunities	24.1%	28%	27.4%	13.7%	6.8%
Upgrading and improving the quality of services	26.6%	36.3%	24.1%	8.2%	4.8%
Decrease in tariff of services of the privatized institutions due to competition	7.8%	13.8%	39.2%	25.9%	13.3%
Increase in productivity by employing the appropriate qualifications in the appropriate places	18.5%	23.9%	33.1%	15.5%	9.5%

The opposition of key political actors can affect the design and implementation of the project. It is critical, therefore, to anticipate the risks that the reform or project presents to the status quo for the political actors in the system. This is not only a matter of identifying the key politicians, but also the degree of influence they might exert over the project. The analysis must be attached to the general perceptions of the government success in delivering services, administering programs, and achieving results. Furthermore, the development initiative should identify and engage a political champion who could generate favorable public opinion around the development initiative. Several initiatives have failed to identify appropriate political champions, which in turn has led to public mistrust and lack of credibility in the process.

Interestingly some legal frameworks may need to be changed prior the implementation of a project. This step becomes a bottleneck if there has been insufficient communication with internal governmental actors, such as the executive cabinet or parliament, among other political leaders. It is interesting to analyze the political behavior of parliaments faced with approving loans for projects. DevComm research indicates that about 80 percent of countries where the World Bank is active have parliaments that must approve all World Bank initiatives. At the macro level, the communication-based assessment can track the political tendency to support or oppose World Bank operations in the country.

Through a review of secondary sources and in-depth interviews of some key actors, the communication-based assessment provides information about past experiences in similar projects and the legacy these have generated among stakeholders. This analysis helps the task manager obtain a more accurate idea of a government's pattern of dealing with similar topics. Knowledge about prior communication experiences assists in the transfer of knowledge to new governments, eliminating the need to start from ground zero. This stage of analysis is crucial to understand public perceptions about particular issues. This understanding is of particular importance in privatization projects, where past experiences define how upcoming projects are perceived.

In the 1990s in Senegal, a privatization program came to a halt because there was no consensus in favor of it at launch (Bhatia and Campbell-White 1998). Politicians, employees of public enterprise, and the general public resisted the concept of privatization. In analyzing

### Box 7: Governmental and Political Analysis: Issues to be Covered by the Communication-Based Assessment

#### *Political risk of the reform, policy, or project*

- How cohesive is the cabinet? What are the political interests that could affect the normal implementation of the project/reform/policy?
- What is the nature of the relations between the executive and the legislative branches? Are there opposing views?
- Who are the main political actors who should be persuaded/involved? Does the initiative have a “political champion”? What do the audiences think about him/her?
- What is the relevance of the initiative within the government’s agenda? Can the initiative be properly positioned within the key government institutions? Among key political actors?
- Have there been any public statements of the opposition related to the initiative?
- Has the project been discussed in a parliamentary commission? What has been the position of the opposition? What actions have been undertaken to improve project positioning in the parliament? Which laws need to be approved to move forward?
- How much trust/popularity does the government have? What are the main causes? What level of credibility does the implementation agency have?
- What was the turnout during elections? How legitimate is the present government/cabinet minister? How powerful is the counterpart minister internally? Is there a strong civil service (not politically appointed) supporting the project?

#### *Transparency in similar initiatives*

- What are the past experiences in communicating similar reforms, policy, or projects?
- Which agency was in charge of implementation? Which were its main allies? Its main enemies?
- How are they perceived at government/political level, externally?

*Source:* Chaman and Mitchell (2007).

the communication aspect of this initiative, authors noted that there was no public announcement of the policy; only weak efforts to involve stakeholders in the reform process; and feeble attempts to address directly people’s concern about how privatization would alleviate poverty. Hence, the outcome—strong resistance to privatization—was hardly surprising.

Opposition to privatization and public-private partnership programs in infrastructure often comes from the urban middle class who benefits from existing subsidies. It is not uncommon, for instance, that 30–35 percent of connected users in urban water provision services pay below the cost price for water. Since the urban middle class is an important constituency for some politicians, they lobby to keep their tariffs low. Thus, political obstacles to reform are often bound up in a “socio-political contract” between governments and vocal, influential middle-class constituents. An interesting discrepancy between “willingness to pay” for water versus “unwillingness to charge” is found in many cases. Willingness to pay studies conclude that poor consumers are willing to pay for quality, piped water, as they often already pay more for non-networked water if they are not connected. However, politicians are not willing to raise tariffs. Government reluctance to charge is based on political pressures to keep tariffs artificially low. Lack of political will to impose tariffs that cover operation and maintenance costs can also be due to perverse incentives or patronage as illustrated in a La Paz case study where political interference in concessionaire tariff setting derailed a process that had been extending coverage to poorer parts of the city.

These concerns can influence decisionmaking and actions by bureaucrats, who may avoid unpopular policies, such as raising tariffs and enforcing collections, in order to retain their positions. This is why utility managements and especially regulators should be legally independent entities with at least some financial independence.

### *Risk Analysis in Infrastructure Public-Private Partnerships Program*

In some countries, the water service agencies and utilities are overstaffed, like many other government agencies. Public sector unions then typically oppose reforms to protect the jobs of their members. In this context, a major discussion point is the financing arrangements for the typically very substantial financial burden of compensation for lay-offs.

Public institutions, such as schools, hospitals, or military bases are often exempted from paying their water bills and politicians can be reluctant to abolish such exemptions on various grounds. If the ministry of local government, for example, has the water utility enforce bill collection from the ministry of energy, it can expect a similar treatment from the electricity company. Therefore, public institutions sometimes make “debt swaps” between the water and the electricity utility, for example, or the water utility and the telephone company.

On the positive side, political interests can also present opportunities for institutional change. The motivation can be a desire to improve coverage and development outcomes, or a realization that price increases can bring better quality services, which can give political returns. Political drive can break the cycle of opposition to reform, unsettle institutions, and bring about change. The Salta Province concession in Argentina provides a good example.

In Argentina, the Salta administration governs one of the poorest of Argentina’s 22 provinces (Saltiel 2003). It was motivated to improve water service and coverage by public health concerns. It used imaginative means in its role as the concession-granting authority to change the institutional set up to make progress towards universal coverage. In March 1996, water sector reform in Salta started after the provincial legislature delegated to the provincial executive branch of government the power to define the rules and procedures to state water company concessions. Under the Argentine legal system, provinces have the authority to delegate responsibilities for water and sewage service provision to municipal authorities, yet neither the regulatory framework nor the concession contract provided for the involvement of local governments. Undaunted, the provincial administration developed a transaction strategy designed to build bridges between the municipalities, user organizations, and the concessionaire.

Salta Province learned from the failures of mega-concessions in Latin America in the 1990s. As a result, coverage increased from 76 percent to 96 percent for water supply and from 54 percent to 84 percent for sanitation, while the number of municipalities served by the concessionaire was increased from 43 at the beginning of the concession to 56 in 2005. The achievements made toward the objective of universal coverage are notable in part because the concession took place in a poor province, and because it survived a major economic crisis in the country.

Economic rent-seeking behavior can be a significant factor in water supply and sanitation reforms globally. In an institutional context with low transparency, poor contract enforcement, and weak accountability, large investments provide opportunities for “top slicing.” Poorly monitored tariff streams can be diverted. Illegally connected customers can pay utility staff to avoid being cut off. Approaching and working with incumbents in these situations can be challenging, and some may actively block reform.

The communication-based assessment provides key information to address these issues at the project design level while the strategic communication program allows institution to engage stakeholders in dialog, while incorporating mechanisms for information sharing and feedback on policymaking.

### *Stakeholder Analysis*

Stakeholder analysis is a four-step process that provides a clear understanding of the nature, attitudes, value, and interests of stakeholders (Rietbergen-McCracken and Narayan 1998).

#### *Step I. Identify Key Stakeholders*

The first step of a stakeholder analysis is to identify the key stakeholders from among the large array of institutions and individuals that could potentially affect or be affected by the proposed privatization. Questions considered by communication specialists must include, but not be limited to the following: What is the relative relationship among the stakeholders? What is their opinion about privatization? What is the level of interaction among various groups (for example, political parties, state-owned enterprise management, government, and unions)?

- Who are potential beneficiaries of privatization?
- Who might be adversely affected by privatization?
- Have supporters and opponents of privatization been identified?
- What are the relationships among the privatization stakeholders?

#### *Step II. Assess Stakeholder Interests*

Once the key stakeholder groups have been identified, it is crucial to consider their possible interests in the project or privatization program. Some stakeholder interests are less obvious than others and can be difficult to define, especially if they are “hidden,” personal, multiple, or in contradiction with the stated aims or objectives of the organization. Below are questions that guide the inquiry into the interests of each key stakeholder or group. With this background, consideration is given to how the project might affect these interests—positively or negatively.

- What potential impact will privatization have on these interests?
- What are the stakeholders’ expectations of the project?
- What benefits are there likely to be for the stakeholders?
- What resources might stakeholders be able and willing to mobilize?
- What stakeholder interests conflict with project goals?

#### *Step III. Assess Stakeholder Influence and Importance*

For each stakeholder group, it is necessary to assess their importance and influence vis-à-vis the political economy structure and vis-à-vis the privatization program. Issues to consider:

- Relative power in the country’s political and economic decisionmaking process;
- Degree of organization and institutionalization;

- Control of financial resources;
- Informal influence such as personal connections and patronage networks;
- Power relations with other stakeholders; and
- Importance to the success of the privatization effort.

From a communication standpoint, it is crucial to recognize that influence and relevance are two separate concepts. Influence refers to the power that stakeholders have over a reform process, and it can be exercised by controlling the decisionmaking process directly or by facilitating or hindering the project's implementation. This control may come from a stakeholders' status or power, or from informal connections with leaders.

Relevance, on the other hand, relates to the degree to which the achievement of the project's objectives depends on the active involvement of a given stakeholder group. Stakeholders who are relevant to the economic reform program are generally those whose interests are actively promoted by the privatization program, as well as those whose interests converge and/or overlap with the objectives of the project. Some stakeholders may have a potential important role to an economic reform but may have very limited influence on it if they are not included in the decisionmaking process, and it is crucial that the communication specialist be aware of this important distinction. These stakeholders may require special communication efforts to enable them to become active participants to ensure that their needs will indeed be met. Unions are a relevant example of this kind of stakeholder.

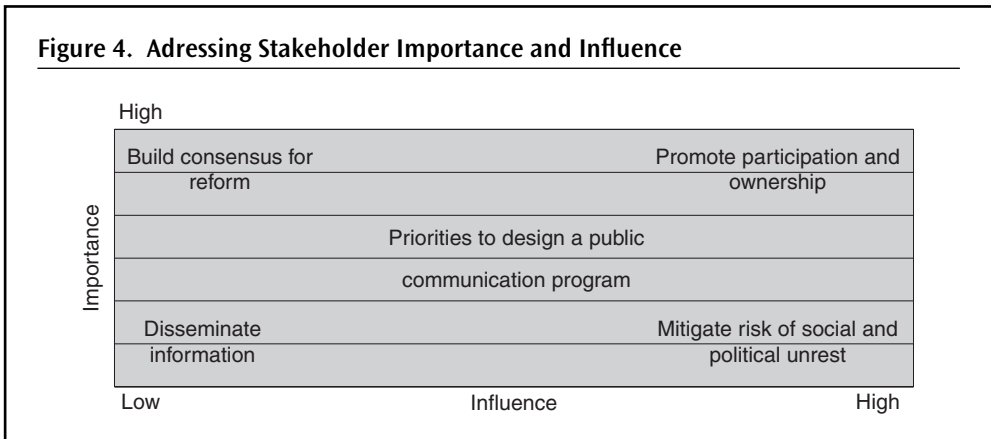
It is also important to emphasize that a stakeholder group is not monolithic, but rather, it is composed of different sub-groups, all of which have their own values, interests, and positions to be addressed through different communication activities and channels. For an effective assessment, therefore, it is necessary to perform a certain degree of disaggregation. The World Bank's experience with Sri Lanka's privatization program, for instance, illustrated how analysis to uncover distinctions in trade unions' attitudes toward privatization was successful. Differences of opinion were found between union leaders and members on one side and between rural and urban associates on the other. A thorough investigation to reveal sub-group interests and attitudes is vital to project outcomes. For some groups, opposition to privatization may be feasible and in their interest; while for others, it may not be. A thorough understanding of the political and social contexts is a prerequisite for devising a communication strategy to manage the process of change.

#### *Step IV. Outline a Stakeholder Communication Strategy*

Develop a strategic communication program for stakeholder engagement according to the following elements:

- Interests, importance, and influence of each stakeholder group;
- Particular efforts necessary to involve important stakeholders who lack influence; and
- Appropriate forms of participation promoted in the public communication program throughout the project cycle.

On the basis of the stakeholder analysis, some preliminary strategic communication planning is conducted to explore how different stakeholder groups can be involved in subsequent stages of the privatization, as summarized in Figure 4. As a rule of thumb,



Source: Calabrese (2002).

their levels of influence and importance guide the appropriate approaches for incorporating different stakeholders' needs into the design of a public communication program:

- Stakeholders of high influence and high relevance should be closely involved throughout the process to promote participation and ownership.
- Stakeholders of high influence and low importance are not the objective of the project, but may oppose the intervention; therefore, they will need, as appropriate, to be kept informed, and their views acknowledged to avoid disruption or conflict and to mitigate political and social unrest.
- Stakeholders of low influence and high importance require special efforts to ensure that their needs are met and their participation is meaningfully integrated in the consensus building process.
- Stakeholders of low influence and low importance are unlikely to be closely involved in the project and require no special participation strategies (beyond any information-sharing strategies aimed at the “general public”).

While bringing in a specialist to undertake a communication assessment is not required for infrastructure projects, an increasing number of task team leaders are turning to these experts, particularly to help them navigate the highly complicated political terrains in which they operate. By their nature, infrastructure projects are highly sensitive in political and social terms as they involve potentially controversial issues, such as a country's strategic resources, private sector participation, or privatization. A good communication assessment can help identify and suggest measures for mitigating these risks. The West Africa Gas Pipeline project provides a good example (see Box 8) of using a communication assessment strategically to identify upstream political issues in a multi-country context and to outline approaches for addressing them.

### *Assessment of Institutional Arrangements and Local Capacity*

In order to design a comprehensive communication program, it is necessary to carry out an assessment of institutional capacity for communication in the national, regional, and

### Box 8: West Africa Gas Pipeline Project: How Communication Addresses Political Risks

A communication assessment was requested in the early stages of development of the West Africa Gas Pipeline Project. A major regional infrastructure initiative aimed at improving the competitiveness of the energy sector in Ghana, Benin and Togo, the project supported the development of a gas pipeline, which would bring gas from Nigeria to those three countries. The political complexities of involvement by four countries, four separate governmental structures and four citizenries raised flags early on. Despite the many expected positive outcomes, concerns were expressed early by different stakeholders about possible negative impacts of the project on populations, the environment, and the public finances of the countries involved.

In what has become a fairly ordinary phenomenon for World Bank, the project also exemplified how local concerns about infrastructure projects find their way into the international networks of NGOs and acquire global relevance. Additionally some local NGOs and media echoed these concerns, especially from Ghana and Nigeria. Within this context, the scope of communication support was not limited to helping the governments and the project partners in the design and the implementation of communication strategies and program, but also included assisting the World Bank project team in developing its own strategy and leading a corporate dialog with global stakeholders.

A communication-needs assessment was carried out to get a better understanding of the key issues in each country and the positions of different stakeholders. Overall, results in both Ghana and Benin showed the project garnered widespread public enthusiasm, while in Togo, the population showed little interest, as they did not anticipate any concrete impact on their country. In Nigeria, on the other hand, NGOs were strongly mobilizing against the project, trying to use it to improve the situation in the Niger delta. Political leaders differed in the level and effectiveness of their public support for the project. In Ghana, despite the President's personal support to the initiative, the Ministry of Energy was blamed for not adequately involving the parliament or engaging the public at large. This led to a broad perception of the limited overall involvement and ownership of project, which, according to some interviewees, was driven by and would benefit the private companies involved.

The communication assessment advised the Government of Ghana to take a more proactive stance and "speak for" the project. Recommendations also included a more open and participatory approach to the overall project communication. Additionally the Bank held several meetings with international NGOs and devoted adequate time and resources to address concerns. The communication assessment advised the World Bank to take a "back seat" in terms of public discussion and play a strong role as a facilitator of dialog at various levels.

*Source: Development Communication Division Technical Assistance, Mitchell, P., Santi E. and Z. Lichtenberg, The World Bank, 2005.*

local governments, and in the country at large, including the private and non-profit sectors, as well as research centers and universities.

This assessment will be the baseline to develop a communication infrastructure to better manage and coordinate communication activities across different agencies. It will also identify key officials and independent third parties who could become active communication coordinators. The assessment has didactic purposes, as well as outlining eventual training and capacity-building needs. Finally, it clarifies the issue of ownership of the communication program by addressing key questions: Who should be responsible for designing the communication program? Who should be responsible for implementing it? What should be the chain of command? Who will take political leadership of the reform process? And what sources of funding are going to be used for the communication program?

The establishment of clear lines of responsibility sets the stage for effective, ongoing monitoring and evaluation of the communication program. The appropriate institutional

basis for a communication endeavor is a key question to be addressed by the government. World Bank experience has shown that a Communication Manager should be included in the boards or secretariats of the privatization councils and on the boards of the privatizing agencies. This is a key requirement for privatization managers to achieve better performance.

The Communication Manager has the overall responsibility for supervising the public communication program and should meet regularly with key players in the government, legislature, and civil society to discuss issues and policy-options. In this way, the Communication Manager can ensure that key players' views are being considered and that messages and channels of communication are appropriately chosen and tested. A Communication Unit should be able to establish close and cooperative working relations with key ministers and public corporations, which should take on important communication roles themselves. To make a communication program work, it is critical that the unit and the Communication Manager in particular, be free from bureaucratic obstacles, which would hinder the timely flow of information within the government, among public institutions, and within society at large.

When considering institutional bases for communication, it is also important to think about the inclusion of independent forums for public discourse and debate on the issues. In this regard, existing think tanks might serve as respected forums for debate, and they should be worked into any action program of the communication strategy. As communication programs are envisioned and structured, there is the need to identify public or private institutions and agencies that can speak on behalf of the government to build support for the reform. Public confidence depends on the credibility of the institutional gatekeepers who convey the messages about the change taking place in the culture of public institutions. A champion of the reform is very much needed so the public can identify itself as being part of the process of reform.

In a comprehensive global public opinion analysis conducted in 20 countries by Environics International Ltd. (2001), a research center based in Canada, most respondents identified non-governmental organizations (NGOs) and religious organizations as being the most trustworthy when it comes to protecting the best interests of society. Other institutions such as unions, national governments, and multinational companies ranked considerably lower. According to the study, trust in NGOs is highest among youth, the well-educated, those with higher incomes, and urban people. Also, people who use the Internet and those who are interested in other countries are especially inclined to trust NGOs. Two-thirds of the respondents considered environmental and social advocacy groups the most trustworthy. NGOs are ranked first in four of the six regions surveyed.

## Understanding and Involving Stakeholders

The World Bank's experience with numerous initiatives in privatization, public-private partnerships, and private participation in infrastructure programs, both successful and unsuccessful, has produced some important lessons about stakeholders in a developing country setting and about communication strategies that may be needed to reach them. For example, creating public awareness of a government's reform rationale is very important: people do not have to agree, but they must know why the government is privatizing. Box 9 provides an example from power sector reform in India. Another stakeholder-related

### Box 9: Power Sector Reform in India: Multidimensional Political Risk and Communication

The power sector reform in India is an interesting case of multiple reform risks associated with highly conflicting and multidimensional stakeholders interests, which made strategic communication an important tool of reform phasing and implementation. In the reform, there was a significant gap among and between key stakeholders, a gap that was partially bridged by strategic communication campaigns. The structural risk of reform fatigue was not solved by strategic communication alone; however, it was significantly reduced by the communication programs. At the core of the communication programs, there was the necessity for the reform to demonstrate to political constituencies of different states the link between reform and public benefits. This was absolutely necessary to partially aligning short-term interests (politicians) with long-term benefits (citizens), as well as to change perceptions among utility workers and managers. Citizens themselves were deeply skeptical of reform's effectiveness due high political interference in the utilities and the risk of higher prices. Most importantly, strategic communication was used inside the utilities to gain some support by public servants, who understandably feared for their jobs and future professional development. Even inside the utilities, there were multidimensional and sometimes conflicting interests among and between workers, management, and unions.

*Source:* Lal (2006).

lesson is that privatization is not a panacea; it works best when it is accompanied by other economic liberalization, including a regulatory framework that is enforced and made credible to the public and all other stakeholder groups concerned.

World Bank experiences with assessments carried out in numerous countries shows that the main clusters of stakeholders in privatization can be described as follows:

- Government, as the main stakeholder, is involved in all phases of the process from policymaking through implementation.
- Politicians are concerned with the success of privatization, both for their country's benefits and for their own future careers.
- The public-at-large is concerned about privatization to the degree to which it affects public services. Thus, it tends to show little interest in the privatization of manufacturing plants, but a lot of interest in the privatization of utilities, particularly since state-owned utilities tend to be undercapitalized and poor providers of services.
- Employees—not only those employed in the privatizing enterprise but also those in other state enterprises and public institutions—are affected by any precedents established, as are lower-level, mid-level, and senior-level civil servants.
- Managers are concerned about takeovers by private and sometimes foreign companies, as well as a change in their political power.
- Consumers and the general public are interested in several aspects: Will tariffs increase or decrease? Will service quality deteriorate? Will service coverage be widened?
- Media is concerned about social problems arising from joblessness, about the possibility of undue power being ceded to foreign investors, about the political ramifications of a given reform, and about consumers' rights.
- Investors—both national and international—are interested in opportunities to buy.

Consideration of such diverse potential stakeholders helps generate awareness of the need to balance economic, political, and social concerns.

### *Labor Relations*

The communication program has to include several elements in order to successfully address concerns and interests of unionized and non-unionized workers. Trade union leaders are generally among the most tenacious opponents of privatization, because state employees are overly politicized and more prone to be politically mobilized than workers employed in the private sector. Among mid-level and local-level trade unionists, there is a tendency to quickly abandon political causes and focus on the needs of their co-workers, thus sharing a mindset similar to that of state employees. In highly unionized sectors, the main management task in privatization processes may be to reduce the influence of the unions, in order to assure that the privatization process can be implemented. Unions generally respond to this confrontational approach by tightening their ties with those political parties that can affect government decisions and eventually cause a shift in power.

Communication with labor is so important that virtually no privatization effort can be effective without consultation with unions. Dialog with labor must take place early on as the longer labor is ignored, the more likely the active resistance to privatization will be established. Lack of timely information about the future may lead to anxiety, rumors, lack of productivity, and, eventually, strikes and unrest. The privatization and monopoly break-up of Italy's huge state-owned energy company of the 1990s is an excellent example. The unions opposed the privatization until the government decided to undertake a cabinet reshuffling by nominating a former leader of the communist party as Minister of Industry. The new minister, who had close ties to the unions and some credibility with them, acted as a mediator and communicator, and led the unions to accept most of the privatization.

One of the key elements of the success of the Italian privatization was the creation of a communication-based mechanism for building trust, effective participation, consultation, and transparent decisionmaking. Efforts to explain the government's privatization plans assured labor that their overall interests were fairly represented and that sacrifices would be balanced with redistributive measures, which allowed workers to reap some benefits of the privatization programs. This communication approach helped to reduce tensions and greatly improved the chances for constructive dialog and negotiations among different interests. For instance, the internal communication program within state-owned enterprises was designed to create an enabling environment to build support for the reform among union members (Bortoli, Fantini, and Siniscalco 1999). It also helped anticipate issues likely to arise between management and labor as a new private-sector, efficiency-oriented environment was being introduced.

Labor tensions can be reduced significantly when governments understand and recognize the constructive role that labor plays and make efforts to communicate with unions and workers about privatization. A Spanish privatization law, approved in 1999, is a very interesting example of the institutionalization of the process of consultation. The law sets out a number of communication-related obligations on the part of the public agencies preparing to privatize. These specify, for example, that information must be provided to workers' representatives who must also be consulted prior to the transfer. The law also grants workers the rights to be informed about the business of the employer, its general

### **Box 10: Employment Guarantees: The Case of Private Participation in the Hungarian Energy Sector**

In the case of energy sector privatization in Hungary in 1994–96, unions were involved as partners in the private sector participation process, resulting in an agreement to protect jobs and provide benefits as part of the private sector participation contract. The agreement's importance was apparent a year later when the international private companies that had bought the Hungarian energy state-owned enterprise fell into dispute with the Hungarian government over the extent to which they should be allowed to raise prices and, thereby, maintain profit margins.

The international companies resorted to trying to reduce labor costs as a way of keeping their profit margins up and side-stepping their conflict with the government. They were prevented from doing so by trade union action to enforce the commitments made in the original private sector participation contract.

This Hungarian case is instructive in showing that when a process of inclusive consensus building takes place in the lead-up to such agreements, the agreements acquire added durability. The Hungarian government had consulted with trade unions before and during the private sector participation of the energy sector. As a result, clear protections for employees were built into the contracts from the outset.

*Source:* ILO (2001).

economic and financial situation, its position on production and sales, the future prospects for employment and the types of employment.

Although there is a significant body of knowledge on privatization-related labor issues, the World Bank and the International Labor Organization's experiences have shown that early consultation with labor plays a decisive and positive role in the process of design and implementation of public communication programs (Van der Hoeven and Sziraczki 1997). What follows and the example in Box 10, illustrate the value of consultative processes, information dissemination programs and strategic communication activities. Specifically they are intended to:

- Explain the rationale, costs, and benefits of privatizing and the costs of not doing so. In countries such as Argentina and Uganda, workers supported privatization when they understood—mainly through the government's communication efforts—that privatization was necessary to obtain capital for new investments, to improve access to services, and to prevent possible closure and loss of even more jobs that could result from failure to privatize.
- Enhance labor's understanding of the timing and method of privatization. In many cases, labor unions recognize that the time for change has come, but their opposition stems from lack of information, consultation, and participation in the government's plans for privatization.
- Describe the incentives and social safety-net measures to be put in place. Often, the lack of information about severance policies and supporting measures has created uncertainty for workers and has increased their opposition to reform. Particularly in economies with little experience with share ownership and weak capital markets, employee share ownership programs require a comprehensive information program to educate employees on the meaning and benefits of share ownership. Such a program needs to explain concepts, such as property rights, shares as an alternative

to bank deposits, differences between interest and dividends, impact of retained earnings and inflation, etc.

- Publicize regulations and other measures to protect consumer and labor interests. Often, labor unions are concerned not only about job preservation, but also about the broader social impacts of privatization. The more governments explain their plans in these areas, the greater the chances of gaining labor support.

In countries with strong labor unions, some governments have given unions a direct role in the implementation of the national privatization program. In the Buenos Aires water concession, for example, the union was represented on the committee that was set up to oversee the process and was closely involved in negotiations on restructuring methods, severance options, and retraining arrangements.

Similarly, in the restructuring and privatization of Congo's railway company (Regifer-cam), the government and the company management involved the union and labor ministry representatives in developing their restructuring plans. These efforts led to an agreement on options for a retrenchment program involving about 1,600 staff.

Experiences in Nepal (see Box 11) and South Africa also show the benefits of worker/union stakeholder inclusion in the communication plan. In South Africa, given the

#### **Box 11: Winning Workers' Trust: The Case of the Nepalese Tea Pickers**

Roughly 2,000 people worked for the government-owned Nepal Tea Development Corporation on eight plantations in eastern Nepal. National trade unions were vehemently opposed to private sector participation. Local trade unions were said to be wholly controlled by the politically partisan union bosses. Tea workers were thought to be fearful, but nobody bothered to ask them. Informal, quiet discussions with workers and some helpful mid-level managers proved otherwise. Good communication materials were needed to reach people who had no television, few radios, and near total illiteracy. Their lack of access to the broadcast media suggested that they probably enjoyed movies, so a video documentary was produced on a successfully privatized paper mill elsewhere in Nepal.

The footage was filmed in the Nepali language without a script. Paper mill workers, from sweepers to technicians and mid-level managers, were asked to describe the private sector participation process and how they felt, from first warning to the present, when the company was growing and making profits. Because there was no script, the respondents spoke candidly and in their own words, carrying their conviction of total honesty. "I was afraid at first," said one man, aged 40, "but I used to walk to work, and now I drive in my own car." He explained how private sector participation meant fast promotions for people like him who worked hard and had good ideas. A woman explained how private management was so much more receptive to new ideas. A manager explained how profitability allowed him to hire more than a thousand poor women who otherwise had no jobs.

The documentary became the focal point of a face-to-face communication campaign reaching 90 percent of the tea workers. Representatives from the Nepal Ministry of Finance met with all of them in groups of 50 to 200, showing the documentary, giving them specially prepared brochures describing the likely benefits forthcoming and, most importantly, answering their questions. The workers ended up eagerly supporting the private sector participation. It turned out they disapproved of the performance of many of the state managers, and took pride over their own role in preserving tea estates that they felt were under-funded by the government agency that had been managing them. Even the local union representatives helped gather workers for the meetings, since their allegiance was to their friends and neighbors rather than to a distant and politicized leadership.

pivotal political role of the unions, consultations took place at a very early stage as part of the national framework agreement on the restructuring of state assets. Unions were involved in the initial decisions on privatization and had a seat at the table for all discussions on privatization at all stages of the process. Also, training and consulting support was provided to educate unions about the objectives of privatization and to help them participate constructively in the process.

### *Civil Servants*

In some countries, state-owned enterprise employees are civil servants. Privatization for them can mean a significant professional opportunity, but also a huge paradigm shift as they lose their status as civil servants and must sign new employment contracts. Moreover, these civil servants rarely have an inclination for, training in, or experience with commercial matters. Civil servants, therefore, fear loss of power and prestige, as well as loss of legal—and occasionally illegal—benefits.

Civil servants share the concerns of their colleagues in the state-owned enterprises, and they do not support privatization because they fear being identified as supporters of a losing issue. They, in fact, could be “losing face” among their peers and thus sacrificing opportunities for self-advancement. Such concerns need to be allayed with efforts to build confidence in the potential for the success and necessity of the privatization, as well as in the impossibility of a government retreat from the privatization policy.

Strategic communication activities should, therefore, concentrate on dissemination of information and space for two-way dialog within the line ministries and across the spectrum of public institutions. These are critical measures for alleviating civil servants’ concerns about job security, potential redundancy benefits, retraining options, finding other jobs, and opportunities for retirement.

### *Journalists and the Media*

A key factor for the success of a communication effort is journalists’ involvement and interest in economic issues. Any attempt to promote dialog and build public support about the merits of privatization will be futile if journalists covering the issue are pursuing their own agendas, rather than promoting the interest of transparency and public accountability.

In order to allow journalists to take an informed look at privatization and to develop a deeper understanding of its mechanisms, it is necessary to remind them about the leading role that media play in the society as the watchdog of democracy, the platform for accountability in politics, and as a catalyst for overall advancement of well-being in the society as a whole. In this respect, and particularly in developing countries, engaging in dialog directly with the media through nationwide training-like programs on economic issues can be a key element of a communication program.

The World Bank Institute has organized such a training program for journalists in several African countries to assist them with basic tools to understand the complex economic issues associated with privatization. This training was not designed to directly promote the government’s privatization program, individual transactions, or any World Bank-financed projects. Experience has shown that such training is more credible and effective if organized by a well-established academic institution and designed in a format

**Box 12: Working with the News Media: Goats, Corruption and the Press in Tanzania**

Tanzania has recently seen a more liberalized media after a long history of propagandistic state-owned newspapers and radio. Private sector participation, however, was savaged in the press due to a lack of professional reporting skills, a misunderstanding of economics, and the widespread practice in which reporters were paid bribes in exchange for favorable stories.

The private sector participation program for a financial institution was particularly criticized in the newspapers, chiefly because several major newspaper owners had defaulted on bank loans, and they feared that private-sector buyers would try to collect the debts. The Tanzanian private sector participation agency started changing the relationship between the media and the government by instituting an “open door” policy for reporters, welcoming all of them at any time of day, and answering questions as quickly and accurately as possible. This provoked curiosity and support from a press corps accustomed to its government’s closed doors and refusal to communicate.

Seminars were scheduled and conducted by two prominent BBC journalists with nearly 20 Tanzanian journalists identified as being the most professional in their field. Rather than approaching the topic of private sector participation directly, opinion research among journalists had suggested that the problem of private sector participation should be approached through the larger issue of journalistic professionalism, and the desire of local reporters to improve their performance.

The first seminar focused on reporting ethics and professional practices, but used private sector participation issues in the object lessons and exercises. Local participants explained that, generally, bribery should be frowned upon by journalists, unless the bribe was a goat, which is a “traditional gift” and hence not a bribe. A later seminar explored international standards on reporting business and economic stories.

*Source:* Adam Smith Institute (2000).

that takes into account the practical needs of the journalistic profession, combining the teaching of some economic theory with concrete suggestions on how to become a better journalist.

Media workshops held early can help journalists to understand the technical, financial, economic, social, and political issues and the need for reform. An example of this approach in Tanzania is illustrated in Box 12. Study tours for journalists have been used successfully on a number of occasions, including one by the Government of Cape Verde as part of its “Let’s Modernize Cape Verde” campaign, which included trips for journalists to other Africa countries undergoing infrastructure reforms (Bhatia and Campbell-White).

### *Private Investors*

Communication research and analysis tools help decisionmakers understand how potential investors perceive market investment opportunities and define priorities. One of the most common results of opinion research conducted for privatization programs is the request from constituencies that reforms adhere to the processes of open participation and transparent review by all interested parties. Stakeholders prefer open-market bidding to determine sale prices in order to reduce instances of corruption. They voice their concerns that contracts be awarded in strict adherence to evaluation criteria announced at project outset.

The more stability and credibility that governments instill in the privatization process, the more confidence that investors will have to participate—a critical element of success. Even if a government gets all policies, rules, and procedures right, operators will invest only

if they trust the government to stand by its plans and commitments in the short and long term. Communication specialists can help governments take a variety of steps to create and convey credibility and stability.

To reduce perceptions of risk, public communication programs can reassure investors by providing specific information on the political economy of the country, key regulations, and taxation or tariffs pertaining to licenses and terms of contracts. In the case of Nigeria's national water utility reform, the involvement of the private sector preceded the restructuring. The communication program made a concerted effort to explain to potential investors the rationale behind the restructuring in advance of actual transactions, offering information on taxation, subsidies, regulations, etc., pertaining to the private sector participation program. This helped build investor confidence in the government commitment to reform the water sector.

### *General Public*

World Bank research shows that better development outcomes correlate with improved voice and participation (World Bank 2005). A key result of good communication practice is to enhance voice and participation for citizens, particularly the poor, who are often excluded from development processes that impact them. Strategic communication establishes channels of dialog between governments and affected parties, as well as among stakeholders at large. An example of strategic participation in infrastructure reform follows in Box 13. Providing information is essential to address the needs of the poor, however, creating opportunities to voice their concerns is of equal importance. This communication partnership helps to design development projects responsive to the needs of the poor and the public-at-large.

### *Management*

A strategic communication plan for privatization, public-private partnership programs, and private participation in infrastructure must consider the managers of state-owned

#### **Box 13: Stakeholder Participation in Rural Electrification in the Philippines**

In order to achieve its objectives of extending electric power to the poor and increasing rural electrification, the Government of the Philippines passed the EPIRA (Electric Power Industry Reform Act) Law in July 2002, which outlined broad strategies for reforming the power sector and included provisions requiring that stakeholders be consulted about proposed reforms. With the support of the World Bank, and in response to EPIRA requirements, the Philippines Department of Energy launched a broad-based program of sector reforms and programs to achieve 100 percent electrification of barangays (villages) by the year 2006.

One of the initial activities of the World Bank-funded projects was a program of stakeholder consultation and development of a communication strategy. There were 23 participants from 21 Luzon, Visayas, and Mindanao groups involved in the consultations. They were either rural development professionals or end-users of electric power in rural areas. The consultations yielded a proposal to hold a National Communication Planning Workshop to develop, in a participatory manner, a communication strategy in support of the country's rural electrification program, including the planned introduction of private participation in the National Power Corporation.

*Source:* Development Communication Division operational support. The World Bank.

enterprises as potentially powerful stakeholders in the reform process. These managers can be motivated by self-interest as they try to maintain their positions of power, influence, and prestige. If their jobs are to be opened to international competitive bidding, they can be concerned about their possible replacement and/or flanking by private sector counterparts and/or foreigners. Senior and mid-level managers, therefore, often lobby politicians to retain the monopoly of these enterprises in exchange for political support. A communication strategy geared toward the managers could focus on the professional benefits stemming from a more competitive workplace and market environment and from the growth potential in the private sector once privatization takes place.

### *Civil Society Organizations*

Civil society organizations (CSOs) are very involved in many privatization and public private partnership programs in infrastructure. For instance, the “water as a human right” debate, an integral part of water supply and sanitation private sector participation programs, has motivated advocacy CSOs in many countries, including Ghana (Box 14), Bolivia, and elsewhere. CSOs, being part of society—both local and global—naturally have their own internal tensions. Shifting alliances are seen commonly, for example, between CSOs and global public sector unions, the social justice movement, former service delivery NGOs turning to advocacy (for example, WaterAid, Oxfam, and so forth), and local consumers’ associations.

In some cases, and ironically in the eyes of pro-reformers, the interests of rent-seeking stakeholders can coincide with the actions of civil society groups against reform. In India, Bolivia, and in other cases, civil society has opposed tariff increases, drastic staff reductions, and exclusion of the poor and has criticized the assumed high profit for the private sector. A lot of the criticism was aimed directly at the World Bank, which was seen as forcing privatization.

Public perception for the reform design, implementation, and evaluation is important. Lessons from two decades of infrastructure reform identified public perception as a particular political economy challenge (World Bank 2006). Perceptions are not only based on empirical evidence, but also on the way reform issues are debated, decided, implemented, and evaluated. This challenge calls for public debates of reform options through which institutions not only consult, but also actively engage civil society, ideally at the early design stage of reform. During the decisionmaking process, public perceptions and concerns should be addressed systematically so that civil society engages in the design, implementation, and sustainability of reforms.

### **Objective of a Communication Program**

After communication specialists have made a thorough effort to consider all key stakeholders and have completed a communication-based assessment, they are ready to approach the next phase of a communication program—strategy design according to communication objectives. The communication objectives outlined in this section are usually present in any privatization program; however, in particular cases, some of them may not apply. Once identified for use in a specific privatization initiative, project managers and

#### Box 14: Civil Society Organizations in the Water Sector Reform in Ghana

In 1995 the Government of Ghana began stakeholder consultations to examine options for reforming the country's urban water supply sector. Poor financial and commercial performance meant that the sector was unable to generate enough revenues to sustain it. Only 51 percent of the urban population had access to improved water supply. The most pressing problems were a lack of entrepreneurship in management, high levels of non-revenue water, poor billing collection, and weak financial management. Starting in 1998, the government undertook broad stakeholder consultations that included CSOs, donors, the Ghana Water Company and civil society. The outcome was a recommendation that a private sector participation (PSP) option should be examined for the urban water sector. Eventually a management contract was considered.

Given the long period it took to get the management contract to bid, the government saw communication as an important component of implementation, and hence a communications strategy was developed based on solid research. A household survey showed that consumers were more concerned about water availability (41 percent) and water quality (32 percent) than price (5 percent). Eighty-one percent responded that unreliable water availability was the biggest problem with their water supply. The majority of respondents, 86 percent, felt that both local and international private sector participation benefits Ghana, and 81 percent anticipated positive impacts as a consequence of PSP in Ghana's water sector. However, 33 percent of the respondents considered the government to be the most trusted party to manage and operate water delivery systems. The government was aware of the challenge to broaden the PSP debate and communicate key decisions to its citizens, as well as to the active NGO community in the country. Negative media coverage both domestically and internationally, and vocal opposition from civil society groups, highlighted concerns about profiteering of the private sector and access for the poor.

Consequently the Ghana Water Project then launched a Public Education and Communication Program. A Water Communications Committee, made up of managers of various water-related entities, was established to coordinate and ensure a consist message. The program consisted of three parts: community rallies for Resident Associations; tailored workshops and presentations to media, members of parliament, NGOs, women's groups, labor unions and religious interests; production and dissemination of TV documentaries and radio talk shows. A public debate ensued between the NGO-sponsored National Coalition Against Water Privatization and a pro-PSP coalition inclusive of resident associations, professional associations, and individual citizens. The latter marched in the street urging the government to speed up implementation of the PSP. A management contract was signed in November 2005 with a consortium of private companies to manage the country's largest 84 urban water systems. Citizen concern continues to encourage transparency and public oversight of the contract to ensure quality of service. Communications is now the responsibility of the consortium. It remains to be seen if they have the capacity to manage the communications challenges they continue to face.

*Sources:* Chaman and Osborne-Miller (2005); "Ghana Water Restructuring Project: Public Opinion Poll Findings," PowerPoint presentation, The World Bank, June 2004; "Communications Strategy for the Ghana Urban Water Project—2005," Communications Strategy, The World Bank.

communication experts harmonize and integrate these broad objectives with the results of the communication-based assessment to design the privatization's communication strategy.

This strategic communication process, which is usually undertaken during project appraisal phase, requires identification of the program's objectives based on the research and analysis conducted so far. The assessment will have collected and evaluated an array of information about key stakeholders, communication channels, prevailing attitudes, opinions, and a wide range of potential stakeholders. With this information, a list of objectives has to be developed and used to design a feasible communication strategy. The combined team of communication manager, staff, and local consultants responsible for design and implementation of the communication strategy should review the following potential

objectives, which are reasonably common in a variety of environments and contexts. This list is a set of key objectives to consider when designing a communication strategy for privatization, public-private partnership programs, and private participation in infrastructure.

*Share a vision by stressing national over individual interests* for the country that would inspire confidence in the government and its ability to lead by redefining the role of the state. Promote collective responsibilities and opportunities in reforming the society, and build a base for a systematic dialog. Convey how the privatization reaches toward the vision. This mission provides stakeholders with the tools necessary to make the vision a reality. The vision for privatization is the way stakeholders want things to be, not the way they are now. This is the primary source of inspiration to the implementers of privatization.

*Build public understanding and national consensus* on the need for and benefits of privatization in the broader context of economic reforms, including labor market reforms, financial reforms and budgetary reforms. This understanding can be achieved via systematic public information and education through the media, as well as dialog with key stakeholders. A comprehensive campaign of public information and education would raise the awareness of priority issues and develop a more positive public image for reform. The campaign would address public opinion in general, as well as specific stakeholders, such as the legislature, civil servants, the media, and the private sector.

*Show progress* towards this vision in an ongoing, systematic way. Short-term achievements, whether quantifiable or not, should be brought to public attention to sustain confidence in the government's commitment and ability to deliver. Credible government officials should routinely hold open meetings with public groups to ask their feedback on proposed measures and to explain their importance in the context of the broader vision.

*Improve the public image of government institutions* and instill a "customer" focus in government, from efficient service-delivery to accountability and transparency in governance.

*Promote dynamic leadership within government to communicate privatization.* Lack of energetic political leadership is perceived to be one of the major causes of delays on economic reforms. This lack of government leadership creates difficulty in attracting people to a new vision for the country. A communication program motivates people to take on leadership and creates cohesion. Communication specialists can help prepare government spokespersons for public appearances, such as press interviews, speeches, and public seminars on reform. This can include coaching and media training if necessary, as well as preparing briefing notes, question-and-answers, and talking points. To be convincing, arguments in support of government policy should have the support of non-government allies and champions—in the business community, academia, press, entertainment industry, or through the establishment of an independent policy institute. Such allies must be willing to speak on behalf of, or in neutral terms about, the economic programs that the government undertakes. The idea is not to "co-opt," but to find people who are genuinely willing to write or speak in favor of proposed measures to reform the system. Coordination of communication among units of government is critical to ensure a unified government voice on the issues. This forms the basis for credible and consistent messages to the public.

*Provide guidance, technical support and coordination* on communication related to the reform program across government. Also, ensure a consistent flow of information between government agencies and the legislature, with the media, with civil society, and with the outside world.

*Build a legislative support base* for privatization transactions. To achieve timely passage of legislation on privatization, it is necessary that the government identifies legislative supporters for individual transactions, and that they be nurtured in a systematic and consistent manner. Communication mechanisms have to be put in place early on, so that key members of the legislature are fully briefed on upcoming proposals through institutional channels and are aware of the benefits of passage and the costs of inaction. Legislators should be encouraged to develop a stake in the success of privatization.

*Increase public education and information on economic reform* issues facing the country, including, for example, budget deficits, unemployment, productivity and growth, and public sector role in an open economy. This will help the public understand the larger economic rationale behind reforms and frame individual reform efforts in their broader context.

*Promote coordinated private sector involvement* in policymaking, implementation, and communication on privatization. In an economy that is largely based on the private sector and that has to count on its massive involvement for successful reforms, it is imperative that a constructive and well-coordinated dialog be established between the government and private-sector groups, on both the national and international levels. The government should identify leading private-sector groups that are willing to engage in constructive proposals in the interest of their group.

The widespread practice of muddling through by securing personal interests with individual private-public bargains should be preempted. Instead, incentives could be created for members of interest groups to bring to the government's attention to those proposals that have generated consensus within the given group. Each group should be made aware of its role and responsibility to advance government action through constructive proposals, instead of simply waiting for the government to act.

## Conclusion

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The use of strategic communication tools and techniques helps citizens to better understand their governments' visions in implementing reforms. Over the last few years, the strategic communication approach has played an increasingly important role in minimizing the political, cultural, and social risks inherent in the development process. This approach is particularly critical in development programs where increasing the level of awareness about a development issue does not automatically produce the necessary sustainable changes in public perceptions or behaviors for the success of a reform or project.

Information dissemination and mere knowledge alone cannot produce behavior change. Numerous development initiatives in a range of sectors (for example, in the use of water, payment for services, and tariff increases) illustrate this challenge. Going beyond the transmission of information to achieve a change in practices and behaviors requires a reality check between the priorities identified in the technical and economic analysis and the concerns that relate to non-technical and non-financial analysis. Often, reforms are viewed from the standpoint of the implementing agencies, and not from the point of view of the people whose lives are directly affected by the reform. Strategic communication techniques can inform and encourage policymakers to base their decisions on a clear understanding of beneficiaries' perspectives from the beginning of a development initiative.



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