

# **Highlights of CIPE's Impact on Democratic Development**

Programs funded by the National Endowment for Democracy

Closed in 2005–2006

## Overview of CIPE's Impact on Democratic Development

Where and how has the Center for International Private Enterprise made a difference in democratic development? In the last few years alone, the positive impact of CIPE's programs has been felt across the globe, from countries on the threshold of democratic consolidation – like Argentina, Romania, and Ukraine – to places just beginning their journey – like Afghanistan, Belarus, and Iraq. These programs have defended freedoms, strengthened civil society, broadened debate, and built consensus for reform. They have advanced these goals by transforming ideas and institutions; by engaging the private sector in the cause of democracy and equipping it for success. Of course, CIPE has not done all this unaided. Funding by the National Endowment for Democracy has nurtured programs designed and led by local partners, with technical and strategic assistance from CIPE.

Policy reforms are perhaps the most tangible successes, since they represent the culmination of advocacy campaigns and the basis of sustainable democratic institutions. CIPE and its partners have been directly involved with several momentous policy changes. Now, Pakistan has a new Trade Organisations Ordinance that grants women the freedom to form trade associations without male sponsorship. Kyrgyzstan's new Constitution – drafted by civil society leaders – strengthens the hand of Parliament versus an over-powerful executive. In Guatemala, a law on titling and land registration has begun to bring indigenous communities into the formal economy. Two new laws in Colombia serve to prevent corruption in public procurement and protect minority shareholders' rights. Numerous legal and regulatory changes worldwide have made it easier to open and operate businesses, promoting economic growth and employment along with an independent, pluralistic private sector.

Policies matter, but can only be effective when enmeshed in a system of good governance. Laws must be enforced consistently and impartially. CIPE partner Akcioner defended shareholders' rights in court cases that ruled in favor of shareholders for the first time in Macedonia's history. The Belarusian Constitutional Court upheld the position of the Minsk Union of Entrepreneurs and Employers that entrepreneurs cannot be fined for violating laws that have not been made fully accessible to the public. Government must also be held accountable. The Institute for Competitive Society developed an innovative method for monitoring Ukrainian government agencies' websites for compliance with the Regulatory Policy Law. Finally, the *way* that laws are made matters in a democracy. Kazakhstan has mandated input from business representatives on legislation that affects businesses.

Participation brings life to democracy, and representation opens channels for participation. The Institute for Solidarity in Asia mobilized more than 50 student groups and 11 civil society organizations across the Philippines to construct the groups' visions of good governance, working with city governments to translate these visions into concrete initiatives. Romanian businesswomen obtained a seat at the table in high-level policymaking by uniting their associations in a national coalition. The Argentinian think tank CIPPEC involved the business sector in fiscal policymaking through the creation of an innovative caucus composed of legislators, business leaders, and academic experts. Representatives of Iraqi political parties learned from CIPE how to reach out to voters on economic issues and take private sector considerations into account. In Bulgaria, the Center for the Study of Democracy brought large and small business interests into democratic governance by founding a public-private economic council for the city of Sofia.

At its core, democracy rests on certain values – namely fairness, transparency, accountability, and responsibility. In many countries, CIPE has led the way in explaining these values and their significance for political and economic reform. CIPE initiated a conceptual shift in the Middle East through the invention and promotion of the first term in Arabic for “corporate governance” – *hawkamah ashariyah* – that captures these values. CIPE has helped shape the world’s understanding of corruption, especially as it applies to the private sector. Working with Transparency International, CIPE promoted the Business Principles for Countering Bribery, now incorporated as the 10th principle in the U.N. Global Compact. In Mozambique, CIPE partner the Commercial and Industrial Association of Sofala has overturned the conventional thinking that corruption is a normal part of doing business, and has prompted companies to openly discuss legal and ethical guidelines in business transactions.

Many of these achievements would not have been possible without the investment of CIPE and the National Endowment for Democracy in the capacity of voluntary private sector organizations and the human capital of future reform leaders. This investment prepared these organizations to conduct highly effective advocacy and, ultimately, to sustain future initiatives without foreign assistance. Romania’s Coalition of Women’s Business Associations provides an excellent example of a strong, sustainable partner organization that is now achieving policy results on its own. The Afghanistan International Chamber of Commerce has grown at an impressive rate, accepting more than 20 member associations since it was founded in 2004. Its numerical strength has helped the chamber establish fruitful relations with President Karzai’s administration. Iraq’s business community is also well-situated to represent its needs after the unification of diverse associations, chambers, and think tanks in the Iraqi Business Council. These strong foundations are expected to lead to cumulative advocacy successes.

Democracy is not achieved overnight, but rather as the outcome of unceasing efforts by local citizens to shape the key elements of democratic governance. Taken together, the impact of CIPE’s and its partners’ programs on policy, behavior, values, and civil society has advanced the development of democratic societies with free market economies.

## Highlights of CIPE's Impact on Democratic Development: Executive Summary

### AFRICA

- First anti-corruption toolkit in Mozambique engaging the private sector
- Independent radio program in Ethiopia provides alternative views, coordinates advocacy
- Associations representing Kenyan small and informal businesses form an independent national coalition

### ASIA

- New Trade Organisations Ordinance in Pakistan allows growth of representative and professional business associations
- City mayors in the Philippines publicly commit to improving democratic governance in measurable ways
- Leading Bangladeshi Chamber of Commerce scores policy successes in economic and human development

### CENTRAL & EASTERN EUROPE

- Shareholders' rights are successfully defended for the first time in Macedonian courts
- First coalition of women's business associations in Romania participates in high-level policymaking
- First public-private city council in Bulgaria

### EURASIA

- New Kyrgyz Constitution is drafted by civil society groups
- First united business coalition in Belarus successfully advocates for its priorities through the National Business Platform
- Ukrainian think tank monitors government implementation of Regulatory Policy Law
- Freedom of association is safeguarded for Kazakh businesses

### LATIN AMERICA & the CARIBBEAN

- First legislative caucus formed in support of a policy initiative in Argentina
- Titling and land registration law in Guatemala brings indigenous communities into the formal economy
- Good governance practices are built into Colombian privatization process and new Capital Markets Law
- New Procurement Law in Colombia fights corruption in public procurement

## MIDDLE EAST & NORTH AFRICA

- First Arabic term for “corporate governance” is created
- Egyptian writers and intellectuals issue call for constitutional reform and greater freedoms
- Afghans master democratic advocacy
- New business council establishes a united voice for the Iraqi private sector
- Iraqi political parties come together to discuss economic reforms

## GLOBAL

- Business Principles for Countering Bribery are incorporated into the U.N. Global Compact and Argentinean anti-bribery agreement
- Forum on Economic Freedom expands reform resources and launches blog

## Contents

### AFRICA 8

Mozambique: ACIS – Anti-Corruption

Ethiopia: AACCSA – Access to Information

Kenya: CIPE – Association Development

### ASIA 9

Pakistan: CIPE – Legal & Regulatory Reform, Association Development

Philippines: ISA – Democratic Governance

Bangladesh: DCCI – Legal & Regulatory Reform, Women Entrepreneurs

### CENTRAL & EASTERN EUROPE 11

Macedonia: Akcioner – Corporate Governance

Romania: CAFA – Women Entrepreneurs, Association Development

Bulgaria: CSD – Democratic Governance, Legal & Regulatory Reform

### EURASIA 12

Kyrgyzstan: BBC – Democratic Governance

Belarus: IPM/AC Strategy – Legal & Regulatory Reform

Ukraine: ICS & UCIPR – Legal & Regulatory Reform

Kazakhstan: AAE – Legal & Regulatory Reform

### LATIN AMERICA & CARIBBEAN 14

Argentina: CIPPEC – Legal & Regulatory Reform

Guatemala: CIEN – Informal Sector & Property Rights

Colombia: Confecámaras – Corporate Governance

Colombia: Confecámaras – Anti-Corruption

### MIDDLE EAST & NORTH AFRICA 16

Regional: CIPE – Corporate Governance

Egypt: CIPE/ARPI – Democratic Governance, Access to Information

Afghanistan: CIPE – Legal & Regulatory Reform, Association Development

Iraq: CIPE, Iraqi Business Council – Association Development

Iraq: CIPE, Political Party Training – Democratic Governance

### GLOBAL 19

CIPE/TI – Anti-Corruption

CIPE, Forum on Economic Freedom – Access to Information

## Highlights of CIPE's Impact on Democratic Development: Introduction

This report presents highlights of CIPE programs that achieved tangible successes toward sustainable democratic development. Highlights were selected from projects funded by the National Endowment for Democracy that closed in 2005 and 2006.<sup>1</sup> The choice of projects was guided by CIPE's evaluation methodology and seeks to represent important CIPE program themes and varied types of impact. CIPE focuses on impact, in addition to the successful completion of project activities and immediate objectives, as a crucial element in program design and evaluation. Impact refers generally to institutional changes of long-term significance to democracy, as well as behavioral, organizational, or environmental changes that advance democratic decision-making and values. A project with high impact has proven more than worthwhile – it has made a difference. Partners who worked with CIPE on these projects displayed tremendous dedication, creativity, and acumen and serve as a model for other democratic reformers.

CIPE projects achieved impact in a number of areas, some of intrinsic value and some that serve as a foundation for the attainment of other democratic goals:

- Policy – Laws or regulations changed (or harmful ones blocked)
- Process – Creation or modification of democratic decision-making processes
- Participation – Mobilization of new private sector groups
- Representation – Inclusion of private sector representatives in decision-making forums
- Capacity – Organizational capacity of private sector organizations and ability to pursue future advocacy
- Human capital – Leadership development
- Information and values – Important changes in how an issue is understood or perceived

It must be noted that only highlights are summarized here in the interest of maintaining focus on impact. These projects had numerous positive outcomes and achieved other objectives that are not mentioned in this report. Moreover, other projects that are not mentioned had positive impact and outcomes. When assessing impact, it is important to take into account the relevant context. What might be considered a decent project in a country with a degree of freedom, moderately developed civil society, and stable governance could be considered outstanding in a closed, repressive society with no civil society organizations to speak of, or in a post-conflict setting with a failed state. Since democratic development is a long-term process, the best strategy is often to institute projects that prepare the way for other projects to build on. Thus, achievements in the areas of capacity building and human capital may be essential to the subsequent attainment of broader impact. That being said, the projects highlighted here set a high standard to which others may aspire.

---

<sup>1</sup> Ongoing Iraq Special Funds projects are also included.

## AFRICA

### **Mozambique: ACIS, Combating Business Participation in Corruption**

(2005-036)

The Commercial and Industrial Association of Sofala (ACIS) developed the first-of-its-kind Anti-Corruption Toolkit for the private sector in Mozambique. Incorporating input from the business community across the country, the toolkit brings to light the causes and cures for business participation in corruption. ACIS involved the business community in developing the toolkit so it would be a realistic and effective instrument. ACIS itself set a positive example by undergoing the ISO 9000: 2001 audit, becoming the first business association in southern Africa to achieve this certification. Through roundtables and other discussion forums, the project increased understanding of the impact of corruption within the private sector. Where many corrupt activities were once considered a normal part of doing business, companies now openly debate and discuss legal and ethical guidelines in business transactions.

ACIS has already witnessed some private companies taking steps to combat corruption. To date, two companies have obtained international certification and others are considering it. Seventeen ACIS members have signed a code of business principles, 21 members have indicated that they will use the employee code of ethics, and one member is currently engaged in a formal case against three government employees for corrupt practice, using the ACIS guidelines. The motor and sugar industries have requested ACIS' help in establishing "islands of integrity." In addition, ACIS has been invited by the Minister for State Administration, representing the Council of Ministers, to open a dialogue with the government on involving the private sector in the fight against corruption. The European Union also plans to use international certification and benchmarking tools suggested by ACIS as a condition for future funding of associations.

### **Ethiopia: AACCSA, Voice of the Addis Ababa Chamber**

(2004-034)

The radio program of the Addis Ababa Chamber of Commerce and Sectoral Associations (AACCSA) – "Voice of the Addis Chamber" (VAC) – has increased access to alternative viewpoints on the economy and stimulated debate on economic issues. The business community and the public have reacted positively to the bi-weekly programs, which present current business news and views, trade and investment, business success stories, women in business, science and technology, HIV/AIDS in the workplace, and civic education. Recently, transit operators used the VAC to express their opposition to a directive from the Ethiopian Customs Authority that would have imposed educational and working capital requirements. This led the government to abandon the unpopular directive. Previous policy successes include the repeal of the Customs Authority's new Goods Shipment Directive following a string of protests made by the business community through the VAC; revisions in the tax law that stemmed from VAC programs on this issue; increased access to credit by export businesses; and rapid resolution of power disruptions that were adversely affecting business. CIPE support for the program has allowed the broadcasts to continue despite opposition from some forces in the Ethiopian government.

**Kenya: CIPE, Good Management and Governance of Business Associations to Strengthen the Voice of Small and Medium Businesses**  
(2002-021)

CIPE organized a one-week training workshop in November 2004 for 40 leaders of small and informal sector (*jua kali*) associations. Realizing they faced common problems and needed a united voice, participating associations joined in August 2005 to form a new grassroots coalition, the National Informal Sector Coalition (NISCO). NISCO was created to replace the existing government-backed federation for the sector, which was ineffective and did not advocate on behalf of its members. By early 2006, NISCO was presenting a truly representative list of *jua kali* entrepreneurs' policy expectations to the highest level of the Kenyan government. A delegation from NISCO met with Kenya's Vice President and all the permanent secretaries to come up with a clear strategy to help the country's small business sector. NISCO obtained a commitment from the government to set aside 10 percent of its procurement contracts for small businesses, which previously never had the opportunity to participate in government tenders. NISCO also obtained a large hawkers market in Nairobi, expected to be completed by the end of 2007. The President of Kenya presided over the ceremony launching the market.

ASIA

**Pakistan: CIPE, Promoting Democratic Values by Strengthening Pakistan's Business Associations**  
(2005-036)

The Government of Pakistan issued a new Trade Organisations Ordinance regulating the establishment and operation of chambers of commerce and business associations. The revised ordinance resulted from a year-long consultative process, initiated by CIPE Pakistan, between the government and the private sector. In place of the old law, which hampered the development of a competitive chamber system, the new law will encourage the growth of a more representative and better-equipped group of trade organizations in Pakistan that can advocate more effectively for economic reform. The new law stands to have the greatest impact on women in business, who are now able to form trade organizations without male sponsorship. In addition to its support for women in business, the new law strengthens anti-corruption measures through proactive licensing procedures. The law was based on the recommendations of a committee – including CIPE Pakistan Country Director Moin Fudda – that was formed by the Minister of Commerce after discussions with CIPE and representatives from the business community.

CIPE's office in Karachi had impact from its start. At the official opening, Minister of Commerce Humayun Akhtar Khan stressed the need to build democratic and market institutions: "Without a functioning market system, democracy will remain weak," he remarked. In its first year, CIPE Pakistan brought the business community closer together through multilateral discussions and opened new channels of communication between government and business. Following a roundtable organized by CIPE on the information technology sector, the State Bank formed a taskforce with representatives from the Pakistan Software Houses Association, the Ministry of Information Technology, the Pakistan Software Export Board, the Securities and Exchange Commission of Pakistan, and banking and leasing associations. The taskforce will be responsible for developing an enabling environment for the growth of the IT sector in Pakistan.

## **Philippines: ISA, Building Good Governance and Responsible Corporate Citizenship** (2004-034, 2005-036)

The Institute for Solidarity in Asia improved participatory democracy in the Philippines by helping citizens and city governments work together to improve accountability and governance. ISA cooperated with 27 city governments and 11 civil society organizations to create individualized, long-term plans for improving governance by increasing opportunities for citizen participation and creating roles for all stakeholders. The Philippines has long struggled with corrupt politicians, so it is quite significant that 27 city mayors have publicly voiced their commitment to improving governance in measurable ways. ISA's Public Governance System is based on the Balanced Scorecard, a business measurement and management system developed at the Harvard Business School. Also in this project, ISA launched the Philippines 2030 Initiative, a long-term governance-improvement plan for the country that has produced a National Governance Roadmap. Though the Philippines often struggles to build consensus among its many interest groups and island communities, ISA has successfully promoted the idea that good governance is something everyone can agree on. This is amply demonstrated by the large and diverse group of organizations that participate in its program, including more than 50 student groups and eight national-level organizations.

## **Bangladesh: DCCI, Policy Advocacy and Women's Entrepreneurship Development** (2004-034, 2005-036)

Over the course of six projects with CIPE, the Dhaka Chamber of Commerce and Industry released more than 130 recommendations that were accepted by the Bangladeshi Government. For example, DCCI's economic policy paper on public procurement drew attention to delay, corruption, and hassles in the procurement process. With the passage of the 2005 Procurement Act, transparency, efficiency, and accountability were injected into public procurement. The government eliminated key impediments to exports that DCCI identified, namely excessive regulation and inadequate infrastructure. Customs services were modernized so that now only five to seven signatures are required instead of 20; and goods can clear customs in a single day, not the three to seven days it formerly took. By 2006, DCCI had representatives on approximately 40 national advisory and consultative committees, which allowed it to present the business community's point of view on a variety of issues and legislation under consideration. In its "Vision 2021" paper, DCCI outlined specific reforms needed to reach the goal of attaining a per capita annual income of \$1,000 in the next 15 years. Prime Minister Khaleda Zia announced in November 2005 that the government endorsed the concept, and a national committee was formed to plan the implementation of DCCI's recommendations.

DCCI's Women Entrepreneurship Development program was the first program by a leading Bangladeshi business association to focus specifically on the policy obstacles faced by women-owned firms. More than 3,000 women received training, counseling, and other services from DCCI's program. A highlight for the project came during the DCCI Business Award ceremony for 2005, when Prime Minister Begum Khaleda Zia presented a new award for the Best Woman Entrepreneur.

## CENTRAL & EASTERN EUROPE

### **Macedonia: Akcioner, Strengthening Shareholders' Rights**

(2004-034)

Working closely with the shareholder community, which constitutes a quarter of Macedonia's population, Akcioner advanced the level of education and protection of over 11,000 minority shareholders. It substantially curbed managerial coercion of employees and promoted ownership of company stock based on understanding of ownership principles and a new Company Law. The World Bank singled out Akcioner in its report of July 21, 2005 as the only institution in Macedonia fighting to protect shareholders and raise the level of dialogue on shareholders' rights. Akcioner participated in 71 court cases defending shareholders' rights and had a direct role in cases that ruled in favor of shareholders for the first time in Macedonian history. It established itself as a credible and reliable organization, receiving more than 2,000 requests from small shareholders for assistance and advice on their rights. Managers, aware of the effectiveness of Akcioner's legal department, stopped blocking Akcioner's presence at general shareholder meetings. Despite the government's pre-election campaign against independent NGOs and hostile takeover of Akcioner's board of directors, Akcioner managed to reincorporate itself and boost its membership by 13.25 percent, up to 18,120 by the end of the project. The project raised awareness of and respect for the rule of law, property ownership, transparent governance, and participatory processes.

### **Romania: CIPE, Strengthening Women's Business Associations**

(2004-034)

A group of nine women's business associations came together in 2004 to create a coalition that would represent the needs of women entrepreneurs with a single voice and get women a seat at the table in public-private dialogue. The new Coalition of Women's Business Associations (CAFA) was asked by the National Authority of Control for private sector input in amending the code of conduct for control officers. The code was designed to limit abuses by public officials during inspections of private companies. This high-level participation in policymaking led to similar invitations from other Romanian ministries and agencies. The Ministry of Finance requested CAFA's input on drafting income tax deductions legislation – CAFA's studies, public debates, and press conferences promoted reduced taxation as the means to a more sound economy. The Ministry of Labor and Social Protection invited CAFA to cooperate permanently with the Division of Equal Chances, while the National Agency for Small and Medium Sized Enterprises and Co-operatives has included CAFA in a partnership program for women's entrepreneurship and future legislative initiatives for SMEs. CAFA meets regularly with members of the Romanian Parliament and also had the opportunity to present its vision and plans for the future to the President of Romania.

CAFA members enjoy amplified networking opportunities and greater visibility through the annual Women in Business Conference, at which editions of the "Women of Success" CD are launched. Since January 2006, CAFA no longer receives outside financial or administrative support and is fully sponsored by its members.

## **Bulgaria: CSD, Democratic Governance in Bulgaria – Using Public-Private Partnerships to Advance Economic Reforms (2004-034)**

The Center for the Study of Democracy, working with the Federal City Council of Washington, D.C., created the first-of-its-kind Sofia Economic Council (SEC) to counsel the Mayor of Sofia on economic and political reform. Prior to the project, Executive Vice President of the Federal City Council and CIPE Board Member Kenneth Sparks advised the mayor and the SEC on a framework for partnership. The council proved its worth after Sofia's elections in 2004, when the SEC became the first public-private partnership to enjoy the official support of the capital's new mayor. CSD's White Paper recommendations, developed jointly with the Sofia business community, were approved by the city government and largely incorporated into two fundamental legislative initiatives. Through the SEC, CSD brought 20 of the biggest employers and investors in Sofia into an advocacy campaign to strengthen democratic governance. CSD included some smaller, grassroots business associations in the policymaking process, such as the Bulgarian Meat Producers' Association, the Bulgarian Dairy Producers' Association, and the Association of Mechanics and Electricians. A number of recommendations made under CSD's previous project with CIPE were also passed, including the abolition of the burdensome registration process for commercial outlets.

EURASIA

## **Kyrgyzstan: BBC, A Business Platform for Constitutional Reform (2005-036)**

The Bishkek Business Club took a lead role in a consortium of civil society stakeholders, seizing the opportunity presented by the March 2005 "Tulip Revolution" to propose a revised constitution. By organizing a national forum on constitutional development, bringing the voice of civil society and business to the Constitutional Council, leading the Constitutional Council working group, and engaging the public in discussion on the new constitution, BBC played a chief role in creating a draft constitution that sought to enhance the checks and balances in Kyrgyzstan's political system. The new constitution, adopted in November 2006, leads Kyrgyzstan in the direction of a parliamentary democracy, where Parliament provides greater balance in relation to the executive branch. Changes such as parliamentary approval of the cabinet and putting the national security services under parliamentary control will be welcome in a country where the president grossly abused office to create a kleptocracy benefiting family and friends.

CIPE and BBC played an important role in fostering a culture of public participation in political debate. BBC embarked on a comprehensive media campaign to spread information about constitutional reform, with BBC members appearing on television, taking part in public debates, and publishing articles. It also organized forums to solicit opinions from the public on the proposed constitution. Long after the project's end, the work of the Constitutional Council continues to influence public debate on the need for constitutional reform, and civil society has formed a strategic alliance with the business community to push for reform and democracy.

**Belarus: IPM/AC Strategy, Building a National Business Network**  
(2005-036)

With the help of this project, for the first time in Belarus the business community united in a nationwide 11-member business association coalition. The coalition circulated its National Business Platform throughout the country. Of the coalition's more than 100 recommendations to improve the operating environment for entrepreneurs and give them a united voice, 26 were implemented partially or fully. The Council of Ministers adopted a series of resolutions for the small and medium-sized enterprise environment, including unprecedented provisions allowing business associations to participate in the policymaking process. The Constitutional Court upheld and cited the position of CIPE partner MUEE that entrepreneurs cannot be fined for violating laws that have not been made fully accessible to the public. Moreover, in response to MUEE's criticism of Beltelekom's harsh, monopolistic treatment of customers, the Council of Ministers issued an official resolution regulating Beltelekom's fine and penalty system. The opposition candidate for president in the 2006 elections, Alexander Milinkevich, adopted the majority of the National Business Platform as the opposition's economic platform, including measures to liberalize business registration, expand privatization, and restore the independence of the judiciary.

The process of creating an advocacy-based National Business Platform mobilized the business community and established crucial information flow, most importantly to the remote regions of the country. A particularly enthusiastic response from the student population, including budding and potential entrepreneurs, has galvanized support for economic freedom, private ownership, limited government, and political liberty. These groups present fertile ground for the future development of a healthy civil society, which will be equipped to advocate and lead the transition to a market-oriented democracy.

**Ukraine: ICS/UCIPR, Business Associations Ensuring Effective Public-Private Debate to Improve Business** (2004-034)

The Institute for Competitive Society helped the business community to hold government accountable by assessing implementation of the Regulatory Policy Law. The law requires the legislature and government agencies to publish draft bills one month before their passage and to provide cost-benefit analyses of regulatory impact. (The Regulatory Policy Law was passed in 2003 in part due to the National Business Agenda initiative of ICS and another CIPE partner, the Ukrainian Center for Independent Political Research.) ICS was among the first Ukrainian institutions to monitor government agencies' websites for compliance with the law. Now similar monitoring efforts are performed by a number of think tanks and NGOs, including the Europe XXI Foundation and the ANOD Analytical Center. The project also had a "spillover" effect to other Ukrainian regions: business associations and think tanks in the Dnipropetrovsk and Khmelnytsky regions adopted the methodology developed by ICS to monitor implementation of the regulatory reform law at the regional level.

ICS and UCIPR led an aggressive advocacy campaign to abolish harmful amendments to the 2005 State Budget that increased the tax burden on small business by 42 to 210 percent. Thanks to the efforts of the business community, President Yuschenko signed a decree on June 3, 2005 preserving single taxation and simplified reporting for SMEs in 2005. A key figure in this project, Ksenia Lyapina of ICS, was confirmed as a new member of Parliament in March 2005.

**Kazakhstan: AAE, Combating Corruption and Improving Transparency**  
(2005-036)

Parliament accepted a revised Article 5 in the law “On Private Entrepreneurship.” When discussions on this law began, businesspeople believed it was designed in favor of greater government control over the private sector. The Almaty Association of Entrepreneurs’ working group defended the right of businesses to choose which associations they join, and convinced legislators to include clauses borrowed from the United States’ Regulatory Flexibility Act. Article 5 now states that “expert councils” composed of local government and business representatives must be formed in each region and given an opportunity to comment on draft legislation affecting business, before it undergoes Parliamentary review. Once Article 5 became law, CIPE worked with AAE to monitor implementation of this key piece of legislation, ensuring that the business community has a forum for participation. CIPE has worked closely with the Almaty Association of Entrepreneurs (AAE) for several years to build its advocacy capacity across all the major industrial centers of Kazakhstan. AAE’s December 2005 conference, “Impact of the Shadow Economy on the Development of Entrepreneurship,” resulted in 97 economic policy proposals, 23 of which were accepted by Parliament and written into legislation.

LATIN AMERICA & THE CARIBBEAN

**Argentina: CIPPEC, Legislative Advisory to the Congress on Tax Issues**  
(2004-034, 2005-036)

The Center for the Implementation of Public Policies Promoting Equity and Growth (CIPPEC) established an innovative caucus composed of legislators, business leaders, and academic experts to improve the democratic functioning of Congress and consolidate support for reform of Argentina’s fiscal and tax laws. Led by Senator Celso Jaque, President of the Senate Co-Participation Commission, and Vice President Daniel Scioli, it became the first legislative caucus in Argentina formed to gather support for a policy initiative. Around 30 reform-oriented legislators (out of a total of 329 legislators) from different parties have actively participated in the fiscal caucus. An additional 45 legislators and 60 advisors participated in nearly 100 meetings. Legislators now have a credible source of information on key economic issues that helps them make more informed decisions. CIPPEC’s surveys of legislators indicate that concrete changes in legislation took place at least in part as a result of the caucus’s efforts. Several CIPPEC-supported tax bills were passed, including the Fiscal Responsibility Law limiting the growth of spending and the levels of debt and deficits both at the national and provincial levels. The restoration of fiscal stability will improve incentives for long-term investment and shore up the legitimacy of Argentinean democracy.

As a result of helping organize the legislative caucus and writing technical policy briefs, CIPPEC now enjoys a reputation as an expert source on tax issues and federalism. CIPPEC’s policy briefs and meetings led to the publication of 81 newspaper articles, 64 radio and television interviews and 45 online articles. Most of the newspaper articles were published in either *El Clarín* or *La Nación*, the most widely distributed newspapers in Argentina. CIPPEC succeeded in setting the public agenda and enhanced the quality and depth of discussion on significant public issues such as tax reform.

**Guatemala: CIEN, Building Consensus to Reduce the Informal Sector**  
(2004-034)

The National Economic Research Center's public advocacy and influence with Congressional committees, such as the Committee on Indigenous Affairs, set the stage for the approval of the "Ley de Catastro" (Cadastral Law), passed in July 2005. This law on titling and land registration is the first step in the formalization of property rights in Guatemala, especially among indigenous communities. Formalization will reduce the economic disenfranchisement of the poor, which weakens the rule of law and keeps large segments of the population from participating in democratic institutions. More than half the members of the Guatemalan Congress were exposed to CIEN's research on the informal economy.

To introduce a stronger definition of property rights, CIEN worked with the Titling Registration Office on the tax structure of property titling. Using statistical evidence later published in their book, CIEN demonstrated that the actual system of titling imposes high transaction costs on informal owners. CIEN joined with the Association of Housing Builders and Developers to eliminate the 12 percent tax on property transfers, a major impediment to formalizing property rights in Guatemala.

**Colombia: Confecámaras, Strengthening Corporate Governance – Security and Confidence for Investors**  
(2002-021)

Confecámaras advised Ecopetrol, a state-owned petroleum company, on how to structure a strong corporate governance code and implement good governance practices. This advice supported the Colombian Government's decision to privatize as much as 20 percent of Ecopetrol's capital. "I would like to use this opportunity to thank Confecámaras for having accompanied us closely in our process of instituting good governance practices in Ecopetrol over the last three years," says Mauricio Salgar, General Director of Operations at Ecopetrol. Sound corporate governance practices are crucial to ensuring fairness in the privatization process. By providing more transparency and accountability, corporate governance serves the democratic process while assuring a positive role for the private sector in the development of the country. Ecopetrol received an "AAA" rating for its handling of the privatization. Confecámaras provided technical information on international corporate governance standards, facilitated the adaptation of these practices for companies that operate with state capital, identified the greatest governance risks for Ecopetrol, and helped educate staff, investors, and the public about the good governance practices that were instituted in the company.

Confecámaras achieved another major accomplishment with the passage of a new Capital Markets Law (Ley 964 de 2005), which includes a chapter on corporate governance, "Investor Protection." Under this law, independent directors, audit committees, and practices strengthening shareholders' rights are now obligatory for Colombian issuers. The law prescribes voting mechanisms that permit minority shareholders to influence decisions. Furthermore, boards are obligated to respond in writing to any shareholder proposals put forth by a group representing 5 percent (or more) of the shares. This success in corporate governance reform can be in part attributed to two conferences organized by CIPE on the topic in Colombia. Attended by over 350 people, the conferences were followed by two special issues of *Perspectiva* magazine, which is distributed to more than 8,000 policymakers, business leaders, academics, and others in Colombia and around the region.

## **Colombia: Confecámaras, Probidad III – Private Sector Initiatives to Combat Corruption (2003-021)**

The new national Procurement Law, expected to pass in early 2007, incorporates a significant number of recommendations made by Confecámaras in the project. The reforms are aimed at preventing corruption in the public procurement process. The most important changes that were approved include the elimination of automatic concessions and the strengthening of local SME participation in public bids. Almost all congressional debates on the Procurement Law made reference to the research and recommendations produced by Confecámaras. Confecámaras conducted seven regional workshops around the country to discuss the draft law and created key alliances with other private sector actors in support of the legislative changes. The Procurement Law will bolster the democratic values of transparency, accountability, and fairness.

Confecámaras was the first private sector organization to undertake a dedicated anti-corruption campaign in Colombia. Previously, Confecámaras advocated successfully for the inclusion of five recommendations from the business community in Decree No. 2170 on public procurement, promulgated in September 2002. The recommendations addressed the need to publicize the terms of reference of each public bid, expand public awareness, encourage the participation of civil society, ensure objective selection on direct purchases, and strengthen electronic contracting procedures. Other work by Confecámaras resulted in a total of 77 mayors and governors committing to transparent practices in 2003, in addition to 1,855 businesspeople who subscribed to the voluntary Ethical Code of Conduct developed by Confecámaras.

### **MIDDLE EAST & NORTH AFRICA**

#### **Regional: CIPE, Corporate Governance**

Prior to CIPE's work in the MENA region, there was not a single term for corporate governance in Arabic. In 2001, the problem was officially recognized by Dr. Youssef Boutros Ghali, Egyptian Minister of Economy and Foreign Trade, during a CIPE conference, the first corporate governance conference ever held in Egypt. CIPE set to work to craft a precise term for approval by the Arabic Linguists Council. After much deliberation and consultation, *hawkamah ashariyat*, literally "the governance of companies," was created as the Arabic term for corporate governance, allowing reformers in the region for the first time to conceptualize and link the underlying values of fairness, transparency, responsibility, and accountability as they relate to governance. CIPE's efforts to promote the use of the term have been highly successful, as evident in the choice of name for the first regional think tank on corporate governance – the Hawkamah Institute for Corporate Governance. The creation of the term led to developments in corporate governance across the region, from the drafting of the Egyptian Code of Corporate Governance for listed companies to the publication of the Lebanese Transparency Association's Code of Corporate Governance for SMEs. CIPE's partners have been active in taking steps to improve transparency, accountability, and the rule of law in the economic realm, laying a foundation for democratic transition.

## **Egypt: CIPE/ARPI, Bridging the Knowledge Deficit** (2004-034)

In September 2004, CIPE and the Ahram Regional Press Institute organized an historic two-day forum in Alexandria, Egypt, to bring together 50 writers, intellectuals, and government representatives to discuss issues of democratic governance. Forum participants drafted recommendations for the amendment of the Egyptian Constitution and called for the repeal of emergency laws order to give the public a more meaningful voice in policymaking. Speakers and participants alike believed that reforms should begin with granting citizens the right to elect and change their president. The reform movement in Egypt saw a major success in February 2005 with the Amendment to Article 76 of the Egyptian Constitution. The amendment ended the practice of selecting the president through referenda and instituted multi-candidate elections.

At the forum, participants discussed civil society, the free flow of information, decentralization of government, public participation in national policymaking, and Egyptian culture and democratic transition. CIPE and ARPI held another forum in 2005 to follow up on the recommendations, review progress made, and discuss further measures to facilitate reform in Egypt. One of the main constitutional revisions recommended is full implementation of a market economy, which is currently under consideration.

## **Afghanistan: CIPE, Promoting Democratic Values through Entrepreneurship and Leadership** (2004-034)

A series of public policy roundtables, hosted by the Afghanistan International Chamber of Commerce with assistance from CIPE, drew 150-450 businesspeople per event and gave many Afghans their first exposure to the concept of advocacy through private sector organizations. Following the roundtables, government officials responded positively to the private sector's requests. Ministries such as Finance and Telecommunications began providing drafts of laws for private sector review and input. Minister of Commerce Mustafa Kazemi announced that the mandatory membership fee paid to the quasi-governmental Afghanistan Chamber of Commerce and Industry (ACCI) would be phased out. Five of AICC's recommended candidates were appointed to key economic ministerial positions after AICC officials met with President Karzai. Meetings between AICC leaders and President Karzai also led to changes in Afghanistan's customs regime and draft private investment law.

AICC increased its organizational membership from six Afghan business associations to 17 (and 21 after the project ended). Among those associations that participated in CIPE technical assistance events, nine out of 10 increased their membership, solidifying their legitimacy to conduct advocacy. The Afghan Women's Business Federation was formed by the Afghan Women's Business Council and the Afghan Women's Business Association. Reaching out to youth through the *Tashabos* education program, CIPE brought the basics of entrepreneurship into the classrooms of four Kabul high schools. Over 500 male and female high school students enrolled in *Tashabos* classes. Currently, the program is conducted in three provinces and reaches more than 4,000 students.

### **Iraq: CIPE, Iraqi Business Council** (Special Funds)

In 2006, CIPE established the Iraqi Business Council (IBC), comprising the twenty largest and most established national business associations, chambers of commerce, and economic think tanks in Iraq. The creation of the council represents the culmination of CIPE's extensive work with private sector organizations in Iraq. The disparate groups from different economic sectors, regions, and cultural backgrounds have unified to become one strong voice for the Iraqi private sector. The majority of the organizations on the council were trained by CIPE and saw their capacity greatly increase through CIPE support over the past two years.

The IBC is now regularly invited to participate in the research and review of legislation pertaining to commerce and trade; puts forth a National Business Agenda; conducts training programs; and issues regular policy papers on important economic issues and challenges. For the first time, the Iraqi public sector and the international business community have one authoritative entity to deal with and consult on issues regarding economic reform.

### **Iraq: CIPE, Political Party Training on Economic Platforms** (Special Funds)

The most recently installed Iraqi National Assembly and Kurdish Regional Government are playing an historic role as they debate and create legislation from scratch. Much of the new legislation will have a major impact on Iraq's trade, commerce and economic climate. In three training programs during 2005, CIPE advised representatives of the 15 major parties forming the Iraqi government on how to construct an economic platform, reach out to voters on economic issues, and build a vision for Iraq's economic development. Each program involved almost 40 participants, who included members of the Iraqi National Assembly, Kurdistan Regional Government, Security Council members, economic advisors, and representatives of private sector and other civil society organizations. In 2006 and early 2007, CIPE conducted a series of five training programs in Kurdistan, utilizing the Strategic Economic Needs and Security Exercise (SENSE) simulation program. This computer-based exercise simulates the difficulties of rebuilding a state in a post-conflict environment and improved the participants' team-building abilities and decision-making skills.

The programs' focus on economic policy allowed participants to identify areas of common interest and form strong ties across party lines otherwise defined by ethnic and sectarian rifts. Subsequent to the training, participants continued to grow their ties and found new opportunities to cooperate on economic reform initiatives. Many of the participants were also recognized by their parties as agents of change and have continued to be promoted into higher positions and responsibilities, such as members of Parliament and the National Security Council. These individuals also made themselves accessible to representatives of private sector organizations, regularly seeking their input and advice on economic issues and legislation.

GLOBAL

### **CIPE/TI, Countering Bribery through Business Principles**

(2004-034)

CIPE and Transparency International promoted the Business Principles for Countering Bribery in seven countries and raised awareness of anti-bribery standards in the business community. Following a workshop in Argentina, leading water sector companies, managing 80 percent of water distribution in the country, signed an anti-bribery sector agreement based on the Business Principles. Overall work to promote the Business Principles has been quite successful – for example, the principles have been accepted as part of the U.N. Global Compact’s 10th principle on anti-corruption. The Business Principles were used as a basis for the anti-bribery principles developed by the Partnering against Corruption Initiative (PACI) convened by the World Economic Forum. The Business Principles were also used in the development of corruption criteria for the global investment index FTSE4Good, produced by the *Financial Times* and the London Stock Exchange.

This project was part of a broader effort by TI and Social Accountability International, supported by CIPE, to develop and promote the Business Principles as a private sector tool to combat bribery. Prior to the Business Principles, there was no standard framework specifically addressing principles and practices for combating corruption in the private sector. CIPE provided a crucial link to business organizations around the world with the capacity to widen the impact of the principles and lead new anti-corruption initiatives.

### **CIPE, Forum on Economic Freedom**

(2005-036)

The Forum on Economic Freedom captured successful approaches to democratic and economic reform and provided key information to policymakers, business leaders, civil society groups, and others involved in building democracy. During the course of the project, CIPE developed numerous new resources, and traffic on the CIPE website, [www.cipe.org](http://www.cipe.org), increased by more than 30 percent. CIPE held 11 roundtables in Washington, D.C., providing partners with an opportunity to inform others about their programs. CIPE published 37 articles on topics ranging from democratic governance and anti-corruption to corporate governance and civil society. Several articles were translated into other languages, including Spanish, Russian, and Arabic, and reprinted in other publications; 15 were translated by CIPE partners. CIPE also published eight policy papers and case studies, which have been instrumental in capturing policy recommendations on key issues such as business advocacy and entrepreneurship. One policy paper, on corporate citizenship, shaped other CIPE programs on the role of business in society. CIPE further launched the CIPE Development Blog, reaching an average of 200 visitors per day, which expands traffic to the CIPE website.