

Center for International Private Enterprise

# ECONOMIC REFORM

## Case Study

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## **Associations in Action: Local Agents for Change**

Business associations are integral to successful policy reform, participatory processes, and private sector development, existing precisely at the nexus of markets and democracy. Through its participation in public policy process the business community not only makes the process truly democratic, but it also brings to the table real solutions to economic problems.

The work of associations presented in this report highlights many different approaches to economic and democratic reform in developing countries. From developing a National Business Agenda in Montenegro and filling the information void in Ethiopia to mobilizing the private sector in reconstruction of Afghanistan, these approaches aim at building the capacity of voluntary associations and giving them the necessary tools to successfully implement advocacy programs. Their success provides other groups with inspiration and a successful model for their own advocacy efforts.



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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 800 local initiatives in over 90 developing countries, involving the private sector in policy advocacy, 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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## **#1. Speaking With One Voice: Coalition of Business Associations Changing the Business Environment in Romania**

The transition from a communist dictatorship to a democratic society and a market economy was painful in Romania. Old mentalities and suspicion persisted in Romanian society long after the revolution. It was hard to forget that the communist regime was fighting a permanent war against the people and, hence, individuals were and still are, to some extent, afraid to trust one another. The lack of trust and communication among key socio-economic groups and the government divided society and complicated, even as recently as 1999, the transition to democracy. Moreover, this was aggravated by the persistence of the old rules of the game and weak or poorly enforced new laws and institutions.

The Romanian business community faced a hostile commercial environment in general and a chaotic fiscal system that was suffocating the emerging private sector. Entrepreneurs quickly realized that if something was not done, democracy and its accompanying freedoms would be jeopardized. Hence, members of the business community swiftly organized into independent business associations. These associations then formed an alliance, the Strategic Alliance of Business Associations (SABA), in order to speak with one voice and have a better chance of participating in policymaking. SABA initiated an open dialogue between the Romanian business community and the president.

SABA was founded on three premises important to democratic and economic development. First, communication between governmental and non-governmental organizations ensures quality and competitiveness of the government's programs and the country's laws. Secondly, communications between governmental and non-governmental organizations promotes creativity and synergy beneficial to the country's image. Thirdly, communication among non-governmental business organizations promotes creativity and synergy and the quality of the business environment. SABA's mission statement indicates that "the strategic alliance is an informational system of communication to identify the problems that are common to all entrepreneurs and consequently to lobby the authorities, to promote an honest and competitive business environment and to develop the market economy in Romania."

In the early stages, SABA identified eight organizational objectives for itself:

1. To open permanent dialogue with the representatives of the executive and legislative bodies;
2. To improve the legislative framework and the business environment

3. To offer expert analyses on laws and regulations having an impact on the business environment;
4. To get involved in the privatization and restructuring of the Romanian economy;
5. To offer legislative solutions concerning the reform program;
6. To contribute to the growth of a powerful middle class in Romania;
7. To identify specific measures to protect small and medium-sized enterprises;
8. To involve the private sector in establishing commercial policies.

In order to achieve these objectives, SABA defined a six-point action plan:

1. Establish the organizational framework for the dialogue with decisionmakers and representatives of power;
2. Identify the problems common to private entrepreneurs;
3. Gather information on the business environment;
4. Develop strategies and programs;
5. Disseminate and communicate recommended reform policies within the business associations, to mobilize them for advocacy;
6. Evaluate the efficiency of dialogue between the private sector and decisionmakers and representatives of power.

SABA's initiatives resulted in several key business environment improvements in Romania. For example, SABA played an important role in developing country's code of corporate governance. The coalition's efforts also resulted in the creation of a non-partisan, public-private Commission for the Improvement of the Business Environment, which drafted and advocated for a modern, Western-style tax code for Romania. After a slow and frustrating start, confidence between members of the public and private sectors was built. Public hearings to publicize and obtain feedback on the new tax code helped garner support from even the most skeptical. In the end, representatives of the business community and the government agreed on a set of fundamental principles for a modern tax code. The effectiveness and usefulness of this open dialogue for crafting responsive policies was confirmed when, much to the private sector's surprise, government representatives resumed the dialogue after the 2000 elections and used a similar model to resolve conflicts and overcome challenges related to Romania's accession to the European Union.

## #2. Voice of the Addis Chamber: Filling the Information Void in Ethiopia

The Addis Ababa Chamber of Commerce (AACC), established in 1947, provides technical and advocacy services to help business people start, run, and grow their businesses. Today the AACC is the only organization that provides a wide range of non-financial assistance to businesses in the country. The AACC also plays a major role in voicing the business concerns to the government. With over 9,000 registered members, the AACC is the largest and oldest Chamber of Commerce in Ethiopia. It is the only representative body that speaks with authority on behalf of the business community in Addis Ababa.

Under the Marxist Derg Regime, membership to the Chamber was mandatory but with the change of government in May 1991, and the adoption of a market economy, membership became voluntary. With the change in membership mode, the number of members, which stood at over 36,000 in 1991, gradually decreased to as low as 2,800 in 1998. At this point, the Chamber took up the challenge of expanding its membership base by introducing new and modern services like organizing International Trade Fairs, publishing a Trade Directory, information dissemination via the Internet, website development, and also launching its own Radio Program, "The Voice of Addis Chamber" (VAC). AACC has started hosting profiles of businesses on its website thus creating business contacts and worldwide visibility for its members. These measures were further augmented by the Chamber's active involvement in awareness creation and mobilization of resources to combat social problems such as drought, HIV/AIDS, and urban waste.

VAC has been one of the most successful programs. Not only serving as an instrument for the dissemination of information in an information deprived area, VAC is also a forum for improved consultation between government officials and private sector leaders, enabling both to clarify policy issues and constraints and become more conversant with each other's positions on issues. This engagement between the public and private sectors resulted in the establishment of the Permanent Public-Private Consultative Council, which is co-chaired by the Minister of Trade and Industry representing the Government and the President of the Ethiopian Chamber of Commerce (who is also President of the Addis Ababa Chamber of Commerce) for the private sector. The Council has as its members all the presidents of Ethiopia's city chambers (now numbering 16), leaders of the more than 40 professional associations affiliated with the Chamber system, and government officials from the Ministries of Trade and Industry, Revenues, Finance, and also the managers of the Customs Authority, the Ethiopian

Shipping Lines, and the National Bank.

VAC also 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.

AACC's achievements through its VAC radio program have contributed significantly to sustainable business growth, economic reform, and governmental recognition that the private sector and the general public are extremely important in contributing to policy decisions. Overall, improving access to means of effective communication has increased the capacity of the business community to play a leadership role in the democratic process.

The effect of the newly introduced services and the increased visibility and advocacy role of the chamber had a tremendous effect on membership size which increased from 2,800 in 1998 to 6,000 in year 2,000 and to 7,000 in 2001, the year the radio program was launched. Today, membership size has reached over 9,000 which is a 225 % increase over the 1998 figure.

The chamber's position with regard to its relations with the government and with other civil society groups and international organization has also improved since it started diversifying and modernizing its services. Its sources of finance have also been diversified as it has begun charging modest fees for most of its newly introduced services.

In all of the achievements registered thus far, the effective utilization of communication and marketing tools as the radio program and web hosting have been instrumental in publicizing the different activities and the increased advocacy role of the chamber to both its members, and potential members who are from time to time being attracted to join the chamber. This has also meant that the business community is now able to constructively engage the government in the spirit of a public private partnership on issues affecting business.

### Lessons learned:

- **Visibility/marketing.** All the initiatives have effectively enhanced the profile of the chamber and its activities. They have also helped to market the wide-ranging services and benefits the Chamber provides to its members in particular and the business community at large. The result of the visibility and successful marketing of services is reflected in the increase in membership.
- **Increased Membership:** The Chamber has been able to attract new members not only as a result of boosted credibility, effective advocacy, prominence, etc., but

most importantly, because of the useful business related information services the details of which can be forwarded only to paying members. Such useful information include local and international tenders, import and export offers, partnership inquiries, networking events, visits of business missions, etc.

- **Advocacy Strength.** The radio program has given the AACC additional strength in its advocacy activity as new developments, changes in regulation, new policy ideas, as well as results of lobbying were immediately brought to the awareness of the business community.
- **Wider Audience.** The AACC has been able to reach its targeted audience more quickly and widely with its radio program, its two newspapers, e-mail circulars and its well developed and maintained website.
- **Transparency.** The AACC has been able to be more transparent to all its constituent members in terms of the services it provides because of its ability to distribute information to all members at any particular time. This has also increased the credibility of the Chamber.

### **#3. Developing a National Business Agenda in Montenegro**

To improve the policy impact of associations in Montenegro, Center for International Private Enterprise (CIPE) worked with the local business community to establish the Montenegro Business Alliance (MBA). Originally an ad hoc coalition of associations and individual entrepreneurs, CIPE's assistance helped the group establish a volunteer-based governance structure that has transformed it into a registered and functioning business association. MBA quickly developed a membership campaign allowing it to become Montenegro's largest voluntary membership business association. Today, the MBA is Montenegro's most powerful independent voice for business, advocating for market reforms and private sector growth.

One of its greatest accomplishments has been the creation of a National Business Agenda. To develop the Agenda, MBA first surveyed its membership on the existing business environment. This survey was given to the Education and Research Commission who collated the findings, and reduced the issues to seven. A more in-depth analysis of the results was conducted by the Center for Entrepreneurship and Economic Development (CEED) one of the founding members of MBA. Individual members were interviewed. A first draft of the policy agenda was submitted to the Board of Directors and a few key members. After significant discussion and changes made, the Board approved the Agenda. It was then circulated to the membership who unanimously approved the National Business Agenda 2004 at their regular

February Assembly Meeting.

MBA mobilized the business community around its National Business Agenda. Agenda consists of seven challenges that shape future of Montenegro and creates a new platform for economic growth and development and magnify economic freedom for all. That is why Business Agenda 2004 is titled Agenda for Higher Economic Freedom. Those challenges are:

1. Decrease the overall payments (taxes and contributions) on wages;
2. Decrease taxes and improve tax laws and regulations;
3. Decrease state bureaucracy and business barriers;
4. Promote conditions for doing business in the tourism sector;
5. Promote conditions for doing business in the wood-processing sector;
6. To increase economic freedoms through:
  - Support of the customs rules, which will increase competition;
  - support for the rule of law;
  - reduction of the gray economy;
7. Ensure stable sources of electric energy for the future;

The Membership took ownership of this agenda because it surfaced through the Special Interest Groups (SIGs) and Commissions established by the Board of Directors. This was the first time many business people in Montenegro had ever expressed their views publicly. Since the organizational meeting of the MBA in September 2001 with ten members, the MBA has grown to over 350 dues-paying members because they now understand that their voice can make a difference and that together the business community can accomplish more than can be accomplished individually.

The National Business Agenda has had a significant impact on the Government of Montenegro (GoM). Through the agenda, the MBA was able to influence the public policy debate. This was accomplished through an intense advocacy campaign that involved the members in meetings with the Prime Minister and key government officials. MBA Members appeared on the TV program "Ask the Government." This campaign included policy forums, roundtable discussions, meetings with the media and academia. The theme of the MBA campaign to change the thinking of government officials is "10% for Montenegro." The idea of this campaign is to have a flat tax of 10% across-the-board by 2006. Billboards and ads were taken out in all the major newspapers.

The results of the MBA Advocacy Campaign:

- The Finance Minister announced in April 2004 that the employer tax will be reduced by 10% (this is the



first reduction of the taxes and contributions after 24 years). By now this decision is implemented by the Government;

- The GoM adopted part of the MBA's Business Agenda as part of its Economic Reform Agenda.
- Serious dialogue on the Employer Tax was opened up with the Minister of Finance, Director of the Department of Public Revenue, the Commission on Economic Freedom, the Commission on Social Welfare, and the Prime Minister;
- The MBA has been asked by the Minister of Finance and the Deputy Prime Minister of Economy to establish a Public/Private Partnership to work on tax reductions for the business community;
- A 5% increase concession was granted private wood processing companies. For the first time in Montenegro history, the private sector managed to get regulatory concessions;
- The MBA recommendations to The Commission on Economic Freedom for the reduction of corporate tax were accepted. These recommendations give a tax incentives for Montenegro business people to invest in science, arts, sports, and education;
- The MBA has been accepted as a legitimate representative of the Montenegro private sector by the World Bank, International Monetary Fund (IMF), World Trade Organization (WTO), and other international organizations;

The MBA has improved economic conditions for doing business in Montenegro by creating a better business climate. The National Business Agenda and related policy issues can be found on the MBA web site at [www.visit-mba.org](http://www.visit-mba.org)

#### **#4. Building Advocacy Capacity of Business Associations in Tanzania**

When the Tanzania Chamber of Commerce, Industry, and Agriculture (TCCIA), in partnership with the Center for International Private Enterprise (CIPE), set out to train Tanzanian business associations in basic management and advocacy in 2002, few local associations engaged the government in a public policy dialogue because they did not see how business could have an effective voice in the policy making process. By the end of the program in April 2003, business associations in 33 districts of Tanzania are giving input to government on laws that affect business, and the government is listening.

During the two-year Tanzania Advocacy Partnership Program (TAPP), CIPE conducted three training programs and provided technical assistance in business association governance, management and advocacy to business association leaders from six target regions of Tanzania. The

programs improved participants' skills in strategic planning, membership development, and advocacy to help them design and implement their own advocacy campaigns in each target region.

With CIPE's support, coalitions of business associations launched Public-Private Dialogue (PPD) Conferences in six regions of Tanzania. The PPDs were a first step in building a working relationship between the public and private sector. Prior to the PPDs, the degree of mistrust between the private and public sectors was so strong that Tanzanian private sector leaders private sector feared that the government officials would decline to participate at all.

Following the PPDs, the business coalitions conducted issue-specific advocacy campaigns, developing policy position papers and conducting business roundtables and direct advocacy on specific issues affecting the private sector in their regions and districts. The regional coalitions played a mentoring role to the district coalitions, sharing the knowledge and tools gained through their participation in the training and technical assistance programs.

The coalitions achieved remarkable success with limited resources. One of the many successes of the Tanga Region business coalition has been the creation of a Regional Business Council, which is the first of its kind at the regional level in Tanzania. In most districts, the public and private sectors have established similar consultative mechanisms that lay a strong foundation for continued dialogue. Several districts succeeded in getting local government to remove nuisance taxes, improve the functioning of regulatory agencies, or improve services.

Specific advocacy successes include the following:

- The Tunduru (Ruvuma Region) business coalition succeeded in getting the government to speed up land valuations and the processing of title deeds.
- Songea Rural (Ruvuma Region) transporters demonstrated that the officials operating the weighbridge in their district were not following the proper procedures. The roads department acted swiftly to rectify the situation.
- The Iringa business coalition (Iringa Region) advocated for strict enforcement of the Weights and Measures Act to ensure transparency in market transactions and to safeguard the health of workers. The regional government responded by directing District Commissioners to ensure that all those responsible educate the rural population so market transactions are carried out using standard weights and measures. The chairmen of district councils were told to ensure that they enact by-laws to enforce the use of weighing machines in their areas.
- In Sumbawanga Town (Rukwa Region), the advocacy

campaign and roundtable led to the rapid removal of nuisance taxes.

- In Tanga, the business coalition demonstrated that local tax collectors were incorrectly applying a service levy to all business in the municipality. The municipal council responded by directing the tax authorities to apply the tax only to corporate companies, as stipulated in the text of the law.

Through the TAPP program, business associations in 33 districts of Tanzania have opened the door to public-private dialogue. The business community is now taking greater responsibilities in helping the government define and continuously refine the policies, regulations, and programs that will lead to a business environment that stimulates growth and development, provides jobs, and creates wealth in Tanzania. The dialogue that was launched is continuing to bear fruit and is contributing to the democratic and economic development of Tanzania.

## **#5. Networking Business Associations Across Africa: The Africa Virtual Business Association Network (AVBAN)**

Over the past ten years, Center for International Private Enterprise's (CIPE) business association training programs and, more recently, its award winning web-based Virtual Business Association© (VBA) have sought to build the capacity of business associations by providing association leaders with the necessary skills for managing voluntary organizations and knowledge of the basic principles of the market economy and democracy. By creating the African Virtual Business Association Network (AVBAN), CIPE is expanding the reach of its training efforts, providing a means for African business associations to exchange best practices, and jump-starting associations' leap onto the World Wide Web.

CIPE launched the AVBAN website in August 2002 and is continually refining it to respond to the needs of African business associations. AVBAN offers the following features:

- A directory of African business associations
- A listserv
- An on-line website design tool
- Training material and African case studies in association best practices
- Links to documents and useful websites

AVBAN's directory of African business associations is the largest available online. The directory contains an on-line registration feature and a search engine. The directory was originally populated using CIPE's extensive contacts database. Since the launch, over 100 business associations have used the on-line registration feature to register. Many others have

updated their listing in the directory. Thanks to AVBAN, hundreds of business associations are now searchable and findable to business and other organizations trying to link up with business partners or seek information.

AVBAN's listserv reaches 1,500 members of African business associations. CIPE uses the listserv to channels business association training materials, news, and information.

AVBAN's template-based website design tool gives members the ability to create a site for their organization hosted under the AVBAN name. The tool is easy to use so that even AVBAN members with limited computer experience are able to build their own sites and gain greater exposure for their associations on the Web. AVBAN's template tool has helped business associations to become more familiar with web-based technology and resources, thereby transferring technology and know-how.

Through AVBAN, CIPE has expanded the reach of its association training materials and other best practice material that is increasingly available on the Internet. AVBAN includes CIPE documents on advocacy, finance, management, membership, and public relations. It also contains links to over 50 other documents on topics such as budget transparency, public-private sector dialogue in an African context, how markets and business associations function in a democracy, and best practice strategies among business associations in Africa and across the world.

AVBAN has links to over 40 websites that are relevant to African business associations. For example, AVBAN contains a link to the Federation of Uganda Employers' Employer web page. FUE has been at the forefront of promoting self-regulation through the implementation of its Employer of the Year Award, whose aim is to recognize organizations or enterprises implementing best practices in human resource development and management.

AVBAN is an idea-generating machine. Its documents and links provide a window onto web-based resources, making these resources accessible to business associations and saving them valuable on-line time. The Africa-specific case study material is providing African business associations with African role models that are succeeding in working environments similar to their own – both in terms of the material and human constraints and the economic and political environment. Channeling this material through AVBAN is strengthening it as a peer network where African business association professionals and leaders can tap into the wealth of experience and knowledge of colleagues in their own region.

By facilitating access to information on best practices, AVBAN increases the capacity of business associations to participate in the democratic process by strengthening the management of the associations, improving and diversifying

their member services, and providing associations with information that supports their efforts to advocate reform, develop business agendas, build grassroots knowledge of how markets function in a democracy, and build support for and understanding of the role of business associations in a democracy and a market economy.

Visits to the AVBAN site have increased from 200 visits per month in August 2002 to over 1700 per month in 2004.

AVBAN is creating a network of business associations across Africa and providing them with a window onto web-based resources. Strong grassroots democratic institutions such as business associations and chambers are working to keep Africa on track in her transition to democracy and market-oriented economies.

## **#6. Encouraging Women Participation in Business and Political Arena in Romania**

The Coalition of Women Business Associations (CAFA) is the result of an initiative by Romanian women business associations with support from the Center for International Private Enterprise (CIPE). Currently, the fifteen associations that make up CAFA have a progressive agenda that includes developing programs to enhance women's managerial skills, increasing the corporate social responsibility among enterprises run by women, and engaging in political advocacy on behalf of businesswomen in Romania.

With little tradition in Romania of women participating in the business or political arena, CAFA strengthens the democratic process by providing an avenue for women to join in the public-private dialogue.

CAFA has won recognition both from the national government and from the growing and increasingly confident constituency it serves. CAFA was created from an initial three-year partnership between CIPE's Romania office and local women's business associations. Now supported by private corporations, CIPE, and the fifteen associations of which it is comprised, CAFA is an informal coalition with no president or officers and with membership at three levels: founding members (the nine task force representatives), full members (any women's business association that would like to join), and supporters (women's associations that have a business program or agenda).

At the partnership's third annual symposium in Bucharest, the launch of a Coalition newsletter and the newest edition of the "Women of Success" CD gave tremendous momentum to the group's work. Nearly one hundred businesswomen from across Romania participated in workshops on business management, staff recruitment, project planning and assessment, and strategies for business development.

The "Women of Success" CD, a multimedia bilingual presentation, showcases more than fifty women who have

had an impact on Romania's economic development. Luana Popa, President of the Association of Businesswomen and Top Managers in Brasov county, and a 2002 honoree, stated, "Since the first edition of 'Women of Success', I have appreciated the project as an important step in promoting businesswomen and especially in changing the mentality about women's place and role in contemporary Romanian society." Gabriela Hagi, Executive Director of the Romanian Convention Bureau, added, "In addition to the power of example, the success stories provide new ideas and useful tips and create the opportunity for collaboration."

By acquiring corporate sponsors such as DIACRIS International (translation services), SC MINET SA (textiles manufacturing), and SILHOUETTE (beauty centers) for the Symposium, CAFA ensures that it can function as a self-sustained association in the future.

Membership has grown from the original nine founding members at its official launch in 2004 to a current total of fifteen members, indicating that Romanian businesswomen are beginning to understand the importance of their role in the business and political arenas and how combining their efforts has a greater impact on local and central government. The Coalition does not replace the particular activities of association members, but instead gets involved in major initiatives and events that require grassroots support such as public hearings, public debates, legislative proposals, amendments, and participation in governmental dialogues.

A sign of the partnership's national importance, Romanian President Ion Iliescu and the United Nations Development Program in Romania invited the Coalition for "Women's Political Empowerment," a workshop at the presidential palace in Bucharest. Sixteen businesswomen from various cities represented CAFA at a meeting with President Iliescu where they briefed him on the mission, goals, and future plans of the Coalition. The Coalition also held meetings with members of the Parliament of Romania representing the Liberal Party, the Social Democrat Party, and the Democratic Party during the Spring of 2004 in which they were able to present their legislative agenda to those most directly involved in the decision making process.

Concerned not only with promoting women's issues, CAFA also advocates for changes that would benefit the entire community. The legislative agenda includes support and promotion of SME's with respect to taxation, impact of the new Labor Code, and work from home initiatives; reduction of income tax and social contributions which burden businesses, generate a gray economy, and inhibit the competitiveness of Romanian companies; and support and promotion of Romanian investors to encourage economic growth and keep profits within the national economy. Specific advocacy initiatives include working with the other employers' federations to amend the Romanian



“Code of Conduct for the Representatives of the Control Authorities”.

Having gained the attention and respect of key decision makers and with the support of its partners and growing interest from private businesses and associations, there is little doubt that the Coalition of Business Women Associations will continue to grow and achieve its goals. More than simply an opportunity, it is the responsibility of CAFA and its members to enter into the public-private dialogue and advocate for changes that will encourage economic and democratic growth in Romania while simultaneously establishing a more prominent role for women in society.

## #7. Mobilizing Kazakhstan’s Private Sector and Building a Business-Friendly Economy

After more than a decade of “reforms” since gaining independence from the Soviet Union, Kazakhstan’s economy still suffers from the legacy of a Communist system rife with burdensome regulations which define what is allowed (provided the proper permissions are obtained) instead of identifying what is not allowed. This backwards control system perpetuates government dominance of private economic activity, fuels corruption, and saps economic growth.

The Almaty Associations of Entrepreneurs’ “Reducing Administrative Barriers” program has mobilized the Kazakh private sector to address the damage the Administrative Code is unnecessarily causing in Kazakh society.

The complex Administrative Code, drafted behind closed doors in 2001, creates an unhealthy environment with excessive regulation, burdensome licensing requirements, overbearing inspections from a variety of enforcement agencies, complex and arbitrary taxation, a weak financial sector, and poor banking practices.

Chief among the concerns of the business community are the Administrative Code’s presumption of “guilty until found innocent” and fines disproportionate to the violation. In a survey conducted by AAE, 60% of small businesses indicated that the numerous unjustified inspections by state authorities pose the greatest obstacle to doing business in Kazakhstan.

If the sheer number of inspections and permits required were not enough to whet the appetite of bribe-seeking officials, the amount of discretion given to them to cite or “overlook” violations – and the openly discriminatory way in which they selectively vary the penalties – fuels a corrupt system which neither serves the needs of the public nor executes government policy.

In order to combat abuses of power, AAE is seeking more clearly defined jurisdictions for each state agency and penalties for inspectors found to be misusing their authority

for personal gain.

As great a burden the Administrative Code places on Kazakhstan’s small businesses, it also damages the national economy by forcing so many entrepreneurs (up to 50% according to the World Bank) into the gray economy. Without legal permission to operate and access to credit, informal enterprises grow much slower, if at all.

And all the difficulties of doing business by the books in Kazakhstan – not to mention how corruption undermines the rule of law – discourage much needed foreign investment.

During this project, the Almaty Association of Entrepreneurs:

- compiled statistical data to identify the conditions that hinder entrepreneurship development through a nationwide survey of small- and medium-sized business owners;
- researched the Administrative Code to identify its purposes and to reveal inconsistencies and contradictions;
- organized working groups to bring together lawyers and legal experts, businessmen, representatives of international and local NGOs, representatives of government and parliamentary officials for the purpose identifying concrete clauses where the Code should be modified;
- drafted 253 specific legislative changes to the Administrative Code based on expert findings and public input including views gathered in a series of forums for businessmen;
- conducted a media campaign (including multiple press conferences and media coverage of policy roundtables) to raise awareness of problems and AAE’s proposed solutions;
- published several information papers and distributed them throughout the business community, government institutions (Ministries, Agencies, Parliament, and other state organizations).

The Kazakh Parliament has scheduled consideration of AAE’s 250+ administrative reforms for its 2005 session. President Nursultan Nazarbaev has already publicly announced support for AAE’s slate of reforms and the association is currently negotiating for accelerated “fast-track” implementation of the two most crucial reforms.

For the first time, the Kazakh business community has united behind a common legislative program. The bottom-up process was followed by rooting AAE’s advocacy in the needs of its members (as gauged by a large-scale survey) and then developing solutions through a transparent process which brought together grassroots energy and expert advice.

AAE has begun to share the lessons learned by this process

with other business associations in Central Asia and in other countries that also suffer from the legacy of Communist economics. Its success provides other Kazakh groups with a successful model for their own advocacy efforts.

## **#8. Reforming Development Finance Institutions Through Capacity-Building Programs in Asia**

The Asian financial collapse of 1997 not only stressed the need for corporate reform in the business community, but also brought the need for reform within national development finance institutions (DFIs).

Set up by their governments as specialized financial institutions, DFIs provide long-term financing and technical assistance to sectors that promote the country's economic development and growth but which are not normally looked after by commercial banks during their formative years. Thus, DFIs have an important role in a country's development and are an integral part of its financial system.

DFIs also play a central role in advancing corporate reform in the region. Unlike regular commercial banks, development banks not only provide financial assistance to enterprises, but they are also involved in training and providing management expertise. Thus, to be effective in promoting good corporate governance they must institute good corporate governance practices themselves.

Started in February, 2003, the "DFIs for Good Corporate Governance" Project in partnership with the Center for International Private Enterprise (CIPE) is the Association of Development Financing Institutions in Asia and the Pacific's (ADFIAP) collective and responsive effort to advance sustainable development by bringing together the national development banks and promoting mechanisms of good corporate governance as a key to business sustainability in the region. ADFIAP's work is a response to the need of DFIs to embrace and institutionalize good corporate governance policies and practices in their organizations not only because it is a "right thing to do", but also because it is essential to business success.

ADFIAP addresses the lack of corporate governance in the region by pursuing Boards of Directors to develop, write, and accept Codes of Corporate Governance, as well as to appoint a senior officer (or unit) to oversee, direct, and manage a sustainable good corporate governance program in their institutions.

By leveraging its extensive network of 60 member institutions in 30 countries in the region and its affiliation with government agencies and the private sector, not to mention its relationship with the Asian Development Bank that helped form the Association in 1976, ADFIAP raised the needed funds to run the project on a co-financing scheme with CIPE. ADFIAP also worked with its members which

provided voluntarily their staff and training facilities as well as resource persons for the project.

ADFIAP's strategy to improve corporate governance consisted of the following:

1. undertake a membership-wide survey to determine the extent of its members' corporate governance policies and practices;
2. organize a regional symposium-workshop to develop an action agenda;
3. organize national workshops to focus on "local" corporate governance programs;
4. assist members to develop a framework and to sustain their corporate governance policies and programs;
5. promote the project through the Association's regular publications and website;
6. visit institutions to assist members in developing their corporate governance systems, using best practices learned from the surveys, seminars and other interaction with them.

Under the project, ADFIAP has conducted seven training events in a span of 15 months in the Philippines, Malaysia, China, Mongolia, India, Thailand, and Cook Islands in the Pacific. Other countries that benefited from the program included Fiji, Pakistan, and Uzbekistan, which means that the program had a wide reach, covering a sub-regional cross-section of South Asia, East Asia, Central Asia and the Pacific.

As a result of the project, there is now a more evident and broad-based insight on and conduct of corporate governance practices across members, judging from their annual reports and other publications given to the Association. Eight (originally six before the project) out of ten institutions, i.e., 80% or 48 out of 60 member-institutions) now have either or both their corporate governance policies and codes approved by their respective Board of Directors and almost all of them have focal persons and/or units in their organizations minding and implementing corporate governance programs and activities.

DFIs are deemed "trailblazers" in the sense that they finance start-up projects that other financial institutions shy away from because of inherent risks and long-term gestation. From ADFIAP's point of view, the practice and institutionalization of corporate governance in DFIs is one such trailblazing initiative that it is proud to have undertaken and has provided its member-institutions a chance to become model good corporate governance institutions as its contribution to "make a better world".

## #9. Strengthening the Voice of the Private Sector in Bangladesh

Lack of political consensus and ineffective governance have reinforced Bangladesh's position as one of the poorest countries and have undermined its economic potential. While both major political parties have publicly supported privatization, deregulation, trade liberalization, and FDI, real progress has been slow. Outdated and vague laws and regulations and a slow moving, corrupt bureaucracy continue to hinder business' ability to take advantage of market opportunities and adapt to global changes. In recent years, incessant strikes and street protests have crippled the nation and the opposition political party has waged a campaign of civil unrest.

In response, Dhaka Chamber of Commerce and Industry (DCCI) sought to strengthen the voice of the private sector by advocating an end to political gridlock in favor of a more bipartisan approach in the democratic policymaking process. In February 1999, DCCI expanded their advocacy efforts in favor of overall political and economic reform in the hope to create sound policies that would foster investment, encourage entrepreneurship, and speed economic growth.

DCCI implemented several strategies to improve country's economic environment. It aimed to strengthen business advocacy efforts and create a positive and productive dialogue between government and business. Its activities also focused on helping legislators and government officials to formulate policies, laws, and regulations to promote a more open economic environment. DCCI also recognized the importance of social inclusion in reforms, and thus promoted greater public awareness of and participation in economic policymaking.

One of the best tools to make these efforts successful was to develop extensive information on how laws and regulations affect businesses. DCCI realized that surveying Chamber members, using best data sources, and engaging the appropriate people to conduct business research and analyze existing policies can achieve effective results. DCCI's approach in meeting these objectives was through to produce Economic Policy Papers (EPPs) on issues related to privatization and economic liberalization, such as impact of globalization on Bangladesh, causes and remedies for sick industries, and reform of financial policy for economic development. These were then disseminated to government ministries, officials, legislators, opinion leaders, academics, think tanks, trade organizations, businesses, and the media. Follow-up actions included public opinion surveys and advocacy seminars with the mass media in order to create greater awareness of the need for reform.

There were several challenges encountered by DCCI in their quest to improve economic environment of Bangladesh. These challenges included access to finance, technical know-

how, technology, and capital, setting the standard of quality, upgrade production skill and human resource development, product development & diversification, assistance in market access and assurance of efficient infrastructure & supporting services. Although some policies have changed and new rules and regulations have been introduced, some lower- and mid-level officials of different trade related offices are not fully conversant with the requirements of the WTO and imperatives of market economy.

Several milestones have been achieved by DCCI:

- Amendments to the old Copyright Law to protect software producers, discourage piracy and encourage greater foreign investment; and the establishment of a Privatization Board to oversee sale of state-owned assets to the private sector.
- Extensive reduction of import/export duties on a wide range of products and raw materials. Some examples include: abolition of Value Added Tax (VAT) on heavy machinery, reduction of taxes on import of raw materials for jam, jelly, and marmalade from 37 percent to 15 percent, reduction on the import tax on textile machinery and raw materials from 37.5 percent to 5 percent, and a cut in the export tax on packing materials for shipments of fruit juice from 25 percent to 5 percent.
- Tax rebates have been established to encourage private investment in infrastructure, especially port and container facilities, railroads, fuel and freight stations, public transportation, and air travel.
- At the recommendation of DCCI, a new directorate of E-Commerce Affairs has been created within the Ministry of Commerce.

## #10. Reducing Opportunities for Corruption in Ecuador

In January 1997, Ecuadorians went to the streets to demand the ouster of then-President Abdala Bucaram. The reasons for their discontent with the president were the pervasiveness of corruption and the weakness of democratic institutions, which have plagued Ecuador since its democracy was restored in 1979. More than an uprising against Bucaram, these events were an expression of dissatisfaction with a political system and government that is corrupt and unresponsive to the needs of the public. Bucaram's successors, President Mahuad and President Gustavo Noboa had little success in reversing the economic slide in the country.

In fact, a combination of weak and corrupt leadership has made Ecuador a laggard in the region with respect to economic and political reform. In the late 1990s Ecuador was using over 90% of its GDP to repay debt – the largest proportion in Latin America. This debt burden represented over half of the state's general budget and almost half the

country's total exports. GDP fell by 7% in 1999 and many banks collapsed. The economic conditions neared those of Haiti, the poorest country in the hemisphere and one of the poorest in the world. At the turn of the millennium, Ecuador found itself in an extreme state of emergency, with citizens questioning the viability of democracy and taking whatever means necessary to pull themselves out of their current economic freefall. The dismal future of 80% of the population who lived on less than \$1 per day has forced citizens to place all their hopes for recovery with corrupt and turbulent political parties.

The National Association of Entrepreneurs (ANDE), a voluntary private business association in Ecuador, proposed to attack the problems of corruption and legal reform in order to clear a path toward a freer and more democratic framework for their national economy. The objectives of ANDE's work were: to significantly reduce the opportunity for corruption in the legal system by identifying and eliminating commercial laws that were duplicative and conflictive; to seek the consensus of a diverse cross-section of public and private sector groups on how these laws should be revised; and to develop a final executive decree that instituted a new body of law to be presented to the president and the National Congress for approval and implementation.

ANDE's focus was not to blame past corruption on any one particular group, but rather to initiate reforms that would change the direction of business and institute clean practices. To identify the roots of corruption ANDE reviewed the country's commercial laws that concerned production, foreign trade, establishment of official prices in the private sector, technology transfer, and others. ANDE released a comprehensive study on where the laws and regulations were duplicated or how they conflicted and indicated how to eliminate duplication and correct legal inconsistencies. Its studies showed that since the Republic of Ecuador was founded 167 years ago, some 92,250 legal norms have been created of which 52,774 were in force in 1997. The sheer number of overlapping, unclear, and contradictory laws has created an environment of legal chaos and left the application and enforcement of laws to the discretion of bureaucrats.

Next, to obtain consensus from civil society groups, ANDE distributed the 350 pages of proposed legal changes to chambers of commerce, industry, agricultural entities, labor unions, ministries, and other non-governmental organizations. ANDE was able to secure the support of large, respected institutions such as the national Chamber of Commerce and representatives of these organizations. Also, prestigious members of the Ecuadorian legal community have actively and publicly supported the project. By meeting with and presenting the proposed legal changes to diverse members of the public, private sectors, and civil society, ANDE obtained valuable feedback on the draft Executive

Decree, which was designed to eliminate duplicative and conflictive laws, and cultivated support for the deregulation project.

Due to lack of political will and the typically gradual pace of widespread changes in Ecuador, only 25% of the changes proposed by ANDE were actually implemented by the government, yet this is an accomplishment in its own right. In its Executive Decree, ANDE also recommended creating a seven-member judicial committee empowered to codify and reconcile Ecuador's laws, and ANDE's advocacy campaign was able to secure inclusion of the committee into Ecuador's new constitution. Currently, the Quito Chamber of Commerce is pursuing the government to implement the remaining 75% of changes proposed by ANDE.

## **#11. Developing a National Business Agenda in Paraguay**

The Federation of Production, Industry and Commerce (FEPRINCO), founded almost 50 years ago, represents approximately 70 Paraguayan business organizations from the industrial, manufacturing and commercial sectors. It is the country's central business organization and the principal voice of the business community vis-a-vis the government. In order to help unite the private sector in advocating for reform, FEPRINCO developed a National Business Agenda as a vehicle for launching a legislative advisory program. The agenda contains a general set of economic principles from which it will base specific policy positions on market reforms.

The National Business Agenda re-viewed the government's economic program and identified further reforms that would consolidate the country's transition to democracy and a market economy. The agenda also identified opportunities for reform in such areas as public administration, transparency in the policymaking process, electoral reform, investment in human capital, a new legal framework for informal economic activities, and poverty alleviation.

The agenda was beneficial because it presented a unified voice of the private sector to the government. It was also extremely instructive in informing both the business community and government policymakers about economic reform and thrusting them into the process of governance, thereby strengthening their commitment to democracy.

Members of the different business organizations in Paraguay worked on a variety of issues and became familiar with economic policies of which they had not been aware. By informing the leaders of the private sector about the guidelines of the economic reform and providing the government with clear information about the needs of the private sector, the National Business Agenda has strengthened the linkage between employers' organizations and the government, which is crucial to both parties in the



national effort to establish a stable reform policy.

The National Business Agenda has also helped foster a closer relationship between FEPRINCO and the country's legislature, opening opportunities to work together to craft legislation. Collaboration between the public sector and the government has not been the norm in Paraguay, but members of congress now frequently request opinions and recommendations from FEPRINCO and its member associations. As a result, several new legislative initiatives have been approved, including the following areas: copyrights and patents, leases, reactivation of the agricultural sector, construction of new roads and infrastructure, and modification of the use of social security funds.

## **#12. Post-Conflict Reconstruction Efforts by The Private Sector in Afghanistan**

Although there is a strong will on behalf of the private sector to promote democratic values and an open-market economy, the tools for achieving these goals are still quite limited inside Afghanistan. The business associations, think tanks, foundations, and other business organizations with vested interests in a market economy and a democratic political system are either nonexistent or are weak.

To establish a private sector voice in reconstruction of the country, Afghan-American businessmen, economists, survey research specialists, analysts, and evaluators formed Afghan-American Chamber of Commerce (AACC). The mission of the AACC is to foster a climate for a market economy by strengthening business associations, think tanks, and other business organizations inside Afghanistan to ensure a more sustained and diversified effort from various stakeholders inside the country to steer it toward democracy and market economy.

To kick off its activities in Afghanistan, the AACC gathered representatives of the business community at two one-day round tables in Kabul and Kandahar. These roundtables provided a forum for entrepreneurs to voice their concerns regarding the administrative barriers to doing business in Afghanistan. Entrepreneurs cited corruption, bureaucracy and lack of access to resources, as some of the most substantial barriers to creating a sound business climate. They also complained of opaque policy making and little accountability on behalf of government officials and representatives of state agencies. AACC continued to hold similar roundtables in the following months, gathering private sector views on reforms crucial to revival of Afghan economy.

Beyond roundtables, AACC also focused on creating a critical mass of entrepreneurs who will drive the reform process. The Chamber approached this by mobilizing small and medium-size enterprises and galvanizing support among them that was essential to planning and implementing

economic and democratic reforms. AACC achieved this by forming partnerships with business associations through Afghanistan, providing technical and limited financial assistance to local business associations, assisting business associations to formulate plans of action, and soliciting business entrepreneurs to join AACC. Such steps allowed AACC to create a network of business associations that will be able to work together to affect policy and foster reform, and it also raised the profile and credibility of the AACC as the leader and trustworthy representative of the Afghan business sector, which is a critical element of cultivating a productive private-public partnership and advancing reform.

## **#13. Defining the Role of Associations in Poland**

The development of local associations and chambers in Poland in late 1990s has been slow. Although such institutions appeared in great numbers, they tended to provide few services, and mainly served as a social outlet for local business community participants. Local chambers remained weak with limited programs and services, and reduced status within the business community; few them active on the national and regional level.

Although Polish business associations operated on a voluntary basis, many local chambers lead a push to introduce a new law on commercial self-government requiring mandatory membership in chambers of commerce. While popular with chamber management, the law was unpopular with the business community and efforts to pass it were abandoned. However, the most basic issues facing chamber survival, and the strengthening of their role within democratic society were not addressed. These issues included public perceptions of chambers, how chambers view their own role on society, how chambers can work to establish greater credibility and stronger membership, and what services chambers should provide.

The local Institute for Private Enterprise and Democracy (IPED) with support of the Center for International Private Enterprise (CIPE) launched "Business Association Strengthening for Poland" program that aimed at developing more effective business associations throughout the region.

The project aimed to accomplish several tasks. One of the tasks was to enhance the capabilities of Polish Chambers of commerce to participate in the policy development process. This was achieved through capacity-building programs, in which numerous Chambers of Commerce from across the country participated. IPED conducted surveys of the business community and held a conference to bring various associations together to discuss key issues. Building on survey results and the final conference in Warsaw, a list of recommendations was produced, which among other



issues addressed that of enhancing the capabilities of Polish Chambers to participate effectively in policy development. Wide media coverage of events and publications also helped lay the groundwork for future development in this regard.

Another goal of the program was to assess public views on the roles of business associations in a democratic society. This goal was completed through the comprehensive questionnaire which the IPED-contracted firm PBS utilized in carrying its survey; and also through the media campaign aimed at the general public in order to assess widespread views on the roles of business associations and chambers of commerce.

IPED also wanted to examine Polish chamber of commerce development in comparison with other regional experiences, towards gaining a deeper understanding of civil society and membership organizations in the region. This was achieved to some degree at the final conference held in Warsaw and attended by regional practitioners from Bulgaria, Slovakia, Montenegro and Albania who presented their points of view and recommendations for improving business associations in their countries.

Overall, the project succeeded in identifying very important concerns of the Polish business community about the role (or in many cases the lack of a role) played by business associations and Chambers of Commerce in that country. Specifically the IPED survey showed convincingly, that a mandatory model Chamber was not preferred among businesses, and also that there is a lack of understanding of what chambers can offer in the way of business services and advocacy. The need for voluntary business association promotion and development in Poland, and throughout Central and Eastern Europe has been further confirmed by IPED.