

# Training Political Parties on Economic Platforms

*by Nafisul Islam*

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

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

## **Creating an Economic Party Platform**

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

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

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

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

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

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

## **Opening Discussion in Political Parties**

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

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## Advancing Transparency and Accountability

*by Jen Maceyko*

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

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

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

## Creating the Code

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

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

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

## A Guide for All

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

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

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

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

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## **Note**

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

## **Sources**

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

"Egypt Releases Corporate Governance Code," *Corporate Governance Trends* 8 (Summer 2005).

## Finding the Keys to Political and Economic Change

*by Fleur C. Luntao Harris*

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

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

### **Opening a Dialogue**

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

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

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

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

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

## **Expanding Public Participation**

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

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

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

## **The Road to Change**

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

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

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

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

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