

6

MODULE

Engaging with Stakeholders

Infrastructure services are vital to economic and social development. Many stakeholders therefore have an interest in the process and outcomes of private participation in infrastructure (PPI). This module guides the implementing agency in involving stakeholders, particularly workers and trade unions. Directions to more general resources on stakeholder consultation and communications are provided at the end of the module.

This section introduces the different forms of engagement and the sequencing of activities. It then discusses how to select different approaches and sequence the labor engagement process within the overall PPI transaction. It concludes with a brief discussion of the resource needs involved.

Fundamentals of Engagement

Many stakeholders will be involved during the course of a PPI transaction. Government is itself a vital stakeholder, as well as the principal decision-maker at key approval steps in the PPI process and the labor program. Investors, consumers, and regulatory authorities are stakeholders, too. The wider processes of public policymaking and strategic communication for privatization and PPI are described in material provided in the accompanying CD-ROM.



The CD-ROM contains:

- Worksheets for conducting stakeholder analysis
- Terms of reference for a stakeholder analysis.

As described in module 1, the starting point for engagement is a thorough stakeholder analysis. This module focuses on the processes of engagement with the key actors with whom government needs to interact in designing a labor program, in particular labor and trade unions.

Forms of Engagement

There are four forms of engagement that can apply in labor restructuring, namely:

- Communication
- Consultation
- Negotiation

Consultation and negotiation are very different processes.

- Cooperation.

Communication is mainly a *one-way transfer of information* from government, the implementing agency, or redeployment counselors to the stakeholder audience.

Consultation and **negotiation** are both *two-way processes*, but the expectations of outcomes are very different. Participants in consultation expect their views to be heard and taken into account, whereas those in negotiations expect that mutually binding results will be the outcome.

Cooperation can be seen as a more mature form of engagement where both sides expect to *participate actively and are committed to win-win outcomes*. That distinguishes it from negotiation, which can be adversarial and can yield win-lose outcomes. Cooperative approaches often have longer-term and broader perspectives than does negotiation.

Communication, consultation, and cooperation in the labor relations context align well with the three forms of engagement between citizens and government recognized by the Organisation for Economic Co-operation and Development (OECD) (see box 6.1). Negotiation is a distinct form of engagement that arises from the contractual employer-employee relationship between government and the work force. (Subsequent sections of this module deal in more detail with each of the four levels of engagement.)



The OECD PUMA program has reports on how to engage with citizens.

Designing an Engagement Strategy

The engagement strategy sets out which of the various forms of engagement are to be used, and when. For the purposes of labor restructuring, which is the focus of this Toolkit, the main stakeholder groups are employees and unions, government, and investors—and the views of all need to be heard. It is, however, rarely the case that all stakeholders must be dealt with at the same time. An engagement strategy (see table 6.1) may therefore envisage a series of actions using all four

Box 6.1: OECD—Defining Government-Citizen Relationships in Policymaking

An OECD study of the mechanisms of interaction between government and citizens in policy design, implementation, and evaluation recognized three forms of engagement: information, consultation, and active participation. The working definitions adopted in the study recognized a key role for government in setting the boundaries for engagement, and noted that the final decision-making responsibility remained with government:

- **Information**—a one-way relationship in which government produces and delivers information for use by citizens. It covers both “passive” access to information upon demand by citizens and “active” measures by government to disseminate information to citizens.
- **Consultation**—a two-way relationship in which citizens provide feedback to government. It is based on the prior definition by government of the issue on which citizen’s views are being sought and requires the provision of information.
- **Active participation**—a relationship based on partnership with government in which citizens actively engage in the policymaking process. It acknowledges a role for citizens in proposing policy options and shaping the policy dialogue, although the responsibility for the final decision or policy formulation rests with government.

Source: OECD 2001.

forms of engagement. For example, the strategy might resemble the following:

- **Communication** with employees and unions on the proposed PPI transaction and the need for work force restructuring.
- **Consultation** with employees, unions, and investors on restructuring approaches, including severance packages and procedures.
- Carrying out **negotiations** among government, workers, and investors prior to PPI on issues such as labor contracts, pensions, and working practices. If there is an economic

regulator for the sector, it too may be involved.

- Identifying opportunities for **cooperation** among business, unions, and local government in monoindustrial towns suffering from a major loss of employment.

One particular risk is that of premature activities. Hasty and ill-prepared announcements, press conferences, and newspaper or radio interviews can damage the credibility of everyone in government and so delay PPI if they expose uncertainty on key issues or weaknesses in the government’s “story.” The implementing agency should be able to advise government officials and politicians about when to sequence engagement events and

the key messages to be conveyed. Certainly the basic rationale for work force restructuring must be clearly defined and understood before any government official or politician approaches TV, radio, or newspapers.

The actual process of engagement is likely to have stops and starts and periods of progress and set-back. It may not always be possible to follow a precise, neatly sequenced plan. As the case of Côte d’Ivoire Railways presented in box 1.14 in module 1 illustrates, a commitment to engage on work force restructuring issues can lead to mutually acceptable solutions and improved outcomes for the implementing agency, workers, and other stakeholders.

Hasty or ill-prepared events can be damaging.

Table 6.1: Outline of an Engagement Strategy (Illustration)

Type of engagement	Phase in work force restructuring (sequencing)			
	Initial assessment	Design	Implementation	Monitoring and evaluation
Communication	<ul style="list-style-type: none"> • Stakeholder analysis • Opinion polls • Focus groups 	<ul style="list-style-type: none"> • Media audit • Opinion polls • Focus groups 	<ul style="list-style-type: none"> • Press briefing and releases • Small-group meetings • Video 	<ul style="list-style-type: none"> • Monitoring of attitude changes • Follow-up opinion polls • Progress reports
Consultation	<ul style="list-style-type: none"> • Stakeholder analysis • Draft policy paper and meetings (government policymakers) 	<ul style="list-style-type: none"> • Visit for trade union officials to another infrastructure SOE that has been through PPI • Forums to gather stakeholder views 	<ul style="list-style-type: none"> • Ad hoc meetings with union officials 	<ul style="list-style-type: none"> • Follow-up meetings or surveys
Negotiation	<ul style="list-style-type: none"> • Stakeholder analysis • Review of existing negotiating framework 	<ul style="list-style-type: none"> • Set up joint task force (enterprise, union, government) • Design and negotiate bargaining arrangements 	<ul style="list-style-type: none"> • Task force meetings • Bargaining meetings 	<ul style="list-style-type: none"> • Task force review meetings
Cooperation	<ul style="list-style-type: none"> • Stakeholder analysis • Identification of issues suited to active involvement of stakeholders 	<ul style="list-style-type: none"> • Set up joint task force (enterprise, union, government) • Refine issues identification 	<ul style="list-style-type: none"> • Task force meetings • Finalize issues for cooperation and begin implementation of arrangements 	<ul style="list-style-type: none"> • Task force review meetings • Possibly further cooperation arising out of earlier efforts

Skills may be acquired by subcontracting or by training key people.

Acquiring Engagement Skills

Effective engagement requires a particular mix of skills. Where government does not have these in house, some skills can be acquired through subcontracting to specialist providers or consultants. Skills and capacity in opinion polling, conducting focus groups, copywriting, media design and commissioning, and strategic advice can all be brought in.

Other skills, however, may have been developed in key people through training. As part of the communications process the senior manager in the implementing agency or senior government officials may need to communicate directly and credibly with workers or via radio or TV. Personal skills development for these circumstances may be very valuable. Negotiation training for key people can also have significant financial, strategic, and tactical benefits.

In some cases, it is more a question of acquiring the right person than the right skills. In Italy the “right” minister was able to be credible with trade unions (box 6.2).

The implementing agency can budget and secure financing for the government’s side of the engagement: consultants and advisers, opinion pollsters, stakeholder research and analysis, and media purchase. Donor funds are an important source of finance for these activities and resources, but building the capacity of other parties in the engagement should also be encouraged.

Box 6.2: Italy—Ministerial Change Facilitates Negotiations

The privatization of Italy’s Enel, the state-owned electricity giant, was opposed by unions until the government decided to propose a cabinet reshuffling and select a former leader of the Communist Party in parliament as minister of industry. The new minister, who had close ties to the unions and some credibility with them, helped the unions to accept a deal, acting as a mediator and broker between the parties. The privatization that followed the agreement in 1999 was the largest initial public offering that ever appeared in the marketplace.

Source: World Bank 2002.

In many developing countries, for example, there are no effective trade unions or the existing ones have limited capability. Both the International Labour Organisation (ILO) and a number of international trade unions have programs designed to strengthen the capacity of trade union organizations in developing and transition countries. Although there are few concrete examples, the value of capacity building is increasingly recognized. In India the ILO helped trade unions in the telecommunications sector develop strategies for reskilling in the face of technological change. In Russia trade unions were seen as having an important role in coal sector restructuring. Over a five-year period, financing from a World Bank technical assistance loan allowed the trade unions to conduct regular seminars on topical issues in sector restructuring (for example, on relations with private employers), to maintain legal services in the coal regions, and to carry out monitoring and other activities relevant to sector restructuring (Artemiev and Haney 2002).

Where workers and trade unions are weakly organized, one approach is to ignore capacity building, exploit that weakness, and use coercion to accelerate work force restructuring. This approach, however, is embedded in a win–lose mindset. Cooperation, for example, assumes much more of a partnership or win–win approach. Attention to capacity building is therefore most likely to be adopted in the same circumstances as those in which cooperation is the appropriate engagement approach.

COMMUNICATION

The most basic issue for implementing agencies in managing the process of labor adjustment in PPI is to communicate effectively with all stakeholders.

Objectives

Good communication with workers and unions is important for successful PPI. Get it right and, all other things being equal, PPI can be relatively

The ILO has supported capacity building in national trade unions in developing and transition countries.

smooth. Get it wrong and PPI can be delayed or postponed indefinitely.

The following are common objectives of a communication program:

- Build broad public understanding of and consensus for the need for reform
- Explain the rationale for work force restructuring and government's efforts to mitigate adverse impacts on workers
- Influence and win support from a narrow group of key decisionmakers to approve policy, new legislation, or a restructuring strategy
- Educate all parts of government (ministers, officials, enterprise managers) to ensure a common understanding of the rationale, processes, and procedures of work force restructuring in PPI
- Inform workers and others of the procedures for restructuring, severance, and redeployment
- Promote the government's approach to potential PPI investors
- Inform all stakeholders on progress
- Mitigate specific risks to the project that result from action or inaction by key stakeholders.

At a minimum, the implementing agency must ensure that employees and their representatives know what decisions have been made on work force restructuring, and why. They need to know the implications for them and any actions they must take. Poor (or late) communication of information about work force restructuring can lead to misunderstandings, rumors, low morale, and poor performance within the enterprise. Moreover, it can lead to breaches of law in countries where employees have a legal right to be informed about plans to downsize or change their terms of employment.

Preparing a Communication Plan

The communication plan must provide a timetable of activities and indicative estimates of the costs

involved. Costs vary greatly from country to country and should be calculated at an early stage. (A checklist on the CD-ROM provides a list of items for which costs need to be determined.)



Checklist for costing a communications program.

In addition to timing and resource questions, a communications plan must consider five elements:

- **Audience**—to which audience(s) should communications be addressed?
- **Specific objectives**—what specific behaviors or changes should the communication lead to or avert?
- **Message**—what messages will encourage the desired behavior?
- **Communication channels**—what channels are available and effective?
- **Monitoring and evaluation plan**—how will the success of the communication be monitored and evaluated?

A methodology for bringing those five elements together into a practical communication plan is described by Cabanero-Verzosa and Mitchell (2002) on the Toolkit CD-ROM. That approach uses a standard template (illustrated in table 6.2) based on identifying stakeholders (the audience) and sharply defining the communication objectives.



Cabanero-Verzosa and Mitchell 2002.

Audience

Each of the key stakeholder groups identified by the stakeholder analysis should be included in the communications plan. Communications to other stakeholders may also be useful but should not distract from or compromise the program of communication to key stakeholders.

Specific Objectives

The specific objectives should be defined as tightly as possible so that it is clear what is wanted from the communications. For example:

Clearly defined objectives are essential.

Employees may have a legal right to be informed or consulted on work force restructuring.

There are five key elements in a communication plan.

Just as stakeholder analysis disaggregates stakeholders into groups, communication messages need to be tailored for each of those groups.

Table 6.2: Communications Plan Template

Overall engagement objective					
Audience (stakeholder group)	Specific objective (change in stakeholder behavior)	Message		Communication channels and media	Method of monitoring and evaluation
		Take-away message	Supporting data and evidence		
Group A					
Groups B, C, and so forth					

Source: Adapted from Cabanero-Verzosa and Mitchell 2002.

“Take-away” messages reflect the specific concerns of stakeholder groups.

- “Ministers and officials in the sector ministry to know that downsizing by 15 percent will reduce government subsidies by the equivalent of \$x million next year and will facilitate the PPI transaction, and that new work practices introduced over the last five years mean there will be no adverse impact on service level and quality.”
- “Members of the council of ministers to approve the overall work force restructuring strategy by a specified date.”
- “Leaders of the three main trade unions to agree to participate in consultations on work force restructuring.”
- “All workers, including those in distant regional offices, to be aware of the severance options open to them by a specified date.”

The objectives also provide the basis for subsequent monitoring and evaluation, which can then check whether the communications have produced the desired effects.

Designing the Message

Designing the message requires careful preparation because when the message is disseminated widely, it cannot easily be withdrawn.

Stakeholder analysis allows the implementing agency to disaggregate broad groups and better understand their concerns. This allows for messages to be fine-tuned and couched in terms relevant to different subgroups or audiences. For example:

- Unskilled workers may need to know that “government is offering a generous voluntary departure plan for unskilled workers because new technologies have meant that there are fewer unskilled jobs today and there is no guarantee of employment for unskilled workers tomorrow.”
- Skilled engineers and accountants may need to know that “the government is on track to bring in a PPI investor within two years, with new investment equivalent to \$x million. Demand for the enterprise’s services are forecast to grow significantly. Skilled staff might benefit from staying on to see what new job opportunities and freedoms PPI can offer.”

In table 6.2 these differing messages are called “take-away” messages, to emphasize that they need to focus on the specific concerns of each stakeholder group and not on a vague and unfocused government desire to tell people about its work force restructuring plans.

To be credible, “take-away” messages need to be backed up by credible supporting evidence. Mere

Messages need to be supported by credible evidence—and this may take time to acquire.

assertions by government or the implementing agency will not be enough. Indeed, they could well be counterproductive; telling workers that retrenchment will open up new opportunities for them without providing evidence will only reinforce suspicions. Collecting, organizing, and presenting the supporting evidence may be very time consuming, so the timetable and work plan need to schedule the preparation of this evidence at an early stage. Among the main evidence to be gathered is the following:

- Benchmark data on labor productivity, which is one of many indicators of over-staffing
- Independently commissioned cost-benefit analyses of PPI, including impact on efficiency, investments, employment, and fiscal matters
- Data on the financial and economic costs of maintaining state-owned enterprises
- Data on enterprise debt and pension plan liabilities
- Data on enterprise subsidies expressed in terms of proportions of total government expenditure or converted into measures
- Data on employment trends within the sector.

Effective communications should not be confused with propaganda or “spin.” Although it is often necessary and legitimate to present the case for PPI and to detail any changes—such as work force restructuring—associated with it, it is just as important to give the bad news as well as the good. The whole process can be undermined by loss of trust if stakeholders lose confidence in the accuracy and honesty of what they are told.

Delivering the Message

Senior managers and ministers need to deliver messages themselves in face-to-face meetings. When written information is provided it should be presented in the appropriate language and in ways that reach all who are entitled to it—and that

means taking into account the particular needs of different groups of workers. A note on the CD-ROM (“Do’s and Don’ts of Communicating with Workers”) gives some practical tips on how to use various communications tools.



Checklist of “do’s and don’ts” for communicating with workers.

The implementing agency can use a variety of channels for delivering messages. A media audit can be commissioned to provide factual information on alternative media and channels of communication. The audit can help the implementing agency select among various channels (table 6.3), some of which are also relevant to consultation, negotiation, and cooperation.

As table 6.3 shows, a variety of channels can be used. In rough order of effectiveness these channels are:

- Small-group meetings where officials can answer worker’s questions firsthand. A thousand workers can be addressed in 10 small groups of 100 people each, and the activity can be concluded in a few days.
- Meetings where the main presenters are “expert witnesses” credible to the audience. In the labor context, this often means workers who have lived through PPI elsewhere and so can speak with authority.
- Virtual meetings with these expert witnesses, through a nonpropagandistic video in which those workers describe their experiences before, during, and after PPI. In some countries useful videos are available, and making one can be a cost-effective option (see the CD-ROM note on preparing videos).
- Meeting with colleagues who have seen reform firsthand, ideally coworkers who have toured a PPI operation and spoken to the workers there.
- Personalized printed material, such as personal letters to individual workers or worker families, delivered with paychecks or sent to worker’s homes.

Visits allow stakeholders to experience the real situation for themselves.

Effective communication is not propaganda.

Video presentations of workers’ views are powerful tools for communicating with other workers.

Small-group meetings with presentations by experienced workers are the key to effective communications and consultation.

Posters and commercials alone cannot change opinions.

Table 6.3: Example of a Media Audit—Picking the Right Tools for the Task

	Communication	Consultation	Negotiation	Cooperation
Opinion polls and focus groups		✓		
Small meetings	✓	✓	✓	✓
Mass meetings	✓			
Visits to other PPI schemes	✓	✓		✓
Video documentary	✓			
Video memo	✦	✦	✦	✦
Consultation papers	✦	✓	✦	✦
Information brochures	✓			
Mass media (TV, radio)	✓		✦	
Press releases	✓		✦	✦
Press briefings	✓		✦	✦
Posters	✦			

✓ = highly relevant tool; ✦ = somewhat relevant tool.

- Impersonal but detailed printed material describing, for example, redundancy, counseling, and retraining procedures in sharp detail.
- General radio or television advertisements.
- Impersonal general printed material, such as posters.

The best medium is the one with the most impact, so face-to-face meetings are usually strongest and an impersonal printed leaflet is probably the weakest medium.

Posters contain short messages that, even if true, are so abbreviated as to seem propagandistic and hence perhaps unbelievable. For workers whose livelihoods may be at stake, posters will be credible only if accompanied by more informative and more convincing materials.

Visits to see how others have dealt with PPI are valuable for government, workers, and unions alike, and are a means of communication in their own right. When planning visits, the following design points can be borne in mind:

- Hearing from fellow workers and colleagues is likely to be the most credible source of messages for workers. For this reason visits

by workers to enterprises that have successfully experienced PPI are particularly valuable. Box 6.3 illustrates how the experience of seeing for themselves was important in winning the overall support of unions for the privatization of Manila water.

- If individual visits are only possible for a few people, short videos made up mainly of the comments of workers in other successful and completed PPI enterprises are an alternative way to provide supporting information for the take-away message (see the CD-ROM for practitioner guidelines on such films). For example, a video can be made of workers from the PPI enterprise visiting and talking to the workers in another enterprise that has already completed its PPI transaction. The documentary can then be screened back home, with some of the workers who made the trip and with some of the workers from the already-completed PPI site in attendance. The home audience of workers can then see the privatized plant secondhand, talk with the workers in the privatized plant, and talk with their own coworkers who traveled there and saw everything first-hand.



Guidelines on videos for communicating with workers.

Communications can be combined: for example a visit, with a video, followed by a group meeting.

Check to see if the communications are working.

Box 6.3: Manila Water—How a Trip to Buenos Aires Improved Understanding

A key government official involved in the concessioning of the Metropolitan Waterworks and Sewerage System (MWSS) in Manila, the Philippines, kept a diary of this PPI transaction. He wrote:

Sometime in April 1996, the World Bank broached the idea of organizing a trip to Buenos Aires. We had actually been thinking about this possibility from the very beginning of the transaction, but, with so many other things to take care of, it had never been actively pursued.

From all the reports we had received, the Buenos Aires transaction was highly successful. We thought that it would be great if key people involved in the MWSS privatization could actually meet people who had been involved in the Buenos Aires transaction.

When we decided on the composition of the contingent, we took a great risk. Aside from MWSS top and middle management, we decided to send members of Congress

and the labor union leaders. We were not really in control of what would happen in Buenos Aires, but we gambled that the trip would have a positive result.

In the end, the trip turned out to be highly successful. The contingent met with numerous officials and all of them were happy with the privatization. The happiest were the labor union leaders. Their counterparts in Buenos Aires explained that even if so many jobs were apparently lost with the privatization (due to retrenchment), all of those jobs and more were recovered in the private sector. The concessionaire generated a lot of new business, most of it for other companies in the private sector.

It seems this trip was key to securing labor's support of the privatization. They saw that the results in Buenos Aires were positive. They also saw that the MWSS privatization itself was transparent.

Source: Dumol 2000.

- Visits by ministers and key officials can also be important:

One of the most important things we did was to take a group, including three ministers, on a tour of other countries' privatization programs. It was not an easy trip, as the ministers were very demanding on protocol and status issues. Subsequently, however, decisionmaking was much faster, because the ministers had seen and heard the issues for themselves. They were also able to debate, question, and challenge proposals that came before the cabinet of ministers (adviser at a privatization agency in Asia).

- Media can be combined for greater impact.

Monitoring and Evaluation

Communications campaigns are intended to alter stakeholders' perceptions, so the implementing agency should check now and again to see what has been accomplished. This can allow the correc-

tion of misunderstandings before they emerge. The implementing agency therefore should plan to survey stakeholders periodically for changes in attitudes, actions, or intentions. Tools to assess them can include opinion polls, longitudinal surveys, and follow-up focus groups (with the same participants).

CONSULTATION

An effective way to communicate is to consult, but that is not the only reason for consultation. Consultation can also help improve the process and outcomes of work force restructuring.

Role of Consultation

As a two-way process, consultation:

- Offers a way to tap into the experience and knowledge of stakeholders in the design and implementation of labor restructuring proposals

Focus groups are good exploratory tools.

- Provides a source of information to tailor labor strategies more closely to prevailing circumstances
- Provides ideas about how to design the communications strategy, prepare for negotiations, and develop any cooperation projects that might be possible
- Adds legitimacy through involvement of stakeholders in decisions affecting their future.

Consultation should be undertaken with all key stakeholders. Consulting with trade unions has a particular facet, however: union opposition to PPI often has its basis in a belief that the unions are insufficiently consulted about PPI, or consulted too late when there are problems in the process (box 6.4).

Methods of Consultation

As well as one-to-one or small-group meetings, the principal tools that the implementing agency can use to consult are:

- **Focus groups**, which help the implementing agency to understand what people really

think; identify, explore, and design poll questions that matter to the audience; and estimate the intensity of feeling on a subject (which polls cannot gauge). Focus groups are relatively fast, cheap, easy, and reliable. The CD-ROM provides notes on how to undertake focus groups.



Notes on managing focus groups.

- **Opinion polls**, which offer evidence of stakeholder attitudes. To be statistically relevant, opinion polls require at least 1,000 respondents. Some PPI workplaces are not that large. Even when they are, a problem with polling is that the wrong question might be asked. You might find out that 86 percent favor one solution rather than another, but you might not find out that the best solution is a third one about which they have not been asked.
- **Policy papers**, which can take various forms and have narrow or wide audiences. A strategy paper for a cabinet or the council of ministers might seek approval from ministers. A draft policy statement or “white”

Box 6.4: Trade Unions and Consultation

The key issues and agenda for each union will vary, and can only be determined through a stakeholder analysis and through the process of engagement itself. Here, however, is what one global union federation with more than 20 million affiliated members in public services has commented, in general, on what unions want:

Politicians and public managers must be made to state clearly the goals of any particular privatization measure and show how it would achieve them. Trade unions have a right and a responsibility to ensure that those goals are in the public interest, to satisfy themselves that they will be achieved in ways that involve fair treatment of public employees, and to insist that alternatives to privatization and commercialization are fully explored. That is why they must insist on being consulted at every stage of the process and ensure that any changes in service and employment levels and conditions are negotiated (Public Services International 1997).

This statement encapsulates the key issues typically raised by trade unions and workers:

- Fair treatment for employees
- Negotiation rather than imposition of changes in employment numbers and conditions of service
- Consideration of alternatives to PPI—with no or limited private sector involvement
- Consultation with unions at every stage of the process
- Accountability and transparency of decision-making on PPI.

The relative importance of each of these issues will vary from country to country and among PPI plans. Some issues (such as fair treatment) are unexceptional, whereas others (consultation at all stages) may not be easy for government to agree with. Whatever the case, it is important that implementing agencies be prepared to discuss these issues with union leaders.

paper might put policy proposals into the public domain for wide debate, perhaps using Web sites.

- **Consultation frameworks and joint task teams**, which are institutional arrangements to facilitate consultation, debate, and discussion on labor adjustment issues. They can be sector based or national. For example, in the ports sector, task force or task team approaches have been established to provide a forum for government, port managers, port users, and workers' organizations to share views. (See an example from the Ghana port sector in box 6.5, and the Public-Private Infrastructure Advisory Facility [PPIAF] *Port Reform Toolkit*). Several countries also have long-standing institutional arrangements for consultation through tripartite forums of government, business, and labor.



PPIAF *Port Reform Toolkit*.

examples—good and bad—from different environments.

If consultation is meant to seek views about the *nature of the changes* to be made from a range of stakeholders, negotiation is intended to agree on the *terms of those changes* with the people directly affected by them. In practice, negotiation—as a specific form of engagement—will usually involve investors, workers and trade unions, and government.

For example, in the Buenos Aires water concession, the labor 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 (World Bank 2002).

Negotiation is a common feature of work force restructuring in infrastructure enterprises simply because the enterprises are usually large and the work force is generally organized. The employer–employee relationship between government and the work force provides the primary context for negotiation as a form of engagement. Key actors in the negotiations are therefore government and workers' representatives, although each party may enlist support (lawyers, advisers, nongovernmental organizations [NGOs]).

Joint task teams are a common institutional mechanism for enabling consultation.

Negotiation arises in work force restructuring as a result of the employer–employee relationship between government and the work force.

NEGOTIATION

Negotiating changes in work force numbers or conditions of service lies at the heart of the challenge facing the implementing agency. This section provides a framework for negotiations, and some

Box 6.5: Ghana Port Reform—Working Effectively with Unions

The Ghana Ports and Harbours Authority (GPHA) is to be converted into a “landlord” port authority whereas the private sector will participate in port operations, particularly container handling operations, dock yards management, sites maintenance, and services. A critical issue was overcoming the resistance to change from many of the stakeholders in the port industry. This was achieved through:

- Timely, proactive, and professional actions of the government of Ghana (particularly the initiatives of the minister of roads and transport) and the GPHA management
- Avoidance of any autocratic approach
- Adoption of a consultative, persuasive, and participative style, which has resulted in a very positive atmosphere among the port

community with regard to implementation of the port component of the GHATIG Project.

- Inclusion of representatives of the Maritime and Port Workers Union on the organizational restructuring and labor rationalization working team of the Project Implementation Committee and their attendance at its meetings on a regular basis.

There was public consultation through a national workshop on the acceptability of the government's policies about port reforms. The minister of roads and transport also made personal visits to the ports to speak and, more important, to listen to the port work force and the port labor unions.

Source: PPIAF 2001.

Negotiation is a central role of trade unions and can shape the nature of the engagement between organized labor and government.

Negotiation is important because of the financial consequences for all parties. As box 6.6 illustrates, an otherwise exemplary engagement strategy can lead to adverse consequences for government if the negotiation element goes awry (in that case, on pension matters).

The ability to negotiate through collective bargaining is central to unions. Most OECD countries permit and guarantee rights to collective bargaining and the freedom of workers to associate, but restrictions on these rights exist in a number of developing countries. Although the economic benefits of collective bargaining for workers and for enterprises are context specific and not very clear cut (Aidt and Tzannatos 2002), unions can play a

key role in achieving negotiated changes in work practices that are of mutual advantage and more sustainable.

The centrality of negotiations for unions has four practical implications for the implementing agency:

1. Unions might expect to be engaged in negotiation at times when the implementing agency might be using other forms of engagement (communication, consultation, or cooperation).
2. Attempts by government to diminish the opportunity for negotiated change are likely to be vigorously opposed.

Box 6.6: Engagement Strategies in the Privatization of Sri Lanka Telecom

Sri Lanka Telecom (SLT) was partially privatized in 1997 through the divestiture of 35 percent of shares plus management to a strategic investor—NTT of Japan. Issues of redundancy were considered explicitly from the time that privatization was envisaged in the sector. The sector was large, employing over 8,000 workers in the early 1990s. It was clear from the outset that worker support was essential if privatization was to be done smoothly, even though overstaffing was not a critical issue. Over a period of five years, from 1992 to 1997, various strategies were adopted to involve and increase worker awareness on preparations for privatization and the process itself.

A national steering committee was appointed to make high-level decisions and recommendations regarding the transaction while a Telecom Cell was created at the PERC (the privatization agency) to handle implementation of the transaction. The cell was meant also to interact with the 31 trade unions operating in SLT. However, for the purpose of closely interacting with the cell, the unions were represented as a “joint front” involving nine trade unions. Six union leaders already had been sent to visit privatized telecommunications companies in Chile and Mexico to familiarize themselves with the facilities available in those countries.

An independent consultancy group (the National Institute of Business Management, NIBM) was appointed to study labor issues relating to the reconstruction of SLT. A key finding by NIBM was that trade union leaders did not always voice the

opinion of the majority of workers. This suggested that the trade unions had to be contacted individually and the workers had to be addressed directly. Such dialogue was found to be much more productive than dialogues with the union leaders alone. In fact, certain trade unions with skilled workers (accountants, engineers) were strongly in favor of privatization, recognizing that it would lead to enhancing of company worth and career development opportunity.

An in-house magazine, *Amathuma*, was launched by a media subcommittee. SLT also conducted regional open house “awareness” forums at offices throughout the island, along with representatives from the Ministry of Posts and Telecom, PERC, and NIBM. Several media campaigns were also launched, addressing the need for restructuring SLT and the telecommunications sector.

All of this careful preparation led to the comparatively smooth transition of SLT from a government department to a privatized enterprise. No workers were retrenched during the process. The government, however, had to pay a high price for this relatively peaceful transition. The price was not just in the form of expenses incurred during the awareness campaigns, or in terms of airfares for the unionists. The principal expense came in handling the negotiations that arose with regard to pensions, with the outcome leaving the government with substantial pension commitments to several hundred telecom workers for several decades hence.

Source: Salih 2000.

3. Negotiation processes (that is, those that reach a mutually agreed outcome) may widen the scope of discussion to matters beyond the original ones. This means that work force negotiations may start with a limited discussion of the number of surplus workers but quickly expand to cover all aspects of work force restructuring—selection processes, redeployment options, treatment of pensions, terms and conditions of transfer, and employment guarantees.
4. The process of negotiation may be widened even further. Trade unions (and others opposed to PPI) may challenge the government and the implementing agency on policy, financial, or social grounds. If the rationale for PPI is not well communicated, or if there are flaws in the process, these issues too may be brought to the work force restructuring negotiations. An example is the restructuring of South Africa’s transport rail (Spoornet) networks, during which consultations and negotiations took place through a joint task team. The trade union team emphasized the importance for the union (SATAWU) of widening the debate (see box 6.7), and both parties found the

process demanding of time and resources (see box 6.8).

In an ideal world, everybody would gain all the time from effective negotiations among PPI stakeholders, but in the real world, although win–win situations often arise, just as often tradeoffs have to be made and competing interests have to be balanced.

The implementing agency must expect that the scope of negotiations will widen.

Steps in Negotiations

There is no easy recipe for negotiations, but clarity of the objective (a successful PPI) and good preparation will always be needed. At its simplest, negotiation requires four steps:

1. Making preparations
2. Identifying and discussing potential areas of negotiation
3. Proposing and bargaining
4. Closing.

Step 1: Making Preparations

Preparation is essential. Working with other government stakeholders, the implementing agency must:

Box 6.7: South Africa Rail Restructuring—Widening the Negotiation

“Last year government announced its plan to break Spoornet [the state-owned rail enterprise] into separate businesses and concession them to the private sector. This year, after more than six months engagement with labour, government has accepted that this plan makes no developmental, business or financial sense. What persuaded government to change its view? Why did it adopt such a flawed plan in the first place? The first important point is that SATAWU [South Africa’s transport workers’ union] successfully used Parliament and the press, as well as mass action and a march to the Minister of Transport’s office, to put pressure on government to engage in serious and meaningful consultation. The trade union movement can draw several lessons from this experience. Firstly, engaging with government requires a large commitment of time and resources—in this case the SATAWU policy officer [and two researchers] working between half and

full-time for more than six months. Secondly, the labour team focused on issues of socio-economic development and sustainability, rather than simply negotiating over job loss. Thirdly, management was a crucial party to the process, since only management can generate the detailed financial and business information that is necessary for a proper assessment of restructuring proposals. Fourthly, labour has to take responsibility for managing the process of engagement, as the DPE [Department of Public Enterprises, responsible for the management and restructuring of state enterprises] lacks the skills of stakeholder consultation. Finally, government was not monolithic. Fortunately, management was totally opposed to government’s plan, and there were officials both within DPE and in other departments, and ministers, sufficiently committed to socio-economic development to change their minds on the basis of the evidence” (Von Holdt 2001, pp. 2–4).

Preparation is essential before entering into negotiations.

Box 6.8: South Africa Transport Sector Negotiations—A “Long and Arduous” Process

“**T**ransnet [a public sector holding company for transport enterprises] has finalized its social plan agreement with organized labour. This process has been long and arduous, stretching over 2 years with no less than 30 meetings of negotiation to reach agreement. Spoornet itself has been dealt with separately, given the major concerns that exist there. Thus, a joint Government/Labour task team on Spoornet was established and so far has had 10 meetings that have resulted in the presentation to the principals of a final report. However, a further technical working group has been established to review the end-state model for Spoornet restructuring, and this group has met at least 12 times so far, but is yet to complete its work.”

Source: Department of Public Enterprises, South Africa (www.dpe.gov.za/docs/policy/restructuring.html).

- Reconfirm overall objectives—expressed in terms of the overall PPI project, as well as work force restructuring.
- Define government interests and attempt to predict those of the other parties (drawing on the findings of earlier stakeholder analysis).
- Identify the best solution that could be achieved for government *without negotiating*, and identify possible outcomes that could meet the needs of government and the other parties.
- Decide which overall outcomes are fixed (absolutely nonnegotiable), and which have some scope for variation.
- Consider likely scenarios and outcomes from the negotiations (“what if...?”) and estimate cost impacts where possible. The implementing agency may also need to balance between the need to maintain levels of infrastructure service (adversarial negotiations that lead to strikes and disruption of essential services are undesirable for both political leaders and the economy) and the

need to avoid “giving away” improved conditions of service while the company is in the public sector because overly generous conditions can frighten off investors at the time of the PPI transaction.

- Have a full understanding of the detail of legislation and labor contracts likely to affect negotiations. In many countries, collective bargaining rights and procedures are prescribed in legislation, while labor agreements also cover them. (See module 4.) So a first step is to establish the legal and contractual situation. Where negotiation procedures are not set out in labor contracts, a preliminary step is to discuss and share the details of the negotiating process, including its logistics, participants, and overall timetable. Third-party mediation and arbitration bodies may also have a role (see the CD-ROM for comments from one such body).



Notes on arbitration and labor conflict prevention.

Step 2: Discussing Potential Areas of Negotiation

During this stage both sides set out what outcomes they are looking for. The discussion stage of negotiations contains significant exchange of messages and information about the wants and needs of each party. It is important not to close this out too soon, or to “box in” the other party, because the other party has little or no room for making concessions and effectively is forced out of the negotiations before moving to the next step—proposing and bargaining.

Table 6.4 provides a checklist for implementing agencies that suggests possible negotiating issues between labor and government, setting out labor’s possible concerns and potential bargaining incentives and the outcomes that may be mutually beneficial. Although it is not an exhaustive checklist because every circumstance will bring out different issues, it can be used as a starting point and a framework for identify-

ing areas of potential negotiation, building on step 1.

This stage is also important in creating the right climate for discussion. The aim of the implementing agency should be to engender a tension-free atmosphere where mutual trust and confidence can be developed.

It is during this stage that personal negotiation skills are most important. Key elements are clear communication, active listening, a willingness to separate the people and personalities from the subject of the negotiation, and a desire to look for outcomes that can satisfy the interests of all parties (even though they cannot always be found).

There may be a number of negotiations going on in parallel for different subsectors or issues (perhaps pensions or legislative change) or for different

Step 3: Proposing and Bargaining

Table 6.4: A Checklist for Negotiations with Labor

Issue	Labor concern	Potential bargaining areas	Possible outcomes or agreements
Staff reduction to meet competitiveness benchmarks	<ul style="list-style-type: none"> • Job protection • Loss of competitiveness through loss of vital skills • Loss of institutional knowledge and memory • Fair process and avoidance of union victimization • Compensation 	<ul style="list-style-type: none"> • Enhanced employment security for remaining work force • Improved dialogue • Alternatives to retrenchments • Consistent and transparent selection criteria • Severance terms, including retraining, job-search assistance, and a retrenchment package 	<ul style="list-style-type: none"> • Costs savings used for capital and equipment • Investment to increase labor productivity • Sequenced employment reduction timetable • New job evaluation, career development, and pay system • Hierarchy of reduction mechanisms: attrition, soft options volunteers before compulsion • Mutually agreed severance processes, terms, and selection procedures
Introduction of flexible work practices instead of rigid work rules	<ul style="list-style-type: none"> • Intensification of work • Health and safety • Too much discretion rests with management 	<ul style="list-style-type: none"> • Training in new ways of working and skills • Enhanced employability and job satisfaction • Team-based flexibility and worker empowerment 	<ul style="list-style-type: none"> • Training courses for flexible work and multi-skilling of the work force • New rules for labor deployment and organization
Improvement in labor productivity	<ul style="list-style-type: none"> • Sharing benefits of productivity • Unfair measurement methods • Further job loss 	<ul style="list-style-type: none"> • Gain-sharing plan • Worker involvement in job redesign and measurement criteria • Enhanced employment security through success 	<ul style="list-style-type: none"> • Performance/bonus scheme, with clear criteria and protected budget • Forums for worker involvement • Employment protection
Merit-based recruitment	<ul style="list-style-type: none"> • Fair and transparent process 	<ul style="list-style-type: none"> • End to patronage and favoritism 	<ul style="list-style-type: none"> • Recruitment and selection procedures

(Table continues on the following page.)

Table 6.4 (continued)

Issue	Labor concern	Potential bargaining areas	Possible outcomes or agreements
Flatter hierarchy	<ul style="list-style-type: none"> • Equal opportunities (gender, ethnic group) • Loss of middle-management jobs • More work and responsibility • Inadequate supervision and support 	<ul style="list-style-type: none"> • Negotiated, objective selection criteria • Targeted severance support for middle managers • More responsive management–frontline communications • Increased pay for increased responsibilities 	<ul style="list-style-type: none"> • Equal opportunities procedures • Middle-management severance package covering pension, retraining, and redeployment • New hierarchical structure and communications procedure • Job evaluation, career development, and new grading structure
Change in skills mix	<ul style="list-style-type: none"> • Impact on redundant workers • Evidence base for skills-mix decisions 	<ul style="list-style-type: none"> • Training in new skills • Rewards for gaining qualifications • Support for redundant workers • Enhanced employability 	<ul style="list-style-type: none"> • Skills and qualifications audit • Job evaluation and new career development program • Training courses, access rights, and budgets • Dialogue arrangements
Market-oriented pay structure	<ul style="list-style-type: none"> • Loss of collective bargaining • Equal pay for work of equal value • Protection for low-skilled workers • Widening differentials 	<ul style="list-style-type: none"> • Access to training, rewards for gaining skills and qualifications • Transparent pay determination criteria • System for reviewing effects of restructuring 	<ul style="list-style-type: none"> • New pay, grading, job evaluation, and career development system • Improved skills mix • Equal opportunities
Reduction of nonwage labor costs	<ul style="list-style-type: none"> • Loss of pension rights • Loss of social benefits • Loss of custom and practice benefits 	<ul style="list-style-type: none"> • Putting retirement benefits on sustainable footing • Improved quality of remaining benefits • Compensation for lost benefits 	<ul style="list-style-type: none"> • New pension arrangements • Assurance of future benefits • Buyout of lost benefits • Stronger governance of pension funds
Managers' right to manage (and discipline) the work force	<ul style="list-style-type: none"> • Fairness and transparency • Protection against injustice 	<ul style="list-style-type: none"> • Shared benefits of improved discipline • Disciplinary rules linked to grievance rules 	<ul style="list-style-type: none"> • Disciplinary and grievance procedure • Revision procedures
More efficient use of company resources	<ul style="list-style-type: none"> • Nonsocial working hours • Health and safety 	<ul style="list-style-type: none"> • Independent health and safety reviews • Rewards for shift work 	<ul style="list-style-type: none"> • Working hours and shift patterns/premiums • Review procedures
Changed relationships with unions	<ul style="list-style-type: none"> • Loss of power to protect members • Loss of facilities for officials 	<ul style="list-style-type: none"> • Clarity of procedures • More effective bargaining system 	<ul style="list-style-type: none"> • Recognition and representation criteria • Bargaining procedures and facilities

operating divisions. The implementing agency will then need to ensure coordination among all these aspects. The example from South Africa (box 6.8) again illustrates this point.

Step 4: Closing

When agreement has been achieved, it is important to be sure that it can actually be implemented by all parties. The agreement needs to be put in writing, but rushing to signature may be inappropriate. Usually each party will have to ratify the agreement: workers' representatives need to gain agreement from the work force, and the implementing agency may need approval of the privatization agency, ministers, or the head of state.

COOPERATION

Where circumstances are favorable, effective communication strategies, consultation exercises, and negotiation processes can lead to deeper forms of engagement in which stakeholders actively participate in the design and implementation of PPI and labor adjustment programs.

Cooperation in Practice

Consultation and negotiation with labor can lead into more active forms of participation in the design and implementation of programs to deal with labor issues. These more cooperative forms of engagement are based on a win-win philosophy whereby most stakeholders obtain mutual benefits, as illustrated in box 6.9.

Cooperative approaches to engagement during work force restructuring have parallels with the concept of “social dialogue.” That concept implies going beyond the traditional forms of collective bargaining to a continuous process of engagement among the social partners—government, business, labor, and (in some circumstances) other civil society interests. Social dialogue aims to build an environment in which engagement with labor can

Box 6.9: From Confrontation to Cooperation in Indianapolis

When the U.S. city of Indianapolis, Indiana, decided to invite the private sector to bid to run most of its services, the city's workers, organized in the American Federation of State, Country and Municipal Employees, planned to resist the plans, with militant action if necessary. The union also proposed an alternative based on the idea that if the workers were given a fair shot at putting into practice their own ideas about how to improve services while spending public money less wastefully, they could compete with the private contractors and win.

The city's mayor, Stephen Goldsmith, was skeptical at first but decided that the workers had valuable knowledge they could contribute to the PPI process. As a result, the workers were involved through their union in designing the competitive bidding program, improving their own efficiency, and competing with private companies. A great deal of restructuring was required, and the city established a labor pool to which surplus workers were transferred and from which other departments of the city and private employers could recruit. Training was provided for these workers.

Indianapolis succeeded by this route in reducing its annual budget by \$12 million and services have improved so much that the city and the workers' union were jointly awarded an Innovations in American Government Award by the Ford Foundation and the John F. Kennedy School of Government at Harvard University. Workers' earnings have greatly increased because of a gain-sharing agreement under which workers are awarded 25 percent of the savings their efforts achieve below already reduced budgets.

Source: Martin 2004 (forthcoming).

bring sustainable gains to both sides within a long-term perspective, and has been defined by the ILO as “all types of negotiation, consultation or simply the exchange of information, between and among representatives of governments, employers and workers, on issues of common interest relating to economic and social policy.”

Cooperation is a win-win approach.

Social dialogue encompasses all aspects of economic and social policy.

Cooperation is most appropriate in four circumstances.

Social dialogue is seen not as single event but a continuous process of consultation, negotiation, or both, among employers (public and private) and workers' representatives, which does not end when the PPI is implemented. The process may be time consuming and long, but it is rewarded by sustainable results and ownership of all stakeholders in the decisions made.

Circumstances that Suit Cooperation

The nature of cooperation will vary greatly according to circumstances. Cooperation is, however, likely to be most appropriate in any of four circumstances:

1. **Where large-scale, fundamental restructuring of a sector critical to economic development is foreseen:** Here the agenda is not simply downsizing, but more a question of sector reform. Where it is clear from past history that this restructuring—including PPI and work force restructuring—will be complex and protracted, then cooperation may be more likely to lead to success than relying only on other less participatory forms of engagement. It may take much longer, however (see box 6.8).
2. **Where private participation and labor adjustment are deeply opposed, perhaps by a strong and powerfully organized work force with public support:** In this case, cooperation is the only way forward and government has fewer choices. Attempts at overt coercion by government may lead to vigorous industrial action, disruption of infrastructure services, and discredit to PPI as a whole
3. **Where there are acute social challenges:** For example, if PPI involves drastic job losses in monoindustrial towns (some port or railway towns, mining towns), with few alternative employment options, then community-based redeployment measures are likely to be needed (as discussed earlier). In such circum-

stances, participative and cooperative approaches among government, local government, municipalities, enterprises, trade unions, and other NGOs are likely to be needed.

4. **Where there is a strong political consensus in favor of inclusive processes and social dialogue:** South Africa is one example of a country where government has established formal frameworks for the participation of trade unions and workers' organizations in policy formulation and implementation on PPI and enterprise restructuring.

If cooperation is about mutual advantage and win-win relationships, why is cooperation not always the norm, and why do tough negotiations or strikes occur? Circumstances vary greatly, but three points can be made:

1. **In practice, consultation and negotiation usually work.** Engagements that lead to mutually successful negotiations are in fact more common than one expects at first sight. High-profile industrial disputes catch the attention of the media, but overlook the many more disputes that are resolved through negotiation, arbitration, and other mechanisms. This should give the implementing agency some confidence—engagement usually has positive, not negative, outcomes.
2. **Parties may misjudge one another's position (information asymmetry).** Government, workers, unions, and other parties may each lack complete information. One party may misjudge another's position, and it is only later that each becomes aware that the other party did indeed mean what it had said. For the implementing agency, this reinforces the need to prepare well for negotiations and, at the outset, to ensure that the messages and rationale for PPI and work force restructuring are well made and well communicated.
3. **Negotiating credibility must be demonstrated occasionally.** If government is to be

credible in undertaking reform, or if a trade union is to be credible to its membership, from time to time each may have to demonstrate that credibility. Resolving an acrimonious strike can be portrayed as a success for both parties if each audience believes that the credibility of its “side” has been enhanced. The strike can earn one or both parties the right to a fair hearing for several years because the threat of action has become more credible. The implementing agency has limited options here. If government (or labor) has decided that such a strong demonstration of credibility is needed, then all that can be done is to manage the situation by (a) continuing to communicate accurate, honest information to all stakeholders to reduce any information asymmetry; (b) taking steps to reduce adverse impacts of strikes or other industrial action on the public, consumers, and business users of infrastructure services (for example, by stockpiling fuel reserves for power stations, contracting for substitute transport services, using new modes and routes of transshipment, and emergency liberalization of services to private operators); and, perhaps more important, (c) keeping the channels for discussion and debate open so that engagement is facilitated when it is (sooner or later) resumed.



Tools (on the CD-ROM)

Terms of reference for stakeholder analysis

Stakeholder analysis worksheets

Checklist of communication costs items

Do's and don'ts of communicating with workers

Working with opinion polls and focus groups

Making short films for worker communication—a practitioner's view

Notes on arbitration and prevention of labor conflict



Additional material (on the CD-ROM)

Cabanero-Verzosa, Cecilia, and Paul Mitchell. 2002. “Communicating Economic Reform.” Development Communications Division. World Bank, Washington, D.C.

World Bank. 2002. *Public Communications Programs for Privatization: A Tool Kit for Task Team Leaders and Clients*. Washington, D.C.



Web sites

ACAS (Arbitration and Conciliation Advisory Service): www.acas.org.uk. (Site offers downloads on handling redundancy and labor relations.)

ILO International Training Centre: www.itcilo.it. (Site offers courses on social dialogue.)

PPIAF *Port Reform Tool Kit*: www.ppiaf.org. (Module 7 addresses engagement and labor issues.)

Some international trade union organizations:

- ICFTU (International Confederation of Free Trade Unions): www.icftu.org.
- World Confederation of Labor: www.cmtg-wcl.org.
- International Transport Workers' Federation: www.itf.org.uk.
- Public Services International: www.world-psi.org.
- Union Network International (telecommunications sector): www.union-network.org.
- International Federation of Chemical, Energy, Mine and General Workers' Unions: www.icem.org.
- Trade Union Advisory Committee to the OECD: www.tuac.org.



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