



Strategies for Policy Reform

Experiences from Around the World



CIPE



Center for International Private Enterprise

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The Center for International Private Enterprise is a non-profit affiliate of the U.S. Chamber of Commerce and one of the four core institutes of the National Endowment for Democracy. CIPE has supported more than 1,000 local initiatives in over 100 developing countries, involving the private sector in policy advocacy and institutional reform, improving governance, and building understanding of market-based democratic systems. CIPE provides management assistance, practical experience, and financial support to local organizations to strengthen their capacity to implement democratic and economic reforms. CIPE programs are also supported through the United States Agency for International Development.

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This book was made possible by funding from the National Endowment for Democracy.

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The programs described in this book were funded by the following organizations. CIPE gratefully acknowledges their support.

National Endowment for Democracy
United States Agency for International Development
Middle East Partnership Initiative

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Introduction

Strategies for Reform

Across the world, hundreds of organizations have led the transformation of their countries by promoting a strong private sector, free market economies, and democratic policymaking. In the emerging markets countries of Asia, Europe, Latin America, and Africa, their carefully targeted strategies have built the momentum needed to make the economy competitive, expand opportunity, and give citizens a voice in policymaking. These programs have defended freedoms, strengthened civil society, broadened debate, and built consensus for reform. Their accomplishments give hope to reformers elsewhere and illuminate paths to a better future.

This book presents case studies of effective, innovative reform programs designed and implemented by business associations, think tanks, and other independent organizations in partnership with the Center for International Private Enterprise (CIPE). These programs have improved democratic governance and the business climate to deliver tangible benefits to citizens. They are all founded on the conviction that progress requires freedom and that the private sector must lead the way in creating institutional change to expand freedom.

Each chapter in this book illustrates an important theme in the development of democratic, free market societies. Whether you are interested in better governance, legal reform, greater opportunity for excluded groups, or fighting corruption, you will find relevant strategies tested by diverse organizations. Nearly all of the strategies involve elements of policy advocacy and private

sector participation; however, the details of the various programs reflect remarkable creativity and practicality.

As these cases attest, reform can be accomplished in many different ways. No country has the exact same problems as another, and no organization has the exact same resources, talents, and mission as another. Reform efforts are most effective when tailored to the needs and strengths of a country and an organization. Consider strategies that have been proven successful in other countries and adapt them to your specific situation.

Select the themes that are most interesting and relevant to you. Which themes reflect the priority needs in your country? Determine which strategies make sense in your cultural, business, and policy setting. Explore new ideas to expand private sector participation, communicate your message, and get the attention of policymakers. Choose and adapt approaches that might work for you.

Carefully selected, realistic reform strategies can pave the way for the development of prosperous, democratic societies. I hope this book may inspire and inform your work ahead.

John D. Sullivan

Executive Director

Center for International Private Enterprise

CIPE and Partnerships for Reform

CIPE supports reformers around the world who are advancing the cause of political and economic freedom. These reformers are emerging as strong, independent voices of the private sector seeking to build prosperous, free societies. CIPE's proven advocacy strategies and capacity-building programs have allowed its partners to successfully influence economic policy, improve the environment for business and job growth, and express the views and interests of their grassroots memberships.

CIPE embraces partnerships as the key to building up business organizations and civil society. The partnership approach gives local organizations ownership of their programs and leads to sustainability. Typically, partners identify their country's needs and formulate solutions. CIPE transfers technical and managerial capabilities to the partner organization and shares powerful international reform practices. Thanks to CIPE's reform network and more than two decades of experience, partners can compare and test their ideas against programs that have been applied to similar situations in other emerging markets countries. This book is part of CIPE's ongoing initiative to facilitate the sharing of this knowledge.

If you are looking for an international partner, CIPE welcomes original proposals that address policy reform and expand opportunity for grassroots constituencies. Whether you're looking for strategies to communicate your message, advice on program development, strategic planning for your organization, or connection to an international network of ideas and expertise, CIPE has something to offer. Learn more about strategies for democratic, market-oriented reform at www.cipe.org.

Results of Policy Advocacy by CIPE and Its Local Partners

Africa

- An independent radio program in Ethiopia provided alternative viewpoints on the economy and initiated public-private dialogue.
- The National Call to Action of Malawi businesswomen played a pioneering role in defining the private sector for policymakers.

Asia

- Twenty-four city mayors and numerous civil society organizations across the Philippines publicly committed to improving democratic governance in measurable ways.
- Seventy-nine development finance institutions throughout Asia and the Pacific implemented corporate governance policies and practices.

Central and Eastern Europe

- A Bulgarian think tank brought anti-corruption to the forefront of the policy agenda; administrative corruption was slashed in half.
- The first coalition of women's business associations in Romania participated in high-level policymaking.
- Romania's innovative Advocacy Academy professionalized the practice of advocacy and facilitated transparent public hearings.

Eurasia

- Government agencies in Georgia were pressed to implement sections of the administrative code that guarantee transparency.
- Business communities in eight Russian regions took action to protect entrepreneurs' rights and achieved reforms in licensing, inspections, and other areas to help small businesses.

Latin America and the Caribbean

- Colombia's Procurement Law fought corruption by using private sector recommendations that enhance competitiveness and transparency in public procurement.
- A think tank in the Dominican Republic weakened the monopoly of the executive branch over legislation by providing legislators with information and analysis.
- Hernando de Soto changed the world's understanding of informal economic activity; 300,000 small enterprises were integrated into Peru's formal economy.
- The first policy dialogues between informal sector associations and local authorities in Venezuela raised informality to a national policy priority.

Middle East/North Africa

- The young Afghanistan International Chamber of Commerce grew to become Afghanistan's premier advocacy organization.
- The first national corporate governance code in the world to be written entirely in Arabic was created for Egypt.
- Egyptian writers and intellectuals issued a call for constitutional reform and broadened the political debate.
- All of Iraq's major political parties came together for the first time to discuss the economic future of Iraq and build economic policy platforms.

CIPE's Services

CIPE works closely with local private sector partners to build the civic institutions vital to a democratic society. In particular, CIPE offers guidance in the following areas:

- Strategic planning
- Program development
- Advocacy training and resources
- Organizational development, including membership development, financial planning, and governance
- Professional development
- Financial assistance through project grants
- Technical assistance
- International experience

Democratic Governance

Good governance enables people to shape their own destinies and improve their lives. Democratic governance requires that government is responsive to public needs and demands and that it can be held accountable. In addition to legislating policies that address public concerns, the government must follow through on its commitments. Proper follow-through depends on an administration that is capable of implementing its policies, and on mechanisms by which the public can hold the government accountable. Good governance is further marked by predictable rules and laws, fair enforcement, and ongoing policy improvement through public-private dialogue.

Georgia's Administrative Code provides a classic example of a well-designed law that was weakly implemented. Through the efforts of the Partnership for Social Initiative, government agencies were pressed to implement sections of the code that guaranteed transparency. In the Philippines, the Institute for Solidarity in Asia has brought together civil society groups and local officials to set a new standard for governance. The civil society groups and local officials make measurable public commitments, which provide a basis for tracking the performance of city administrations. CIPE's Romania office nurtured the formation of an indigenous Advocacy Academy to professionalize the practice of advocacy in Romania. The academy has organized public hearings on proposed legislation to facilitate debate and the incorporation of different perspectives.

Promoting Government Accountability and Social Participation

In the mid-1990s, most private businesspeople in Georgia felt that they were caught in a “no-man’s land” between the command economy and a market economy. The Georgian Parliament passed 700 new pieces of legislation over five years to help create the legal framework for a market economy. Yet the legal transition was hampered by a lack of mechanisms for effective implementation, administrative lethargy, and contradictions among the different laws.

In a move toward greater reform, Parliament adopted the General Administrative Code in July 1999 – legislation that aimed to “ensure respect by administrative bodies for human rights and freedoms, public interests, and rule of law.” The code outlined extensive freedom of information provisions, including a process to seek information from government agencies, and laid out regulations to ensure transparency of public agency meetings.

The adoption of this legislation was an important step toward creating a balance between social and state responsibility. The code not only ensures Georgian citizens the opportunity to participate in the decision-making process, but also allows for the promotion of transparency, increased accountability in the work of the government, and a reduction of corruption. From an institutional point of view, and in all sectors of society, the Administrative Code is critical to strengthening democracy and freedom in Georgia.

Although enacting the code was in itself an important step toward reform in Georgia, its implementation was slow and ineffective. Few parts of the executive branch of the government followed its requirements, thus handicapping the effectiveness of the law. At the same time, civil society organizations, the media, and the business community lacked awareness of the code and

its components, and furthermore had mistrusted the government ever since Communist rule.

Creating Business Opportunities through Enforcement

The proper implementation of the code was especially important for the business community. Were the code to be enforced consistently, it would enable businesses to work more effectively and would reduce the administrative barriers that hindered the transition from the informal sector to the formal. The potential for enhancing the overall business environment meant the business community had a strong interest in ensuring implementation and enforcement of the code.

The Partnership for Social Initiative (PSI), a non-governmental think tank in Georgia that was established soon after the code was adopted, took the lead in monitoring the proper enforcement of the code. PSI partnered with the Center for International Private Enterprise (CIPE) on a project that aimed to demonstrate how the rule of law contributes to a democratic society. By building a coalition of business and professional associations and other non-governmental organizations to generate public support for the enforcement process, PSI sought to ensure a better climate for cooperation between the business community, members of parliament, and the government.

CIPE worked closely with PSI to relay the importance of public involvement in the decision-making process for democratic governance to take root. CIPE equipped PSI with best practices in coalition building and advocacy based on practical case studies shared by CIPE's network of partners around the world.

Government agencies were pressed to implement sections of Georgia's Administrative Code that guaranteed transparency. Civil society and the business community are now more equal participants in the decision-making process of public institutions.

Identifying and Overcoming Challenges

PSI chose to use a two-stage approach to examining the code. It first composed a project working group, which, together

with expert lawyers and sociologists, conducted research and analysis of each chapter of the code to reveal contradictions, imperfections, and vague articles. Second, the working group conducted a number of survey polls among private entrepreneurs and other professionals to determine what problems had emerged during the code's implementation and to gain an understanding of how they could be solved.

PSI's analysis revealed that the code is a high-quality legal document and that, if fully enforced, it can ensure the transparency of administrative bodies and promote the participation of society in governmental and regulatory decision making. Further investigation revealed, however, that a number of the code's provisions were never applied in accordance with the law – due to the meager financing of administrative bodies, improper internal management, and the perception that under present conditions, public officials could not be held responsible for ignoring the legislation.

In order to gauge the opinions and experiences of a broad sector of Georgian society, PSI distributed questionnaires within the business community and advertised its survey in newspapers, association newsletters, and on state television. The goal of this process was to determine the extent to which government agencies complied with the code and the possible action by the courts or oversight agencies when the government failed to adhere to the rules. These surveys of business and civil society groups identified concrete experiences and outlined specific problems encountered when attempting to use the code. For example, in 20 percent of the cases reported, government agencies failed to respond to information requests and only responded when PSI sent them an “administrative warning.” When the Ministry of Finance did not respond to a warning, PSI filed a suit against the ministry. This suit demonstrated that the code is enforceable and that requests for information can and must be satisfied.

The survey found that 24 percent of entrepreneurs knew nothing about the Administrative Code, that small businesses had to attain information through acquaintances or bribes, and that small businesses did not make an effort to participate in the

preparation of administrative acts. Based on these findings, PSI resolved to raise awareness among the business community and the population regarding the contents of the code and the rights it is designed to secure. In order to educate businesses and the public about their rights to receive information from government agencies, PSI published a booklet, “Business Monitoring of Implementation of the General Administrative Code,” in May 2002. The booklet provided a legal analysis of the various components of the Administrative Code as well as the results of the survey.

PSI also organized an advocacy coalition of 70 business and non-governmental organization representatives who expressed an interest in the Administrative Code or who were in a position to contribute to the monitoring and advocacy activities of the project. Among other benefits, coalition members received training in how the code applied to their work. This knowledge has advanced coalition members’ business interests and has also served as a platform to build strong relationships between members in order to promote mutual interests. The project as a whole brought together a large group of stakeholders from a wide spectrum of Georgian society. It was also the first non-governmental coalition in Georgia that included stakeholders beyond NGO representatives.

PSI demonstrated that the Administrative Code is enforceable and that requests for information can and must be satisfied.

Measures of Success

PSI’s tenure has been marked by a number of achievements. Prior to PSI’s activism, for example, state procurements in Georgia were an important source of income for many businesses while at the same time the business community had no role in assessing or considering tenders. Equally unsettling was that the procurement process was undermined by corruption. When a fund of the Ministry of Health, Labor, and Social Protection announced it would be accepting bids in order to select a bank that would distribute pensions across Georgia, the Association of Banks of Georgia (ABG) requested to join the decision-making commission. PSI and the coalition launched an advocacy

campaign to ensure ABG was included as a member of the commission. The campaign was successful and marked the first time a business association was permitted to participate at such a high level of decision making.

The PSI coalition also played an active role in developing Georgia's national Poverty Reduction and Economic Growth Program. Exercising the rights provided by the Administrative Code, the coalition gained access to the information on the structure of the draft document and program indicators that were being used to write the document. As a result of another advocacy campaign, the director of PSI's Center for Social Welfare was appointed by the government as an expert in the planning process.

PSI has broken ground in making civil society and the business community more equal participants in the decision-making process of public institutions, and has increased awareness in government circles about public concerns for better access to information through the Administrative Code. There have been fundamental cultural changes in the relationship between the public and private sectors, only possible because of the Administrative Code and PSI's continued advocacy for better implementation.

The activities described in this case study were funded by the National Endowment for Democracy.

Source

Elena Suhir, "Building Partnerships in the Republic of Georgia: Tracking the Administrative Code," *Economic Reform Feature Service* (Oct. 21, 2002).

Institutionalizing Democratic Reform

The Philippines has struggled in the last few decades to establish a democracy capable of addressing the needs of all levels of society. Reforms must strengthen the institutions of government and address inadequacies in business and social sectors in order to build a more representative public governance system. In the words of Dr. Jesus Estanislao, head of the Institute for Solidarity in Asia (ISA), in the Philippines “good governance is an oft-repeated aspiration; it is as though it were the silver lining in the dark clouds that almost permanently hover over our skies. The challenge is clear – develop good governance mechanisms in a democracy with weak governance institutions.” In an effort to initiate change in the system of governance, ISA designed and implemented a program that brought together public officials and civil society groups in order to improve governance on a local level.

ISA decided to target local governance because of the increasing strategic importance of cities in the Philippines. More than half of the Philippine population now lives in 116 cities scattered across the country. Moreover, citizens are usually more actively involved in the decision-making process at the local level compared to the national level. Thus, building on citizen participation in the cities would have wider benefits for any process aimed at improving public governance.

ISA describes governance as a partnership between the governors and the governed. In the view of ISA, ordinary citizens must play a participatory role to ensure effective governance. At the same time, there is a need for a system to translate the visions and aspirations of public officials, responsible citizens, and community leaders into measurable commitments and initiatives. It was the development of such a system that inspired ISA's work.

Constructing a Charter and Roadmap

In cooperation with the Center for International Private Enterprise (CIPE) since 2004, ISA began to introduce its innovative Public Governance System (PGS) in the Philippines. The PGS is based on the balanced scorecard, a business measurement and management system developed at the Harvard Business School. Participating mayors are nominated by their peers from other cities based on their competence and commitment to development. CIPE arranged for a delegation from ISA to visit cities in the United States such as Charlotte, North Carolina, and Austin, Texas, to observe how these cities have successfully implemented balanced scorecards to improve municipal performance.

The PGS process starts with coalitions of civil society groups that present municipal governments with a Charter Statement for the city. These resolutions demonstrate the commitment by a city's civil society organizations to better governance through the PGS process. The commitment to good governance among elected officials and citizen coalitions is later assessed through this charter.

ISA brought together civil society groups and 24 mayors to set a new standard for governance. Its Public Governance System provides a basis for tracking the performance of city administrations.

After the charter has been presented, an ISA advisory team conducts a working session on public governance systems in the city, bringing together civil society groups and public officials.

During the session, participants create concrete policy measures, targets, and specific initiatives to meet the objectives outlined in the charter. The act of publicly recognizing strategies for good governance and committing to meet the goals outlined in the charter brings accountability to this process.

The result of this effort is a City Governance Roadmap. City administrators are put through an orientation program in which city administrators, city planning officers, and sector leaders (from business, labor, civic and professional organizations, youth, and academia) produce individual Governance Roadmaps. Each one

of these roadmaps articulates the vision, mission, and core values of the city. It also outlines the strategic objectives, measures, targets, and commitments that city officials and sectoral leaders have made to implement their objectives.

Throughout this process, success is measured against specific targets, making it possible to track on scorecards the progress being made. The scorecards assign the distribution of responsibilities. The mayor of a city, each department of City Hall, and the major civic sectors all have their own scorecards. Each scorecard measures actual performance against commitments, allowing the city to track the specific groups' implementation of the governance roadmap and evaluate the effectiveness of each group's programs. Monitoring teams – composed of ISA staff and mayors and administrators from other cities – visit participating cities to evaluate implementation of the roadmaps every year.

Momentum for Change in Governance

This ongoing project has succeeded in uniting disparate groups in the Philippines in order to promote good governance. At the end of 2006, 24 cities had already adopted the PGS. Mayors and sector leaders of several more cities have committed to institutionalizing the system. This momentum for change has resulted in the creation of a National Governance Roadmap. The coalition that created this national roadmap was the first step in the Philippines 2030 Project, which addresses public governance at the national level.

Eight of the PGS cities showcased their progress at a national conference in August 2006, where CIPE Chairman Gregori Lebedev applauded ISA for constructing a network of citizens working together for good governance, equal opportunity, and the rule of law. Dr. Estanislao already sees changes in the cities where the PGS has been implemented. In these cities, “good governance is being complemented by responsible citizenship. Rights are being complemented by duties. Freedom is being complemented by responsibilities. Bells are being rung for integrity, discipline, sustainability, openness, team work, and flexibility.”

The activities described in this case study were funded by the National Endowment for Democracy.

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Sustaining Policy Reform

by Cristina Grecu

Throughout Romania's first decade of political and economic transition, the government paid little attention to the needs of the private sector. Although private enterprise became legal in 1990, corruption, weak market institutions, and a lack of information hindered growth. Because the government favored established interests, individual entrepreneurs struggled to keep up with state-owned competitors and had little means of communicating with policy makers, let alone influencing them.

At this time, Romania's budding democracy had yet to be consolidated. Until people knew how to use the machinery of governance and its institutions, democratic governance would remain weak. The business community needed to learn how to use advocacy tools, while the government needed to open up the policymaking process to obtain meaningful public input and ensure transparency.

Recognizing these needs, the Center for Private Enterprise (CIPE) began work with local business associations to involve them in governance by strengthening these associations, encouraging coalition building, and introducing advocacy. CIPE set about establishing a permanent, professional communication process between the private sector and local- and national-level government officials.

Local Learning for National Success

The Advocacy Academy was envisioned in 2002 as a means of opening dialogue between the private sector and the government. The CIPE-supported initiative was implemented by a group of five business coalitions in the Banat region of Romania, one of the most economically advanced in the country. The Confederation of Private Entrepreneurs in Timis County took the lead in persuading the four other associations that their participation was fundamental to the development of the private sector in the

region and in Romania as a whole. Each organization agreed to contribute their own funds to the initiative while CIPE provided an in-country advocacy expert to act as both teacher and guide for the first year of the association's existence. CIPE provided this support for one year, but the project was self-sustaining after that time.

The Advocacy Academy was founded on four strategic objectives. The first was to sponsor public hearings and forums on issues affecting the private sector in order to promote an open, honest relationship between government officials and entrepreneurs. The second was to train a number of individuals in the technical aspects of advocacy and issue-based policy promotion who could then pass this knowledge to other interested participants in the private sector. This addressed a need to both expand the advocacy network and promote the legislative agendas of the business community. The third objective was to ensure ready access to information by creating a database accessible to business associations and members of the academy, containing information on voting statistics, issue analysis, election trends, and regulatory requirements. Finally, the academy itself was to develop into a locus of public examination for private sector issues, a role which would promote transparency and citizen participation in government.

The Advocacy Academy has helped revise legislation and has contributed to the legislative process itself. Through transparent public hearings, Romania's Parliament is now better informed and more attuned to public needs.

In 2003, the Advocacy Academy organized a public hearing on regulating advocacy in Romania as a first step toward promoting open, honest information exchange. Based on the system of public hearings in the United States, the Advocacy Academy cooperated with other organizations to collect testimonies from representatives of the government, the non-profit community, and the media regarding the regulation of direct advocacy. This hearing increased awareness of advocacy among civil society and the government and influenced the

outcome of the draft lobbying law being presented to Parliament at that time. Following this initial hearing, the Advocacy Academy worked with representatives of the technology and manufacturing sectors to identify their respective legislative priorities and hold public hearings on each of these issues. These hearings demonstrated to lawmakers that the private sector could provide valuable information and a range of perspectives relevant to the legislative process. Due to this initial success, the Advocacy Academy has since been called on by local authorities to assist in organizing additional public hearings.

With the aid of the CIPE advocacy advisor, the Advocacy Academy trained 17 local business leaders in the process of advocacy, and presented two lecture series to the business community in Timisoara. These seminars provided participants with a basic understanding of advocacy and its uses and objectives, and illustrated the practical aspects of advocacy campaigns and events through case studies from Romania. This set of activities in particular contributed greatly to making the Advocacy Academy a sustainable initiative even after outside support had ceased. Those first 17 students were able to take what they learned and pass their knowledge to colleagues, assistants, and organizational partners.

The Advocacy Academy has since facilitated numerous seminars for the public and business communities. One such seminar discussed the implications and implementation of a newly adopted labor code. The seminar, supported by a major Romanian newspaper and the Romanian Commercial Bank, brought together representatives from government, trade unions, and the private sector. Notably, the Advocacy Academy was called on to facilitate this seminar because of its reputation as an unbiased, professional association.

Changing Decision-Making

The Advocacy Academy has supported coalitions that have subsequently influenced the way policymaking is carried out. It has helped revise legislation and has contributed to the reform of the legislative process itself. In 2003, the Advocacy Academy led a nationwide campaign to reduce the negative impact of taxation

laws on small- and medium-sized enterprises. By organizing business experts and associations, the campaign succeeded in adding a number of amendments to the Fiscal Code. In another case, the academy convinced the Timisoara government to make public debates routine. This was a way to implement the “Sunshine Law,” introducing transparency into decision-making. Subsequent public hearings on reducing errors in the calculation of property taxes and improving the solid waste collection system generated great public support and attendance.

Most importantly, the initiative’s strong start ensured that the program will continue supporting democratic governance in Romania. The Advocacy Academy is now highly regarded as a facilitator of relevant, transparent, and professional public hearings. Its reputation as an honest broker between different perspectives and interests is a solid foundation from which to continue private sector development in Timisoara, the Banat region, and Romania as a whole.

The activities described in this case study were funded by the United States Agency for International Development.

Legal and Regulatory Reform

Through coordinated public advocacy efforts, the private sector can contribute its experiences and resources to the policymaking process for the benefit of businesses and the community as a whole. Laws and regulations can achieve their intended purposes and broad social benefit only when they are made with input from those closest to the issues. By bringing its concerns (and relevant solutions) to the government, the private sector – often through business associations and chambers of commerce – becomes an invaluable resource for policymakers.

CIPE's national business agenda (NBA) approach encourages private sector leaders to come together to discuss issues of concern, identify common interests, and develop workable solutions. The NBA approach helps identify laws and regulations that hinder business activity and offers concrete recommendations to remove these barriers and improve the economic climate. This approach has been used effectively in many countries, and was adapted for use at the local level in the Russian case study appearing here.

Legislative advisory programs, another effective approach, assess the economic impact of specific legislative proposals. Legislative advisories contribute to more informed policy debates and assist policymakers, who often lack the resources and expertise necessary to make sound decisions on economic and business-related issues. These programs were pioneered by a think tank in the Dominican Republic, the Center for Economic Orientation.

Developing Regional Business Agendas

In 2003, using a process developed by the Center for International Private Enterprise (CIPE), business associations, think tanks, and civil society organizations in eight Russian regions formed local coalitions to advocate for a better business climate. In each region, the local coalition crafted a Regional Business Agenda (RBA) for improved private sector growth. Participants worked in small groups with their regional partners to identify common obstacles and development objectives. The business agendas they created addressed very specific issues and proposed precise and relevant reform measures.

These analyses and agendas were timely, as small businesses in Russia had operated in an extremely difficult environment throughout the 1990s. In the opinion of the local business communities, excessive regulation bred systemic corruption. Government inspectors had numerous opportunities to extract bribes from businesspeople, and the weakness of legal institutions encouraged businesspeople to protect their rights through bribery instead of the courts. Rigid tax policies encouraged evasion. The Primorsk region exemplified the problems: 67 percent of the region's businesspeople considered taxes to be a leading problem and 30-50 percent of local business was conducted in the informal sector. The difficulty of acquiring property, the lack of information about business opportunities, and a poor perception of businesses were other major constraints for Russian small- and medium-sized enterprises (SMEs).

While previously the Russian federal government had endorsed market-friendly policies to develop a strong SME sector, the business community had not played an active role in the formation of these policies. Moreover, regional governments had not implemented federal policies to improve registration, inspections, licensing, and certification at the local level. As a result, a "reality gap" emerged between the federal law on paper and the actual administration of the policy. According to

the Center for Economic and Financial Research, although the legal mandate for registering a business was only five days, in reality the process took close to a month on average to complete. Similarly, actual licensing costs were around 16 times as high as the legal specifications. These complex and costly processes prompted more businesses to operate in the informal sector.

Addressing Institutional Weakness

Addressing these issues, CIPE's National Business Agenda process (upon which the regional agendas were based) helps private sector organizations encourage investment and economic growth by setting legislative and regulatory priorities and clearly communicating these priorities to policymakers. Through the process, organizations formulate policy positions, present a unified voice before government, and educate their members on policies that affect them.

The RBAs were the culmination of two years of coalition building, research, and consensus formation. During these two years, CIPE assessed the needs of the business community, implemented capacity-building programs to equip regional associations for policy advocacy on behalf of their members, and guided the formation of coalitions around pressing issues. To launch the RBA process, leaders from 79 business associations – most of whom had prior experience improving the business climate in their region – participated in seminars in order to identify the most important barriers to doing business in their regions. The seminars revealed that administrative barriers, complex tax procedures, and insufficient access to credit were some of the common factors stifling business development across the country.

Each of the eight coalitions then organized focus groups that worked on a specific issue identified during the seminars in order to devise a set of recommendations to address the challenges. The groups conducted research and sought guidance

In four Russian regions, local administrations implemented the “single-window” principle, making transactions more convenient and clarifying who within government is responsible for providing specific services.

from economic and policy experts. In order to gain broad participation from the business community, each regional coalition organized roundtables to bring together business leaders. These roundtables provided the opportunity to discuss the progress of the focus groups and agree on priority policy issues. Based on the conclusions of the roundtable discussions, each coalition drafted an RBA. The RBAs were then published and distributed to government officials, representatives of the regional legislatures, and the region's leading media outlets. Each coalition also organized a press conference and a regional conference to launch their RBA.

Closing the Reality Gap

The results of these processes illustrate the power of collective action. In four regions, coalition-led advocacy campaigns propelled the local administration to implement the “single-window” principle. According to this principle, the government establishes a single point of service for businesses. This not only makes transactions more convenient, but can also aid in streamlining administration and clarifying who within government is responsible for providing specific services. These reforms also reduced the potential for corruption. The governor of Krasnodar region, for example, signed a single-window decree simplifying land transactions; the time required for reviewing the documents for land transactions was subsequently reduced from six to 24 months to two to six months. As a result of new single-window registration procedures in Primorsk, entrepreneurs now need to prepare only one set of documents instead of seven, and the review time for the documents has been reduced from 40 to seven days.

Business communities in these regions stopped reacting to laws and became more proactive about legislation.

In another successful initiative, numerous business coalitions argued for amendments to reduce the income tax levied on select small businesses. According to the Samara coalition, these amendments led to a migration of entrepreneurs from the shadow economy to the formal sector. In 2004, the number of applications for business registration in the region increased

by 20 percent. Further reforms were implemented in the areas of inspections, information, property and leasing, finance, and services for SMEs. As the reforms gathered momentum, more businesses joined the efforts and coalition membership grew by 45 percent. The business communities in these regions stopped reacting to laws and became more proactive about legislation.

Based on the work of the regional coalitions, the Russian Chamber of Commerce and Industry and the Russian Union of Business Associations (OPORA) produced a document describing key recommendations for improving the business environment at the federal level. Several of these recommendations were incorporated into federal laws signed by President Vladimir Putin in July 2005. The laws improved the SME taxation system, reduced the list of business activities that required licensing from 125 to 103, extended the protection of entrepreneurs' rights to cover inspections by state licensing bodies, and guaranteed SME participation in state contracting competitions.

The concept of advocacy, and the term itself, is relatively new in Russia and the Russian language. Bringing together business leaders – who have competing interests and, sometimes, personal rivalries – for the common good was an accomplishment in itself. The coalitions allowed participants from business and government to engage in dialogue and amicably seek economic improvements. They also fostered recognition and acceptance that business has a constructive role to play in the policymaking process. The coalitions continue to forge productive relationships with local governments and in turn promote a more transparent and participatory democratic process.

The activities described in this case study were funded by the United States Agency for International Development.

Source

Center for International Private Enterprise, "Strengthening Local Democracy in Russia: The Case for Business Associations," *CIPE Reform Case Study* No. 0505 (Feb. 16, 2006).

Advising Legislators on Economic Issues

In the 1980s, the Congress of the Dominican Republic had little influence on public policy decisions, which were dominated by the executive branch. The country needed serious economic policy change in order to overcome debilitating problems like unemployment, inflation, foreign debt, and misuse of public funds. Yet legislators were at the mercy of the government bureaucracy when it came to estimating the economic impact of legislation. They had few resources with which to analyze legislation, lacking both personal and committee research staff.

Carlos Despradel, former governor of the Central Bank of the Dominican Republic and ambassador to the United States, recognized the scarcity of economic information available to Dominican legislators for policy formulation. In response, he founded the Center for Economic Orientation (COE) in 1985 in order to inform public opinion and public policy on economic issues. He says, “We wanted to create a group that would emphasize not only analysis and research but, most importantly, the diffusion of ideas. In this sense, we were pioneers in Latin America.”* The organization’s primary objectives were to contribute to a more coherent legal framework for private enterprise and to promote accountability in the lawmaking process through the dissemination of information.

With technical and financial support from the Center for International Private Enterprise (CIPE), COE established a legislative advisory program aimed at strengthening the capacity of the national legislature to make and implement informed decisions on economic policy.

Reports to Congress

This legislative advisory program tackled two major weaknesses of the Dominican Government. First, Government ministries and their bureaucracies simply did not have the capacity to

professionally or objectively determine the impact of legislative proposals. Second, there was an imbalance between the resources of the executive and legislative branches. The same problem existed between the ruling and opposition parties in the parliamentary system.

COE's program addressed both of these challenges through a simple yet effective strategy. The first step of their strategy was to select a draft bill of national economic importance currently under congressional deliberation. This ensured that advocacy would be timely, since the issue selected was under debate at the highest levels of government and among the engaged public. After choosing a bill, COE analyzed its content and determined its economic impact before presenting its understanding of the problems, findings, and recommendations to members of Congress in a brief, readable report. Each report concluded with a specific recommendation for enactment, repeal, rejection, or amendment of the bill under consideration. The report was simultaneously distributed to key decision-making officials, leaders of influential and interested institutions, and the media. COE's program, Reports to Congress (*Informes al Congreso*) was launched with a grant from CIPE in August 1986.

By providing legislators with information to effectively debate economic issues, COE weakened the monopoly of the executive branch on economic legislation. Congress learned how to effectively analyze the government's annual budget.

Between 1986 and 1990, COE published 62 analyses on the economic consequences of legislative actions, each of which was sent to more than 450 legislators, private sector and labor leaders, academics, and media representatives. Following CIPE's advice, COE ensured that excerpts of the economic bulletins frequently appeared in major newspapers. Public interest groups were made aware of the reports and took advantage of COE's popular debate program, *Economic Orientation*, which aired several times weekly on national television. Legislators were consulting COE's reports to make informed decisions, and that the public was being educated about economics and the decisions being

made by their legislators. These factors resulted in a new degree of accountability in legislative sessions that would have far-reaching benefits.

COE's advisory program was successful because of its objectivity and broad audience. The center carefully analyzed every issue to avoid favoring a party or economic sector. Most of the issues COE chose – such as competition and private property rights – were timely and relevant to both the public and private sectors. These issues underscored the center's dedication to a free and open economic system.

COE's Accomplishments

COE successfully weakened the monopoly that the executive branch held on economic legislation by providing legislators with the information necessary to actively debate economic legislation and challenge entrenched assumptions. Congress learned from COE how to effectively analyze and question the government's annual budget rather than simply rubber-stamping the document. During a discussion of the executive branch's budget projections for 1990, COE's recommendations on the budget were widely covered by the media. One year later, during congressional consideration of the 1991 budget, COE determined that the estimated figures were completely distorted. For the first time, Congress did not approve the budget as originally presented.

COE's work also had an effect on the country's economic well-being as a whole, by supporting legislation that opened the economic system and allowed greater private sector participation. For example, COE analyzed free trade zone legislation, leading to the adoption of some of the center's recommendations for the development of such zones. Reforms in this area have contributed to the Dominican Republic's position as the largest free trade zone operator in the Caribbean Basin. At a time when the country was suffering from a drop in world commodity prices – particularly sugar – the rapid growth of free trade zones attracted large amounts of private foreign capital, generated investment in badly needed infrastructure projects, and created thousands of jobs.

COE was further able to influence the country's trade and development through its reports on the advantages of Dominican incorporation into the Lomé Convention, a preferential system of trade, finance, and technical assistance established by the European Economic Community and developing countries. The reports provided useful information to legislators, some of whom participated in the negotiations that ultimately resulted in the Dominican Republic's admittance into the Fourth Lomé Convention.

Ripple Effects of Policy Success

The tremendous effect that COE's program generated both inside and outside the Dominican Republic placed it among CIPE's most successful programs. COE's example helped inspire the founding of seven other small, private Dominican economic research centers concerned with public policy. Its model for a legislative advisory program was distributed by CIPE across the region. Subsequently, 12 other think tanks and business associations throughout Latin America and the Caribbean have developed their own legislative advisory programs patterned after the Reports to Congress. Similar programs have also been developed in Central and Eastern Europe, Ghana, and Sri Lanka.

COE has not only brought attention to economic legislation but has also aided in strengthening democratic governance. Its program enhanced the nature of the debate by providing a means through which the business sector was able to convey its view on economic legislation. Veteran legislators were thankful that COE provided them with the most valuable and reliable information service they had ever experienced, while large segments of the public were better informed about the economic measures being considered by their elected representatives. The program's underlying philosophy promoted democratic values and principles such as transparency, accountability, and participation, and provided an exceptional model for other countries and organizations to do the same.

The activities described in this case study were funded by the National Endowment for Democracy.

Note

* Carlos Despradel, "Using the Media to Lock in Reform," *Economic Reform Today* 3 (1996).

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Anti-corruption

Widespread corruption signifies grave weaknesses in a country's economic and political institutions. Corruption impedes the development of markets, drives away investment, and increases the costs of doing business. It also undermines the rule of law, distorts policymaking, and diminishes public confidence in democracy. CIPE's projects attack corruption from two directions. On the demand side, projects aim to reform ambiguous legal systems, implement standards for government agencies, curtail civil servants' discretionary authority, and link cultural norms to the rule of law. On the supply side, projects address private sector involvement in corruption, in part by improving corporate governance mechanisms.

Bulgaria's Center for the Study of Democracy devised a concerted program to fight corruption while building better governance. It created a system to monitor corruption, organized a coalition of public- and private-sector stakeholders, and developed an action plan targeting regulatory and other reforms. The Colombian Confederation of Chambers of Commerce took a different tack. The confederation developed and promoted a code of ethics for small- and medium-sized enterprises, engaged mayors and governors in transparency pacts with citizens, and advocated for greater transparency in the public procurement process.

Building a Coalition against Corruption

by Nafisul Islam

Bulgaria's transition to democracy and a market economy in the 1990s was severely constrained by corruption. As state resources were privatized, institutional weaknesses left openings for corruption and allowed the influence of former communist *nomenklatura* and organized crime. Corruption reached every sphere of life and weakened public confidence in democracy. According to a survey by the Center for the Study of Democracy (CSD), 57 percent of adult Bulgarians believed that politicians were primarily interested in securing special privileges for themselves and their friends. Eighty-six percent of the survey respondents believed they had to bribe doctors in order to receive medical services.

CSD, a Bulgarian public policy institute, looked to curb corruption through initiatives in certain key areas. Among their strategies were promoting corporate governance, engaging private businesses in anti-corruption efforts, and advocating for institutional reform in the privatization process. CSD had partnered with the Center for International Private Enterprise (CIPE) in policy advocacy and public-private partnership initiatives since the early 1990s, including the development of a pilot anti-corruption campaign. The success of those initiatives prepared CSD to lead the establishment of an anti-corruption group, Coalition 2000.

In 1997 CIPE provided CSD with the seed money to establish this coalition, which aimed to create a cooperative platform of public and private institutions. This all-inclusive platform combined the input and efforts of various stakeholders irrespective of their political or institutional affiliation. Since its inception, Coalition 2000 has been the most prominent example of a public-private partnership in the area of anti-corruption in Southeastern Europe.

Structuring a Solid Foundation

The institutional structure of Coalition 2000 was designed to ensure transparency, efficient implementation, and optimum partnership between stakeholders. The three major bodies of the coalition are the policy forum, the steering committee, and the secretariat.

The policy forum is perhaps the most important element of Coalition 2000. The forum comprises around a hundred prominent representatives from state institutions, non-governmental institutions, and international partners. The forum convenes once a year to review progress and set guidelines for future work. These meetings work toward building political and social consensus between public and private institutions on the implementation of the larger initiative. The steering committee is charged with coordinating the activities and output of the coalition.

This committee is composed of representatives from both the public and private sectors, including senior government officials, members of parliament, senior judges, trade union leaders, and business representatives. The secretariat is responsible for providing day-to-day operational management for the coalition's programs and activities. The secretariat also surveys developments and initiatives – both locally and internationally – in the field of anti-corruption and informs the steering committee of these trends. Together, the three bodies oversee the activities of Coalition 2000.

The government no longer denies that corruption exists and is implementing an active strategy against it. Administrative corruption has been slashed to half its 1998 level. CSD's Corruption Monitoring System demonstrated that corruption can be measured and that measurement is crucial to developing successful solutions.

Creating a Plan for Action

The Anti-corruption Action Plan for Bulgaria was one of the first initiatives of Coalition 2000. The plan's goal was to reform the design and implementation of anti-corruption policies in Bulgaria. It laid out a detailed explanation of the coalition's approach to reform: creating a favorable institutional and legal

environment, increasing transparency, enhancing civic control, and changing public perceptions. The plan was a cooperative effort from the beginning. Key stakeholders – including government ministers, foreign ambassadors, heads of NGOs, and members of inter-governmental organizations – participated in the draft preparation of the plan before it was endorsed by the policy forum in November 1998. The Action Plan is assessed and revised annually to include any changes in the strategy or policies of the coalition.

The policy agenda set by the Action Plan allowed the coalition to comprehensively address policy areas most vulnerable to corruption. It outlined steps to reform public administration, the judicial system, the privatization process, and regulation of private enterprise. Antonio Vigilante, Resident Coordinator of the United Nations in Sofia, described the Action Plan as “more than an anti-corruption plan; this is a plan for good governance as well.”

Regulatory regimes were identified as one of the primary causes of the high incidence of corruption between businesses and government. CSD’s main initiatives against corruption aimed to make licenses, permits, and registrations fewer in number and easier to obtain. CSD’s advocacy work on legislative reform in the field of privatization, supported by CIPE, was instrumental to the success of the regulatory reforms in the 1998 Action Plan.

Cutting Corruption, Monitoring Progress

One notable achievement of the coalition has been bringing anti-corruption to the forefront of the policy agenda. There had been virtually no discussion in Bulgaria about this issue prior to CSD’s work. Due to CSD’s activism in this area, the public is now less tolerant of rent seeking and demands increased accountability from public officials. This widespread awareness and vigilance largely explains why administrative corruption has been slashed to half its 1998 level.

Measuring corruption, through CSD’s Corruption Monitoring System (CMS), was an important method the

coalition used to raise awareness. The system is a set of quantitative and qualitative monitoring instruments designed to generate information about the scope and dynamics of corruption. The CMS also measures related perceptions about corruption among the public, public sector officials, and other professional groups. The system's main product is the Coalition 2000 Corruption Index (CI), which summarizes the general dimensions of corruption and corrupt behavior, and is published on a quarterly basis. The qualitative and quantitative surveys of the CMS have confirmed that political elites as well as the public recognize corruption as a major impediment to democratic and free market systems.

Anti-corruption is now a strategic concern of the Government of Bulgaria. The government's first comprehensive anti-corruption document – the National Anti-corruption Strategy – was prepared with the active participation of Coalition 2000 and was largely based on the 1998 Action Plan. In early 2006, CSD was the primary institutional participant in drafting the government's three-year anti-corruption strategy, which called for a comprehensive mix of prevention and enforcement. The national strategy also led to the development of a system of indicators to monitor progress and actual impact, based on CSD's monitoring system.

Coalition 2000 was a strong proponent of the institution of the ombudsman, now accepted as a key element of a transparent governance mechanism. Since the election of Bulgaria's first ombudsman in April 2005, this office has investigated a significant share of complaints received. Within the first year and a half, the ombudsman received nearly 2,500 individual complaints and alerts. In almost 97 percent of the cases, the ombudsman took action regarding the specified matter. Most complaints referred to property issues such as land restitution, but there were considerable numbers of complaints pertaining to social issues, public services, and administrative services.

Coalition 2000 has made great strides in establishing the fight against corruption as a mainstream concern on the policy agenda, and in evaluating its progress. Today, government

in Bulgaria no longer denies that corruption exists, and is implementing an active strategy against it. The public, once accepting corruption as a matter of fact, is now verifiably less tolerant, demanding increased accountability in public service. CSD's Corruption Monitoring System has demonstrated that corruption can be measured and that measurement is crucial to developing successful solutions.

The activities described in this case study were funded by the National Endowment for Democracy and the United States Agency for International Development.

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Creating Frameworks for Anti-corruption and Ethics

by Nafisul Islam

Drug trafficking and terrorism are often portrayed as the most severe threats to Colombia's economic and political progress. But in a survey conducted by the Colombian Confederation of Chambers of Commerce (Confecámaras) and the Corona Foundation, more than 37 percent of Colombians identified corruption as the country's main problem. Confecámaras pioneered the Probidad ("integrity") project in late 1999 to fight corruption in the public sector and change the culture of business in Colombia. The goal of the project, a multi-faceted private sector initiative supported by the Center for International Private Enterprise (CIPE), was to promote business ethics and develop a transparent business culture. It also sought to respond to pervasive corruption by forming legal and regulatory foundations for ethical business.

The private sector had always played a minor to insignificant role in challenging Colombia's pervasive corruption, mainly due to a fear of political retribution. Confecámaras became the first private sector organization to undertake a dedicated anti-corruption campaign in Colombia; because of their initiative there is today a greater awareness of corruption and its relationship to the private sector.

CIPE encouraged Confecámaras to drive a policy advocacy campaign that would engage both the public and private sectors on the issue and create a better environment for ethical business. When the Probidad project was initiated, a substantial portion of Colombia's government resources were distributed through public contracts. The absence of transparent rules and regulations in the procurement process created opportunities for widespread corruption. These circumstances spurred the Probidad project to work toward curbing corruption with a particular focus on restructuring the procurement process.

Confecámaras began its initiative by conducting three anonymous surveys on corruption that included more than 1,500 respondents in 15 cities in Colombia. The surveys helped gauge the perceptions of businesspeople concerning the local procurement processes. The anonymous format of the surveys allowed respondents to comfortably engage in open discussion on businesses' initiation of and participation in corruption. The results suggested that the timing was right for reform and that it could be effectively initiated by the private sector. Although the majority of the business leaders participating in the survey acknowledged their involvement in unethical business practices, 62 percent said that they were ready to accept the costs of committing to higher ethical standards. The surveys served as a platform from which other anti-corruption initiatives were launched.

From Surveys to Results

Confecámaras took the lead in developing five key frameworks for its two primary objectives: combating corruption in general and addressing procurement problems specifically. One of these frameworks was the development of Transparency Pacts in early 2003, just before the democratic elections for governors and mayors. The Presidential Program against Corruption invited Confecámaras to participate as a strategic ally in the development of these pacts. The initiative aimed to solidify political candidates' public commitment to transparency. It resulted in a total of 77 elected mayors and governors committing to transparent practices. To complement this process, Confecámaras mobilized citizen organizations to form follow-up committees that would gauge compliance with the Transparency Pact after the elections.

It is now mandatory for all government agencies to adhere to new guidelines for enhancing competitiveness and transparency in the procurement process. The private sector has become actively engaged in anti-corruption initiatives.

Not long after the Transparency Pacts project, Confecámaras developed the Ethical Code of Conduct, a voluntary measure to promote higher standards of integrity in business transactions

and to provide protection for firms that are subjected to extortion attempts. For its pilot program in November 2003, Confecámaras selected 10 small- and medium-sized enterprises (SMEs) in Bogota that had subscribed to the code. This pilot program evaluated the effectiveness of the code and incorporated the findings in a revised version. In 2005, Confecámaras published the “Guide for Ethical Management of SMEs,” and followed up with workshops in six cities to promote the guide and explain how ethics could be a competitive tool for businesses. In all, 1,855 businesspeople subscribed to the code and its principles.

Confecámaras was also successful in developing public-private partnerships at the local level. In the city of Manizales, the municipal government made Integrity Pacts mandatory for most large-scale public bids. The city’s new process included an oversight committee comprising participating public sector businesses and agencies, local chamber of commerce representatives, and Probidad project staff. The committee evaluated the procurement process and disclosed any falsified contracts. This process greatly increased the levels of transparency in Manizales’ public procurement system. During the project, 12 Integrity Pacts were signed between the municipality of Manizales and the governor’s office. The initiative was well-received by local business leaders, who aided in revising the procurement process at the same time as making private-public partnerships more transparent.

Probidad advocated at the national level for legislative reform toward transparency in the procurement process. In 2002, the Colombian Government began investigating ways to strengthen and improve the procurement process and to create a new procurement law. Confecámaras was invited to participate in a series of meetings along with other experts on procurement law. As a result of this process, in September 2002 the government promulgated Decree No. 2170, which established new rules for the prevention of corruption in the public procurement process. The decree included five business community recommendations gathered by Confecámaras. All five of these recommendations were incorporated as mandatory requirements in the decree. They addressed the need to publicize the terms of reference of each public bid, expand public awareness, encourage the participation of civil society, ensure objective selection on direct purchases,

and strengthen electronic contracting procedures. The decree made it mandatory for all government agencies to adhere to the new guidelines for enhancing competitiveness and transparency in the procurement process.

Creating Sustainable Foundations

Confecámaras and its Probidad project led the way in developing frameworks for combating corruption and introducing higher ethical standards into the procurement process. Its reputation is now well known in many arenas. Recently, Confecámaras was a leading advocate for the reform of Colombia's Procurement Law No. 80, expected to pass in 2007. The reforms were modeled after the Probidad project's surveys on corruption. Almost all congressional debates on the Procurement Law made reference to research and recommendations produced by Confecámaras; additionally, Confecámaras created key alliances with other private sector actors in support of the legislative changes. The most important changes that were approved included the elimination of automatic concessions and the promotion and strengthening of local SME participation in public bids.

The most far-reaching impact of Probidad has been its success in actively engaging the private sector in anti-corruption initiatives. The Probidad program generated a new relationship between the public and private sectors and introduced a new, more systematic understanding of corruption and ethics into Colombian society. Its code of conduct is regarded as the backbone of strategies to encourage business ethics and promote a new class of business leadership in Colombia.

The activities described in this case study were funded by the National Endowment for Democracy.

Building Capacity, Sharing Knowledge

CIPE works closely with local private sector partners – such as business associations, think tanks, journalists, and educators – to build the civic institutions vital to a democratic society. CIPE strengthens partners' capacity to conduct policy advocacy by providing them with management assistance, practical experience, and financial support in the form of grants. Partners benefit from more than two decades of CIPE's experience and an international knowledge-sharing network, which spreads ideas for democratic, market-oriented reform. To help professionalize and modernize private sector organizations, CIPE promotes cutting-edge management practices employed by the U.S. Chamber of Commerce and other leading business organizations worldwide. CIPE trains association executives in association governance, strategic planning, financial management, membership development, and communications strategies.

When CIPE arrived in Afghanistan, the capacity of business associations was negligible, so CIPE worked with local associations to build the Afghanistan International Chamber of Commerce from scratch. CIPE's guidance in the areas of association governance, membership development, fundraising, communications, and business services helped develop AICC into Afghanistan's leading chamber of commerce.

CIPE shared its understanding of free markets and economic reform principles with political parties in Iraq in an effort to advance informed debate on economic issues. CIPE brought together representatives of all of Iraq's major political parties – which had previously never gathered – for a nonpartisan training session on creating economic policy platforms.

Developing the Private Sector through Business Associations

by Mark McCord

In October 2003, when the Center for International Private Enterprise (CIPE) opened its office in Kabul, Afghanistan, strong and sustainable business associations were in short supply. Establishing an effective, trusted business network was crucial to private sector development. At the time, apart from the Afghan-American Chamber of Commerce (AACC), which was headquartered in Washington, D.C. with a small office in Kabul, only one other association, the Afghanistan Traders and Industrialists Center (ATIC), appeared to have any capacity to promote private sector development. The oldest association, the Afghanistan Chamber of Commerce and Industry, had represented the business community for more than 70 years but was perceived to be an ineffective, quasi-governmental institution. Most Afghans active in the private sector did not appreciate the potential of voluntary business associations and showed little interest in public policy advocacy, programming, or marketing.

To address these challenges, representatives of the AACC and the ATIC met with CIPE to create a development strategy. From these meetings came a “hub and spoke” development model to construct an overall business association network in Afghanistan. The project’s “hub” would be a new national business association federation called the Afghanistan International Chamber of Commerce (AICC). AICC would consist of both business associations and company members and would provide technical assistance for a network of national, regional, and local associations already in existence.

The Early Foundation

In AICC’s first membership campaign in July 2004, more than 2,000 business and individual members joined the chamber, an unparalleled accomplishment. The general assembly meeting held that month had to be moved to Kabul Stadium to accommodate the more than 2,000 business leaders who attended. Euphoria

soon gave way to recognition of the task ahead. AICC had no services and was responsible for a large membership that needed to be educated about AICC's mission and objectives.

Participants in the general assembly elected a 61-member board of directors – including six women – to form the foundation of AICC's governance. The board of directors was diverse along ethnic lines as this was necessary to maintaining support from the various tribal factions throughout the country. For political, ethnic, and social reasons, AICC was unable to reduce the size of its board of directors, so it established a nine-member executive committee as its major decision making body. Since the board initially struggled to understand its roles and responsibilities within the organization, CIPE facilitated a week-long directors' retreat where the board was briefed on its role within the organization and approved its bylaws, code of ethics, and policies. At CIPE's advice, the CEO appointed a strong and diverse staff.

A Network for Change

AICC established a framework for demand-driven services in the areas of membership, business development, procurement support, international trade development, information, and technical assistance. Among its first programs was the creation of the Procurement Technical Assistance Center, designed to assist Afghan companies in getting government and international donor contracts. To facilitate investment, AICC opened its International Trade and Investment Promotion Office, which worked with the Afghanistan Investment Support Agency. AICC organized business-to-business networking events, business development services, and technical assistance programs for members in the provinces. These activities quickly became a model for other business associations.

AICC has become Afghanistan's foremost private sector support mechanism and advocacy organization. Its public policy roundtables gave many Afghans their first exposure to the concept of advocacy through private sector organizations.

AICC also began extending the “spokes” into Afghanistan’s provinces by opening branches in key cities and providing technical assistance, coordinated by CIPE, to existing associations. The six branch offices soon recruited members and established programs and services. By the end of 2006, AICC had a paid membership of over 3,200 companies and individuals, and a retention rate of approximately 78 percent. The 21 business associations that joined AICC’s network experienced average membership growth of 23 percent in 2004-2005.

AICC’s main goal during its first 18 months was to build its image as an advocacy organization. Toward this end, AICC hosted monthly public policy advocacy roundtables. Each roundtable focused on drafting and distributing issue-specific policy papers to generate discussion. These events, attended on average by 300 business, government, and NGO leaders, routinely attracted senior-level government officials, including appearances by President Hamid Karzai and First Vice President Ahmad Shah Massoud.

As the centerpiece of its advocacy, AICC created a National Business Agenda with the input of more than 2,000 business leaders throughout Afghanistan. Drawing on feedback from a National Advocacy Tour of six Afghan cities, AICC representatives drafted a list of more than 40 advocacy issues related to the development of entrepreneurship, as suggested by local delegates at each of the tour stops. AICC prioritized the items on the list and identified seven of the highest priority, which formed the core of its National Business Agenda to be presented to government officials.*

Sustainable Private Sector Growth

Even in its infancy, AICC effectively engaged government on the private sector’s behalf and was widely perceived as the first real private sector support organization. As AICC grew, the emergence of other business associations, including an impressive number in the provinces, created the grassroots support necessary for the development of a synergetic private sector support mechanism. By February 2007, AICC’s International Trade and Investment Promotion Office had facilitated more than 15 investment transactions totaling more than \$50 million. Additionally, AICC

played an important role in the creation of the Afghan Investment Company, a consortium of 80 Afghan investors that raised \$40 million for projects within the country. Its Procurement Technical Assistance Center, thanks to a partnership with Canadian NGO Peace Dividend Trust, facilitated contracts for Afghan companies totaling more than \$10 million.

AICC has made great progress in many areas. It has overcome government attempts to endorse a renewed Afghanistan Chamber of Commerce and Industry as the “official” chamber, and it has developed a strong reputation for advocacy. Both the government and the international community acknowledge AICC as the premier advocacy organization in the country. Importantly, AICC has made progress on the sustainability plan it developed upon its establishment and remained on track to become fully sustainable within five years.

AICC’s challenge in the future will be to serve as a mentor organization for other business groups. Private sector growth in Afghanistan depends on the proliferation of sustainable business associations throughout the country that serve as effective advocates for business.

The activities described in this case study were funded by the United States Agency for International Development.

Note

* The prioritized issues were security, corruption, taxation, access to capital, customs reform, education, and infrastructure.

Training Political Parties on Economic Platforms

by Nafisul Islam

Iraq's efforts to establish a democratic system depend on the development of strong, professional political parties that are capable of both effective governance and representation of their constituencies. Within a short period, as many as 150 political parties came into existence to contest elections in 2005. Few of these parties had understanding of a market economy or plans for promoting economic growth.

In 2005, fully 72 percent of Iraqi businesspeople believed that no political parties were addressing the needs of businesses, according to a survey conducted by Zogby International for the Center for International Private Enterprise (CIPE). To address these gaps and the disconnect between Iraq's parties and the private sector, CIPE carried out a series of innovative training programs with a focus on economic reform. These unprecedented events brought together representatives of parties from across the political spectrum. Participants included members of the Iraqi National Assembly, party committee members, and economic advisors. The trainings covered fundamental economic concepts as well as the steps involved in reaching out to voters on economic issues and building a vision for Iraq's economic development.

Creating an Economic Party Platform

The first training program was held in Amman, Jordan, in January 2005. It was attended by 14 political parties including the Islamic Dawa Movement, Supreme Council of Islamic Revolutionaries of Iraq, Patriotic Kurdistan Union, and the Iraqi Communist Party. One of the central themes of the workshop was the development and marketing of an "economic party platform" program. An economic party platform articulates which economic policies are espoused by a particular political party. It creates a blueprint for governance and helps the parties extend their coalition of supporters.

Participants broke off into several working groups and engaged in extensive dialogue to determine the policy priorities in Iraq and debate possible solutions. They identified four key policy priorities for Iraq: improving security, creating transparency, minimizing corruption, and implementing a privatization program. Finally, based on the results of the working groups, the participants reached a consensus on a set of feasible strategies to carry out the economic reform programs. They discovered their views were not as far apart as they had expected.

The second training session in April 2005 introduced the steps required to develop an effective economic party platform. A specially prepared “e-workbook” focused on the inclusion of economic issues in policy debates. The workbook detailed specific steps to target and distribute the party platform among specific groups and to communicate the message to the public. It also aimed to extend the parties’ constituencies by designing effective campaigns. Part of the session was devoted to explaining and discussing the meaning of a new national constitution and the framework it provides for policymaking.

Iraq’s political parties were brought together in an unprecedented series of innovative training programs on economic policy platforms. It was the first forum to bring together the political parties to discuss the country’s economic future.

A third training program geared towards young Iraqi politicians was held in Arbil, Iraq, in September 2005. The younger generation was targeted for this program as they were more receptive to reform ideas than the participants in the previous workshops. The purpose this time was to work with young Iraqi politicians to develop a market economic vision for Iraq and to address the effects of corruption and the informal sector. CIPE Executive Director John D. Sullivan served as the main instructor for the workshop, which also featured presentations by representatives of the Iraqi private sector who provided the participants with a business perspective on the issues. A session of the program reviewed the essential criteria for attracting investment, and highlighted the results of a survey of multi-national firms developed by the U.S. Chamber of Commerce.

In cooperation with local partners, CIPE organized yet another innovative training program that involved over 100 representatives from Kurdish political parties, regional and municipal governments, academia, and the media. The program, known as Strategic Economic Needs and Security Exercise (SENSE), was organized in two Iraqi cities in August 2006. It included a computerized training exercise that simulated the difficulties of rebuilding a state in a post-conflict environment. The program helped the participants improve their team-building abilities and policymaking skills. For instance, Kristan Mohammed Abdullah, a member of the Patriotic Union of Kurdistan political party, explained that the training allowed him to identify the weaknesses in Iraq's investment law. He added that "if the entire Parliament had the opportunity to participate in such training, we would approve a much better and more comprehensive foreign investment law."

Opening Discussion in Political Parties

These political party training programs provided the first forum that brought together the major Iraqi political parties to discuss the economic future of Iraq. These events allowed the political parties to discuss issues which had often been ignored in partisan discourses. Through inter-party dialogue, the political parties were also introduced to important political tools like consensus and coalition building. Although much progress remains to be made in Iraq, these steps toward developing an educated, well-prepared group of elected officials have brought the country closer to stability and sustainable growth.

The activities described in this case study were funded by the National Endowment for Democracy.

Informal Sector

Many citizens in emerging market democracies are excluded from participating in politics and the formal economy because poorly designed institutions prevent them from doing so. Policy reforms that reduce excess regulation and other barriers to entry can facilitate the migration of informal businesses to the formal sector, contributing to job growth, the tax base, and economic growth. In the process, these reforms create opportunities for the disenfranchised and generate a new constituency for democratic market systems. CIPE and its partners reduce informality by reforming business registration procedures and ensuring that private property rights are accessible to all citizens, clearly defined, and strongly enforced.

The world's awareness and understanding of informal sector issues have been powerfully shaped by Hernando de Soto and the Institute for Liberty and Democracy in Peru. De Soto demonstrated that the poor have productive assets on which they can build if their rights to property are formalized and defended. Venezuela's Center for the Dissemination of Economic Knowledge (CEDICE) examined the dynamics of street vending and worked with multiple stakeholders to find ways to move street vendors into formal commerce and economic activity. CEDICE's approach combined solid research with the engagement of informal sector associations.

Making the “Extralegal” Legal

by Nafisul Islam

In the early 1980s, Hernando de Soto, a successful businessman and economist, left Europe to visit his native Peru. During his trip, he was struck by the disparity between the vibrant entrepreneurial spirit of the people and their desperate poverty. To find the reason for this gap between motivation and result, he decided to open a small garment factory in Lima. His first step was to hire four university students who would complete the bureaucratic procedures necessary to obtain a business license. After 289 days and a cost 32 times the average monthly minimum wage, they received the license. This experiment convinced de Soto that it was expensive and time-consuming bureaucratic procedures that kept people out of formal markets and in the informal sector. To investigate this problem in more depth, and hoping to find a solution, de Soto founded a think tank, the Institute for Liberty and Democracy (ILD).

From 1981 to 1984, de Soto and his small research team at ILD talked to the poor in Peru’s shantytowns and compiled figures describing their businesses. The numbers confirmed a prevalence of economic informality in Peru. Fifty-six percent of all business, 86 percent of the bus service, and 60 percent of grocery retail in Peru were carried out in the “extralegal” sector. “Peru had become two nations – one where the legal system bestowed privileges on a select few, and another where the majority of the Peruvian people lived and worked outside the law, according to their own local arrangements.”¹

People conducted business outside the law because the bureaucratic regulations made it impossible to operate within it. As a result, they were denied opportunities to invest in businesses and participate in the formal economy. Even those people with thoughts of entrepreneurship could not trade beyond a circle of people who knew and trusted them.

De Soto came to realize that it was also the absence of formal property rights that explained why “people who have adopted every other Western invention, from the paper clip to the nuclear reactor, have not been able to produce sufficient capital to make their domestic capitalism work.”² He believed that people could be empowered by using their existing assets to benefit themselves and their communities. The poor of Peru possessed urban land and housing worth \$17 billion, but a majority of the people who possessed these assets did not have the legal titles to them. Consequently, people were not able to use their homes as collateral to obtain loans for business development. “Without a title, there is no way to build a system of securitization that gives them access to credit or water, telephones or electricity,” said de Soto.³ ILD estimated that in 1989 the poor in Peru held \$80 billion in untitled assets, assets that de Soto dubbed “dead capital” because they could not be invested to create new wealth.

“We put into place all the legislation and mechanisms required to bring into the law most extralegal real estate and business.”
-Hernando de Soto

Partnership for Advocacy and Legislative Reform

The first ever partnership of the Center for International Private Enterprise (CIPE), and one of its most successful, was with ILD. Beginning in 1984, CIPE helped ILD design an economic reform agenda and an advocacy campaign based on increased citizen participation in decision making. ILD used “289 days” – the time required to legally create a small business – as its slogan in order to convey the scope of the administrative barriers and legal discrimination experienced by small-scale entrepreneurs. Through advocacy and communications activities, ILD established working relations with many informal sector groups that became strong advocates for ILD’s legislative proposals. The research and proposals of ILD also found support among government officials who represented a broad range of political parties at the municipal and national levels.

In 1986 de Soto published *The Other Path: The Invisible Revolution in the Third World*, which offered the poor an alternative to revolution: entrepreneurship. The title of the book and its

policy prescriptions were a direct challenge to the vision of Peru's violent Shining Path insurgency. De Soto identified weak institutions as the primary barrier to entrepreneurial growth and highlighted the importance to development of institutions such as contract law, financial markets, and the judicial system. The book became a bestseller and was translated into twenty languages. The following year, de Soto introduced his ideas to multilateral organizations and reformers at the first international conference on the informal sector, organized by CIPE.

As part of its advocacy program, ILD drafted its own cost-benefit analyses of economic issues, which were published in various magazines with a combined readership of around 1.2 million Peruvians. These analyses covered topics such as access to credit, land titling, simplification of administrative procedures, and access to public information. The papers also included ILD's easily understandable proposals for legislative alternatives in these areas.

ILD created an ombudsman's office, the *Balcon de Todos* (Balcony for All), in order to institutionalize direct access to lawmakers. The office received complaints, motions, and suggestions from citizens regarding the legal and bureaucratic problems they faced, and referred these to the attorney general's office. ILD researched the complaints, prepared economic and legal analyses, and proposed laws as solutions. This consultative program represented ILD's willingness to take initiative in setting a legislative agenda that would benefit a majority of Peru's citizens.

ILD was instrumental in drafting and advocating new legislation throughout the late 1980s. Peru's Administrative Simplification Law was approved by the Peruvian Congress in 1989 as a direct result of ILD's research and public advocacy efforts to simplify, reduce, and eliminate lengthy governmental bureaucratic procedures. ILD's recommendations that were included within the law ranged from reducing passport and

300,000 small enterprises were integrated into Peru's formal economy. The time needed to register a business was cut from about 300 days to less than one day.

import registration fees to simplifying requirements for receiving retirement benefits. Another law drafted by ILD and enacted in 1988 was the Popular Mortgage Law. The law was designed to provide access to credit for informal landowners, who had previously received a mere 0.4 percent of the credit available from banks. The new law enabled Peruvians to obtain titles to their homes and thereby the ability to use their homes as collateral for a bank loan at market interest rates. Following the law's approval, ILD provided assistance to the government to ensure the proper administration of the law. ILD also helped draft regulations to be included in a new Property Rights Law, and created a property registry suited to the circumstances of landholders in shantytowns.

Success at Home for a Model Abroad

ILD has achieved tremendous results not only in Peru, but has also spurred reforms in countries as diverse as Brazil, China, and Thailand. Hernando de Soto has convinced numerous heads of state to implement institutional reforms, and many NGOs and think tanks have adopted ILD's approach to reform and advocacy.

As a result of ILD's domestic efforts, 300,000 small enterprises were integrated into Peru's formal economy, accounting for 560,000 legal jobs and contributing an added \$300 million in tax revenue. Moreover, the time needed to legally register a business was cut from about 300 days to less than one day. "After six years of listening to the poor, the ILD was actually in a position to help them," said de Soto. "We put into place all the legislation and mechanisms required to bring into the law most extralegal real estate and businesses."⁴

The activities described in this case study were funded by the National Endowment for Democracy.

Notes

¹ Jeremy Clift, "Hearing the Dogs Bark," *Finance & Development* 40:4, International Monetary Fund (Dec. 1, 2003).

² Hernando de Soto, *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else* (New York: Basic Books, 2000), p. 7.

³ “An Interview with Hernando de Soto,” *Economic Reform Today* 1 (1996).

⁴ Hernando de Soto, *The Other Path: The Economic Answer to Terrorism* (New York: Basic Books, 1989), xxvi.

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Lowering Barriers to Participation in the Formal Economy

by Nafisul Islam

In recent decades, the percentage of Venezuela's workforce employed in the informal sector has been steadily growing, and by 2003 more people were employed in the informal sector than in the formal sector. This phenomenon – informality – can severely undermine a country's economic and political progress and stability through weak rule of law and ambiguous property rights. Informal entrepreneurs cannot access the benefits associated with formal businesses, such as bank credit and legal recognition of their businesses. Workers employed in the informal sector often find it difficult to break free from the cycle of poverty. They may be deprived from earning regular wages as well as other benefits of formal employment, such as social security.

In 2002, the Center for the Dissemination of Economic Knowledge (CEDICE), a Venezuelan public policy organization, recognized the toll informality had been taking on Venezuelans and decided to tackle the issue in depth. The organization looked at a broad spectrum of informal activities and chose to focus on the subgroup of business activity popularly referred to as “street vending.” In 2002, approximately five million individuals pursued informal activities in Venezuela, of whom approximately 30 percent were street vendors.

CEDICE benefited from the experience of the Center for International Private Enterprise (CIPE) in analyzing the nature of the informal sector and its effects, and was introduced by CIPE to the transaction cost economics of Douglass C. North and the Ronald Coase Institute. The model established by CIPE's Peruvian partner the Institute for Liberty and Democracy was especially useful for accurately framing the issues in Venezuela.

Defining Challenges to Formalization

CEDICE sought to examine some of the obstacles to doing business and how they related to the growth of the informal

sector. With CIPE's support, CEDICE conducted an empirical study of the informal sector in the Sabana Grande Boulevard zone in Caracas, Venezuela's capital. This area had become a focal point for informal sector activities and contributed to approximately 14 percent of informal commerce in Caracas. CEDICE spent more than a year collecting and analyzing an enormous amount of data.

The CEDICE study examined informality from an institutional perspective by focusing on access to credit, labor contracts, and access to retail space. A particularly important finding highlighted how the authorities responsible for managing public spaces had established an informal "market" for assigning spaces to vendors. This constituted a major section of transaction costs for informal entrepreneurs.

Based on the Sabana Grande survey, CEDICE undertook another extensive project analyzing the informal chain of textile production in Venezuela. The research covered the production, distribution, and sale of textile products, and included a survey that was administered to 376 street vendors of textiles in the Metropolitan Area of Caracas. The CEDICE team met with businesspeople in the textile sector to first understand and then map out how the formal and informal sectors intersect. As a final product of this investigation, the team developed the first ever database of informal workers in Venezuela. These were the first studies to provide such an in-depth quantitative and qualitative analysis of Venezuela's informal sector, and they became powerful tools in informing public policy design and promoting mass media awareness.

CEDICE facilitated consensus on a framework for revitalizing public spaces used for informal commerce. Nearly everyone – from political leaders and entrepreneurs to civil society groups and informal workers – was made aware of the high cost of informality.

Turning Analysis into Results

CEDICE used the information gathered from its research and its involvement in various forums and conferences on informality

to develop a public policy agenda. The policy recommendations were compiled in a publication series, “Informal Economy in Venezuela,” and distributed to local, regional, and national policymakers; senior business leaders; and other civil society groups.

The study focused on the growth of street vending not as an isolated phenomenon but as a consequence of a series of economic failings, including mass unemployment, restrictions on private entrepreneurship, and, most importantly, the high cost of doing business. According to the study, the main challenge for public policymakers was to change the incentive system, making it easier to formalize informal business activities. Therefore, a primary policy recommendation was to formalize the informal property rights of street vendors. The long-term strategy described in the policy recommendation was designed to make it less lucrative to do business as a street vendor in order to promote other economic activity. This meant helping street vendors pursue options in which they could receive higher returns for their investments of time and money. Alternatives to informal commerce – mainstreaming informal businesses and increasing opportunities for formal employment – were also discussed in the study.

Another long-term measure to change the incentives structure was to lower the cost of doing business in the formal sector. Among the strategies were lowering business registration costs, easing access to credit, and assisting in compliance with labor regulations. For example, 62 percent of all credit in Venezuela was based on informal networks. Enhancing private formal micro-lending would reduce the dependence on informal lenders and would make the transition to formal business participation an easier process. Venezuela also had the most costly labor regulation in Latin America, which made the cost of hiring contract workers too high for most businesses. A revision in the Venezuelan Labor Law could ease some of these regulations and provide incentives for enterprises to hire more workers.

Fostering Informal-Public Sector Dialogue

The studies also allowed CEDICE to establish connections with informal sector associations at the grassroots level. For example, CEDICE used its contacts to assist in the formation of a working group comprising local government policymakers, representatives from formal and informal business groups, and other civil society organizations. Through weekly roundtables, members of the working group addressed urgent needs and the long-term problems posed by informality. This was the first series of policy dialogues between informal sector associations and local authorities in Venezuela. Despite political and ideological differences, CEDICE successfully facilitated the dialogues, which culminated in a public policy agreement subscribed to by the members of the group. The group reached a consensus on a framework for public policy interventions designed to reorganize and revitalize public spaces used for informal commerce. The agreed framework, modeled after the Sabana Grande study, contained policy recommendations for service provision, sanitation, security, and zoning regulations.

CEDICE had a strong impact on revitalizing the subject of informality as a national policy priority and in suggesting sound public policies to curb informality. Due in large part to CEDICE's work in this area, nearly everyone – from political leaders and entrepreneurs to civil society groups and informal workers – was made aware of the high cost of informality. One of CEDICE's most valuable contributions was its success in bringing different stakeholders into meaningful dialogue, and in helping these diverse groups think about the problems and agree on possible solutions.

The activities described in this case study were funded by the National Endowment for Democracy.

Source

Wladimir Zanoni López, "Street Vendors in Caracas: An Exploratory Study and Public Policy Proposals," Center for the Dissemination of Economic Knowledge, Informal Economy Studies and Public Policies Unit (2005).

Women Entrepreneurs

Women are an economic force that policymakers cannot afford to ignore. As women expand their participation in business, they stimulate economic growth while advancing their status and improving their families' well-being. Moreover, successful businesswomen are assuming greater roles in community development and the democratic process. By developing independent associations of their own, women entrepreneurs can influence policies that affect their interests. Women's business organizations in many countries have advocated effectively for women's expanded access to finance, markets, information, and training. In so doing, they have opened up a new world of economic and political opportunities.

The National Association of Business Women in Malawi undertook a grassroots advocacy campaign focused on economic sectors in which women are active. Politicians in this young democracy learned a great deal about the private sector from this campaign, while local women, even in rural areas, learned about government policies that affect them. In Romania, women's business associations worked with CIPE on building coalitions and professionalizing their associations. Their efforts were rewarded by the establishment of ongoing relationships and opportunities for policy input at high levels of the Romanian government.

Developing Women's Entrepreneurship

Malawi, one of the world's least developed countries, has held democratic elections since 1994. After three decades of rule by a president-for-life, the country is beginning to emerge from political and economic underdevelopment and an acute lack of civil society. Women's groups in particular are beginning to play an important role in the development of civil society and the private sector. One of the most successful organizations has been the National Association of Business Women of Malawi (NABW).

NABW was established in 1990 with a mission to advocate for and support the social and economic empowerment of women in business activities. With the support of the Center for International Private Enterprise (CIPE), the association's membership has grown to approximately 25,000 women from both rural and urban areas who are interested in learning about and advocating for greater women's involvement in the economy. CIPE provided professional and organizational development to NABW and delivered strategic advice on advocacy. Through the association's services in five areas – training, provision of credit, policy advocacy, information dissemination, and networking – NABW has made a significant contribution to private sector development in Malawi.

Women in Malawi face a number of obstacles to taking ownership of their economic future. At least 34 percent of Malawi women are the head of their household. At the same time, those who are married and seek to establish a business must have their husband's signature to qualify for a commercial bank loan. Furthermore, 64 percent of women in Malawi live under the poverty line.

NABW's founder and executive director, Joyce Banda, has not been shy in promoting the organization's ability to help

women overcome these and other obstacles to success. “In fact,” she says, “when I took the figures [of a recent set of surveys] to the President, he couldn’t believe it – that 73 percent of our members come out of poverty. He said, ‘Joyce, it can’t be done.’ I said, ‘It can be done.’ You just need to allocate more money for that project – it can be done!”

A National Call to Action

NABW has achieved success because of its unique multi-level approach to advocacy. The combination of a bottom-up, consensus-building approach with focused research and government engagement has drawn women entrepreneurs into the political process and yielded government responses on issues that matter to them. From 1998 to 1999, NABW sponsored three regional forums that allowed women to discuss the constraints they face and learn about small business opportunities in areas such as agribusiness. The forums were attended by women entrepreneurs, policymakers, and government officials, and gave participants the opportunity to make recommendations to government agencies. These recommendations were later reinforced by NABW position papers that contained data and policy recommendations for four sectors in which Malawi’s women are active: agribusiness, soft goods manufacture, tourism, and professional services.

The National Call to Action played a pioneering role in defining the private sector for policymakers. Hundreds of women were empowered to take ownership of their economic future.

The year-long advocacy effort culminated in the “National Call to Action,” a blueprint for private sector development. The document compiled the position papers with simple explanations of each sector and NABW’s policy advocacy program. The National Call to Action was launched with the approval of over 100 women business leaders and with the support of the Minister of Commerce and Industry. While simple in form, the National Call to Action has played a pioneering role in defining the private sector for policymakers. In fact, in a young democracy where

policymakers were unfamiliar with the requirements of a market economy, such a simple document was an ideal instrument to initiate advocacy.

To follow up on commitments made at the launch conference, NABW initiated a watchdog communication service to verify and report on the progress of NABW and government agencies in implementing the plans that were set out. Part of this service is a quarterly “alert” describing recent business and policy developments. Notably, the alerts provide information in Chichewa, the language of many rural communities.

Changing Women’s Lives

NABW’s programs have made a difference to its members. Members have established businesses such as fruit tree and flower nurseries, poultry farms, bee farms, bakeries, and vegetable farms with the help of small business loans and training. More significantly, NABW’s advocacy programs have influenced several government policies that potentially affect all women entrepreneurs in Malawi.

Women had concerns about corruption and gender discrimination in the allocation and titling of customary land. Traditional chiefs would sometimes give the same land to three or four applicants, understandably causing disputes. NABW broached this issue in regional forums and invited a representative from the Ministry of Lands, Physical Planning, and Valuation to participate in the discussion. The ministry responded by requesting NABW’s participation in the formulation of the final draft of the new land policy. The new policy included provisions to allocate more land to women heads of household. In rural areas, village committees were set up to oversee the distribution of customary land, bringing transparency to the process. The new laws had particularly beneficial implications for women venturing into the tourism sector along the shores of Lake Malawi.

Women were also uncertain about how they would be taxed. At the regional forums, NABW urged the Malawi Revenue Authority (MRA) to do a better job of educating the public

about taxes, and recommended that the MRA provide services to illiterate women running small-scale businesses to assist them in estimating their profits. The MRA appointed NABW to serve on a committee charged with disseminating information about a surtax bill scheduled to take effect in 2002.

Munday Makoko, a UNDP official, has praised the efforts of NABW, saying, “I think for Malawi, the best way to target and reach out to women is to work with a well-organized association like NABW, which stretches all the way down to the grassroots.” The association and its network do have such a reach. More and more women are being asked to sit on boards and commissions in communities across Malawi, and women – many of them NABW members – are being appointed to more high-level government positions than ever before. Several members have become Cabinet ministers, including Joyce Banda, who served as Minister of Gender, Child Welfare and Community Services, and has since become Foreign Minister. NABW works to develop women not only as entrepreneurs but also as *community leaders*. Judith Nyalugwe, who participated in NABW training, became chairwoman of a 23-member group of women lime miners in the village of Lirangewe. She taught the miners to build a maize mill, a bakery, and a grocery.

Perhaps the most significant result of NABW’s efforts has been the change in attitudes of both women and policymakers. NABW has empowered hundreds of women to take ownership of their economic future. Furthermore, NABW has developed a reputation as a practical, effective organization that can be trusted and emulated as a model for grassroots economic development.

The activities described in this case study were funded by the National Endowment for Democracy.

Source

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Strengthening Women's Business Associations

by Corina Schwartz

The political changes of 1989 triggered the development of the private sector in Romania and the creation of support organizations to represent the interests of the business community. Romanian women proved ambitious and willing to take risks, making their way into an arena previously reserved for men by founding successful businesses and ascending to top management positions. New women business leaders, whether entrepreneurs or managers, came to feel that women's entrepreneurship had specific characteristics and needs that could not be fully represented by existing professional associations or chambers of commerce. These women accordingly created local women's business associations for professional affiliation and support. These associations were at first "elite clubs" more than traditional associations, bringing together successful business leaders to share their experiences and interests. In time, many of these associations expanded their activities to address social and community issues or gender issues. The majority of these organizations had no employed staff, functioning basically through the dedication of volunteers.

In 2000, the Romanian Business Associations Development Project – an initiative by the Center for International Private Enterprise (CIPE) in Romania – recognized that women's business associations could take on an enhanced role, one more actively business-oriented. The women of these organizations began to understand that in order to get a seat at the table in the public-private dialogue, they would have to refine their business image and speak with a singular, articulate voice. Witnessing the success of business associations in the tourism, information technology, and manufacturing sectors, women's business associations formed their own coalition that would include them in Romania's decision-making process and address policy and business issues relevant to women entrepreneurs and business owners.

CIPE provided these women's business associations with technical assistance and sustained their organizational development through relevant events – such as the Women in International Trade Forum in 2001 and the Women in Business conferences in 2002 and 2003 – and other programs and seminars designed to specifically address their needs. CIPE encouraged public recognition for successful members of the women's business associations by developing the “Women of Success” CD, an annual multimedia collection of success stories that caught the attention of the business community, public authorities, and the mass media.

Creating a Coalition for Women's Business Interests

In January 2004, a group of nine women's business associations came together to begin the process of creating a larger and more unified coalition. With the financial support of CIPE Romania and the National Endowment for Democracy, the Coalition of Women's Business Associations (CAFA) was officially launched. “CAFA represents an opportunity for women's business associations to work together and become a stronger voice in the dialogue with public authorities,” said founding member Elena Cismaru, President of the Association of Women Managers, Ramnicu Valcea.

“CAFA represents an opportunity for women's business associations to work together and become a stronger voice in the dialogue with public authorities.” CAFA provided valuable input from the private sector on fiscal policy.

CAFA was established as an informal coalition with no president or officers and with a three-tiered membership system: founding members (nine task force representatives), full members (any women's business association that would like to join), and supporters (women's associations that have a related business program or agenda). The management of the coalition, including communication and coordination of activities, was assigned to a secretariat. For the first two years CIPE Romania held the secretariat position.

Capacity Building and Visibility in Public Policy

Both CIPE Romania and the women's business associations involved in this project agreed on the need to strengthen the member associations individually and the coalition as a whole. CIPE Romania and CAFA organized workshops on strategic planning, advocacy, public perception, and members' involvement, and trained more than 150 entrepreneurs, managers, and association volunteers. The tradition of an annual Women in Business Conference has continued; attendance increases each year and participation has grown to include participants from local and national public authorities. CAFA members enjoy amplified networking opportunities and greater visibility.

As CAFA engaged in activities targeting public policies, it developed a reputation as a successful, trustworthy coalition. In 2004 CAFA was asked by the National Authority of Control to assist in amending the code of conduct for control officers. The code was designed to limit abuses by public officials during inspections of private companies. CAFA provided valuable input from the private sector during this process. This high-level participation in policymaking led to similar invitations from other Romanian ministries and agencies; for example, the Ministry of Finance requested CAFA's input on drafting income tax deductions legislation. CAFA's studies, public debates, and press conferences have promoted reduced taxation as the means to a more sound economy. The Ministry of Labor and Social Protection invited CAFA to cooperate permanently with the Division of Equal Chances, while the National Agency for Small and Medium Sized Enterprises and Co-operatives has included CAFA in a partnership program for women's entrepreneurship and future legislative initiatives for SMEs. CAFA meets regularly with members of the Romanian Parliament and also had the opportunity to present its vision and plans for the future to the President of Romania.

CAFA decided to organize a public debate to voice the concerns of businesspeople regarding the effects of the 2005 amendments to the Fiscal Code the new Labor Code. The debate was attended by CAFA members, representatives of other business associations, media representatives, Romanian

government officials (from the ministries of finance and labor, and the National Agency for SMEs and Co-operatives), parliamentary representatives, and representatives of the Institute for Finance and Monetary Research. Supported by the findings of a comprehensive study commissioned by CIPE on salary taxes and the Romanian Social Insurance System, CAFA members raised the public profile of a number of policy issues. The study recommended reducing the number and level of contributions to social security and simplifying the monthly procedures and documents concerning tax payments and proofs of payment. The participants' opinions were included in a final document and submitted for analysis to the relevant ministries at the request of the representatives attending the event.

Sustaining Women's Business Associations in Romania

Since January 2006 CAFA no longer receives outside support and is instead fully sponsored by its members. The function of the secretariat has been taken over by one of the coalition's members, and CAFA now focuses on strengthening its public image as an articulate and active partner in the public-private dialogue. CAFA cooperates with the Economic Commission from the Senate by providing feedback on the Fiscal Code and other laws of relevance to the business community. CAFA members promote the coalition by participating in national and international conferences. Many CAFA members have already expressed their interest in joining a future Balkan Coalition and getting involved in advocacy activities and a network on a larger scale. Such inclinations demonstrate the dedication of CAFA's members and the importance of such an organization to developing business cooperation in Romania.

The activities described in this case study were funded by the United States Agency for International Development and the National Endowment for Democracy.

Corporate Governance

Sound governance of corporations plays important roles in attracting investment, establishing a healthy private sector, and building democratic societies. Well-governed companies tend to perform better and contribute to long-term productivity and growth. Equally important, good governance instills the core values of transparency, fairness, accountability, and responsibility. When these values spread throughout an economy, they buttress accountability in the political system and close off space for corruption. Good corporate governance likewise breaks the hold of vested interests that would otherwise undermine the proper functioning of markets and inhibit the development of democratic political institutions.

CIPE programs educate corporate directors in fundamental corporate governance principles; educate shareholders on their rights and responsibilities; and raise public awareness of the need for effective corporate governance practices. Partners in countries such as Egypt have crafted national codes of corporate governance that meet international standards while recognizing local business realities. Across Asia and the Pacific, a network of development finance institutions has implemented a corporate governance rating system to monitor potential areas for reforms.

Advancing Transparency and Accountability

by Jen Maceyko

Egypt undertook comprehensive reforms in the 1990s, including large-scale privatization and development of the capital market, as it shifted toward a market economy. Despite these efforts, the financial collapse of a number of major companies revealed the need for widespread adoption of corporate governance principles within the Egyptian business community. In a 2005 survey commissioned by the Center for International Private Enterprise (CIPE) of owners of listed and unlisted Egyptian companies, 92 percent agreed that corporate governance is one of the best ways to protect a company and promote economic development. The adoption of sound corporate governance principles creates safeguards against corruption and mismanagement while promoting transparency.

In October 2005, the Egyptian Institute of Directors (EIOD) issued the Egypt Code of Corporate Governance, developed by CIPE and local partners in consultation with the business community, accountants, and auditors. This was the first national governance code in the world to be written entirely in Arabic. It was created from scratch to suit Egypt's legal and regulatory environment and stakeholder requirements.

The code aims to promote transparency, openness, ownership, and responsibility, and to incorporate these values into Egypt's changing cultural mindset. "Implementing corporate governance in the right manner is not limited to respecting a set of rules and interpreting it literally in a restricted manner; it is also a culture and way of managing the relationship between owners of the company, its directors, and its stakeholders. Hence the interest of the whole community becomes more achievable when more people apply the code provisions."* By advancing best practices and concurrently enhancing the reputations of companies that adhere to the code, this governance initiative has laid the groundwork for an improved investment environment.

Creating the Code

EIOD and CIPE developed the governance code in several stages. The first stage conducted a review of international best practices in the realm of corporate governance in order to provide the group with a solid foundational understanding of corporate governance. The review formed an in-depth picture of the development and implementation of similar codes in other countries. The next stage carried out a review of the current legal framework in Egypt – including local literature, reports issued by Egyptian and international organizations, and summaries of discussions held at workshops and seminars previously held by CIPE. This stage was followed by discussions with the EIOD to establish the legal nature and scope of the code. While voluntary in nature, the code would be based on the capital market and company laws.

Dr. Ziad Bahaa El-Din, a local expert on investment and trade, drafted the first version of the code, which was presented to meetings of private sector and government representatives in early 2005. These groups included representatives from the Cairo and Alexandria Stock Exchange, the Egyptian Capital Market Authority, the Egyptian Banking Institute, and numerous business associations. At a series of workshops and seminars, they were asked to evaluate how the draft code could be more effective and applicable to economic and private sector development in Egypt. CIPE also surveyed business owners on individual items in the draft code. Responses from the groups were incorporated into the final version of the code, which was then presented to the EIOD for approval.

CIPE's partnership with EIOD produced the first national corporate governance code in the world to be written entirely in Arabic. The code serves as a model for similar private sector-driven initiatives in the region.

A Guide for All

Written in language accessible to all potential users, the Code of Corporate Governance defines the rights and responsibilities of corporate shareholders, boards of directors, internal and external auditors, and audit committees. It calls for full disclosure of

financial information and corporate policies to shareholders, board members, staff, and the public. The code also prescribes measures to avoid conflicts of interest.

While the code was written primarily to aid publicly traded corporations and financial institutions, it also applies to small and privately owned businesses. In the Middle East, as many as 90 percent of businesses are family-owned. All types of companies are urged to comply with the code to the best of their ability and to embrace the principles of accountability, responsibility, transparency, and trust that serve as its foundation. While the governance mechanisms of family-owned businesses differ from those of publicly traded companies, these businesses still contribute to a societal culture of corporate governance and must address the interests of their stakeholders.

The Egyptian code will be used as a model for similar private sector-driven initiatives in the region. It is hoped that external auditors and legal advisors will press corporate directors to abide by the code, and that banks and credit rating institutions will consider corporations' adherence to the code as part of their assessments. Corporations that comply with the code will reap the benefits of investor and public confidence in addition to improved performance.

The activities described in this case study were funded by the Middle East Partnership Initiative.

Note

* *Egypt Code of Corporate Governance, Guidelines and Standards* (Oct. 2005) section 1.4.

Sources

Egypt Code of Corporate Governance, Guidelines and Standards (Oct. 2005).

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Scoring Corporate Governance: A Framework for Implementation

The Asian financial crisis of 1997 underscored the need for governance reform not only in the business community but also in national development finance institutions (DFIs). DFIs are established by governments to provide long-term financing and technical assistance to sectors of the economy not served by other providers of capital. Unlike regular commercial banks, development banks provide training and management expertise in addition to financial assistance. They can therefore play a central role in advancing corporate governance reforms. To effectively promote good corporate governance, however, DFIs must first institute good corporate governance practices themselves.

In response to this need, the Philippines-based Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) began the DFIs for Corporate Governance Project in 2003 in partnership with the Center for International Private Enterprise (CIPE). ADFIAP's goal is to advance sustainable development by bringing together the national development banks and promoting mechanisms of good corporate governance. ADFIAP encourages DFIs to adopt and institutionalize good governance policies and practices, not simply because it is the "right thing to do," but because it is essential to business success.

Deputy Secretary General of ADFIAP Octavio B. Peralta has pointed out, "Effective boards of directors are vital if efforts to 'corporatize' DFIs are to be successful. Simply recognizing that corporate governance is important is not enough; board members must clearly understand their responsibilities and must have sufficient training and knowledge."

The Corporate Governance Scorecard

As part of its strategy to improve corporate governance, ADFIAP embarked on a new project to develop a corporate governance

“scorecard” for DFIs and their clients. Participants at a regional workshop in Manila developed an assessment and monitoring instrument called the ADFIAP Corporate Governance Rating System (ACGRS). This system, an adaptation and expansion of two existing international governance rating methods, monitors potential areas for governance reforms. ADFIAP was able to draw on CIPE’s wide network of corporate governance experts in developing the system.

Because the corporate sectors of ADFIAP countries share similar structures and legal frameworks, the adoption of a corporate governance rating system is a suitable and practical measure. By using a common system, concerned government, multilateral, and private institutions can monitor the progress of corporate governance reforms within each country and compare their progress with others in the region. The areas for improvement and relative importance of each reform area are clearly specified in the rating system.

The ACGRS clarifies the overall state and quality of governance in the financial institution by tracking the changes in governance policies and practices over time. Specifically, it consists of a questionnaire that requires a respondent to assess the corporate governance practices of their institution. There are two versions of the scorecard: one for DFIs and another for commercial banks and other financial institutions. A survey administrator converts the responses to a weighted score for each question using a predetermined point equivalence system. The scores for each criterion are consolidated into an overall weighted institutional corporate governance average. The weights for each governance criterion are: shareholder rights, 25 percent; commitment to corporate governance, 20 percent; board governance, 25 percent; disclosure and transparency, 15 percent; and auditing, 15 percent. The detailed point system is accompanied by matching checklists for each of the five elements.

Development finance institutions across Asia and the Pacific now have corporate governance policies or codes and key persons or units in their organizations who monitor and implement corporate governance programs and activities.

The ACGRS has been reviewed, tested, and revised in five national workshops held in Fiji, Malaysia, Mongolia, Pakistan, and Vietnam. The final version, developed in Manila, is being implemented by ADFIAP member institutions.

The ACGRS: A “Trailblazer”

This project has produced clear insight into the implementation of corporate governance practices among DFIs. Eight out of 10 ADFIAP member institutions now have corporate governance policies and/or codes approved by their respective boards of directors, and almost all of them have key persons or units in their organizations who monitor and implement corporate governance programs and activities. A total of 79 institutions – ADFIAP members, affiliates, and other networks – have participated in the program, along with 165 directors and senior managers from 23 countries in the region. ADFIAP itself has grown into a leading authority on governance matters, thanks in part to CIPE’s assistance with strategic planning over the years.

DFIs are “trailblazers” in the sense that they finance start-up projects that other financial institutions tend to avoid because of the inherent risks and long-term gestation of such projects. This initiative has provided ADFIAP’s member institutions with a chance to become model good governance institutions for sustainable business.

The activities described in this case study were funded by the National Endowment for Democracy.

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Access to Information

Democracies and markets depend on freedom of information, independent media, and transparency in government in order that citizens can make informed choices. Citizens need information to understand policy issues, participate in policymaking, and hold government accountable. The private sector needs information to trade, invest, and innovate. These needs can be served through a vigorous media as well as through laws and mechanisms that shine light on government. In many societies, reform also depends on educating the public about fundamental democratic and market principles.

In Ethiopia, the Addis Ababa Chamber of Commerce and Sectoral Associations found radio to be an excellent medium for communicating with government officials and the public simultaneously. Its broadcasts on business and regulatory issues disseminated information and views from both the private sector and government officials. The Ahram Regional Press Institute, together with CIPE, has raised the quality of reporting by training Middle Eastern and North African journalists on economic issues. The institute has also provided forums for journalists and other stakeholders to exchange ideas on improving governance and economic opportunity in Egypt.

Promoting a Business Community through Radio

by *Sariah Toze*

In the decade since the overthrow of the authoritarian Marxist Derg Regime, Ethiopia's government has implemented an economic reform program designed to stabilize the country's finances, promote private sector participation in the economy, and attract foreign investment. Yet decades of poverty, civil conflict, highly centralized authority, and unfamiliarity with democratic concepts are not easily overcome. Ethiopia's transition to democracy depends on strengthening alternative sources of information and broadening political debate.

Civil society groups increasingly engage the government and the public in dialogue on political and economic issues. The Addis Ababa Chamber of Commerce and Sectoral Associations (AACCSA) has done its part to increase access to alternative viewpoints on the economy through the *Voice of the Addis Chamber*, a radio program serving the country's business community. The Center for International Private Enterprise (CIPE) has helped keep this independent voice on the air in the face of government resistance and has aided continual improvement of the program.

Radio as Mass Advocacy

Since 1947, AACCSA – the largest and oldest chamber of commerce in Ethiopia with over 10,000 members – has been working to advance progress in Ethiopia. Its projects support economic, political, and social systems that are based on individual freedom, initiative, opportunity, and responsibility. With support from CIPE, AACCSA began a bi-weekly radio broadcast in April 2001 on Radio Ethiopia's FM97.1 as part of its advocacy efforts. The purpose of the radio program was three-fold: educate the business community on pertinent regulatory issues and procedures, provide business and trade information and training, and provide a forum for improved dialogue between the public and the government on issues concerning the private

sector and Ethiopia's economy. Using radio to communicate its message was a key strategic decision by AACCSA: radio is the number one means of mass communication in Ethiopia.

By implementing the bi-weekly program, AACCSA exponentially increased its ability to communicate its message, not only to its members but to important government players as well. The radio program served as a locus where members rally to have their voice heard at the highest levels of government. The broadcasts enabled both the government and the business community to clarify policy issues and become more versed in each other's positions on the issues. These conversations would most likely not have taken place without AACCSA's efforts.

Responses to Alternative Viewpoints

The radio programs focused on current business news and views and issues such as: trade and investment, business success stories, women in business, science and technology, HIV/AIDS in the workplace, and civic education and awareness. In several notable programs, prominent government officials were interviewed on pertinent topics. Among these officials were Prime Minister Meles Zenawi, former President Dr. Negasso Gidada, the Minister of Trade and Industry, the head of the Women's Department at the Ministry of Trade and Industry, and candidates for the chamber's president and vice president positions.

These topics and guest invitations evoked a positive response. One listener responded to a broadcast in which successful female entrepreneurs were interviewed by saying, "I commend your program on women entrepreneurs. All listeners were able to appreciate the fact that women entrepreneurs, if given the opportunity, can truly succeed. I hope I can listen to more such programs in the future." Another program, an interview with the former President of Ethiopia, discussed HIV/AIDS in Ethiopia and government mismanagement of funds for AIDS prevention. As a result of the program, the government took steps to better control the use of these funds. The interview with the head of the Women's Department of Trade and Industry led to increased support for the establishment of a women's business association.

The programs discussed weaknesses in the existing regulatory environment and stimulated demand from the private sector and the public for the reform of laws and regulations. The government has responded by, for example, accelerating the licensing and registration of businesses. These procedures, which used to take months, now take only a few days since a broadcast highlighted this concern. The Customs Authority stopped implementation of a new goods shipment directive only 24 hours after a string of protests made by the business community through the radio program. Furthermore, the regular dialogue between public and private sectors via the *Voice of the Addis Chamber* led to the establishment of the Public-Private Consultative Council. The council is co-chaired by the Minister of Trade and Industry on behalf of the public sector and the President of the Ethiopian Chamber of Commerce representing the private sector.

A series of segments on the implementation of the VAT in Ethiopia led to positive changes by government as well as the private sector. One program included a discussion with the Minister of Revenues on the importance of tax reform for Ethiopia's economy, while another presented research highlighting the consequences the VAT would have on consumers and suggesting that food stuffs be exempt. The results: when the VAT was implemented, more than 6,000 businesses registered as VAT payers, enforcement by the Ministry of Revenues became more even-handed, and the ministry exempted food stuffs from the VAT.

Tools for Success and Obstacles to Overcome

For the program to be successful it was important that the topics be relevant and current. AACCSA regularly solicited feedback from its members and listeners through post-broadcast surveys and annual questionnaire surveys. After each program, AACCSA contacted a diverse set of listeners from the business community, civil society, government, and AACCSA membership. In the annual survey, AACCSA asked its members what topics they would like to hear about in the future and what they have gained from the radio broadcasts already taking place. In addition, AACCSA used its contacts in the business community and government to collect suggestions and maintain the quality of its programming. The five-person editorial board – consisting of the

deputy secretary general of AACCSA, the program coordinator, and the producers – kept abreast of the most important issues concerning the business community and the economy, reviewed the transmitted radio programs, and reported the program's progress to AACCSA's board of directors.

The *Voice of the Addis Chamber* initiative has not been without its obstacles. AACCSA's program is carried on a state-owned radio station, and is usually able to broadcast without government interference in the program content. However, AACCSA's independence is not guaranteed, demonstrated by the fact that it was shut down for six weeks in 2004 when a controversial program offended the government. After protests by the business community via AACCSA and local newspapers, the government reinstated the program. Another challenge has been a ban on running advertisements during the broadcast. Prior to the six-week closure in 2004, AACCSA ran advertisements from various companies and sponsors. These have been banned since the program was brought back on the air, preventing it from becoming self-sustaining.

A United Voice

Despite these challenges, the *Voice of the Addis Chamber* successfully uses radio to strengthen advocacy in two ways. First, the business community is now better informed and more involved in important issues. Second, the increased involvement of the business community was acknowledged by the government, which led to a dialogue. Radio serves as a tool for the business community to communicate its message to the government and as a forum for public discussion and education. In this public forum, members of the business community have a stronger, more cohesive voice. When concerns are voiced through the *Voice of the Addis Chamber*, the government can more easily be held accountable for its response to the issues. As a result, specific regulations have been changed to be more conducive to a market-oriented economy, strengthening the democratic principles of free speech, dialogue, and legislative process.

The activities described in this case study were funded by the National Endowment for Democracy.

Finding the Keys to Political and Economic Change

by Fleur C. Luntao Harris

In September 2004, the Ahram Regional Press Institute (ARPI) and the Center for International Private Enterprise (CIPE) organized a historic two-day forum in Alexandria, Egypt that focused on increasing awareness and knowledge of democratic institutions. It highlighted the importance of improving governance through citizen participation in decision making, a vibrant and independent media, and the reduction of legal and regulatory burdens. This forum was attended by 50 government officials, opposition party members, and independent newspaper representatives who gathered to discuss these reform issues.

It was not the first time that CIPE and ARPI had worked together in Egypt. In 1995, CIPE joined with ARPI to train 45 journalists from 11 Middle Eastern and North African countries in economic reporting. The training was designed to broaden the journalists' understanding of the issues of globalization, the economic and legislative framework of a market economy, and freedom of information. In 2003, CIPE and ARPI provided journalists and researchers from the Middle East with a venue to discuss development issues in their respective professions and exchange ideas on how best to share information.

Opening a Dialogue

The 2004 forum was unprecedented in that it brought together both governmental and non-governmental representatives to discuss governance issues. One participant, Mahmoud Al Maraghi, summed up the mood of the forum, saying, "Intellectuals, politicians, and academics who gathered at the seminar did not differ in their picture of reform, but in the means of change. Everyone wanted complete – not partial – reform, and everyone agreed that political reform is the catalyst to economic and educational reform."

A total of 17 working papers were presented during the forum, pointing to five key reform areas: civil society, access to

information, decentralization of government, public participation in national policymaking, and the effects of Egyptian culture on the democratic transition process. Empowering Egyptian civil society, according to professor and writer Dr. Ibrahim Al Bahrawy, can only be achieved with the help of the media.

While much responsibility for educating the public rests on the media, the forum recognized that the media cannot fully serve its purpose while laws restrict their freedoms of association and expression. Journalists risked being sent to prison for demanding government accountability. Participants in the forum were hopeful that the Egyptian media could be transformed if the laws and regulations that hamper access to information were abolished. The group proposed a restructuring of media institutions by granting these institutions full independence. Media ownership could be transformed by permitting individual ownership of newspapers and by ending the government's monopoly of the Radio and Television Broadcast Agency. The group also proposed the creation of a syndicate for workers in radio and television. There was consensus that the absence of transparency and accountability frustrates the transition to democracy and harms the economy by discouraging local and foreign investment; consequently, the group proposed the establishment of laws that foster transparency in government and corporations.

A historic two-day forum broadened the existing political debate and articulated the need for comprehensive democratic reforms.

Expanding Public Participation

The need to strengthen the local media was among the points raised during discussions on government decentralization. Participants believed that empowering local governments should go hand in hand with ensuring that a vigilant media follows the performance of local officials and agencies. Instead of using municipalities as a “pressure force” during elections, participants proposed, the government should establish laws that ensure the integrity of local elections, including the creation of a neutral body to supervise the electoral process. This could in turn reverse the apparent lack of public interest in local affairs. Participants

agreed that the right to vote is only the beginning of public participation; excessive security measures and a diminishing trust in the government have created a passive public over the years. Repression, poverty, populism, and passivity have together served to drive a wedge between citizens and the government.

Forum participants called for the amendment of the Egyptian Constitution and the repeal of emergency laws in order to give the public a more meaningful voice in policymaking. Speakers and participants alike believed that reforms should begin with granting citizens the right to elect and change their president. The reform movement in Egypt saw a major success in February 2005 with the Amendment to Article 76 of the Egyptian Constitution. The amendment ended the practice of selecting the president through referenda and instituted multi-candidate elections.

The Road to Change

The dialogue on transparency, media, and public engagement initiated by the 2004 forum succeeded in broadening the existing political debate in Egypt and articulated the need for comprehensive reforms. At the forum, participants pushed for two methods of reform: the top-down strategy (introduce change at the political level, consequently reaching to the social level) and the bottom-up approach (reform the educational and cultural value system first and amend the Constitution later). The entire group believed that the most pressing need for Egypt was to rid itself of laws that constrict universities, the media, and professional syndicates from exercising their freedoms.

The 2004 dialogue between politicians and the media spurred a number of commentaries in newspapers all over Egypt. In the two weeks following the program, more than 30 articles discussing the forum's recommendations appeared in the Egyptian press and served to maintain the momentum of the discussions. The issues raised by the columnists were ultimately taken up at the convention of the National Democratic Party.

Democratic governance and its impact on businesses became the logical centerpiece of follow-up discussions in February 2005, when CIPE and ARPI gathered journalists and market experts

to examine Egypt's economic status. Building on the September 2004 forum, it became clear that efforts to combat corruption and cronyism must be preceded by social and cultural change. Such change would set the stage for a more open exchange of ideas, enhance the flow of investments, and open up opportunities for youth. Additionally, open public dialogue and political participation are important vehicles for change. As pointed out by one constitutional expert, Dr. Ali Al Ghateet, the laws that regulate these activities must be amended for real reforms to take place. Participants from both forums agreed that openness, fair media access, and widespread citizen participation across the country are all central to reform.

The activities described in this case study were funded by the National Endowment for Democracy.

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