



CENTER FOR INTERNATIONAL PRIVATE ENTERPRISE

STEPS IN DESIGNING A REFORM AGENDA

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The development of the Monterrey Consensus on Financing for Development in 2002 by the United Nations was a landmark event. For the first time, heads of state were able to agree on the key pillars of political and economic reform, including a democratic form of government, private property rights, the rule of law, and the other essential institutions that form what US President Ronald Reagan called the infrastructure of democracy. The Consensus recognized that the key driver in attracting investment and development finance is a sound business climate coupled with a democratic system of government.

Now the UN is holding a series of meetings in preparation of the 2008 review of the Monterrey Consensus to be held in Doha. One point that can be brought up for discussion is that the Monterrey Consensus clearly identifies the goals to be accomplished but it doesn't include a road map on how to implement these reforms. Naturally, every country will have to develop its own approach – its own unique roadmap – for reform. However, there are some lessons to be learned from experience. This short presentation is a summary of some of the lessons we've learned at CIPE from our 23 years of working with the private sector in emerging markets and developing countries around the world.

First, a good business climate does not appear in a vacuum – it arises as the result of comprehensive reforms in both the political and economic arenas. Effective business associations as agents of change can help facilitate the reform process on the one hand while

political agents open to transparent policymaking can aid it on the other. CIPE has identified seven key steps in designing a reform program.

Steps in Building a Reform Agenda¹

1. Identify the initial conditions – what are the most important barriers to market entry and what are the true costs of doing business? Publicize these findings in both the financial and popular press.
2. Locate the key points of change – what are the institutional reforms that will generate a private sector supply response? Demonstrate the benefits to business, to the economy, and to society as a whole.
3. Mobilize business associations, think tanks, and other civil society organizations to join in a collective action program to advocate for institutional reforms.
4. Generate specific policy recommendations such as reductions in entry barriers, reform of customs procedures, or simplification of tax administration. Be as specific as possible; general ideas such as "reduce tax rates" are rarely addressed.
5. Manage expectations by setting out achievable goals that can demonstrate to the business constituencies and to the public that reforms can be achieved.
6. Mount an aggressive advocacy campaign that effectively communicates complex ideas in simple and attractive ways to

Key Features of Successful National Business Agendas

Several CIPE-funded projects have assisted various groups – businesses associations, coalitions of think tanks and associations, and other private sector organizations – to formulate policy positions, represent a unified voice before the

Mobilizing for Collective Action

The third point, mobilizing business associations, think tanks, and other groups to advocate for institutional reform, can differ markedly from country to country. In some countries, the principal business associations, often including the chamber of commerce, are under the direct or indirect control of the government. This can be the case when the national law on associations is modeled on the Continental European system of mandatory membership, resulting in a corporatist form of associations. In other cases, the control can be more indirect, such as when the associations are controlled by a handful of firms with close ties to government or even rent-seeking organizations.

However, it is possible in nearly every country to identify countervailing associations that represent the interests of smaller firms, firms with an interest in access to the international system, and others who want to see a free-market economy develop. In addition, think tanks or public policy institutions that aim to develop democratic, market-oriented economies have developed in many countries around the world.

section of the paper will present some case studies that will illustrate the types of specific reforms that tend to be most useful. One of the key points to recall in this step is to resist the temptation to simply say, for example, that the tax system needs to be *fundamentally reformed*. Policymakers, legislators, the media, and others need to know what specific reforms are most important. Is it a reduction in the level of taxes, a simplification of the tax payment system, or the outright elimination of some portion of the types of taxes? The beauty of the flat tax, which was part of the reforms used by Mart Laar in Estonia, is that it is simple to explain, easy to administer, and generates the necessary revenues. The challenge is that it is difficult to mobilize sufficient support, absent a crisis, to overcome the resistance to such a major change. In cases where a crisis is occurring or a political leader is willing to undertake such a major reform, the flat tax is clearly an excellent choice. In other cases, it might be better to attempt a simplification of the administration or reductions in the numbers of taxes.

Managing Expectations

Managing expectations is also a key part of the reform process as shown in step number five. The key point to recall here is that holding the coalition of associations, think tanks, and others together requires a sense of momentum. People need to feel that their efforts are having an effect and that further progress is possible. Certainly, the most committed members will be willing to persevere over a long stretch of time. However, gaining enough support to be effective in the public policy arena also requires that all actors involved gain a sense of accomplishment. In times of normal politics (absent a crisis or change of system), setting some specific but important goals for reforms helps maintain this momentum. It is also important to manage the expectations of the coalition members and the general public by promising progress but being realistic about what it will take to accomplish the coalition's goals.

The Advocacy Campaign

Designing and launching the advocacy campaign is also a blend of art and science. It is vital that each of the policy reforms are well-researched and fully developed to be able to demonstrate to the policymakers, the technocrats, and the international community that the

It is also vital to recognize those who assist the campaign by actually implementing the policy reforms as noted in step 7. While this may seem obvious, it is often forgotten that politicians, government officials, the media, and others need public acknowledgement of the roles they played. In both new and established democracies, the incentives for policymakers to advance reforms are to garner votes, funding, and publicity.

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