

## PPP Skills and Competency Development

### ONLINE TRAINING PROGRAMMEME

#### Module V: Communications and Stakeholder Relations

#### Module Overview and Learning Objectives

This Module provides an understanding of the concept of the project stakeholder and the importance of managing different stakeholder interests through the PPP process. Beyond the Government contracting authority and the private investor and lenders who are the direct parties to a PPP contract, stakeholders also include consumers and beneficiaries, employees, as well as individuals who would be affected by the PPP project. One of the key stakeholder groups that is affected by PPP, and whose participation must be carefully managed, is labor (the employees of the affected institution as well as the labor unions that represent them). Communication with and including labor interests in the structuring of a PPP is essential during the preparation of PPP agreements. This Module details the elements of both a human resources and an employee communications plan the Government PPP Project Committees should be prepared to design and implement.

Finally, this Module further illustrates the public participation requirements in a PPP and sets forth how such participation may take place.

By the end of the Module participants will:

- Understand what a stakeholder is in a PPP;
- Be aware of the importance of managing stakeholder participation in a PPP;
- Know the various mechanisms for managing stakeholders and public participation;
- Have insight into the requirements and opportunities for public participation in a PPP;
- Understand the human resources and labor relations considerations in a PPP;
- Understand the elements of communicating with labor organisations and represented employees; and
- Understand the framework for developing a human resources plan and an employee communication plan.

#### Introduction

Thus far in this online course, techniques have been offered and discussed to address important technical constraints to the preparation and management of PPPs, including how to complete feasibility analysis, how to finance PPPs, and how manage their procurement. However, one of the

most important, practical constraints to the implementation and sustainability of real-world PPP projects has been how the stakeholder participation and communications process has been managed. Throughout the world, in both developing and industrialized economies, there have numerous examples of PPPs that were structured to offer considerable financial, economic, social, and technology benefits, but that turned out to be unsuccessful largely because of the opposition of one or more key stakeholder groups. Sometimes, such opposition has been based upon misinformation and inaccurate understandings about the impact of PPPs. Despite such errors, there have been scores of major PPP transactions that have either been cancelled or discontinued due to the vocal and ideological opposition of one or more stakeholder group.<sup>1</sup>

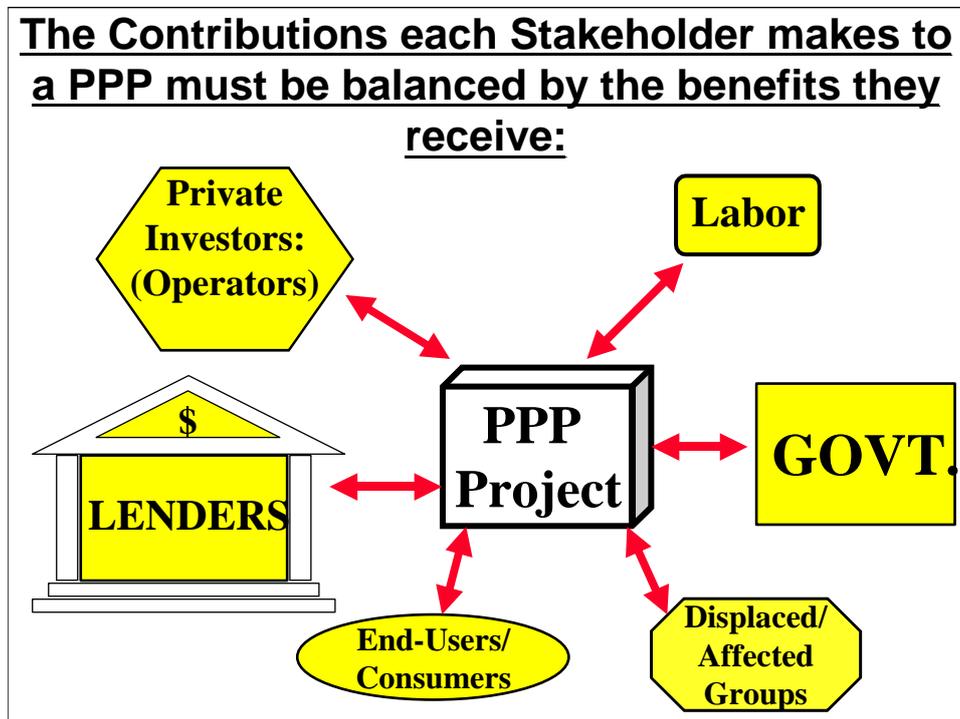


Figure 1 – Government Leadership is required to manage the process of balancing the contributions each PPP stakeholder is asked to make with the benefits they will receive

Successful and sustainable PPPs are developed via a process that includes, amongst other things, effective communications and stakeholder participation. This Module addresses two distinct, yet interrelated elements in the successful assessment, procurement and implementation of a PPP:

- Stakeholder management; and
- Public participation.

When properly addressed, these important, yet often overlooked, considerations will greatly facilitate the development of PPPs. When ignored, they often spell defeat. Key areas to be addressed, as to stakeholders, include:

- Identification of stakeholders;

<sup>1</sup> For more information and research critical of PPP approaches, and its impacts on both labor and quality of services, see the Public Service International Research Unit (PSIRU) webpage, the global federation of public services trade unions. Since 1988 PSIRU has sponsored and published research on the privatisation and restructuring of public services in energy, water, waste management, and healthcare.  
<http://www.psir.org/about.asp>

## Module V: Communications and Stakeholder Relations

- Assessing the effect that a PPP would have upon them, and thus determining the level of management required;
- The legal, political and community considerations that affect impacts upon stakeholders; and
- The mechanisms to be employed for stakeholder management.

In addition, particular attention must also be paid to labor stakeholders and the manner in which they will be affected by any PPP transaction.

The key areas for examination as to public participation in the PPP processes may be stated, at a high level, to be:

- Any legal public participation requirements;
- The customary or usual level of public participation in similar or analogous undertakings, and whether the level of participation varies from one segment of the public to another;
- The timing for such participation;
- The mechanisms to be employed whereby such public participation is realised, including the means of communication, receiving public inputs and incorporating such inputs into the PPP process; and
- Communicating the results of such participation.

Each topic will be discussed separately, below.



### **For More Information**

The following websites provide useful information about general communications and stakeholder relations issues and strategies:

- World Bank webpage on Participation and Civic Engagement:  
[www.worldbank.org/participation](http://www.worldbank.org/participation)
- Asian Development Bank's Consultation and Participation Toolkit:  
<http://www.adb.org/participation/toolkit.asp>
- International Association for Public Participation's (IAP2) Public Participation Toolbox:  
[http://iap2.affiniscape.com/associations/4748/files/06Dec\\_Toolbox.pdf](http://iap2.affiniscape.com/associations/4748/files/06Dec_Toolbox.pdf)

## PPP Stakeholder Management

For the purposes of this Module, a stakeholder is defined as any person, or group of people, who will be affected by the potential PPP project. Stakeholders differ not only in terms of their interests, which are much more complex than the common but simplistic labels, such as being “Pro-PPP” or “anti-PPP,” they also differ in terms of the make-up and status of their groups and organizations.

The process often begins with first identifying stakeholder groups and segmented into target groups. This requires a good understanding of stakeholders, their needs, their interests and their values.

Understanding comes from listening to stakeholders and gathering information – through a variety of research methods – on who stakeholders are, what they think, how they get their information, by who most influences them, and the conditions under which they might be willing to alter their opinions or behaviour with respect to an issue, such as a PPP project.

### Identification of PPP Stakeholders

Using the definition of “stakeholder” provided above, the typical stakeholders to a PPP would involve groups and individuals such as those listed in Table 5.1, below.

**Table 5.1: Common Stakeholder Categories and Their Typical Interests in PPPs**

Common Stakeholder Groups:	Typical Interests in PPPs:
The general public	<ul style="list-style-type: none"> <li>• Distrust of the private sector in public and social services</li> <li>• Concern about price increases</li> <li>• Concern about possible unemployment</li> <li>• Interest in avoiding drainage of public funds</li> </ul>
Government & Political Leaders	<ul style="list-style-type: none"> <li>• Interested in reducing financial burden of underperforming enterprises on government</li> <li>• Concern that the poor will be protected</li> <li>• Concerned that electorate is anti-privatisation and weary -of being associated with PPP</li> </ul>
Labor	<ul style="list-style-type: none"> <li>• Concerned about job losses</li> <li>• Possible changes to or reduction in employment benefits</li> <li>• Interested in opportunities for training and career advancement</li> <li>• Interested in potential pay increases and performance-related pay</li> </ul>
Customers	<ul style="list-style-type: none"> <li>• Concerned about the quality of service</li> <li>• Worried about possible price increases</li> <li>• Interested in how PPP may expand access to services</li> <li>• Concerned with measures to hold the private partner accountable</li> </ul>
<b>Special interest groups:</b>	
NGOs	<ul style="list-style-type: none"> <li>• Concerned that PPP may have an adverse impact on the poor or a particular gender group</li> </ul>
Environmentalists	<ul style="list-style-type: none"> <li>• Concerned with measures to ensure environmental protection</li> <li>• Possible negative environmental impacts of project itself</li> </ul>
Anti-globalization	<ul style="list-style-type: none"> <li>• Belief that PPP is a tool for advancing globalization</li> </ul>
Business or professional	<ul style="list-style-type: none"> <li>• Interested in improving quality, reliability and availability of infrastructure as foundation for private sector growth</li> <li>• Lack of trust in government’s ability to manage or regulate the service</li> </ul>
Investors	<ul style="list-style-type: none"> <li>• Interested in improving the creditworthiness of the PPP enterprise</li> </ul>
PPP Transaction Advisers	<ul style="list-style-type: none"> <li>• Depending upon their contractual incentives, may push government towards more or less transparency in the procurement process</li> </ul>

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### Media

- Play key role in communicating information about PPP to other stakeholders
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In practise, actual PPP cases often have a more complex range of stakeholders, with more detailed interests in the projects and its numerous impacts. This important first task of identifying stakeholders for an individual PPP will depend upon a host of factors including:

- The physical and financial size and geographic scope of the project;
- The political environment and economic climate in which the PPP is taking place;
- The sector in which the PPP would be operating (ie housing, health care, education, water, sanitation, etc.);
- The relevant Ministries, other governmental bodies and any existing private sector entities associated with the current provision of that service;
- Legislation or custom and practise that dictates the involvement of certain individuals or institutions;
- Potential private sector providers of the services; and
- The intended consumers, customers, and recipients of the services.

### Measuring PPP Stakeholder Knowledge, Attitudes & Practises (KAP)

Groups of stakeholders often need to be further sub-divided into more defined groups based upon their knowledge, attitudes and practises (KAP). A stakeholder's KAP represents:

- What they know about PPP;
- What they think (ie their opinion) about PPP; and
- Their behaviour with respect to PPP.

As an example, we may consider the hypothetical case of a PPP for electricity distribution concession. At a high level, the customers of the electric power utility would be stakeholders to any PPP. However, when examined in terms of their KAP, the various categories of customers could be further broken down in a variety of ways:

- **By their knowledge:** Those who know what PPP is and why it is being tried, and those who do not;
- **By their attitudes:** Those who are in favour of PPP and those who are opposed; and/or
- **By their practises:** Residential customers might use energy differently or pay a different price for energy than commercial or industrial customers and therefore may be impacted differently by a PPP.

#### KAP

*KAP = Knowledge, Attitudes & Practises*

A stakeholder's PPP-related KAP represents:

- What they know about PPP;
- What they think (their opinion) about PPP; and
- Their behaviour with respect to PPP.

The ways in which stakeholder categories would be broken down would depend upon the nature of the project and the objectives of the stakeholder management plan.

PPP Stakeholder KAP can be measured using any of the following tools:

- **Opinion polls:** Opinion polls and surveys are verbal or written tools that use a standardised set of questions for gathering data on stakeholders. To be accurate, polls need to be administered in a consistent format to a statistically appropriate sample of the stakeholder population – for this reason, they are generally used to measure general trends in the KAP of a larger stakeholder population.
- **Focus groups:** While opinion polls provide important information about public opinion that can help to shape a strategic communications strategy, they are not useful in revealing the *rationale* for people's opinions or the factors that might bring about a change in their KAP. For this purpose, a focus group is more effective. Focus groups are small groups of people (typically 7 to 10) with common interests or characteristics who are brought together by a moderator for the purpose of gathering information about a specific issue.
- **Interviews:** Interviews are typically one-on-one conversations that attempt to understand a particular issue from the point of view of a specific individual. They provide a valuable opportunity for qualitative questioning and are therefore a good way to explore peoples' perception and understanding of the issue in depth. Interviews are not helpful in revealing generalisations about stakeholder KAP or trends within or between stakeholder groups.

Regardless of the method selected for measuring PPP KAPs, efforts to gather and analyse data about stakeholders needs to begin early in the PPP process in order to ensure that government decision-makers understand who the stakeholders are, how they might be affected by the process, and how they in turn may affect the process itself.

In designing strategic communications programmes, it is important to understand not only *what* stakeholders think, but *by whom* their opinions and behaviours are most influenced. Political views and influences are as important as stakeholders' KAP in being able to understand why PPP stakeholders think and behave the way that they do. Understanding these important origins is the key to developing a menu of the modifications, additions, safety-net features, or mitigation measures that could change their opinions, attitudes or behaviours.

Political assessments can be used early in the process of designing strategic communications programmes to map the various influence groups, identify opinion leaders, and develop strategies for targeting particular stakeholder groups and cultivating political support.

### Managing the PPP Stakeholder Participations Process

The most successful and sustainable PPP transactions are those that enjoy broad-based support amongst a range of different stakeholder groups. Generating such support often requires stakeholders to change long-held attitudes and beliefs and even to think differently about how public services should be provided. In cases where PPP is politically controversial, this may require important changes to the way the PPP is structured in order to build broad-based support.

PPP by its nature requires on-going collaboration between a variety of different groups, including government agencies, donors, private enterprises and non-governmental organisations. Consistent and regular interactions with these stakeholders are often required to both build and then sustain support. In practice, a number of strategic PPP communications efforts have failed simply due to their lack of consistency and coordination.

There are a variety of ways that implementing agencies can improve coordination and strengthen the management of strategic communications programmes. A common solution is to form a *project steering committee* with responsibility for overseeing the PPP process. As previously noted in Modules II and IV, PPP Project Committees are responsible for overseeing project feasibility analyses as well as PPP procurements, and feature representatives from a range of relevant ministries and agencies. The PPP Project Committee should also oversee the PPP stakeholder management and communications efforts. Establishing such a project committee early in the process – for example, at the PPP project preparation stage – is an effective means of keeping all relevant agencies informed and involving them in project design from the onset.

If the envisioned PPP will have a major impact on the institutions or individuals identified during the political assessment phase described above, an appropriate methodology must be developed to provide for the participation of impacted individuals and input commensurate with that impact. One solution is to consider nominating representatives of the major stakeholder groups to serve on the PPP project steering committee.

In addition to appointments to PPP project steering committees other mechanisms can be devised to manage the appropriate communications and receipt of input. One way to achieve this is through the appointment of a project *Communications Officer* (CO). While a PPP project steering committee can be effective in making high-level policy decisions, it is not well suited to tasks such as managing a communications budget, planning and managing communications events, interacting with the press, and managing the production of educational materials. These tasks are all better managed by a communications professional whose primary job and skill-set is to handle communications relating to the PPP. The CO should be the focal point for all communications between the government and stakeholders with respect to PPP.

### Legal, Political and Community Considerations

There are important legal, political and community considerations that affect the identification and management of PPP stakeholders. Amongst these considerations are:

- The **legal rights** of various governmental bodies, entities and individuals;
- The **political considerations** that form the context for a given PPP; and
- The **community expectations** in terms of a proposed PPP.

In most SADC region countries, local laws provide a right to recognised labor organisations to represent their employees on any matter affecting the terms and conditions of their employment. Many concession-type PPPs require that the private partner take over some (or all) of the public sector employees providing a service. Governments therefore need to recognise these rights and undertake the required consultation in the recognised forum.

PPPs must also often manage the participation of different levels of government bodies, including not only national government ministries or public corporations, but also sub-sovereign entities such as regional/provincial governments as well as local and municipal bodies. When such sub-sovereign bodies have planning and zoning jurisdiction over a potential PPP site, best practise is for government to acknowledge their status early on in the PPP project proceedings, typically during the feasibility study, and receive their inputs in that regard. Other governmental bodies such as national environmental agencies must likewise be notified of the initiative, and the requirements of these bodies set forth with great specificity in all procurement documents. Finally, care should be taken

with projects affecting well-established communities, such as groups of indigenous peoples, to recognise their status, and to consult with them throughout the PPP process.

### PPP Stakeholder Management Mechanisms

In summary, the common PPP stakeholder management mechanisms include:

- Inviting major governmental stakeholders to participate in the project steering committee;
- Appointing a Communications Officer to manage all communications efforts relating to the PPP;
- Contact with identified stakeholders during the feasibility study process and incorporating their reactions in the feasibility study report;
- Consulting with stakeholders in legislatively-mandated forums; and
- Use of electronic and print media.

## Public Participation

### Legal Requirements on Public Consultation and Participation

Legal requirements relating to public participation in government decision-making on PPPs are not uncommon. One example that is prevalent around the world is the requirement to conduct an Environmental Impact Assessment (EIA) prior to the issuance of a construction permit. EIAs typically include public consultation and many donor agencies, such as the Multilateral Investment Guarantee Agency (MIGA) of the World Bank, require an EIA as a condition to funding. MIGA guidelines, which are representative of international best practise, dictate that an EIA involve, at a minimum, the following:

- Publication, in a newspaper of general circulation, of a notice of the initiation of an EIA, describing generally the nature of the project for which the EIA is being conducted;
- Making available, at designated locations, copies of the EIA application, which contain a more detailed explanation of the proposed undertaking;
- Publication of the receipt of the draft EIA, inviting comments, and further describing where copies thereof may be obtained;
- Holding one or more public hearings at designated locations in or near where the proposed project is to be undertaken, during which hearings a presentation is made by the project proponents, and additional oral and written comments received;
- Providing for a period of time during which protests to the granting of an EIA may be received; and

#### “Equator Principles” for PPPs:

Large-scale PPP projects in developing economies often have significant environmental and social impacts. To ensure that these impacts are carefully, transparently, and fairly identified, analysed and mitigated international project finance & PPP lenders have developed a set of principles and standards. Known as the “Equator Principles,” these include:

Since they were first launched in 2003 over 90 leading international financial institutions have adopted them and joined as signatories. A more detailed discussion and analysis of these principles is provided in the companion Module V Case Study reading.

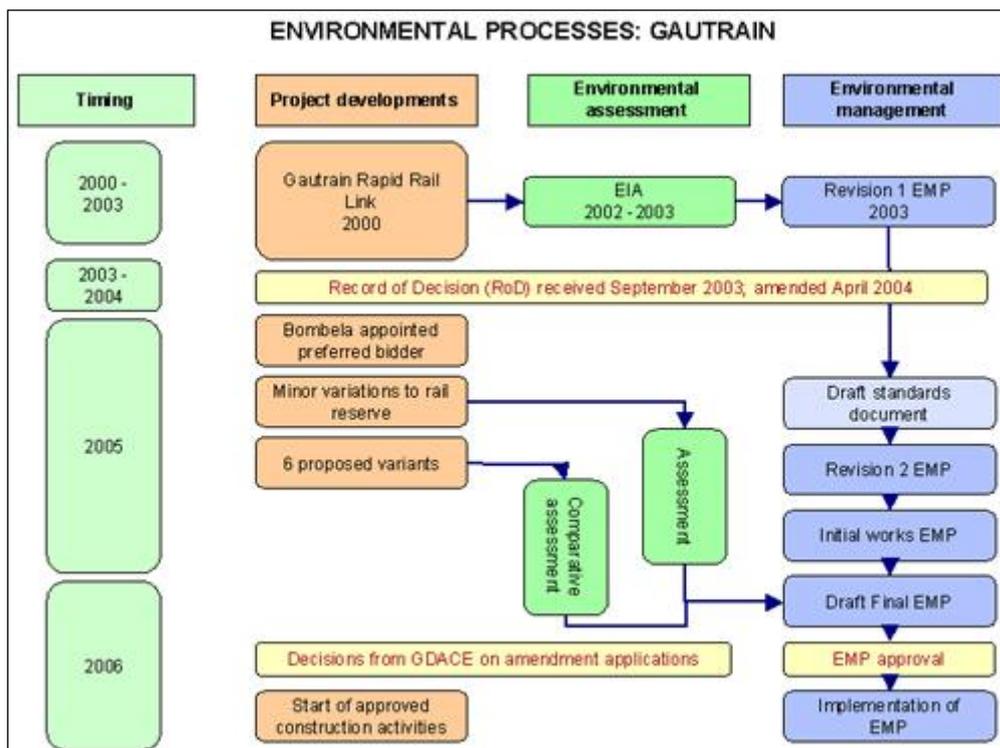
- Issuing a decision, sometimes called a “Record of Decision” (ROD) that discusses the project, its environmental impacts and benefits, the comments received, and indicating a decision.

**PPP Case Example: South Africa’s Gautrain Urban Rapid Transit PPP**

One example of a SADC region PPP that has undergone a systematic environmental review with important impacts is South Africa’s \$3.3 billion Gautrain high-speed urban transit project, mentioned earlier. There have been two broad environmental approval components for the Gautrain project:

- Environmental assessment;
- Environmental management.

Environmental assessment is a process of ensuring that the environmental impacts of a proposed activity (in this case a rapid rail link) are identified and assessed so that a decision can be made on the acceptability of the proposed activity. Environmental management is the process of ensuring that the mitigation measures required to prevent or limit environment impacts is properly defined and implemented. Each of these components is further elaborated in the process flow diagram and described in more detail below.



- **Environmental Assessment:** The environmental assessment process for the Gautrain project included the following:
  - The Gautrain project was subjected to a detailed Environmental Impact Assessment (EIA) during 2002-2003. This EIA was submitted to the Gauteng Department of Agriculture, Conservation and Environment (GDACE), which issued a Record of Decision (RoD) in September 2003, followed by an amended RoD in April 2004.
  - The Canadian-led Bombela Consortium was appointed as the preferred bidder in July 2005.
  - As the design of the project’s rail system progressed, it became evident that a number of amendments would be required to the rail reserve (right of way/alignment) that had been

defined in the initial EIA. These amendments would increase the estimated costs of construction.

- As a result it was necessary to assess these amendments and to re-apply to GDACE to amend certain conditions of the RoD.
- At about the same time, six different variants to the original alignment were proposed, which presented a range of environmental benefits over the original alignment approved in the RoD. Five of these route variants were proposed by the Bombela Consortium. The final route variant, a modified approach into JIA, was proposed by the Department of Public Transport, Roads and Works (GDPTRW).
- A comparative assessment was conducted on the five proposed variants. The comparative assessment has been based on highlighting the differences in impacts between the RoD alignment and the proposed variants.
- **Environmental management process:** The Gautrain environmental management process involved the following:
  - The RoD conditions stipulated the process for the further development of the (Revision 1) EMP submitted with the EIA. This required the formulation of a Revision 2 EMP, which contained applicable standards and proposed method statements.
  - In addition, GDACE requested that a document listing relevant standards be compiled and submitted to GDACE for their comment. This document was submitted to GDACE in July 2004. GDACE provided comments on these Draft Standards, which comments were taken into account in the formulation of the Revision 2 EMP.
  - In formulating the Revision 2 EMP it became clear that it would not be possible to get the EMPs approved in time for the scheduled project construction start. As a result, an Initial Works EMP was conceptualised and developed, and submitted to GDACE, together with an amendment application, for consideration. The Initial Works EMP governed construction activities that are principally, but not exclusively, site establishment activities.
  - The RoD further stipulated that once comments had been received from GDACE on the Revision 2 EMP, that a Draft Final EMP be developed. The Draft Final EMP then governed design, construction and ultimately operations and maintenance of the Gautrain Rapid Rail Link.
  - Only once the Draft Final EMP was approved by GDACE was full-scale construction allowed to commence.
  - The final step in this process was then to implement the EMP. The EMP contains considerable detail on how implementation would be effected, and what was to be done to ensure that the implementation is effective.

As a highly-visible PPP project, the Gautrain project was long-scheduled to coincide with the kick-off of the 2010 World Cup in South Africa. It was therefore important to the Government of South Africa and the Gauteng Province that the construction commence in 2006 in order to meet this completion deadline. However, consultation with stakeholder communities along the right-of-way and the EIA identified the need to add environmental mitigation measures. Usually such measures not only add costs to PPPs but also delay their implementation further. Through the environmental management process, including issuing the Initial Works EMP, the project was able to commence construction in time to meet the target opening date in June, 2011.

The Gautrain case illustrates the importance of managing the process of both analysing environmental impacts of PPPs, developing specific options to mitigate these impacts on specific stakeholders, and of securing all necessary environmental permits in a timely fashion to ensure that important steps such as either financial closure or construction commencement are not delayed.

### PPP Public Participation

Efforts to involve the public and solicit public opinions should begin early in the PPP process. The best time to begin is *before* a PPP tendering and procurement process is underway, and the focus at that time should be on making the case for reform and working with stakeholders to explore viable options to meet the project's goals and objectives.

If the PPP project involves an EIA, the timing of public participation will be in part dictated by EIA processes, which usually restrict public participation to that period of time after the EIA report has been received, the public hearing thereon, and any protest period that may apply after the ROD has been issued. If the latter, there may be more opportunities for public participation depending upon the level of involvement of the local municipality's governing body and the issues at hand.

As with the timing, the level of public participation seems to depend upon the nature of the PPP itself, whether it involves an undertaking of an EIA or involves a local municipality. In any case, the most common level of public participation seems to be that of providing comment and in some cases, filing a protest or appeals action from a decision of an environmental or other approving agency. Despite the lack of broad experience with deeper levels of participation, there is some evidence to suggest that providing stakeholders, including the public, with a more meaningful role in the PPP process will contribute to greater ownership and support of the PPP itself. This can be done by appointing a stakeholder representative to sit on the Project Steering Committee, or by incorporating stakeholders in key decision-making events.

In those PPPs that involve undertaking an EIA, or those at the municipal level that require the input from IAPs, the results of public participation are communicated in the ROD or other written decision, wherein the comments of the public are noted, any matter in mitigation thereof recited, and a decision taken with substantiating motivation. Very often these decisions are published in official publications or gazettes.

### Human Resources and Labor Relations

Human resources and labor relations issues in PPPs are critical, and Governments throughout the world are especially reluctant to be perceived as insensitive to labor concerns. However, the limited ability of these same governments to attract new private investments and to grow their economy has become a reality. This set of realities has forced many governments to put in place a review of existing human resources and labor legislation, urged on by donor agencies, many of which hold out the prospect of substantial investments should these restrictive labor laws be reformed.

The tension, then, between the historical events from which many of today's current government leaders arose and the apparent necessity to repeal or reform many of the previous cardinal tenets – tenets that may have been the basis for their ascending to power – is real and inescapable. It is in the midst of this tension that today's PPPs must be assessed, and if found to be feasible, implemented.

Among the key elements of an assessment of the feasibility of a PPP is the determination as to whether a PPP represents value for money (discussed in detail in Module II). The value for money determination is undertaken by computing the net present value of the risk-adjusted costs to the government, if government is to continue to provide the services for the proposed term of a PPP

agreement, and then comparing it with the net present value of the total expenditures anticipated to be incurred by government, should government pay the private sector to perform the same services for an equal period of time.

Salaries, wages and benefits will, of necessity, constitute a major element of both computations. If current labor laws require, for instance, that the private sector take over all of the existing government employees, and maintain the same salary and benefits for the period of the PPP agreement, the ability to demonstrate value for money may be severely hampered.

Another key determination is the transfer of significant risk to the private sector. If government requires the taking over of existing employees at the same salary and benefits for the term of a concession agreement, after which government intends to take back the responsibility for providing the services performed by the private sector during the PPP agreement, it may be said that no real transfer of employee risk to the private sector has taken place. There will be little incentive to the private sector to ensure efficient performance by such employees, as they cannot be terminated or made redundant, and they will all be handed back to government, in any event, at the conclusion of the PPP agreement. The most that may be said for such an arrangement is that the employee risk has been “parked” with the private sector during the term of the PPP agreement.

Both labor organisations and the government employees they represent are stakeholders in the PPP process, both based on the definition of stakeholder provided in this Module, and very often, as the result of a legislated consultation requirement. That mandate is an obligation to engage in dialogue and consultation in order to communicate with the employees and their representative organisations the processes that are being undertaken, the results that may occur and affect each of them, and their rights and obligations under these processes and their reaction, both as a labor organisation and as a represented member thereof.

### PPP Human Resource Planning

Consultation with public employees should take place with the context of a Human Resources Plan developed during the feasibility study. Before developing the Human Resources Plan, government must first determine which current public employees may potentially be affected by the PPP. On the basis of the list, the HR Plan should then incorporate the following:

- **A list of current employees:** It is not unusual for a governmental entity to have incomplete or inaccurate employee information, especially during or immediately after a reorganisation. Experience has shown that employee salary databases cannot necessarily be relied upon.
- **Current salary level:** Determining the current salary level of a particular employee or class of employees is important in many different analyses undertaken during the assessment of a PPP, including determining the range of total costs to government for undertaking the service and ascertaining potential salary level liabilities of a private sector service provider, being two of the most salient.
- **Current salaries:** Assessing the precise current salaries being paid is necessary in order to construct the cost elements necessary for the value for money calculation. Most importantly, current salary information is needed in order to establish the wage remuneration that a private sector service provider would assume should a PPP be implemented.
- **Current contributions towards pension:** In a best practises case, the precise wages paid within a specified salary level is but one half of the total compensation package that must be determined

#### Elements of the HR Plan

- List of employees, current salary level, current salaries
- Current contributions towards pensions
- Start Dates
- Date of Birth

in order to calculate the potential employee costs which a private sector service provider might assume if a PPP went forward. The other, in many cases, less-precise calculation, is a determination of the current contributions towards pension. If there has been a government reorganisation, for instance, or the amalgamation of previously separate governmental entities, often such contributions differ from employee to employee. And few private sector pension schemes are as generous as those afforded by government. Hence the requirement that the total compensation package for employees going over to the private sector be “substantially the same.” Assessing the total compensation package for employees going over to a private sector service provider is also important to government in a scenario where government is planning on taking back the provision of the service at the end of the term of the PPP agreement. Provision for such compensation must be undertaken during the term of the PPP agreement so that when the service is again provided by government, it is able to compensate its returning employees consistent with all labor law requirements.

- **Start dates:** Start dates are a key determinant of the total anticipated remuneration and pension benefits to be accorded a particular employee.
- **Date of birth:** Similarly, the date of birth of an employee, taken with her or his start date, are important determinants of total employee costs.

Once this information has been gathered, government can prepare and implement an employee communications plan.

### PPP Employee Communications Plan

A standard requirement of a PPP feasibility study is the development of an Employee Communications Plan, through which communications with staff can be managed. Elements of such a plan may include:

- The preparation of printed materials to be provided to each employee containing the following information:
  - A description of the PPP process to date;
  - A description of the PPP process going forward; and
  - A statement of the employees’ rights under existing labor legislation.
- Conducting a workshop with the employees and their representatives at the appropriate labor forum where these matters are discussed. The workshop will include these items:
  - Identification of the forum for discussion of these processes;
  - A presentation by government’s Labor Relations Representative; and
  - An opportunity for reactions, comments and questions from the employees and their labor organisation representatives.
- An example of the printed material text and the content of a workshop presentation could include:
  - The PPP process to date;

#### Employee Communications Plan

- All documents reader-friendly, and if possible, signed off by union
- Use the correct forum – Worker’s Council
- Strive for agreed language
- Report back to forum
- Include language in tender documents
- Maintain communications
- Implement the plan

## Module V: Communications and Stakeholder Relations

- A description of the proposed PPP and the feasibility analysis process;
- Information about any transaction advisors involved in the process;
- Description of the activities and tasks that comprise the feasibility analysis, including:
  - Determination of the status quo in terms of the provision of the service;
  - An assessment of how the status quo compares with best practises in this regard; and
  - A discussion of the various options by which the status quo may be improved to reflect best practises and an explanation of why PPP is the best option for improvement.
- The PPP process going forward and its implications for labor stakeholders:
  - If the PPP is approved by government, will the existing government employees engaged in providing this service be afforded the opportunity to transfer to the employ of the private sector service provider, on the same or similar terms and conditions as they are currently employed by government?
  - Will employees choosing not to be transferred to the private sector service provider be re-deployed to other positions within government?
  - How and when will government's labor representative and/or the Transaction Advisor meet with all affected employees to discuss their rights and alternatives to being transferred to the private sector service provider? Any such meeting should take place in the established labor relations forum, and would be a matter of consultation, and not negotiation.
  - Among the matters to be discussed at such a meeting is whether the private sector service provider be prohibited from retrenching (ie firing or dismissing) any transferring employee for a specific period of time, or at any time, during the concession period and the consequences to a transferring employee at the end of the concession period should government elect to take back the responsibilities that were performed by the private sector service provider during the concession period.
  - Another matter to be discussed is any skills transfer and training programme that the private sector service provider will offer to government staff transferred to the private sector operator.
  - An outcome of the labor relations forum meeting will be an agreement by government to include language pertaining to the obligations of the private sector service provider in terms of the transferring employees, which language will be included in the tender documents by which a private sector service provider is selected and in any concession contract with a private sector service provider that may result from the tender.
- Description of the employees' rights under existing labor laws:
  - Whether the private sector operator would take over the existing government employees.
  - Whether the new employer (here, the private sector service provider) must employ transferred employees (the former government employees) on terms and conditions that are, on the whole, not less favourable to the employees than the terms and conditions upon which they were employed by government (this is required in South Africa and is common elsewhere).
  - The method that will be used to determine leave pay that might have accrued to the transferring employee, any severance package that would have been payable to the transferring employee in the event of a pending dismissal based upon operational requirements, and any other payments that have accrued to the transferring employee but not been paid to the employee by government.

- Whether government will be jointly and severally liable with the private sector operator to any employee who becomes entitled to any such payment, or in respect of any claim concerning any term or condition of employment that arose prior to the transfer (South African law stipulates that government remain liable for a period of twelve months after the date of transfer).

### Implementing Employee Communications

Implementation of an employee communication plan should be devised in consultation with government's industrial relations specialist. Implementation might include:

- Obtaining the information described above;
- Verifying this information with appropriate department heads, human resources representatives and payroll staff;
- Crafting an accurate, user-friendly written description of employee and labor organisation rights if the PPP processes go forward. If possible, secure agreement on this statement from the recognised labor organisation's leadership;
- Obtain an agreement from the affected labor organisations as to the appropriate forum for implementing the employee communication plan;
- Consult with, and obtain an agreement from, the affected labor organisations as to the specific processes to be followed:
  - The distribution of the explanatory written materials in a language understandable to the employees;
  - Explanation thereof to any illiterate employees by a trusted colleague;
  - Conducting a workshop, at a time convenient to the employees, for which they will be granted permission to attend, where the matters contained in the written material will be explained and an opportunity provided for questions, comments and reactions; and
  - Providing an opportunity to the affected labor organisation to submit an official response to the matters raised in accordance with existing labor relations processes.
- Implement the plan as so agreed.

Among the lessons learned in handling human resource and labor issues in PPPs is the following: "Human capital (staff) is the cornerstone of the business assets. Good human resources management is crucial for harmony and success."

### Conclusion

The past experience with the use of PPP stakeholder management and communications programs indicates that they are often not given a high priority as part of overall public services reform efforts. Fears of political opposition, inexperience with public dialogue, and concerns about the cost of a large scale communications effort have often prompted many governments and project sponsors to delay and, in many cases, simply avoid such programs altogether. This approach can have serious economic, social and legal consequences, with many PPP arrangements cancelled or renegotiated

## Module V: Communications and Stakeholder Relations

mid-course in response to strong opposition and in some cases violent civil unrest. Such turmoil is harmful to all involved – from the consumer whose services are disrupted during transition periods, to governments that must bear the costs involved in complex contract renegotiations or liquidated damages for contract cancellation, and finally private investors who risk reputational harm and lost revenues.

To reduce the risk that such problems will recur in future PPP arrangements, implementing agencies must evaluate stakeholder attitudes towards PPP and determine the need for strategic communications early in the reform process. Where the introduction of PPP will stir controversy and implementing agencies are prepared to address the challenge, they require knowledge, tools and information in order to effectively develop broad-based support for reform.

### Module 5: Content Assignments

In order to successfully complete your work on the Content component of this Module, you must complete the following:

- Read the required background reading materials:
  - “Labor Issues in Infrastructure Reform – Module I: Labor Toolkit Framework and Overview,” by the World Bank and Public-Private Infrastructure Advisory Facility (PPIAF), 2004.  
[http://www.ppiaf.org/ppiaf/sites/ppiaf.org/files/documents/toolkits/LaborToolkit/Toolkit/pdf/modules/01\\_TOOLKIT\\_Module1.pdf](http://www.ppiaf.org/ppiaf/sites/ppiaf.org/files/documents/toolkits/LaborToolkit/Toolkit/pdf/modules/01_TOOLKIT_Module1.pdf)
  - “Strategic Communication for Privatization, Public-Private Partnerships, and Private Participation in Infrastructure Projects,” by Daniele Calabrese, the World Bank, 2008.  
<http://siteresources.worldbank.org/EXTDEVCOMMENG/Resources/StrategicCommunicationforPrivatizationPublicPrivatePartnershipsandPrivateParticipationinInfrastructureProjects.pdf>
- Read this Module V Content piece
- Answer the following question (with the answer posted to the Discussion Board for Module V: Content Piece) relating to the Content piece:
  - Select a potential PPP project that you feel you know well and:
    - Identify the PPP stakeholders and their likely interests in or concerns about a potential PPP
    - Recommend how you think stakeholder participation and communications should be managed in order to ensure that a PPP would be successful and sustainable. Please identify any specific PPP risk allocation structures, conditions, or safety-net features that should be included in order to manage or mitigate any specific PPP project impacts on these stakeholders.
- Read other participants’ postings to the Discussion Board and provide substantive comments (in the Discussion Board) on two other participants’ answers to the Content question.

In addition, participants may elect to read the following *optional* background reading materials for this Module:

## Module V: Communications and Stakeholder Relations

- “Toward a New Model of PPPs: Can Public-Private Partnerships Deliver Basic Services to the Poor?” By Miguel Perez Ludena, United Nations Economic and Social Commission for Asia and Pacific (UNESCAP), 2009.  
[http://www.unescap.org/pdd/publications/workingpaper/wp\\_09\\_01.pdf](http://www.unescap.org/pdd/publications/workingpaper/wp_09_01.pdf)
- “Toolkit for Pro-Poor Municipal PPPs” by United Nations Development Program, Public-Private Partnerships for the Urban Environment (PPPUE).  
<http://pppue.undp.2margraf.com/en/index.htm>
- “Building on the Monterrey Consensus: The Growing Role of PPPs in Mobilizing Resources for Development – Final Report on Multi-Stakeholder Consultations,” by World Economic Forum, 2005. <http://pppue.undp.2margraf.com/en/index.htm>
- “Stakeholder Consultation for Employees and their Representatives: Central Guidelines for State Authorities Undertaking PPP Projects,” by Central PPP Unit, Ministry of Finance, Government of the Republic of Ireland, 2005.  
<http://ppp.gov.ie/key-documents/guidance/central-guidance/>