

CIPE 2004 ANNUAL REPORT



Center for International Private Enterprise
An affiliate of the U.S. Chamber of Commerce

The Center for International Private Enterprise (CIPE) 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 800 local initiatives in over 90 developing countries, involving the private sector in policy advocacy and institutional reform, improving governance, and building understanding of market-based democratic systems. CIPE programs are also supported through the United States Agency for International Development.



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CIPE 2004 | Annual Report



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Chairman's and President's Message

In President Bush's second inaugural speech, he spoke clearly about a vision where "citizens find the dignity and security of economic independence, instead of laboring on the edge of subsistence." These words highlight a truth about liberty. It is based not merely on political freedom, but also on economic freedom, an essential component for true and lasting democracy. We have entered the 21st century, yet economic freedom remains illusory for many, as are political freedoms. Economic reform and institution building are the instruments through which freedom can take a firm hold in societies and save fragile electoral democracies from faltering.

Russia is a clear case where the need for mutually supportive political and economic reform can be seen. The country's democratic progress is slipping to such a degree that the rule of law is threatened, adversely affecting the business environment and economic freedom. Yet there is some good news. With CIPE support, many of Russia's entrepreneurs are forming coalitions and working to reverse this trend. The coalitions identify local barriers to growth and advocate legal and regulatory reforms. Grassroots efforts such as these create citizen leaders with a constructive role in economic development and are the building blocks of democracy.

CIPE and its partners around the world are dedicated to building a foundation upon which democracy can thrive. In Afghanistan, 2004 marked the launch of the Afghan International Chamber of Commerce and a women's empowerment program. In Iraq, CIPE's work with the business community helped prepare it, as well as Iraqi political parties and journalists, for participation in Iraq's first free elections.



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Amb. John A. Bohn
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These are just a few examples that highlight CIPE's mission: to foster democracy around the world through private enterprise and market-oriented economic reform.

CIPE's 2004 Annual Report offers insights from a number of success stories. It describes efforts in Ethiopia, China, Afghanistan, Russia, Colombia, Romania and Iraq, where key challenges such as corruption, post-conflict reconstruction, and repressive political regimes are being confronted. With ongoing support from the National Endowment for Democracy, the United States Agency for International Development, and the U.S. Chamber of Commerce, CIPE will continue its efforts to make freedom and liberty an enduring reality for more people around the globe. ■

CIPE Overview

Emphasis on institutional reforms

CIPE was founded by the U.S. Chamber of Commerce in 1983 in the belief that economic freedom and political freedom are intertwined. The idea that progress comes through a combination of political and economic liberalization has gained weight over the years and is becoming more widely recognized.

Facilitating democratic stability and economic reform is not an easy task. Democratic consolidation is not achieved through simply holding elections, establishing a free press, and recognizing human rights (although these remain necessary components). Functioning democracies require opportunities, between elections, for the public to provide input into the policy process. Functioning democracies also require a private sector that is capable

and willing to provide an outside voice in the democratic policy process.

CIPE maintains that countries need to build market-oriented and democratic institutions simultaneously, as they are essentially two sides of the same coin. Without a functioning market system, democracies will remain weak. Likewise, without a democratic process, economic reforms are unlikely to succeed.

Approach

CIPE works in four principal areas, helping the business community to become a leading advocate for market-oriented reform and democratic governance. These include: a grants program supporting grassroots networks in developing countries, an award-winning communications strategy, capacity building

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CIPE Mission

To strengthen democracy around the globe through private enterprise and market-oriented reform.

CIPE Objectives

Promote development of the legal and institutional structures necessary to establish and maintain open market-oriented societies.

Increase business participation in the democratic process.

Support private voluntary business organizations and freedom of association.

Implement programs that enhance business knowledge and strengthen the entrepreneurial culture of the private sector.

Increase support for and understanding of the rights, freedoms, and obligations essential to a democratic private enterprise system among government officials, business people, and the general public.

Expand access by the business community to information necessary for informed decision-making.

Key Themes

Business associations
Private sector advocacy
Combating corruption
Corporate governance
Access to information
Property rights
Informal sector
Democratic governance
Women and youth participation

programs, and technical assistance through field offices. One of the unique attributes of CIPE is its ability to creatively employ concepts like transparency, accountability, fairness, and responsibility in institutional reform, laying the foundation for democracy at all levels of society.

CIPE partners with business associations, think tanks, and other private sector organizations in countries where there is both a need for progress and an opportunity for reform. CIPE's institutional approach to development recognizes that changes will not occur overnight and a long-term commitment is needed for reforms to succeed.

Long after a country or a region disappears from the headlines, important work remains in order to prevent reforms from being overturned at the first sign of difficulty. CIPE enables its partners to develop and become leaders of sustainable development initiatives in their countries. At the same time, CIPE supports key reformers in places where serious progress has yet to take hold.

CIPE recognizes that successes in one region may provide a model approach for another. CIPE and its partners continue to apply lessons learned across regions, creating new approaches in countries at various stages of democratic reform.

CIPE will continue to develop innovative programs, incorporating successes such as those detailed here for 2004. ■

Introduction

CIPE's mission to strengthen democracy through private enterprise and market-oriented reform in countries around the globe assumed even greater relevance in 2004. The year, filled with events that strengthened democracies in some regions and weakened them in others, presented a host of challenges for the international development community, CIPE, and its partners.

Two key issues dominated the development agenda in the past year – post-conflict reconstruction and backsliding from market oriented and democratic reforms.

Democracy-building efforts in Iraq and Afghanistan are well underway. Although democracy has not yet won and a host of challenges remain, both countries are taking important steps toward democratic freedoms and economic prosperity.

In many developing countries, primarily in Latin America and Eurasia, we witnessed democratic reversals, as leaders in those regions continue to tighten their grip on economic and political freedoms.

One of the biggest victories for democracy came in May, when ten new members joined the European Union (EU). Many of these countries left the legacy of a command economy and communism behind only fifteen years ago. Today, they boast some of the strongest democracies in the developing world, and their strong democratic performance is translating into economic success.

CIPE has worked in Central and Eastern European countries from the onset of the transition process in the early 1990s, empowering local leaders to build the foundation for future

growth through comprehensive institutional reforms. Many CIPE partners were at the forefront of their countries' efforts to join the EU. Bulgaria, Romania, Serbia, and Turkey continue to learn from the success of their neighbors and carry on the reforms that move them closer to membership in the united Europe and the global economic system.

The lesson to be learned from the EU's new members is that merely having elections is not enough. Democracies require extensive work to build – often from scratch – key institutions that make them function, such as the rule of law. Last year's successful elections in Afghanistan, for example, should be both a signal of early success and a reminder that important work remains.

In both Iraq and Afghanistan, CIPE is putting an emphasis on sustainability. For reconstruction efforts to succeed, local reform leaders must be given an opportunity and tools to rebuild their own countries. Such an approach ensures that countries do not grow dependent on aid, and can build their own future once aid flows decline. CIPE's experience in these countries indicates that local reformers are eager to learn and put their knowledge to work despite the challenges they face.

In China, progress is also evident, as last year the Chinese constitution was amended to incorporate the protection of property rights and human rights – two key components of a free market economy and democratic society. And in El Salvador, Elias A. Saca, who presided over the National Association of Private Enterprise (ANEP), a former CIPE grantee, won the presidential election running on a pro-market platform.

Amid the democratic successes, the rise of populist regimes in countries in Latin America and attacks on political and economic freedoms in Russia are disappointing. As leaders in these countries consolidate more power in their hands and governments assume greater responsibilities, CIPE partners continue to promote greater public participation in the political process and renew calls for economic freedoms. They are not giving up on reforms, and through everyday work show that democracy is primarily about the process – the process of building sustainable institutions. The benefits are real, but in order for societies to realize them, proper mechanisms must be built to ensure that wealth creation replaces corruption and cronyism.

Access to information and open public debates are key to countering reversals from democratic and market-oriented reforms. CIPE partners in countries across the globe push for greater openness through public awareness campaigns.

In Egypt, the Al Ahram Writers Forum, held by CIPE and the Al Ahram Regional Press Institute, resulted in the publication of more than 40 articles in just two weeks calling for the implementation of the government's reform agenda. In China, the Unirule Institute of Economics conducted 20 public discussion seminars on various economic and political issues to spark a debate on the future of reforms in the country. In Colombia, the Political Science Institute, publisher of the successful regional magazine *Perspectiva*, held a public forum on the state of reforms in the country. The forum attracted over 400 business leaders, politicians, and academics. In Iraq, the Baghdad Economic Research Center, the country's first think tank, which was established with assistance from CIPE, organized public discussions on issues relating to local business. These dis-

cussions received extensive coverage in television and print media throughout the region.

CIPE programs also put an emphasis on creating a better environment for doing business. A healthy and competitive private sector is key to the successful development of all nations, because it is the private sector that attracts investments, provides jobs, and creates wealth. And, as the experience of many countries shows, the economic strength of nations is intertwined with their democratic stability.

In Kyrgyzstan, the Bishkek Business Club, through extensive work with government officials and private sector leaders, led a successful effort to eliminate value added taxes on exports of goods and services, which helped improve the competitiveness of local firms. In Russia, regional business coalitions have been responsible for dozens of legislative changes reducing administrative barriers to doing business and increasing access to information. Similar efforts to build a better economic environment are underway in dozens of countries around the globe.

CIPE partners address a variety of issues intended to strengthen the democratic process and improve the business environment – from corporate governance and anti-corruption initiatives to women and youth participation and property rights reform.

This report takes an in-depth look at a few of the more than one hundred programs conducted last year. The profiles of programs in Afghanistan, China, Colombia, Ethiopia, Iraq, Romania, and Russia presented in this report highlight the fact that CIPE's institutional approach to democratic and economic reform works regardless of a country's size, cultural background, religious heritage, or geographic location. ■

Regional Highlights | Africa

There are reasons to be hopeful that Africa is progressing in its quest for a peaceful democratic future and prosperous economic environment. Although key elements of thriving liberal democracies and open market-oriented economies are missing in many countries, reformers in countries such as Nigeria, Tanzania, Ethiopia, and Ghana are building the foundation for future success.

Despite the increasing number of elections held in many countries across the region, functioning democracies are still uncommon. Newly elected leaders often fail to follow through on their electoral promises to strengthen democratic institutions and promote true economic reform. Also, the monopolization of power in government still poses a major challenge.

From the private sector perspective, weak human and financial resources, low managerial skill levels, and limited knowledge of organizational best practices stunt private sector growth and hamper the effectiveness of business associations in economic development. The pervasiveness of Africa's informal sector is also a major challenge, as unclear and inadequate legal norms and weak regulatory systems inhibit the entrepreneurial potential of many countries.

Widespread corruption in all levels of government and many private sector transactions undermines many development efforts in Africa. And there is still a lack of broad-based understanding of the role of business in advocating for regulations that build a competitive market economy and a representative democracy.

In the past year CIPE and its partners diligently addressed these challenges. To combat the lack of knowledge and advocacy skills within the business community, CIPE strengthened networking among business associations and helped build

the capacity of business organizations to lead reform efforts.

CIPE also continued to promote the development of institutional structures necessary to establish and maintain open market-oriented economies, and assisted local organizations in their efforts to create a grassroots understanding of the legal framework that guides business transactions.

In its third year, the **Africa Virtual Business Association Network (AVBAN)** continued to capitalize on Internet-based communication technologies to expand the reach of CIPE's capacity-building materials for associations.

In Nigeria, the **Nigerian Association of Chamber of Commerce, Industry, Mines & Agriculture (NACCIMA)** developed its own accreditation program, which provides auditing services to business associations to help them assess their public policy advocacy programs and evaluate member services.

Ghana's **Private Enterprise Foundation (PEF)** launched an initiative to review all key parliamentary bills that affect the private sector. PEF is working with its member associations to review draft legislation, analyze the issues, and craft professional policy position papers to offer parliamentary committees, the business community, and the public informed analysis of the issues. Its efforts also present workable solutions that ensure competition and fair practices in the business environment.

Similar efforts are underway in Mozambique, where the **Industrial Association of Mozambique (AIMO)** is providing business and economic information to its members. AIMO also aids the government in drafting effective economic and industrial policies.

In Senegal, the **National Employers Association (CNP)** produces a radio program that improves public understanding of the market economy and the role of business associations in a democracy. The broadcasts express the views of the business community, educate the public on business and social issues, and provide management information to small- and medium-sized enterprises. And in Ethiopia, the **Addis Ababa Chamber of Commerce (AACC)** broadcasts a twice-weekly radio program to generate dialogue on business issues and promote private sector participation in policy advocacy.

Another initiative in Tanzania, the **Tanzania Advocacy Partnership Program (TAPP)** supports the efforts of private sector advocates for reform. The TAPP program, which includes business association management and advocacy training programs in six regions of Tanzania, has improved the skills of business associations in strategic planning, membership development, and advocacy. TAPP participants are putting their skills to work by developing new public-private partnerships in economic and political reform.

The mixed picture of reform and the prevalence of armed conflict illustrates the tenuous nature of the transition to democracy in Africa. There are reasons for optimism, as civil society groups engage governments and the general population in dialogue and offer greater access to alternative views and sources of information. Important economic reforms in Africa over the past decade have contributed to the resurgence of growth in many countries and have created a wider space for private initiatives. The challenge now is to ensure that these private initiatives remain on course. ■

Ethiopia | Strengthening the Private-Public Dialogue



I thank the AACC for its resolve to voice the concerns of the business community, and I call upon the government to discuss [these] issues.

*“Voice of the Addis Chamber”
radio listener’s feedback.*

Decades of highly centralized authority, poverty, civil conflict, and unfamiliarity with democratic concepts are not easily or quickly overcome. In Ethiopia, the government – whether at the local or federal level – vacillates between authoritarianism and liberalization. It alternately flouts media freedom by intimidating outspoken journalists or gives free rein, allowing the private press to publish articles extremely critical of the Government.

Despite the uncertainty, civil society groups are increasingly engaging the government and the general population in dialogue about issues critical to economic growth and political stability. The rise of the private media is broadening the political debate, creating a more informed electorate and elected political body, and strengthening the democratic transition in Ethiopia.

The Addis Ababa Chamber of Commerce (AACC) has capitalized on the more open environment to launch the “Voice of the Addis Chamber” (VAC) – a business radio program serving the local business community. This radio program not only serves as an instrument for the dissemination of information in an information-deprived area, it is also a forum for dialogue between government officials and private sector leaders, enabling both groups to clarify policy issues and constraints. The program also encourages the business community to become more involved in the democratic processes.

The radio program provides a regular forum for discussing basic weaknesses in the existing legal and regulatory environment and gives AACC, the wider business community, and the government an opportunity to propose and discuss concrete solutions to those weaknesses. In this way, VAC stimulates increased demand on the part of the

public, the private sector, and government circles for reform of current laws and regulations.

In the beginning of 2004 the Government of Ethiopia shut down the radio program. The rationale given by the government was that the program disseminated economic and political ideas that differed from the official position. This was a serious blow to one of the country's few sources of information and ideas on free markets and democratic ideals. The closing of the radio station drew the attention of the local and international NGO community, as well as the private sector. After two months of public pressure, the Government of Ethiopia allowed the radio program back on the air.

Later in the year, AACC was named African Chamber of the Year by the Broadcasting Network of Africa (BNA). The BNA, through its Business Achiever Awards Program, recognized AACC's radio program for its contribution to economic development in Ethiopia. AACC also received an award from CIPE's Africa Virtual Business Association Network in the "Communications" category for its contribution to the public debate over issues that



AACC's program director speaks on the radio show about laws affecting the business community.



AACC's website provides a number of services for the local business community, such as access to key business legislation.

affect Ethiopia's political and economic development.

The radio program also led to the creation of the Permanent Public-Private Consultative Council. The Council is co-chaired by the Minister of Trade and Industry, who represents the Government, and the president of the Ethiopian Chamber of Commerce, who represents the private sector. The Council is another force that continues to engage the government in dialogue with the private sector.

AACC's achievements through its radio program have contributed significantly to sustainable business growth, economic reform, and government recognition that input from the private sector and the general public should be an important factor in policy decisions. This effective communication tool continues to motivate the business community to play a leadership role in the democratic process.

CIPE partners in other regions are learning from AACC's experience and are developing their own media programs. In Iraq, for example, efforts to create a Business Talk TV program are well underway. ■

Regional Highlights | Asia

In Asia, development priorities vary across countries. In transition economies, such as China and Vietnam, there is a need for basic support for economic reform advocates working for liberalization, privatization, and democratization in a politically sensitive environment. In many areas, particularly Southeast Asia, countries still struggle to effectively address the long-standing problems of corruption, cronyism, and lack of transparency and accountability in governance.

Muslim countries, such as Pakistan and Bangladesh, also provide a challenge to demonstrate that economic reform can serve to benefit the masses as well as the elite. If reforms in these countries succeed, it would be a perfect opportunity to show that democratic governance and predominantly Muslim populations are not mutually exclusive entities.

CIPE's partners tackle these problems from several different angles. They broaden public support for reform and increase government acceptance of the benefits of liberalization in transition countries through awareness programs. They also inhibit cronyism and corruption by promoting good corporate governance, freedom of the press, and transparency and accountability in government.

Several local initiatives aim to reform private business associations in countries where they serve vested interests or are too weak to influence policymaking. These programs are part of a broader effort to promote the private sector as the leading engine of economic growth across a region with a history of state-dominated economies.

In Indonesia and the Philippines, the **Center for Media Freedom and Responsibility (CMFR)** works to promote greater access to economic

information at the local levels of government as a measure to strengthen governance and reduce opportunities for corruption.

In China, the **China Center for Economic Research** (CCER) embarked on the difficult task of promoting freedom of association as well as academic freedom and more open debate on the policymaking process. As part of its program, CCER created an electronic network, where almost five thousand materials have been published. The website's open forum attracts thousands of people who participate in discussions on hundreds of various economic, political, and social issues.

In Indonesia, the **Institute for the Study and Advancement of Business Ethics** (LSPEU) continues to publish an economic journal, *Jurnal Reformasi Ekonomi*, to focus the attention of top Indonesian decisionmakers in the parliament and elsewhere on key reform issues and help educate them about the need for further political and economic liberalization. LSPEU also holds workshops on various topics such as corporate social responsibility and ethical conduct in business and politics to spark a healthy debate between government, the private sector, academia, and other civil society groups.

Similar awareness programs were implemented in China, where the **Unirule Institute of Economics** held over 20 public discussions on various political, economic, and social issues.

In Sri Lanka, the **Federation of Chambers of Commerce and Industry of Sri Lanka** (FC-CISL) is strengthening private sector advocacy. FCCISL identifies policy issues constraining economic growth and opportunity in Sri Lanka and develops and publicizes specific recommendations on needed policy improvements. The centerpiece of its program are the Eco-

nomic Policy Papers distributed to both the business community and government officials.

The **Dhaka Chamber of Commerce and Industry** (DCCI) in Bangladesh is improving the dialogue between government officials and civil society. DCCI publishes an electronic Policy Bulletin outlining key reform needs and holds workshops to distribute its Economic Policy Papers and stimulate public discussion. DCCI's advocacy efforts continue to be featured in newspaper articles, attracting senior-level policymakers to participate in their policy workshops.

Corporate governance efforts in China are well underway. The **China Center for Corporate Governance** (CCCCG) held a number of seminars on corporate governance attended by hundreds of participants. CCCC also published a book that compares governance practices in Chinese companies to corporate governance in other countries. The **Chinese Economists Society** (CES) developed a Network for Private Enterprise Development, which is an online tool intended to reach a wide audience to disseminate news and studies on the private enterprise in China and spark a healthy debate on its future.

Regional corporate governance efforts are also making headway. The **Association of Development Finance Institutions in Asia and the Pacific** (ADFIAP) works across Asia to improve governance practices within its member institutions and send the message that corporate governance can be successfully used to address corruption and improve business ethics.

In the coming years, efforts to strengthen democracy in Asia can become an effective strategy to combat terrorism that continues to destabilize the region. ■

China | Laying the Building Blocks of a Market Economy



The government must promote the participation of all citizens in the discussion and expression of their views.

*Cao Siyuan,
a leading proponent of
constitutional reforms in China.*

Despite more than 20 years of market-oriented reform in China, major obstacles remain in the country's transition from a command economy to one in which pluralism, rule of law, and transparency are dominant features.

The growth of private firms and transfers in ownership of China's assets are providing opportunities for entrepreneurs to seek additional ways to translate their newly created wealth into increased political clout and an enhanced role in policy making. Private businesses in China have begun to recognize the value of associations as an efficient means of representing their interests – a development that will likely bring the leadership and management of business associations in China closer to those in market economies. In this way, economic reforms in China and the evolutionary development of private business associations have become mutually reinforcing processes.

In China, CIPE is working with local partners to build private and voluntary business associations as part of an ongoing effort to promote economic reforms, development of a representative business community, and changes to the existing top-down political structure. Some local government officials have begun to see the value of a strong private sector. At the request of local officials, CIPE has organized a number of workshops for dozens of business association executives on issues relating to sound management.

CIPE's corporate governance partners at the Chinese Academy of Social Sciences (CASS), who have translated CIPE's corporate governance handbook into Chinese, have focused on good management practices in Chinese enterprises. The edited handbook was published and distributed to private entrepreneurs and business

associations around the country. It will also serve as an important tool as CASS begins to introduce corporate governance principles to state enterprises. CASS also published two books on corporate governance reforms based on several conferences CIPE and CASS have held in China in the past four years. These books capture broad international experiences in corporate governance reform and provide perspectives from China's reform leaders.

Throughout 2004, the Unirule Institute of Economics held over 20 symposia on a variety of topics intended to spark public debates on economic and political reform in China. The seminars, which attracted hundreds of people, offered a unique forum to discuss important policy issues. This is an important step in educating the public, generating ideas, and pushing for reform in China.

The Unirule Institute of Economics also published a collection of its administrative reform studies from the past five years titled, "Public Justice and Transparency: The Road to Administrative Reform in China." Several thousand copies of the book have been distributed to policymakers, the business community, and independent think tanks in China.

In June 2004, the Chinese Economists Society (CES) organized the Economic Reform



Audience listens to a speaker at one of the seminars organized by the Unirule Institute of Economics.



The panel of experts at a conference in Shenyang, China discuss the state of shareholder rights and the role of boards of directors in the country.

public-private dialogue which featured such distinguished guests as Nobel laureates James Mirrlees and Robert Lucas. During the meetings, which included a separate discussion with Premier Wen Jiabao, private reform leaders brought up several reform issues before senior government officials. The meetings were an important step in the ongoing effort to promote a more open and grassroots-based approach to reform.

Building public awareness and facilitating the dissemination of reform ideas is crucial in countries such as China, where media control remains firm. CIPE's partner, the Center for Private Economic Studies (CPES) in Beijing, continued to publish its online Chinese-language *Journal of Private Enterprise*. The journal outlines the benefits of expanding China's private sector and accelerating the country's transition toward a market economy. This journal can be viewed in Chinese at <http://www.cpes.cn>.

China is at a turning point in the development of private enterprise and key democratic values. Public support for reform leaders clearly shows the demand for economic and political reforms. In the coming years, CIPE and its partners will continue to encourage public participation in policymaking and lay the fundamental building blocks of a rules-based market economy in China. ■

Regional Highlights | Central and Eastern Europe

In a testament to the progress made since the fall of communism in Europe, eight former Soviet-bloc countries were admitted into the European Union (EU) in May 2004. The strides made by countries such as Poland and Hungary to secure this membership and the economic benefits that will follow give other transition countries in the region an incentive to implement the democratic and economic reforms necessary to join this community.

Whether seeking membership in the EU or focusing internally on basic transition reforms, countries throughout the region continue to face a host of challenges. The most difficult to address is widespread corruption, which causes great harm to the regional economies and to development of rule of law and democratic governance. Businesses must confront a maze of ambiguous regulations, bureaucratic arbitrariness, and confiscatory tax policies. Women entrepreneurs in particular still find it difficult to operate in these societies. Though a number of women have entered the upper echelons of government and business, many women, especially small entrepreneurs, are left out of the privatization process and have more difficulty obtaining credit.

The Bulgarian **Economic Policy Institute** (EPI) has developed a program to address the domestic and foreign business community's lack of confidence in the ability of governmental bodies to produce adequate rules for investment. EPI is implementing an advocacy program to promote administrative reform as a means of improving legislative decision-making in the country.

Another think tank in Bulgaria, the **Center for the Study of Democracy** (CSD), is working to lower the costs of doing business in the country. CSD is also fostering entrepreneurship by im-

proving the administrative governance of business regulations and licensing in the capital of Sofia.

In Macedonia, the **Association for Protection of Shareholders** (Akcioner) is strengthening corporate governance practices by improving the protection of shareholders' rights. Akcioner also provides mediation services in cases of company-shareholder disputes and educates judges and lawyers handling similar cases. This problem is not unique to Macedonia, as shareholders across the region struggle to ensure equal representation and transparency in publicly-owned companies.

The **Macedonian Business Lawyers Association's** (MBLA) programs help local entrepreneurs stay abreast of changes in the legal and regulatory environment by improving the flow of information to the small business community. MBLA also advocates for small business participation in the public policy process and encourages the development of public-private partnerships to address the development challenges the country faces.

The **Center for Entrepreneurship and Economic Development** (CEED) encourages private sector development in Montenegro. Among its many successful programs, CEED's initiative to build local capacity in the delivery of business services is particularly important because it is introducing new business ideas into the local environment. CEED also advocates for a greater understanding of and adherence to the principles of modern corporate governance that produce new standards of accountability and transparency in business and civil society.

In Serbia, the **Center for Liberal Democratic Studies** (CLDS) continues to spearhead the country's efforts to curb widespread corrup-

tion. CLDS is building a consensus around a fully developed and publicly disseminated understanding of the phenomenon of corruption in the Serbian justice system – its origin, magnitude, mechanisms, and consequences. The CLDS's focus on the judicial system reflects the importance of an effective and transparent judiciary to a rule-of-law-based democratic society.

In Romania, the **International Center for Entrepreneurial Studies** (ICES) is addressing the country's problem of corruption and its lack of ethical business practices. ICES is setting up Transparency Centers, similar to Better Business Bureaus in the United States, to clarify companies' questions regarding unclear laws and regulations and to serve as a clearinghouse for best practices.

CIPE's work with women's associations and other groups helps change attitudes and circumstances that otherwise bar women from full economic participation in Romania. In 2004, Romania's **Coalition of Women Business Associations** (CAFA) hosted its third annual Women in Business Conference. CAFA advances a legislative agenda focusing on small business and investment laws and offers principles of action that emphasize equal opportunity, public-private partnership, and recognition of successful role models. CAFA grew out of a quintessential CIPE program of support for business associations and improved advocacy skills.

The countries of Southeastern Europe continue a slow but steady move towards market-oriented democracy, and ultimately European integration. Although successes vary greatly among countries, there are reasons for cautious optimism for all of them as they continue to build sound institutions. ■

Romania | Supporting Women in Business



CAFA is the sum of strong and determined women who want to contribute to the creation of a business environment which ensures equal chances for everybody.

*Gabriela Chiriac,
president,
Association of Women
Entrepreneurs in Galati, Romania.*

Economic and political participation of all segments of society is key to building a participatory democratic system. Yet, in many countries, women have historically been discouraged from assuming political and economic roles. In Romania, CIPE supports women business leaders and helps them realize their potential as agents of change to move Romania's development agenda forward.

The Romanian Coalition of Women Business Associations (CAFA) grew out of a model CIPE program that supports business associations and improves advocacy skills. CAFA is comprised of fifteen associations and has an agenda that enhances women's managerial skills, increases corporate social responsibility among enterprises run by women, and engages in political advocacy on behalf of businesswomen in Romania. CAFA advances a legislative agenda focusing on small business and investment laws and offers principles of action that emphasize equal opportunity and public-private partnerships.

CAFA's importance has been recognized at the highest levels of government. Early in 2004, Romanian President Ion Iliescu and the United Nations Development Program in Romania invited CAFA and CIPE's Romania office staff to a workshop entitled "Women's Political Empowerment," which was held at the presidential palace in Bucharest. CAFA members used the opportunity to brief the president on the mission, goals, and future plans of the Coalition. The main message delivered to the president was that this coalition of women's business associations can bring together various private sector leaders to improve the overall business environment in Romania.

CAFA continues to hold annual meetings to communicate the success of businesswomen in Romania. At its third annual meeting in May, CAFA launched a new Coalition newsletter and released the newest edition of its "Women of Success" CD. The event was sponsored by local companies and business associations, demonstrating the strong support for these programs by the local business community. Nearly 100 businesswomen from across Romania participated in workshops on topics related to business management such as staff recruitment, project planning and assessment, and strategies for business development. Costin Lianu of the Ministry of Economy and Commerce addressed the gathering and spoke positively about the growing relationship between the group and the Romanian government.

The "Women of Success" project highlights three types of successful women who have supported the development of the economic environment and advocated for the involvement of women in economic and social life: business owners, business managers, and managers within foreign organizations. This program has been used successfully to train the younger entrepreneurial generation in the development of its leadership and networking skills and has helped associations guarantee future membership by investing in the next generation of business leaders.

Through their continuing efforts, CIPE and CAFA have helped countless women entrepreneurs in Romania voice their concerns to the government. CAFA's initiatives have opened the doors for women to participate in public debates on economic reform and demonstrated that economic reform can be achieved by focusing on the needs of SME owners and women entrepreneurs. CAFA's programs receive regular coverage in the local media,



Romanian businesswomen, members of CAFA, attend third annual symposium in Bucharest.

as the Coalition continues to spread its message of political and economic equality in the Romanian society.

During the past decade, women-owned businesses have grown in importance and influence, propelled in large part by associations such as CAFA. These associations enable women to be full participants in the economy with every opportunity for success. As an agent for change, CAFA's central challenge has been to remove artificial cultural and legal barriers to women's full economic participation. Through its programs, CAFA enables its members to expand opportunities, defeat challenges, and implement solutions to business problems. As a result, programs like these strengthen families, communities, and countries around the globe.

With the support of its partners and growing interest from private businesses and associations, there is little doubt that CAFA will continue to grow and achieve its goals of supporting women entrepreneurs while positively influencing public policy. ■

Regional Highlights | Eurasia

Fifteen years after the collapse of the Soviet Union, it seems that countries in Eurasia have taken an opposite development approach from the one chosen by the successful transition economies of Central and Eastern Europe.

Russia and Ukraine have achieved stable and growing economic progress, yet their democratic records merit concern, particularly in light of the increasing central control in Russia and the political battle that preceded the presidential elections in Ukraine in late 2004. The countries of the Caucasus have stagnated, crippled by corruption, ethnic conflict, and lack of access for new entrants to the political and economic realms. Even bleaker is the outlook for Belarus and Central Asian countries that have regressed into controlled political systems with steadily declining records on democratic and economic reform.

Afghanistan, on the other hand, is at a crossroads, facing a resurgence of warlordism and widespread corruption, while the population works to take advantage of new economic and political opportunities.

With increasing consolidation of power in the hands of governments, popular dissatisfaction with the state of affairs is becoming evident in countries across Eurasia. Citizens in many countries are beginning to question government attacks on their civil and economic liberties and call for reform of political institutions. Public protests over unpopular initiatives are becoming more common, sending a clear message to corrupt and abusive political leaders.

In Armenia, the **Association for Foreign Investment and Cooperation** (AFIC) is working to improve the quality of present corporate governance practices by bringing Armenian standards

closer to international best practices. AFIC is also advocating for increased public awareness of the need for good corporate governance policies and practices among policy makers, business leaders, and financial market intermediaries as an effective instrument in the fight against corruption.

The **Partnership for Social Initiatives (PSI)** focuses on advocating for necessary changes to Georgia's current legal and regulatory framework to help ensure that the new government is able to create an effective economic platform to strengthen its fragile democracy.

Kyrgyzstan's **Bishkek Business Club (BBC)** is strengthening business association advocacy and improving the entrepreneurial climate in the country. BBC's programs promote business advocacy as a catalyst for economic reform, particularly in removing the loopholes that foster corruption within the Tax Code. BBC is achieving its goals by increasing public awareness of the importance of business' role in creating a market economy, raising the profile of entrepreneurship as a legitimate, honest way to make a living.

In Tajikistan, the **National Association of Managers and Marketologists (NAMM)** is working to reduce the size of the informal sector. NAMM takes an institutional approach to the problem with a Code of Ethics that will improve relations between tax collectors and tax payers. Its programs aim to reduce the administrative barriers to entrepreneurship and create proper incentives to discourage businesses from entering the informal sector.

The **Tashkent Business Club (TBC)** is leading efforts in Uzbekistan to reduce the level of abuse and corruption in the area of private property rights of entrepreneurs. TBC's programs also aim to help the business com-

munity understand their economic and political rights and empower entrepreneurs with the legal and institutional tools to defend their private property rights.

In Ukraine, the **Ukrainian Center for Independent Political Research (UCIPR)** and the **Institute for Competitive Society (ICS)** are developing a National Business Agenda to identify laws and regulations that hinder business activity and offer concrete recommendations and reforms to remove these barriers and improve the business climate.

ICS and UCIPR also organized a regional "Business Leadership and Democratic Development" conference which brought together 70 of CIPE's partners from 17 Eastern European and Eurasian countries. The participants represented a broad range of development experiences, hailing from the more developed former Soviet-bloc countries such as Poland to the Central Asian nations of Uzbekistan and Turkmenistan, which represent a far more difficult post-Soviet reality. The conference took place in the run-up to Ukraine's tumultuous presidential contest, outlining the powerful role played by civil society in mobilizing the public in support of democratic principles.

The costs of corruption loom large for the private sector throughout the former Soviet region, and particularly in Central Asia. Corruption not only weakens the economic potential of these countries but it also undermines the legitimacy of the democratically elected governments. The future of the region will depend on the ability of the private sector to become the leader of reform efforts, not simply a victim of inefficient rules and regulations. ■

Afghanistan | The Private Sector is Leading the Way



The private sector is the future for this country. It is the way forward.

*Hamid Karzai,
President of Afghanistan,
speaking at a public policy
roundtable sponsored by the AICC.*

From the onset of reconstruction efforts in Afghanistan, CIPE's strategy has been to build a system of private, voluntary associations to serve as local agents and leaders for change. Ensuring private sector participation in the rebuilding of Afghanistan's economy and political system is key because no development efforts can succeed without the input, knowledge, and leadership of the civil society.

The Afghanistan International Chamber of Commerce (AICC) was created in June 2004 by a consortium of indigenous business associations to support the efforts of the country's rising business leaders. AICC held its inaugural General Assembly on July 10 at Kabul's National Stadium. The event, previously planned for another location in Kabul, was moved to the national stadium in order to accommodate AICC's membership, which in three days swelled from 60 members to more than 2,000. Each member paid annual dues of 2,000 (Afg) per company for a total of 4,000,000 (Afg) or approximately \$80,000 in membership revenue. AICC's membership drive was launched with technical assistance from CIPE, which provided training in best practices for membership recruitment.

Since this event, AICC has worked diligently to achieve credibility as an advocate for private sector reforms. Its series of public policy roundtables featured top leaders from both government and the private sector to debate issues of importance to business. Through the creation of the Afghan Enterprise Institute, a private sector think tank, AICC published ten scholarly reports on issues such as customs reform, taxation, drug interdiction and agriculture policy. These reports, along with AICC's policy recommendations, were well-received by the government and resulted in the passage of a more favorable customs regime,

establishment of public and private sector committees within some ministries, ongoing dialogue between AICC and government officials, and increased credibility with both the business community and political officials.

AICC also channeled input from the business community into draft legislation that would impact trade and investment. Its forums on proposed business organizations, telecommunications, and NGO legislation were attended by an average of 300 private sector businesses, and as a result, a significant percentage of AICC's recommendations were included in the final drafts of these laws. In addition, AICC advocated for the creation of a specific process through which the Islamic Government of Afghanistan can solicit private sector input. AICC's recommendations in this area included the creation of a Freedom of Information Act and an Economic Impact Statement law, both of which are under consideration.

AICC established an office in Kabul that continues to serve as a meeting point for the business community, along with its branch offices in Kandahar, Charikar, and Herat. In 2004, its professional staff and consultants provided over 400 hours of technical assistance to twenty business associations throughout the country. To coordinate its trade and investment promotion activities, AICC established an



Over 2,000 people attended the AICC's inaugural General Assembly at the National Stadium in Kabul.



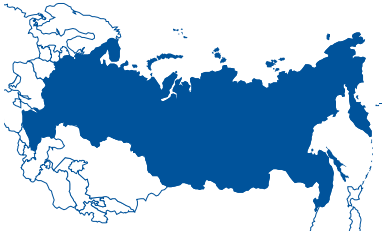
Market vendors in Kabul. The AICC is helping entrepreneurs of all sizes participate in the political process.

International Trade and Investment Promotion Office (ITIPO) in Kabul and a satellite office in Tyson's Corner, Virginia, that focus on the recruitment of U.S. investors.

In an effort to spread its message throughout the business community, AICC began printing a quarterly newsletter, *The Afghanistan Business Report*, which has been distributed to over 2,500 members, government officials, and stakeholders. In addition, AICC created an interactive website to share information with its members and the public at large.

AICC's well-planned activities in the areas of public policy advocacy, trade and investment promotion, and association capacity building have established its reputation as a viable support network for Afghanistan's private sector. In addition, it has cultivated partnerships with the government, donors and other stakeholders that will expand the impact of Afghanistan's private sector by creating jobs and facilitating reforms. The future of the country lies squarely within the strength of its private sector, and the business community in Afghanistan is well on its way. ■

Russia | Improving the Local Business Environment



[We are] seeing positive trends in the development of SMEs in Russia... [Russian business has] applied many features of the American business model.

*Sergey Katyrin,
vice president,
Russian Chamber of
Commerce and Industry.*

In Russia, attacks on economic and political freedoms continue to spark debates on the future of Russian democracy and the state of its economy. The threats of democratic reversal and encroachment of state capitalism are real. CIPE's programs in Russia are a bright spot, changing the nature of private-public relationships and improving the business environment at the local level.

CIPE continues to work with small- and medium-sized enterprises (SMEs) to build a better business environment. While big business in Russia is able to promote its interests effectively, these interests can often conflict with the needs of SMEs and micro-enterprises for a fair and level playing field. This is especially true at the regional and local levels where traditional weaknesses within the small business community have made organizing for business advocacy difficult.

Through Regional Business Agenda's – CIPE's model advocacy program – local coalitions of business associations, chambers of commerce, and other business organizations are working with governments to improve the business environment at the regional level. By employing effective advocacy strategies, these coalitions are successfully working to identify local business barriers faced by their members and are organizing targeted advocacy campaigns to push regional governments to implement reforms.

CIPE has also actively worked to build the capacity of business associations as exemplars of good governance – responding to the needs of their members, communicating their messages, and being financially responsible.

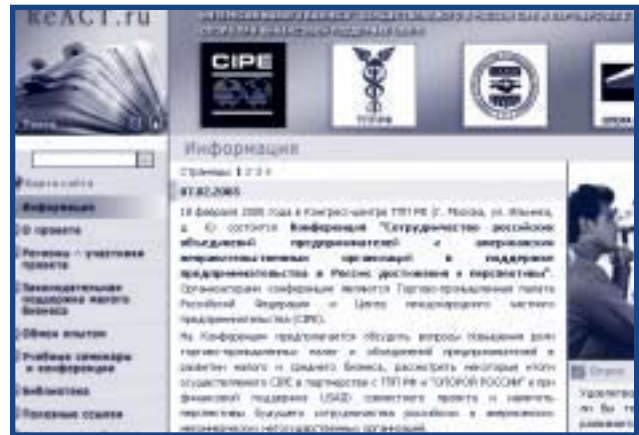
In the past year, regional coalitions have improved the public perception of the business community. They have also scored several victories in their drive to improve day-to-day business life, including: simplification and reduction of tax barriers, improvements in property leasing policies, simplified and faster business registration procedures, improved access to credit, and improved access to state contracting opportunities. The success of this advocacy approach has also translated into membership gains – a 45% overall increase in membership for organizations participating in the program.

These private sector coalitions are improving the daily lives of hundreds of businesspeople, and they are strengthening Russia’s fragile democracy by improving dialogue and nurturing cooperation between public and private sectors.

Another local CIPE partner, the INDEM Foundation, is tackling the widespread corruption that continues to weaken Russian markets, reduce the competitiveness of Russian companies, and threaten the remaining democratic ideals. Recognizing the important role that the private sector plays in corruption – both as a facilitator and a victim – INDEM has begun to evaluate



Association leaders share the success of their efforts to improve the business environment in Russia.



React.ru website provides access to key information about private sector advocacy in Russian regions.

government-business relationships to identify institutional causes of corruption in Russia.

After conducting systematic surveys of the legal and regulatory environments in several regions and holding a host of interviews and working sessions with business leaders and government officials, INDEM has developed a set of recommendations and strategies to help the business community say “no” to corruption. These recommendations were tested in the Irkutsk, Samara, and Moscow regions, and all have earned high marks from the business community. In fact, the East Siberian Chamber of Commerce has created a Public Anticorruption Center that is actively using INDEM’s recommendations and strategies when advising the local business community on anti-corruption and public procurement issues.

Russian business community, society, and reform leaders continue to face a host of challenges. Reforms are slow to come, but CIPE and its partners are not giving up on Russia and continue to address issues one by one. The time is right to continue strengthening associations and chambers so they will be better equipped to unite the business community and affect change in the country. ■

Regional Highlights | Latin America and Caribbean

Citizens across Latin America are losing faith in the ability of market economies to provide for the poor as much as they provide for the upper income groups. The most recent Latinobarómetro poll indicates that 71 percent of respondents in the region believe that their country “is governed for the benefit of a few powerful interests.” This attitude has resulted in a resurgence of populist political movements throughout the region.

These movements seek to dismantle market reforms that were implemented during the 1990s. However, these reforms did not meet the expectations of the public because they were implemented incompletely. The answer is not in the abandonment of market reform but in their full and extensive application.

The crisis for democracy in Latin America has become more acute over the past year as the democratic process weakens in countries such as Venezuela, Bolivia, Peru, and Ecuador. Popular support for market-oriented reforms is eroding further as indigenous, populist movements favor less democratic means to achieve their political ends. Underlying this trend is the challenge of addressing the needs of the population groups that continue to be excluded from both the democratic process and the benefits of market reforms. Further, business communities in the region remain fragmented and often show little leadership in mapping out economic reforms.

CIPE and its partners are addressing some of the key challenges that prevent Latin America from consolidating its democratic institutions and keep it from building a more stable and predictable economic environment. The emphasis is on establishing a consensus within the business community and other civil society groups to con-

solidate political support for reform.

To support free market ideas and continue the discussion on the benefits of democracies, the **Political Science Institute** in Colombia (ICP) together with the **Center for the Dissemination of Economic Information** (CEDICE) in Venezuela and the Ecuadorian **Economic Policy Institute** (IEEP) publish *Perspectiva*, a quarterly journal distributed in Argentina, Bolivia, Colombia, Ecuador, Panama, Uruguay, Venezuela, Peru, and Chile. The publication is making a positive contribution to the consensus in favor of reform on a regional level by exploring reform-related subjects in depth, but in an accessible way.

In Guatemala, the **National Center for Economic Research** (CIEN) addresses one of the country's most pressing problems – its large informal sector – through an institutional approach. CIEN's new initiative focuses on a problem that is increasing in its importance throughout Latin America – enfranchisement of the indigenous population that is often the source of opposition to democracy in many countries.

In Venezuela, CIPE and the **Business Center for Conciliation and Arbitration** (CEDCA), a non-profit organization created by the Venezuelan American Chamber of Commerce and Industry, launched a unique initiative to promote Alternative Dispute Resolution (ADR) as a private solution to judicial inefficiency. ADR is an effort to reconcile the differences between companies through agreements to use mediation or arbitration instead of litigation. The initiative is gaining momentum and popularity as a viable alternative in an environment where the judicial process is extremely cumbersome.

Another reform leader in Venezuela, CEDICE, is galvanizing the country's civil society

groups to build an alternative vision for Venezuela that will be characterized by greater democratic participation and input. CEDICE, with input from many business organizations and other civil society groups, produced a broad development agenda containing important principles underlying the steps that the country will need to take to repair the damage wrought by the ongoing democratic crisis.

The Peruvian think tank **Instituto Apoyo** is developing a business agenda to address the question of how the Peruvian business environment can change to encourage economic growth and prosperity as well as a stronger democracy. The Institute is working with *El Comercio* newspaper to solicit public participation and include contributions and opinions from all sectors of society, not just those of leading business groups.

To address Latin America's growing problems of economic and democratic policy reversals, CIPE, the Ronald Coase Institute, and the University of Sao Paulo brought together reform leaders from across the region to promote comprehensive institutional reform as a working measure to make democracies and markets function. The two-day event highlighted dozens of success stories from CIPE partners in countries such as Brazil, Venezuela, Peru, Colombia, Guatemala, and Chile.

This event illustrates the state of economic and democratic reform in the region. Amid the backsliding and public dissatisfaction with the current state of affairs, local reform leaders continue to work day-by-day to make sure the benefits of democracies and market economies reach the regular citizens. ■

Colombia | Maintaining Democratic Stability



If Colombia had truly committed to transparency... there would be houses for the poor and more resources for the health... of fellow citizens.

*Eugenio Marulanda Gómez,
president of Confecámaras,
speaking at the signing of a pact
on Ethics in State Contracting
in the city of Barranquilla, Colombia.*

CIPE partners are at the forefront of reform efforts in Colombia. From supporting corporate governance reforms and anti-corruption initiatives to strengthening participatory democratic mechanisms, local reform leaders are helping maintain stability in the country. This work to strengthen democracies rather than abandon them is particularly timely given democratic reversals in Colombia's neighboring countries.

The Colombian Confederation of Chambers of Commerce (Confecámaras) continues to spearhead the country's anti-corruption campaign. Its initiative – Transparency Pacts – is strengthening the public procurement process by making it more transparent and attempting to visibly reduce corruption. In January, 16 governors and 78 mayors delivered on their electoral promises and signed official agreements in public, committing themselves to a transparent relationship with the local business community. Colombian Vice President Francisco Santos participated in these events.

Confecámaras also held a major conference on public and private ethics in state procurement. Confecámaras organized the event at the request of the National Procurement Office and the Controller General's Office. About 600 businessmen and public employees from institutions at the national and municipal level attended the event, which has helped draw national attention to the corruption problem and eased some of the difficulties Confecámaras has faced in getting reform of the national procurement laws on the legislative agenda.

Corporate governance is another cornerstone of Confecámaras' programs. Confecámaras organized several conferences and workshops and continued its strong communications strat-

egy to improve the corporate governance environment in the country. In November, Confecámaras held a seminar on corporate governance with the state-owned enterprises of Medellín, which represent some of the largest state-owned conglomerates in Colombia. The event attracted more than 100 people, including politicians, academics, and workers, and put a new emphasis on the reform of state enterprises. As a result, a new program was launched with the mayor of Medellín to implement corporate governance practices in companies where the city owns a controlling interest. ECOPEPETROL, the largest company in Colombia, adopted a corporate governance code with the support of Confecámaras.

The regional magazine *Perspectiva*, which focuses on the fundamental issues of free market economics and democracy, entered its third year. Its success is crucial in the region where the trend toward democratic and economic reversal is increasingly evident, and both governments and the public appear to



A businessman in Colombia signs a transparency pact with the local government, committing to a transparent public procurement process.

be questioning the benefits and legitimacy of economic and democratic institutions. Published by the local Institute for Political Science and distributed in countries such as Colombia, Peru, Argentina, Chile, and Uruguay, the magazine receives contributions from a wide range of regional experts. One of the issues in 2004 profiled a topic that is receiving great attention in the region – the co-existence of democracy and poverty. CIPE has also begun to distribute the magazine in Cuba. Readers there commended *Perspectiva* for its clear and concise treatment of topics such as developing market economies and democratic institutions in an environment that receives no real information on these topics.

Fedesarollo, a think tank which regularly organizes discussions on various economic and social issues, is working to improve the legislative process in order to raise the level of support for democratic values among members of Congress. It is working across party lines to create discussion groups that bring together political leaders, members of the private sector, and academia to deliberate on the progress of reforms and develop new ones. Fedesarollo also publishes policy briefs as an advocacy tool and a platform for discussion of legislative reform projects. Fedesarollo has a long track record of successfully changing legislation. For example, it contributed to the new electoral law in 2003, which reduced the fragmentation of political parties.

Reformers in countries across the region are working with CIPE's partners in Colombia to build on their success and launch similar initiatives in their countries. Latin America continues to experience instability, but Colombia is a living example that countries can move forward and sustain early reform efforts. ■

Regional Highlights | Middle East and North Africa

The ouster of Saddam Hussein, pressure from the international community to democratize, expanded access to information through the Internet and television, and the growing disenchantment of its citizenry are making governments in the Middle East take a critical look at their political arrangements and seek ways to diffuse public anger and frustration.

Small but vocal radical elements within society continue to feed on public anger and are used by many regimes as an excuse to limit further political reform. Although economic reform is slowly inching forward as countries seek to join the global economic system, an increased emphasis on institutional reform in the region is needed.

For countries in the region to realize their ambitions of membership in the global economy, the Arab world must modernize its political and economic institutions, address property rights, improve access to information, and develop a culture that values transparency, accountability, responsibility, and rule of law. The growing private sector can play a pivotal role in accelerating the reform process and advancing market-oriented democratic institutions.

The **Egyptian Junior Business Association (EJB)** implemented a National Business Agenda – CIPE’s model advocacy program – to encourage business participation in the policymaking process and to reflect the business point of view as an alternative to the government perception of reform. This initiative is changing the policy debate in Egypt.

CIPE, the **Alexandria Business Association**, and **Thunderbird**, Arizona’s prestigious international management school, are developing a seminar series for top level CEOs of family firms in Egypt.

This effort seeks to modernize the Egyptian private sector by opening governance processes within family firms.

CIPE and the Jordanian **Al Urdun Al Jadid Research Center** (UJRC) are conducting a national survey on the state of the informal sector to identify key challenges that prohibit Jordanian businesses from joining the formal economy. UJRC continues to hold workshops that bring together policymakers, the private sector, and the media to develop policy solutions to take down barriers to formalization.

The **Lebanese Transparency Association** (LTA) conducted a corruption survey to identify the sources of corruption in Lebanon, and held a series of roundtable discussions with private sector representatives. They discussed the results of the survey and developed policy solutions to the widespread problem of corruption. LTA is also developing a Corporate Governance Code of Integrity to introduce greater transparency and responsibility in Lebanese companies.

In Morocco, the **Confederation Generale des Entreprises du Maroc** (CGEM) is leading the country's efforts to improve corporate governance standards. CGEM is conducting a survey of Moroccan firms to assess corporate governance perceptions and trends. CGEM will use the results of the survey to determine if incorrect assumptions about corporate governance keep Moroccan firms from implementing the standards and to identify priority reforms to strengthen the implementation of corporate governance practices.

The **Palestinian Businessmen Association's Center for Private Sector Development** (CPSD) organizes workshops, seminars, and roundtables all over the West Bank/Gaza to identify and address competitiveness issues

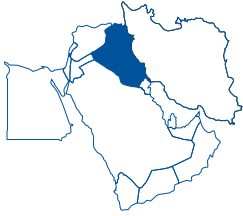
among the Palestinian private sector. These issues include management and equity structures of firms, accounting and auditing practices, and transparent transactions with sources of capital. CPSD also published a handbook, "Modernizing Corporate Governance in the Palestinian Economy" now used in university business courses.

The **Turkish Social Studies Foundation** (TESEV) has embarked on a program to examine the opaque privatization process of the Turkish electricity industry. The initiative aims to demonstrate how a more transparent governance process can improve privatization, minimize risks, and provide more benefits to society.

At the same time, the **Corporate Governance Forum of Turkey** is developing a program to build the capacity of corporate directors to increase the cadre of business people who can serve as independent board members in Turkish companies. This effort is the starting point for the development of a Turkish Institute of Directors.

Countries in the Middle East continue to lag behind in the global economy primarily because of the lack of true institutional reforms. Although some have made important strides toward opening their private sector to free and fair competition, much work remains. CIPE partners continue to reform the region's private sector to help it become more competitive in the international arena and assume a greater political role. ■

Iraq | First Steps to Democracy



The Iraq
we aspire for
is dependent
on all citizens
exercising
their democratic
rights.

*Dr. Haidar Abbadi,
member of the Dawā'a Party
and former Communication Minister of Iraq.*

In Iraq, CIPE has undertaken a comprehensive program to build greater awareness within society of market and democratic values and to work with the business community to strengthen its leadership role in reconstruction.

CIPE staff provides technical assistance and training to association leaders and coordinates the provision of small project grants to local groups. CIPE has also established a public outreach and education program that provides basic materials on entrepreneurship and market economics to policymakers, educators, entrepreneurs, and the business community as a whole. The overall goal of the program is to strengthen the Iraqi business community's ability to more actively participate in a democratic society, and to build broader public understanding and support for its efforts.

The lack of access to business information and the inability of the Iraqi business community to effectively communicate within Iraq are major stumbling blocks to the modernization of the Iraqi economy. In response to these obstacles, CIPE has facilitated the installation of Internet and computer equipment to 24 business associations and chambers of commerce. With this business information network, CIPE's Iraqi partners are better positioned to mobilize their respective members on issues affecting the Iraqi business community. This network also provides CIPE with an efficient means to transmit information to partners on matters of importance to the business community.

CIPE has provided funding for the creation of the Iraqi Economic Journalist League (IEJL). The IEJL is an association of more than 100 business and economic journalists working in Iraq. The IEJL is dedicated to the fair and balanced reporting of business, economic, and governmental events

inside the country. In addition to providing funding for the creation of the IEJL, CIPE has provided journalist training opportunities for IEJL members throughout the Mideast. This training sharpened the skills needed by Iraqi journalists to effectively report on the economic environment in Iraq. A Media Research Center has also been established, providing IEJL members with Internet access and modern technology in the pursuit of their journalistic endeavors.

CIPE supported Baghdad University in a series of bi-monthly roundtable meetings dealing with transparency and accountability. These roundtable events have drawn audiences of students, academics, the media, and Iraqi governmental officials. Topics have focused on the reforms required for the modernization and integration of the Iraqi economy into the global economy. These meetings were held at Baghdad University in a lecture hall renovated with the support of CIPE.

CIPE, with the help of Zogby International, also surveyed 450 small- and medium-sized businesses to assess their stance on economic and political reforms taking place in Iraq. The results revealed that Iraq's business community remains confident in Iraq's economic growth in both the short and the long term. The survey also revealed that a majority of the business community does not believe that any



Iraqi business association leaders discuss how the local business community can assist the reconstruction efforts.



Commercial advertisements outside of a mosque in Iraq.

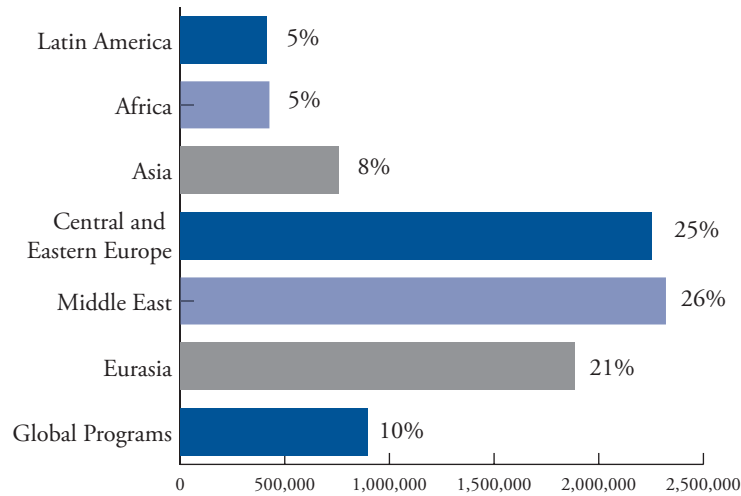
political parties adequately represent business interests. CIPE has begun to work with most of the political parties in Iraq to address this issue.

CIPE also supported the creation of the Baghdad Economic Research Center (BERC), the first economic think tank in Iraq. CIPE support enabled BERC to advance pro-private sector development policy ideas through independent economic research and seminars alongside the creation of a comprehensive website, www.berc-iraq.com. CIPE also aided in the creation of the Private Bankers of Iraq (PBI), an association of private banks. Together with the Union of Arab Banks, CIPE provided specialized financial training tailored to the Iraqi financial community.

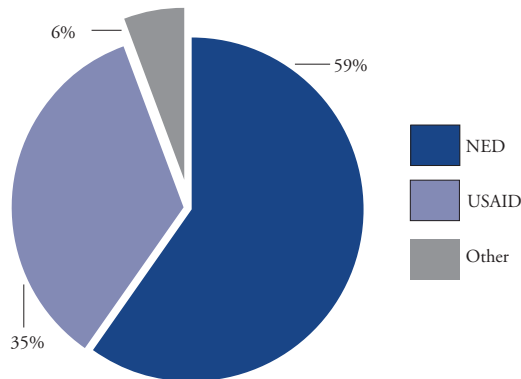
The effort to rebuild Iraq's economic and political systems is a tremendous undertaking. It is also an unprecedented opportunity to demonstrate that market-oriented economies and democracies are universal and can bring benefits for everyone regardless of a country's geographic location, ethnic background, or culture. In the coming years, CIPE will continue to support local reform leaders so that they can put Iraq on a path of sustainable economic and democratic development. ■

Financial Summary

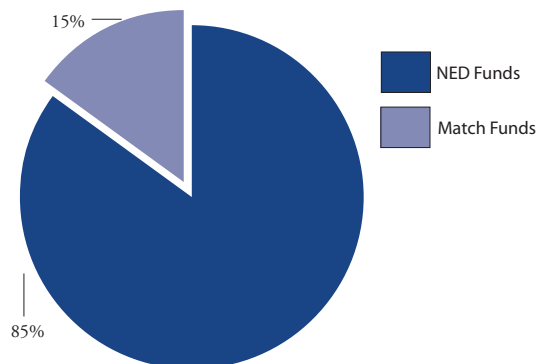
Funds by Region



Sources of Funds



Match Funds for NED Programs



CIPE's grants program provides management assistance, practical experience, and financial support to business groups and think tanks to strengthen their expertise while accomplishing key development goals. The four-step Grants Management Program includes 1) needs assessment and agenda setting; 2) development of a business plan (program of work); 3) progress monitoring; and 4) comprehensive evaluation and follow-up. CIPE's staff of regional and technical experts provide ongoing guidance and technical assistance.

CIPE grants are used to advance policy advocacy, business services, educational programs, and other development goals. Most grants include communication and advocacy components to build policymakers' support for reform. Grants range from full-scale programs with national business associations and think tanks to integrated small grants that reach grassroots organizations throughout a country.

All grantees are indigenous to their local areas. To qualify, the grantee organization must have a grassroots constituency and a detailed action plan.

Nearly all projects funded through CIPE require the grantee to provide matching funds to facilitate the program's implementation. Utilizing grant funds from the National Endowment for Democracy (NED) and the US Agency for International Development (USAID), CIPE leverages additional funds from the private sector and other organizations to maximize efforts to strengthen democracy and market-oriented reform.

2004 CIPE Grantees

In 2004, CIPE supported over 100 local initiatives in more than 40 countries around the globe.

AFRICA

Addis Ababa Chamber of Commerce
Federation of Uganda Employers
Industrial Association of Mozambique
Nigerian Association of Chambers of Commerce, Industry, Mines and Agriculture
National Employers' Association (Senegal)
National Union of Merchants and Industrialists of Senegal
Private Enterprise Foundation (Ghana)

ASIA

Association of Development Financing Institutions in Asia and the Pacific
Center for Media Freedom and Responsibility (Philippines)
China Center for Economic Research
Chinese Economists Society
Dhaka Chamber of Commerce and Industry
Federation of Chambers of Commerce & Industry of Sri Lanka
Institute for the Study and Advancement of Business Ethics (Indonesia)
Institute for Solidarity in Asia (Philippines)
Unirule Institute of Economics (China)

CENTRAL AND EASTERN EUROPE

Albanian American Trade Development Association
Foundation for Entrepreneurship Development (Bulgaria)
Center for the Study of Democracy (Bulgaria)
Economic Policy Institute (Bulgaria)
Women's Business Association SHE-ERA (Kosovo)
Akcioner Shareholder Association (Macedonia)
Center For Entrepreneurship and Economic Development (Montenegro)
Macedonian Business Lawyers Association
Center for Liberal-Democratic Studies (Serbia)
Center for Economic Development (Bulgaria)
International Center for Entrepreneurial Studies (Romania)

EURASIA

Afghan American Chamber of Commerce
Almaty Association of Entrepreneurs
Association for Foreign Investment Cooperation (Armenia)
Bishek Business Club
Chamber of Commerce and Industry of the Russian Federation
East-Siberian Chamber of Commerce and Industry

Entrepreneurship Development Foundation (Azerbaijan)
Far East Chamber of Commerce and Industry
INDEM Foundation (Russia)
Institute for Competitive Society (Ukraine)
National Association of Managers and Marketologists (Tajikistan)
Partnership for Social Initiatives (Georgia)
Perm Chamber of Commerce and Industry
Primorsky Chamber of Commerce and Industry
Russian Institute of Directors
Russian Union of Business Associations OPORA
Ryazan Chamber of Commerce and Industry
Samara Chamber of Commerce and Industry
Saratov Chamber of Commerce and Industry
Sochi Chamber of Commerce and Industry
Tashkent Business Club
Turan Jyldyzy Business Association (Kyrgyzstan)
Volgograd Chamber of Commerce and Industry
Union of Economists of Turkmenistan
Ukrainian Center for Independent Political Research

LATIN AMERICA

Center for the Dissemination of Economic Information (Venezuela)
Center for the Implementation of Public Policy (Argentina)
Colombian Confederation of Chambers of Commerce
Ecuadorian Institute of Political Economy
Fedesarollo (Colombia)
Foundation for Higher Education and Development (Colombia)
Instituto APOYO (Peru)
Instituto Argentino para el Gobierno de las Organizaciones
National Association of Entrepreneurs (Ecuador)
Political Science Institute (Colombia)
PROCAPITALES (Peru)
Santa Cruz Chamber of Industry
Universidad Peruana de Ciencias Aplicadas

MIDDLE EAST AND NORTH AFRICA

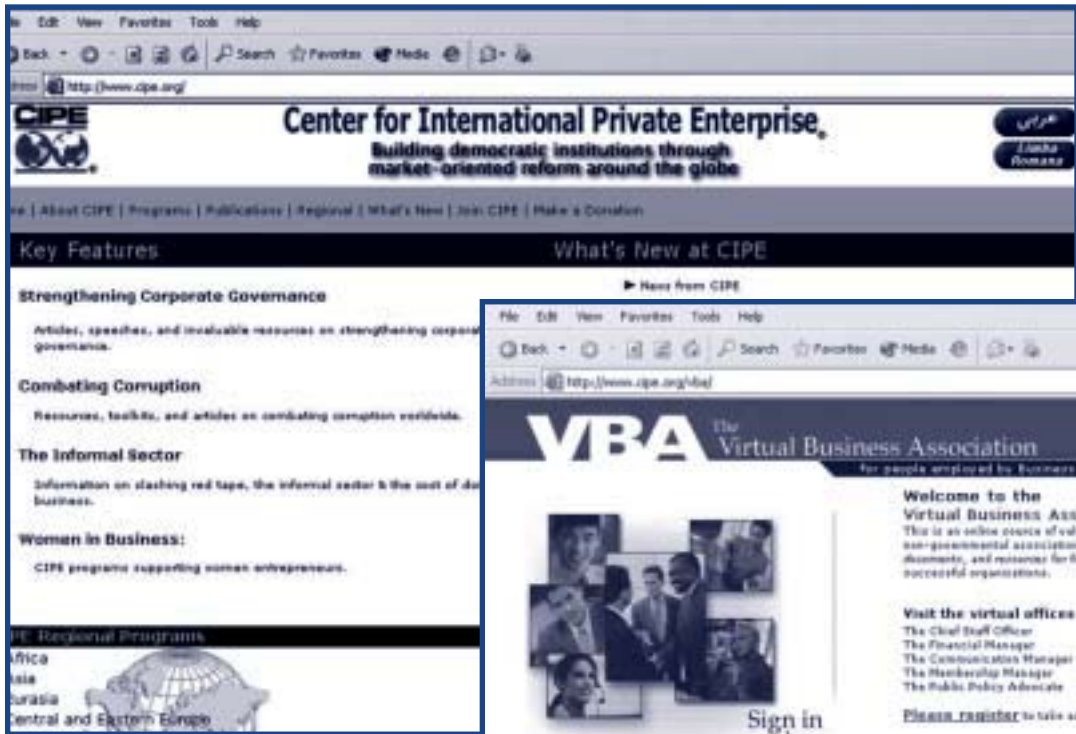
Al Urdun Al Jadid Research Center (Jordan)
Baghdad Economic Research Center
Confederation Generale des Entreprises du Maroc
Egyptian Junior Businessmen Association
Ekonomistler Platform (Turkey)
Institute for Democracy (Iraq)
Lebanese Transparency Association
Palestinian Businessmen Association
Sabanci University (Turkey)
Turkish Economic and Social Studies Foundation

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