

**CIPE**



# Five Year Strategy

2007-2012

**Center for International  
Private Enterprise**

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**Center for International Private Enterprise**  
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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 1,000 local initiatives in over 100 developing countries, involving the private sector in policy advocacy and institutional reform, improving governance, and building understanding of market-based democratic systems. CIPE provides management assistance, practical experience, and financial support to local organizations to strengthen their capacity to implement democratic and economic reforms. CIPE programs are also supported through the United States Agency for International Development.

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# Introduction

Over the past five years, the democratic and economic development movement has taken significant steps forward. More countries than ever have democratic systems, while the forces of global trade and competition continue to break down walls to private sector development and present opportunities to lift millions out of poverty. In many emerging and established democracies, the linkages between good governance, economic freedom, social progress, and political stability are now widely accepted.

At the same time, semi-authoritarian states, including Venezuela and Russia, continue backsliding on various democratic and economic freedom indexes. Citizens in these countries face diminishing political and economic freedoms, creeping state capitalism, and corruption. Dictators from states such as Belarus and Zimbabwe continue to violate human rights and to control private ownership, further isolating and repressing their citizens. In China, Vietnam, and other countries where Communism lingers, market liberalization and property rights continue to create grassroots pressure for change.

International experience clearly illustrates the importance of free and fair market institutions. Countries that deny human and property rights and stifle the economic potential of their citizens find themselves excluded from global trade and business networks. Ultimately, these countries face the perpetuation of poverty, instability, and other social ills. On the other hand, a multitude of countries, led by India, Brazil, and the new members of the European Union, clearly show that democracies and free markets do bring prosperity and lift people out of poverty.

The quality of economic reform and the state institutions required to deliver and uphold it are increasingly a recognized necessity in democratic development and economic growth.

Simply facilitating any kind of development and growth is no longer the defining element of progress. The emphasis is now on broad-based development, and on growth in which benefits are available to all citizens – not just to the elite. CIPE’s mission to strengthen democratic institutions through private enterprise and market-oriented reform is now more relevant than ever. As CIPE strives to develop the kinds of institutions that allow citizens at all levels of society to enjoy the benefits of democracies and free markets, the significance of its programs is likely to grow.

The coming five years promise increased challenges and new opportunities for CIPE. Though many regions in which CIPE is active face resistance to democratic and economic reforms, many of the development themes that lie at the core of CIPE’s programs have become more widely recognized at the global level. CIPE’s strategy must remain flexible to cope with changing political scenarios and to provide working approaches to reform that capitalize on increased demand for and awareness of market-oriented democracy.

## OPPORTUNITIES

The decline of Cold War-era international institutions and the emergence of globalization as a driving force of political and economic liberalization have increased the importance of organizations that rely on broad consensus. These organizations drive the development of international standards on issues such as anti-corruption, private and public governance, and investment. Democratization of international standards has increased the role of civil society in the process of developing and implementing these standards. CIPE and its partners are increasingly at the heart of this movement.

The 2002 Monterrey Consensus captured the global commitment to development that is driven by sound institutions, the rule of law, and democratic governance. The Consensus quickly gained international recognition. The Monterrey approach stressed the leading role of the private sector in driving a democratization and poverty reduction agenda, and called for the rule of law, good governance, free trade, and a more reliable investment environment. Emphasis was placed on the importance of local responsibility for social and economic development, driven by broader stakeholder participation going beyond the traditional model of government to donor relationships of the past. Most importantly, the Monterrey Consensus highlighted the interdependence of democratic development and free market reforms.

While the Monterrey Consensus sketched out new goals for development (the “what”), it did not develop strategies to achieve these goals (the “how”). CIPE’s programs that focus on local advocacy for institutional development offer an opportunity to promote democratic participation and economic freedom through a process that strengthens transparency and accountability. CIPE and its partners will be involved in consultations on private sector engagement and development in advance of the 2008 follow-up conference to Monterrey in Doha, Qatar.

CIPE's emphasis on corporate governance, corporate citizenship, and the role of business in fighting corruption has provided new opportunities. The emergence of the OECD principles of corporate governance, the OECD Anti-Bribery Convention, the United Nations Global Compact, and the growing corporate social responsibility movement together have shed new light on the discussions surrounding the values and ethics that lie at the core of commerce.

Importantly, corporate social responsibility is becoming an integral part of the global discussion on the positive role the private sector can and must play in promoting democratic governance, driving economic growth, and improving standards of living. This discussion is reaching the ownership and managements of firms throughout the world; as a result, local business communities find themselves increasingly thrust into a broader leadership role. CIPE's programs help prepare the private sector for this new role.

## CHALLENGES TO DEMOCRATIC MARKET ECONOMIES

With the emergence of a multipolar world has come a broader debate over the direction and speed of reforms. The consensus on the superiority of democracy and economic freedom that gained momentum during the 1990s is now challenged by the emergence of populism and protectionism. Brought to power on a wave of discontent over the uneven benefits of reform, the new populists seek to disengage from political liberalization, market reforms, and free trade. At the same time, they strengthen like-minded regional economic and political ties to counter global reform pressures. These groups form the core of what is becoming known as the *democracy backlash*.

Information technology, capital flows, population mobility, and trade are the drivers of globalization, which is itself a major factor that fosters both democracy and democracy backlash. While international experience clearly shows that globalization has increased worldwide economic growth and poverty reduction, it has also brought with it a set of challenges that expose weak political and economic structures in many countries.

The different ways countries respond to globalization have a profound effect on democratic development and economic reform. As Hernando de Soto has noted, globalization benefits only the formal economy, leaving those in the informal sector behind. Often, it is the poor who cannot experience the full range of benefits from global integration. The countries that have embraced populism further undermine democratic governance and stifle market reforms. However, the countries that have elected to develop institutions of democratic governance and market economy have been successful in capturing benefits of globalization at all levels of society. The challenge in the next few years is to sustain the momentum of democratic and free market reforms.

CIPE has identified three broad areas where the progress of democratic and free market reform has been undermined: the democratic, economic, and social arenas.

## 1. Democratic Arena

*a. Populism* – With the failure of incomplete reforms in Latin America and elsewhere, populists promising greater economic equality are winning office. They often exploit the social rift caused by incomplete reforms, which propel elites and insiders forward while leaving the poor and the disenfranchised behind. While populists’ promises of equality, integration, and prosperity lie at the core of what democratic governance aims to achieve, their approach to implementation – often through further erosion of freedoms and violation of human and property rights – achieves the opposite, thereby deepening poverty and stifling growth.

Because the economic underpinnings of populism are unsustainable, populism may be a transitional form of politics, leading either to authoritarianism or to a restoration of market-based democracy. The challenge lies in ensuring that populism’s inevitable demise will lead to the latter, and to the emergence of a society of opportunity and prosperity.

*b. Recentralization* – In former communist states, political and fiscal authority is undergoing recentralization, limiting local independence and the possibility for democracy to take hold. The challenge lies in combating recentralization with a strategy that addresses its underlying reasons, such as unchecked local corruption. Thus, decentralization must be accompanied by the development of effective governance mechanisms that ensure responsible use of public funds and the integrity of public office.

*c. Decline of freedoms* – Property rights, media freedom, and individual liberty are at threat throughout the world as democracy backlash becomes stronger. The backlash is often driven by misperceptions of democracies and market economies. The challenge lies in shaping the debate around the common set of values inherent in building democratic societies and market economies.

*d. Nationalism and regionalism* – Many countries now react to the spread of competitive trade, increased access to information, and demands for good governance by turning inward. In many cases, these measures have far-reaching social implications and an impact on both the political and the economic spheres. The problems of nationalism and regionalism as challenges to freedom are likely to play a greater role in shaping CIPE programs in the coming years.

## 2. Economic Arena

*a. Rise of state capitalism and re-nationalization* – In many countries where reforms have suffered setbacks and lost popular support, left-leaning governments directly and indirectly increase their stake in the economy. A high level of state interference leads to higher degrees of corruption and decreased competitiveness. In many instances, this threatens property rights on all levels, and not only within large enterprises. The challenge lies in preventing the encroachment of state in private enterprise, especially in small- and medium-sized enterprises (SMEs). In many countries, state interference has the potential to further erode an already small middle class.

*b. Corruption and cronyism* – Despite increased levels of transparency and accountability, corruption and cronyism remain central threats to the success of economic freedom efforts.

Corruption equally has implication in the democratic arena because it robs the poor of the few resources they have and causes discontent with political systems that are cast as democracies but in reality only enrich powerholders at the expense of others.

*c. Protectionism and barriers to growth* – Countries that feel threatened by increased international trade and competition continue to adopt protectionist policies. Despite the new global emphasis on eliminating entry barriers and reducing burdensome regulation, many countries have made little progress; some countries even continue to erect new barriers. Intra-country barriers to development replicate themselves in inter-country barriers, as protectionism keeps uncompetitive industries afloat and leads countries to close their borders.

### 3. Social Arena

*a. Poverty and inequality* – Despite remarkable gains against poverty in the past 25 years and the wide acceptance of economic growth as the key to poverty reduction, many countries still face unacceptable poverty levels. The base of the development pyramid remains large and many are stuck at the bottom without opportunities to move up. It is not only poverty, but also inequality—the gap between those who become increasingly prosperous and those stuck in poverty without growth prospects—that cause social tensions within and between countries.

*b. Redistribution* – Populists are reintroducing the concept of property redistribution as a solution to social grievances. In some countries, the term *redistribution* implies the reallocation of former state assets to favored groups or individuals. The challenge lies in fostering the understanding of property rights and their benefits. Emphasis must be put on the implementation and enforcement of property rights regulations, and not just the writing of laws on paper. Similarly, sound democratic governance, transparency, and competitive market institutions should be emphasized as solutions to social grievances.

*c. Underdeveloped middle class* – CIPE holds that the creation and growth of a middle class is a key element in building democracies. In many countries, incomplete economic reforms have perpetuated a strong two-class system with a minority of the wealthy at the top, and a majority of the poor underneath. The middle class (i.e., the professional class) is often a small fraction of society and is unable to have a significant impact on a country's development. Efforts should focus on breaking down social barriers, increasing opportunities for class mobility, and building up a middle class that has incentives to protect its rights within a system of participatory governance.

*d. Religion* – Islamic extremists promote religion as a policy tool and alternative ideology. While this movement remains on the fringe, it has sparked debate over the broader role of religion. In this regard, greater effort is required to develop a better understanding of the underlying relationships between religious values and key principles of democracy and business. The challenge for CIPE and its partners is to define the terms of the debate and engage all stakeholders.

## CIPE'S STRATEGIC RESPONSE

CIPE's approach of emphasizing the quality of reforms captures the link between democratic institutions and markets. Programs that focus on improving the quality of reforms, ensuring equal access to their benefits and facilitating fair implementation and enforcement of policies are key to the creation of democracies that deliver in both political and economic terms. While there are countries that exhibit strong macroeconomic growth – often tied to natural resources – overall growth figures do not always reflect the underlying institutional environment. CIPE's strategic response to the challenges outlined above will promote democratic governance and economic freedom as the foundation of socioeconomic prosperity and political representation.

- ✓ Democratic governance – CIPE programs will promote transparency, accountability, fairness, and responsibility as key values of democratic governance. Its programs will foster real public participation in democracies and promote the rule of law and sound implementation of regulations as solutions to development problems.
- ✓ Association development – Association development efforts help strengthen the business community's ability to promote open market-based societies. Strong associations and their advocacy efforts reinforce democracy and the institutions of public debate and accountability, involving citizens in the process of governance beyond the act of voting.
- ✓ Advocacy strengthening – CIPE programs support advocacy activities such as coalition building and the national business agenda process by promoting policies that improve and legitimize reforms and strengthen grassroots support for democracy.
- ✓ Reduction of barriers to market participation – CIPE will work to remove barriers to participation in order to reduce the size of the informal sector and to provide people with opportunities for participation in the formal economy. Programs will promote a better business climate by improving registration procedures, enforcement of contracts, and protection of property rights. Such reforms will support the development of the small- and medium-sized business sector as an engine of broad-based economic growth, job creation, and poverty reduction.
- ✓ Anti-corruption and corporate governance – The transparency and accountability implicit in corporate governance help build public confidence in financial markets and private companies. Corporate governance is an effective anti-corruption tool, rendering corrupt practices unsustainable through institutional checks and balances. CIPE's private sector anti-corruption efforts are complemented by public sector approaches that help tackle corruption as a political problem as well as a business issue.
- ✓ Corporate citizenship – Responsible corporate leadership in policy development, social accountability, and ethical practice is a crucial element in building public trust in the private sector's leading role in society. CIPE programs foster these efforts by promoting sound market-based incentives for companies to act as good citizens.

- ✓ CIPE's global network – CIPE will strengthen its global network of more than 100 organizations that are committed to building democracy and promoting market reforms. Bringing together partners from different countries and regions to discuss reform initiatives and lessons learned will multiply the impact of CIPE's partner programs. The interaction between experienced reformers and those just beginning initiatives will result in better-designed programs that will effectively strengthen market-oriented democracy and mitigate programmatic risks.

This effort to bring civil society groups together and develop consensus on reform will be a grassroots alternative to top-down efforts that often stall at the governmental level. By engaging in the debate and instituting proper feedback mechanisms between governments and the private sector, business leaders can successfully promote global consensus on key principles such as good governance, transparency, accountability, equal opportunity, and responsibility.

- ✓ Journalism – Good economic journalism helps build public understanding of and support for democratic values and market reforms, and helps individuals understand why populist solutions to social problems are bound to exacerbate rather than solve problems. CIPE's training programs that help journalists to understand market economics and democratic governance enable them to critically assess the policy decisions governments make. Journalists' unique role in providing accurate information to citizens allows them to promote transparency, support good governance in implementing reforms, and reduce corruption.

The regional overviews that follow provide greater insight into the impact that these challenges have on democratic and free market reforms around the world. The descriptions of CIPE's programmatic approach to these challenges demonstrate CIPE's commitment to locally driven reform tailored to the needs of the countries and regions in which it works.

# 1 | Global and Knowledge Management

CIPE's Global/Knowledge Management programs serve the dual purposes of capturing lessons learned from current and past initiatives, and helping CIPE partners apply these lessons and identify new solutions to democratic and market reform challenges. Over the next five years, Global/Knowledge Management programs will

- develop resources, guidebooks, toolkits, and programmatic approaches to support regional initiatives;
- conduct capacity-building programs for association executives, political parties, think tanks, journalists, and other reform-oriented professionals;
- help build and deploy the CIPE network of reformers;
- help increase regional cooperation;
- identify new reform challenges and potential solutions; and
- increase outreach to promote CIPE's unique approach to democratic and economic reform.

The direction of CIPE Global/Knowledge Management programs in the coming years will be defined by the changing global economic and geopolitical landscape. As emerging markets gain momentum and overtake developed countries in terms of their economic output and political influence, a greater emphasis will be put on the functioning of countries within a global system of rules. Similarly, the backsliding from democratic governance and the re-emergence of socialist-oriented political systems demands the development of standards and practices that promote democratic development built around the core values of participation, transparency, accountability, and fairness.

Some of these standards and practices have already been put in place. The rules guide financial transactions, secure the rights and liberties of citizens, provide access to resources, influence political institutions, ensure transparency and predictability, and create opportunities for innovation and investment. Such rules include the OECD principles of corporate governance, the IMF's "Code of Good Practices on Fiscal Transparency," money laundering standards, and many others. Nevertheless, more effort must be put into developing other standards that will ensure the efficient functioning of the global economy and deliver functional democratic governance throughout the world.

Toward this goal, CIPE Global/Knowledge Management programs will engage CIPE and its partners in the global debate on economic and political reform, will participate in the development, implementation, and enforcement of these standards, and will capture success stories so that future generations of reformers will be equipped to promote democratic governance and free market reforms.

## OUTREACH, RESOURCE DEVELOPMENT, AND COMMUNICATION

CIPE will build much of its work around the knowledge management initiative, which focuses on capturing lessons learned and applying these lessons to the design and implementation of future efforts. Particular attention will be paid to developing CIPE's network of reformers and to linking experts so they can share success stories and strategic approaches.

CIPE will also concentrate on strengthening programs that facilitate the development and dissemination of information. In many countries, access to quality information is key to the success of policy initiatives. CIPE will expand its outreach programs and develop new approaches to evaluate general development trends, which will generate a diverse range of resources on democratic and economic reform for policymakers, academics, business and civic leaders, the media, and ordinary citizens. Particular attention will be given to spreading the message of CIPE's specific approach to democratic development and market-oriented reform.

## ISSUES

### Democratic Governance

In recent years, democratic governance has become the centerpiece of CIPE's program portfolio, actually defining CIPE's institutional approach to democracy building. The term "good governance" is common in the international development community, but is often misused. CIPE has clearly defined a good democratic governance strategy based on past experiences and a wide variety of successful programs from different regions.

During the next five years, strategies to achieve democratic governance will remain a key component of all CIPE programs. Building on past experiences, CIPE will help to develop

programs where citizens at the grassroots level play an active role in establishing democratic governance. Programs will explore the links between public (democratic) and private (corporate) governance, and will apply approaches that have been proven successful.

### **Association Governance Principles**

Capacity-building programs for associations (including non-governmental organizations, or NGOs) are integral to CIPE's programs: they help to create effective organizations with capacity to advocate for reform. These programs are building blocks for CIPE's overall approach to democratic and economic development. During the implementation of capacity-building programs over the past several years, the topic of association governance has emerged as an issue of grave concern. Financial scandals in the private sector and the advance of corporate governance standards are partially responsible for increased attention to association governance. CIPE will build on its private sector corporate governance experiences to develop a comprehensive effort that will help shape and put in place standards on NGO governance.

### **Anti-corruption**

Corruption is consistently cited as one of the key barriers to development; it undermines the legitimacy of political institutions and robs countries of investment flows. CIPE has developed its own approach to combating corruption, focusing on legal and regulatory aspects of corrupt behavior. Much remains to be done in implementing programs that change the behavior of individuals – both bribe takers and bribe givers.

CIPE will continue positioning the private sector as the primary driver of successful anti-corruption reform. Programs will further explore the ethical dimensions of corruption and how ethical codes within the private and public sectors can complement existing initiatives. CIPE will distill the few existing successful anti-corruption approaches, assemble toolkits and guidelines, and work with other organizations to replicate successful programs in other countries. Demonstrating success stories in reducing corruption is key: the citizens of countries plagued by widespread corruption often believe that it is a permanent feature of the political and business landscape – and that it is impossible to combat it. Changing public perceptions about the problem will be the unifying component of CIPE's anti-corruption five-year strategy.

### **Good Corporate Governance**

CIPE conducts corporate governance initiatives in the belief that private sector governance and good democratic governance share the same institutional foundation. Corporate governance lies at the nexus of democratic and economic reforms, encompassing issues of transparency, responsibility, fairness, accountability, investment flows, anti-corruption, and property rights protection.

Corporate governance will continue to be an important part of CIPE's program portfolio. Efforts will explore good private sector governance in the realm of ethics and the role that associations play in the development and enforcement of corporate governance mechanisms. While in the past much of CIPE's corporate governance work focused on large companies, CIPE will work to bring corporate governance into SMEs, state-owned enterprises, and family

firms. Furthermore, CIPE will work to tie corporate governance initiatives into broader efforts that develop democratic and market institutions, being mindful that a company's internal practices are inseparable from a country's institutions.

### **Political Parties, Business Associations, and Economic Platforms**

Recent experience demonstrates that, for democratic policymaking to take root, political parties must evolve from parties of slogans and personalities to parties of concrete programs. CIPE will build on its recent political party programs to develop a comprehensive initiative that will encourage political parties to focus on economic reform issues. By helping policymakers build effective economic platforms, CIPE complements its efforts to develop effective business associations that can be advocates for reform. While building the capacity of both political parties and associations, CIPE will attempt to bridge the gap that often exists between the public and private sectors. Ultimately, good policies depend on the ability of policymakers to work cooperatively with civil society; CIPE will work to help countries institutionalize such relationships.

### **Corporate Citizenship and the Role of Business in Society**

CIPE's recent corporate citizenship effort aims to help the private sector play a positive role in development and reform by developing a set of programs that capture the role of business in society. Over the next five years, this effort will encompass new approaches and integrate the CIPE network into the global debate on the issue.

CIPE will continue to build on the idea that business plays a key role in developing the institutions that make democratic societies and market economies possible. With this approach, CIPE will present and implement alternatives to the emerging trends in the corporate citizenship movement – trends that damage firms' economic efficiency and undermine countries' ability to create jobs, generate wealth, and eliminate poverty. While much of the corporate citizenship debate today focuses on multinational and national corporations, CIPE will work with local business communities to incorporate the perspectives of SMEs.

## 2 | Africa

In recent years, Africa has seen significant momentum develop for political and economic reform. Although some African countries have experienced stagnating democratic progress, it appears that political and economic momentum is pointing in the direction of openness in the interest of business, political stability, peace, popular participation, and transparency. In the next five years, CIPE will continue to support democratic development through building the capacity of market institutions and private enterprise.

Africa has seen remarkable democratic progress in the past 15 years – approximately 30 countries have made democratic reforms since the end of the Cold War. Democratic values are taking hold among Africa’s voters, who demand more transparent policies and a greater voice in the democratic process. Nevertheless, about a dozen autocratic regimes remain firmly in place, monopolizing power and repressing citizens. Some African governments have adopted features of democracy, such as elections and opposition parties, but retain a central hold on power. Civil society organizations exist in these countries, but they face an increasingly restrictive environment. The recent rise of NGO laws, which limit freedom of association, is evidence of a democracy backlash in Africa. This backsliding is most evident in Ethiopia, Togo, and Zimbabwe, although others are also affected.

Many African countries are taking greater steps toward democracy, but they need continued assistance to foster democracy that delivers political and economic results to citizens. Civil society must have a voice in the democratic process to create a truly participatory and representative system. Business associations are a crucial element of civil society, bringing the concerns of the business community to government and raising public awareness. Associations help shape the policy debate and foster an improved legal and regulatory environment that ultimately helps society as a whole.

Democratic progress in Africa has opened the way for economic reform. According to the latest Doing Business indicators published by the World Bank, Africa ranks among the top three of reforming regions, after Eastern Europe and the OECD countries. Reforms undertaken across Africa have simplified business regulations, strengthened property rights, eased tax burdens, increased access to credit, reduced the cost of exporting and importing, and made it easier for informal sector businesses to join the formal sector. Growing numbers of Africans are gaining a voice in the democratic processes of a market-oriented economy.

Globalization presents both opportunities and challenges to Africa. On the one hand, globalization leads toward increased international cooperation and openness in the form of the African Union, the New Partnership for Africa's Development (NEPAD), and regional economic communities. On the other hand, globalization has led to increased competition that can prompt economic reform. In order to reap the benefits of globalization, African countries must strengthen governance, reduce corruption, and improve the legal and regulatory environment for doing business. Associations are well-placed to advocate for these reforms, but they often have limited capacity and little experience with the advocacy process. CIPE will continue to bring its expertise to business associations in developing national business agendas, permitting these associations to engage the government in policy dialogue.

In the past decade, decentralization has become a more common feature in Africa's governance structures, thus bringing government closer to the people. According to a 2003 World Bank study, Namibia, South Africa, and Uganda score highest in political decentralization. Fiscal decentralization remains the biggest challenge in Africa: access to public funds remains in the hands of the elite. Even so, decentralization can be an effective response to corruption by increasing accountability at the local level and by opening the system to popular participation.

While democratic and economic reforms are moving forward in many countries, conflict, corruption, and the AIDS pandemic continue to plague the continent. Some countries have seen a serious pushback against democratic progress and in many places corruption is widespread in the absence of genuine oversight of the ruling leadership. The prevalence of HIV/AIDS is extremely high in many countries, especially among young people aged 15–24 years, threatening current livelihoods and future economic growth. Conflict in Somalia and Sudan, continual tensions between Ethiopia and its bordering states, and the deteriorating situation in Zimbabwe also limit prospects for overall democratic development in Africa.

## CIPE'S APPROACH

CIPE will continue to foster democracy and build the capacity of market institutions in Africa through the following key themes:

- Advocacy and Legislative Oversight
- Decentralization
- Corporate Governance
- Access to Information
- Informal Sector
- Women and Youth
- Political Platforms on Economic Issues

### **Advocacy and Legislative Oversight**

Building the advocacy capacity of associations allows them to exercise their voice in the democratic policymaking process. CIPE's recent advocacy programs in Ethiopia, Nigeria, Tanzania, and Uganda have allowed associations to engage in dialogue with the public sector and to help shape policy decisions that create a more conducive environment for doing business. CIPE will continue to support associations in their legislative oversight activities to ensure the design of sound economic policies and their effective implementation. Advocacy efforts enhance the democratic process by uniting entrepreneurs to transparently promote their interests to government. CIPE will expand its advocacy model, providing hands-on technical assistance to associations throughout Sub-Saharan Africa.

### **Decentralization**

Many African governments decentralize decision-making power to the regional and district levels, so it is crucial that associations decentralize their membership recruitment and advocacy efforts as well. While associations may conduct effective advocacy campaigns at a national level, they often lack information and influence at the local level. CIPE will continue to provide assistance to business associations to create a presence at the regional and district levels, thereby increasing membership and gaining access to local decision-makers. Associations with a decentralized membership base will gain information on the local barriers to doing business, and then channel members' policy priorities into national advocacy efforts.

### **Corporate Governance**

As a tool to combat widespread corruption, corporate governance fosters transparency and accountability in the private and public sectors. CIPE will continue its involvement with the Pan-African Consultative Forum on Corporate Governance to support the creation of African solutions to corporate governance challenges on the continent. The private sector must take the lead in improving governance by setting the example for government. CIPE programs will help the private sector to play this leadership role.

### **Access to Information**

Lack of access to economic information is a significant barrier to democratic and economic development. Radio is the most powerful vehicle for disseminating information in Africa, and can be used to harness the entrepreneurial capability of citizens by allowing them to make informed decisions. CIPE will continue to support African radio programs that broadcast business news and information, offer alternative viewpoints, and foster public-private debate on economic issues. In addition, CIPE will continue to bridge the digital divide in Africa by supporting the expansion of web-based economic journals and association information. In the face of government restrictions, CIPE will stand by its partners to uphold freedom of the press and will work to improve reporting on economic issues by supporting seminars for economic journalists. Access to information will allow Africans to make business decisions that are more informed, and to participate in the democratic process more effectively.

CIPE will implement an in-house communications program in Africa to capture program knowledge and to share successes across the region. This communications program will include translation and distribution of partners' publications and online resources. CIPE will continue

to disseminate information to the private sector in Africa through other information technology initiatives such as blogs and online forums.

During the next five years, CIPE will work to leverage its partners' knowledge and experience by mobilizing a network for reform. This initiative will include Partners' Forums for current and past partners. These meetings will allow partners to network, share ideas on best practices, and contribute to the development of CIPE's overall strategy in the region. CIPE will regularly consult with its partners to ensure that CIPE is meeting the needs of private sector institutions in Africa.

### **Informal Sector**

CIPE will continue to work with informal sector associations. These associations help informal enterprises access economic, financial, and regulatory information that allows them to make sound business decisions and comply with the law. Informal sector associations can help create the incentives and openings for entrepreneurs to move into the formal economy.

### **Women and Youth**

Women and youth make up a significant share of both voters and the labor force in Africa, yet they remain marginalized in the formal economy and the democratic process. CIPE plans to expand its programs for women and youth, to provide them with tools to create stronger associations and gain a greater voice in the public arena.

### **Political Platforms on Economic Issues**

Political parties across the continent lack strong platforms to address economic issues. CIPE will partner with private sector institutions to provide non-partisan training to political parties in crafting economic policy platforms. These efforts will support economic policies and programs at the national, state, and local levels, and will foster an inclusive policy dialogue.

## 3 | Asia

East and Southeast Asia continue to be important fronts in the struggle to establish institutionally sound and economically viable democracies across the globe. Nevertheless, major obstacles persist. In the next five years, it is crucial to continue efforts to nurture democratic institutions, struggle against entrenched authoritarian and military interests, and improve both public and corporate governance across the region. The current situation in the region is developing in two distinct trends. On the one side, there are China and Vietnam, who face pressures over unequal distribution of economic income and are unlikely to establish multi-party systems. On the other side, there are more politically open countries that seek to sustain democratic and economic reform efforts.

In China and Vietnam, major progress toward open elections or a multi-party system is unlikely over the next five years because the ruling communist parties will strive to maintain control and prevent the formation of new political parties. Both governments have publicly acknowledged imperfections in their regimes, which will continue to present openings for CIPE programs in the coming years. China and Vietnam recognize that the benefits of economic reforms – which have brought dramatic growth to their national economies – have been shared unequally by their citizens. Those in the urban and coastal regions have gained far more than their rural, largely agricultural counterparts. As a result, these countries' governments are attempting to direct more public and private resources into less-developed regions. China's stability over the next five years will depend heavily on the government's ability to raise the living standards of all citizens, and not just of those on the developed coast.

China, in particular, has recognized serious flaws in its governance systems, especially at the local level where the government acknowledges that 87,000 protests and incidents of civil unrest occurred in 2005. At the Communist Party Central Committee's plenary meeting in

October 2006, the party formally endorsed President Hu Jintao's vision of a "harmonious society," a further recognition that more must be done to address social unrest by reducing corruption and establishing greater protection for the rights of ordinary citizens. Premier Wen Jiabao has made clear his interest in expanding the rule of law, opening certain areas of participation in government to the people, and improving the government's capacity to provide needed social welfare and other services. CIPE's strategy will be to take advantage of openings in these areas.

Both China and Vietnam have made important strides in encouraging greater economic freedom, although strict controls over the Internet and other sources of information still hinder progress. Private firms will continue to contribute an increasing share of national economic growth in both countries, and opportunities for private entrepreneurs to inject new ideas into the political process will increase. Vietnam may practice a softer form of authoritarianism in the next few years as it strives to secure international legitimacy through its membership in the World Trade Organization (WTO), and to normalize trade relations with the United States.

In the more open political systems of Southeast Asia, democratization has been generally positive over the past few years, though the September 2006 military overthrow of the elected Thaksin government in Thailand serves as a stark reminder of the fragility of such regimes. Much remains to be done to enhance the stability of elected regimes in Indonesia and the Philippines, and in Thailand after democracy is restored in late 2007 as currently envisioned. Although business in Thailand has not been significantly disrupted by the coup, CIPE will revisit the issue of undertaking new programs there and will renew contacts with previous partners.

The Thai coup has prompted new questions about the future of the Yudhoyono government in Indonesia as there are some troubling parallels. In both countries, the military has often served as a major force in the political system, envisioning itself as the protector of national unity during political squabbles or deadlock. In Indonesia, there is the widespread perception that business associations benefit only the economic elite. Such perceptions are detrimental to the business community and to general economic development. On the positive side, businesses in Indonesia have begun to understand the need for change, and increasingly recognize the benefits that will accrue through the adoption and implementation of good corporate governance, business ethics, and corporate citizenship. This trend will likely continue over the next five years as younger corporate managers with an eye to the future replace their older counterparts and adopt more modern and transparent management structures.

The biggest challenge Indonesia will face in the next several years is the establishment of a rules-based system in which political connections no longer place members of the elite above the law. While the new Commission for Corruption Eradication has successfully prosecuted a few high-profile business executives, there remains little appetite for pursuing cases against those with political clout, partly due to a belief that such efforts would ultimately fail. Indonesia will have to find ways to overcome this lack of public confidence in law enforcement and the judicial system if its democratic system is to survive in the longer term.

In the Philippines, poor governance remains the major obstacle to stable democracy. Institutions often do not function well, and corruption, cronyism, and intimidation of political opposition persist. In the past decade, there has been growing involvement by the private sector in addressing some of the development challenges. These corporate citizenship practices include education and health programs in rural areas, technical and vocational training for disadvantaged minorities, infrastructure development in remote areas, and a general commitment to public policy, social investment, and philanthropy. Both businesses and community organizations have seen the benefits of corporate citizenship and are likely to expand their activities in the next five years.

## CIPE'S APPROACH

In exploring project opportunities over the next five years in East and Southeast Asia, CIPE will tackle challenges to democratic and economic development in the thematic areas of:

- Independent Voices of Reform
- Corporate Governance
- Combating Corruption and Promoting Business Ethics
- Freedom of Association and Business Association Development
- Public Governance

### Independent Voices of Reform

Many of CIPE's project partners in China are scholars and academics, individuals who enjoy much greater prestige, influence, and access to senior policymakers than do their Western counterparts. These partners are adept at designing programs and materials to reach an immediate audience. What they are not doing well, or not doing at all, is going beyond their inner circle of contacts to reach a wider audience.

Over the next few years, CIPE will develop and implement a comprehensive communications strategy in China. The goal will be to gather the quality materials produced by CIPE's project partners; develop wider distribution lists of businesspeople, policymakers, media contacts, and scholars; and distribute these materials either in print or electronically. Another task will be to help all of CIPE's partners in China improve their websites and conduct surveys of their readership to get a better idea of the quality and usefulness of those sites.

In Vietnam, CIPE's options are more limited: independent voices of reform have not emerged as openly or widely as they have in China. This is partly due to the lack of a tradition of public policy debate in Vietnam and the lack of political space historically granted to opinions other than those of Communist Party leaders. Another more practical explanation is that Vietnam has traditionally not enjoyed as high a level of scholarship as China, nor has it placed the same value on its educational system. There are few Western-educated economists in Vietnam, and few scholars who are qualified or interested in creating free market think tanks or becoming advocates for market-based reforms.

In the past few years, however, more and more Vietnamese students have begun to travel to the United States and other Western countries to study economics and other disciplines. When they return with their degrees, they might choose to apply their newly obtained knowledge to policy-oriented discussions in Vietnam. CIPE will seek to engage these individuals with the hope that they may become reform leaders in the country.

### **Corporate Governance**

The values of corporate governance are key values of democratic society, as well. Good corporate governance is also necessary for market forces to develop, and for foreign investment to flow into a country. The concept itself and the link between corporate accountability and rule of law are still relatively new in East and Southeast Asia. China suffers from inefficient state-owned enterprises, a lack of defined property rights, and a tradition of corruption. In Southeast Asia, corruption at every level of business practice necessitates a wholesale re-education of the business community in ethical business practices and legal compliance.

CIPE will expand its corporate governance reform efforts in China, Vietnam, and Indonesia in the coming years to help strengthen transparency and accountability in the business sector. In Indonesia, polls have shown that the public still holds business in low esteem, so Indonesian firms are increasingly interested in improving their public image. CIPE will capitalize on this growing interest by working with businesses and associations to help them better understand how corporate citizenship functions in modern democracies.

### **Combating Corruption and Promoting Business Ethics**

Closely related to corporate governance reform are anti-corruption efforts. High levels of corruption are a clear sign of weak or non-existent democratic institutions and an unhealthy business climate. In East and Southeast Asia, corruption is often a way of life, with business and government equally culpable. It is especially difficult to eradicate because many see it as part of the culture – a way to get something done a bit faster or better within a cumbersome bureaucratic system.

CIPE will continue to work with local partners and the government in Indonesia to raise awareness of corruption, promote the connection between good governance and good business, and build a critical mass of people who “just say no” to corruption. In the next five years, CIPE will continue to expand in this area by developing in-depth education programs in business ethics. The programs will examine topics such as crafting codes of conduct and ethics policies for businesses, ethical decision-making practices for managers, encouraging a culture of ethics in the workplace, and responding to and preventing unethical behavior. In order to increase a dialogue about corruption and ethics among the general public, CIPE and its partners will develop a radio show and other far-reaching media options.

### **Freedom of Association and Business Association Development**

Business associations have long been a main feature of CIPE’s work throughout the world. For democracy to take root, it is crucial that the business community participate in policy and governance practices and that it be allowed to promote the opening of markets. Association development is hindered by diverse forces in East and Southeast Asia, including antipathy

to freedom of association in China and Vietnam, and a disconnect between national-level associations and local businesspeople in Indonesia. CIPE will expand its business association projects in these countries in the coming years, addressing each situation with a method that takes into account local realities.

CIPE projects in China will aim to gather information on successful local business organizations and positive policy dialogues with local governments in order to advise other regions on how to initiate their own advocacy efforts. In Vietnam, CIPE projects will be more basic, and will serve to educate middle- and upper-level managers and association staff on the need for associations and the value of advocacy. In Indonesia, CIPE projects will reform Indonesia's corporatist business association regime and develop a business case for modern, internationally competitive association governance practices. CIPE will work with local chambers of commerce and industry associations to enhance their capacity to participate in Indonesia's new grassroots policy debates, and to promote the interests of smaller firms.

### **Public Governance**

Gradually democratizing the day-to-day practices of governments that have long been partial to authoritarian or military regimes takes a sea change in the thinking of both the governing and the governed. It is often difficult to effect reforms in governments that hold power undemocratically, but it can be just as difficult to convince citizens that the purpose of a government is to serve its people, and that the people have a right to participate in the governance process. The institutions that ensure high-quality governance cannot be built overnight; a sustainable system arises when there is both a demand for services and a government with the will and ability to fulfill that demand.

China, especially, is making preliminary progress toward this idea of "rights consciousness," but the government still lacks the legal channels for citizens to seek redress, as demonstrated by the increasing incidents of civil unrest. CIPE will work with partners in China to identify the worst offenders and poorest providers of public governance all over China, with the hope that healthy competition and a public call for good governance will be difficult to ignore.

In Southeast Asia, CIPE will continue to work with partners to integrate citizens into the decision-making processes of governments, giving both sides concrete roles and responsibilities. Responsible governance and citizen participation in governance represent the give-and-take essential to a democratic system. By creating clear, step-by-step plans that delineate responsibilities and set regular goals, CIPE's programming has been extremely successful in disseminating the strategy for good governance and in holding policymakers and citizens accountable for meeting those goals. CIPE will expand its efforts to replicate the successful local public governance programs of the Philippines in other countries, such as Thailand and Indonesia.

## THE WATCHLIST

In addition to projects in the countries described above, CIPE will continue to monitor the situation in certain other countries that may present opportunities for CIPE programs in the coming years.

In Cambodia, the political situation is relatively stable, and there are some signs that freedom of assembly and expression are improving, although public governance remains problematic. CIPE staff plans to undertake an assessment visit in 2007 to determine what opportunities might exist to work with new business associations and other elements of the growing civil society.

While Malaysia has not been a top priority to date, the ruling coalition's 40-year grip on power may be loosening: Prime Minister Abdullah Badawi has expressed his support for certain parliamentary reforms and enhanced efforts to combat corruption. Although business and its representative organizations appear to be well funded in Malaysia, there may be opportunities to work with ethnic Malay groups that are less affluent than their Chinese counterparts.

In the past, CIPE has worked with overseas Burmese economists and with the exiled government in Washington, and has been invited by the U.S. Embassy in Rangoon to undertake projects in the country with young entrepreneurs to help them better understand the positive role that business plays in democratic market systems. CIPE will continue to explore the feasibility of such programs in the extremely repressive political environment that currently exists in Burma.

Finally, the current crisis in North Korea may lead to major political changes that would allow CIPE to visit and to identify potential partners there. CIPE will continue to monitor the political situation and to evaluate the possibility of initiating programs there.

## 4 | Central and Eastern Europe

Over the past decade, Central and Eastern Europe experienced numerous geopolitical and socio-economic changes. While the dynamics of political and economic reform have differed significantly from country to country, the region as a whole has moved steadily toward integration with the European community. Accomplishments in the areas of political and economic reform have included such milestones as free elections, adherence to international standards on human rights, and freedom of the press. Even so, these successes are challenged by the legacies of the old socialist regimes: rampant corruption, regional tensions, entrenched systems of patronage and nepotism, and weak institutional systems all hinder democratic and free market development in the region.

Domestic pressure for change will be the driving force to build democracies that deliver in both political and economic terms, and to integrate the region into the global economy. Since the fall of Communism, business communities in the region have served as engines for reform and integration. The private sector is widely considered a catalyst for growth; in addition, both governments and citizens understand that institutions are crucial to democratic development.

Business ties have continuously proven to be more robust and flexible than political relations in the region. In many cases, business ties were the first connections to be established in post-conflict areas among representatives of members of religions and nationalities that were formerly in opposition. Business has also been the leading force in achieving compliance with international standards and in fighting corruption. For region-wide political progress and economic growth to occur and to expedite reforms, businesses must participate in the policymaking process.

However, when faced with the international institutional requirements required during the EU accession process, several governments adopted major legislative changes without local civil society or business community participation. The result has been policies that are deemed unrealistic and harmful to democratic progress. To reverse this trend, the business community must unite behind a common set of priorities and establish the participatory policymaking process as a fully integrated component of transparent, accountable, and inclusive governance. In addition, the establishment of effective public-private partnerships will facilitate the creation of better policies.

Countries including Albania, Kosovo, Macedonia, and Montenegro have recently experienced successful elections and transfers of power. While this has infused the region with optimism, the threat of instability in areas like Bosnia remains real and threatening. States must find ways to resolve issues that arose from the Balkan wars because those issues continue to impede progress in the region. In the long term, incentives to overcome the common problems of limited job availability, weak participatory mechanisms, and widespread corruption must be aligned with the benefits of membership in the EU, NATO, and the WTO. It is important to build domestic constituencies across the region to create the participatory policy processes necessary for democratic and free market reforms.

The failure of many countries in the region to develop economically has perpetuated the potential for instability. While in some places old elites have either integrated into the new system or moved away, in others they remain influential and pose a grave danger to the advancement of reforms. Newly emerging business elites can challenge this entrenched system and advance change. In countries that present such an opportunity, CIPE will focus on helping the business community to position itself as the focal point for reform, eliciting support from greater civil society involvement in developing and implementing realistic and effective public policy.

Over the next five years, emphasis on developing independent broad-based associations is essential to reverse the current trend of a business community dominated by political and economic players of the past. CIPE's newly established Institute of Organizational Management (IOM), based in Romania, will launch a capacity-building program for executives of grassroots membership-based associations and chambers of commerce to raise their awareness and ability to advocate for reform. In helping the business community formulate its position and conduct effective advocacy campaigns, CIPE will assist the private sector across the region in becoming an independent driver of reform.

To combat the legitimacy deficit, advance democratic reform, and create a base for sustainable economic growth, countries in the region must undertake substantial reforms that will integrate the informal sector into the formal economy, encourage civil society participation in decision-making, prevent "brain drain," create jobs, and build a stronger middle class. CIPE will work to address the stagnation of development across the region by helping citizens build bottom-up governance structures in place of the existing top-down governance mechanisms.

One of CIPE's key assets in the region is its international network of experienced reformers who can share practical lessons learned during the transition periods in their countries. In the past, CIPE partners from Bulgaria, Lithuania, Poland, Romania, and other countries have offered much-needed expertise to those CIPE partners currently undertaking similar reforms in their respective countries. CIPE intends to deploy this network to help develop public-private partnerships and business advisory councils, enhance cooperation on market reform and democratic issues, and improve the policymaking process by opening it up to all stakeholders.

## CIPE'S APPROACH

CIPE will continue to combat the Communist legacy in the region by addressing key challenges through financial and technical assistance to business associations, policy centers, and grassroots NGOs. CIPE will use its international network of experienced reformers throughout the region to transfer valuable lessons learned during the transition from socialism to market-oriented democracy. Focusing on fostering political openness and economic freedom, CIPE will concentrate on the following key themes:

- Combating Corruption
- Improving Access to Information
- Strengthening Management and Advocacy Capacity of Local Associations and Think Tanks

### Combating Corruption

Despite progress across the region in reducing corruption, it remains systemic, widespread, and institutionalized. Efforts to consolidate market-oriented democratic reform to fight corruption have not been effective. Free and open markets do not function in Central and Eastern Europe, where crony networks control the government and corruption is accepted as a fact of life. The region needs a long-term strategy to combat these practices at all levels of society, business, and government. CIPE will work to ensure that the general public, the business community, government, and media fully understand the costs of corruption and how to fight it. CIPE will develop policy and advocacy strategies to implement anti-corruption reform, and will work with regional partners to build on past anti-corruption projects.

### Improving Access to Information

A vigorous and independent media is one of the pillars of democracy. Policymakers and businesspeople share a mutual interest in obtaining accurate and timely economic information. Nevertheless, journalists rarely report on economic issues; when they do, their articles are often biased, inaccurate, or lack sufficient analysis. Policy and business decisions are rarely publicized, which inhibits public debate and understanding. CIPE will work with its local partners to build the capacity of journalists to better report on economic and business topics, thus improving the flow of information to civil society.

### **Strengthening Management and Advocacy Capacity of Local Associations and Think Tanks**

CIPE will work with its partners to strengthen the capacity of business associations to attract members and to develop successful advocacy strategies implemented with grassroots support. CIPE will continue to build a network of reformers around the region to transfer knowledge from partners who have already developed effective sustainability and advocacy models. CIPE's current and former partners can engage regionally to share their experiences, success stories, and other lessons learned. To ensure civil society participation in the policy process, CIPE will work with local business communities so that future EU membership negotiations with individual countries are conducted with private sector participation. Regionally, this will promote well-designed, pro-business policies and allow strong institutions to take root.

In new EU member states such as Bulgaria and Romania, CIPE will work with local partners to develop a strategy for continuing the business community's engagement in the policymaking process. Although they made impressive strides toward reform during the EU accession process, both countries are still experiencing high levels of corruption, unemployment, and poverty. CIPE will continue to engage with the business communities in these countries to increase their role in the democratization process.

## 5 | Eurasia

Two trends have emerged in Eurasia over the past several years: (1) Pro-reform forces have evolved into strong voices for freedom and democracy, and (2) some governments have consolidated their power in a pushback against democratic progress. Competing economic and nationalist interests, complex geopolitical dynamics, Russia's re-emergence as a center of influence, socio-economic disparities, and the legacy of communist institutions are expected to sway the trajectory of political and economic reforms in Eurasia over the next five years.

Building democracy that delivers in both political and economic terms means building institutions, generating growth, and providing citizens with access to information that can help them make informed decisions. Although some governments have taken substantive steps toward political reforms, several barriers remain in place that prevent democratic governance from taking root. Economic growth has not been accompanied by job creation, trade development, or a clear economic strategy. Instead, the growth has been largely due to the abundance of natural resources and policies that have been created by elites behind closed doors with little public participation. By identifying certain windows of opportunity, CIPE and its local partners have been successful in laying the foundation for democratic progress. Partners in Ukraine, Georgia, and Kazakhstan, for example, have engaged in open debate with public officials that have led to concrete policy improvements.

As a response to Western influence in the new independent states of the former Soviet Union, autocratic forces have designed and implemented attacks on pro-democratic forces. These attacks have been an effort to curtail popular uprisings opposed to the corrupt, centralized, and repressive systems that persist in the region. This challenge has gathered considerable momentum based in popular disenchantment with the performance of governments that claim to have pursued democratic reforms.

Despite setbacks in democratic progress, the business community is still a major source of potential influence with a direct interest in promoting the rule of law, sound political processes, and good governance. In many countries, state control is beginning to trickle down to the SME level, further undermining the legitimacy of governments and viability of sustained economic growth. Nevertheless, the business community aggressively drives reform, galvanizing civil society support. Even in the rapidly closing political space of Belarus, CIPE partners have been able to engage civil society and even political parties on the importance of supporting the private sector as a leading force for political and economic progress. As CIPE works to build the skills and capacity of the business community, the voice for democracy and reform is growing stronger.

Although there are opportunities for reform in Eurasia, windows of opportunity are threatened by tightened media control, legislation against civil society, persecution of political opposition, and degradation of human rights. State capitalism has emerged as a major barrier to reforms, with government cronies expanding their influence, expropriating property, breeding corruption, and undermining free competition. Ruling elites continue to consolidate power and centralize their authority, thereby limiting local independence and the possibility for grassroots democracy to take hold.

## CIPE'S APPROACH

To address these challenges, CIPE will help the business community reform political institutions, ridding them of corrupt practices and patronage-type arrangements. Recognizing that the business community in Eurasia remains fragmented and poorly organized, CIPE will work to develop private sector associations that can become vocal leaders in their countries and throughout the region. Developing a public understanding of democracy and market economies will be another feature of CIPE's work in the region, because citizens often lack a clear vision about what is possible in a democratic society with efficient rule of law. CIPE will focus on youth – who are more willing to accept and adopt democratic, free market values – as the future generation of leaders and reformers.

CIPE will address challenges to democracy and the market economy by focusing on the following themes:

- Access to Information
- Combat Corruption and State Capitalism
- Association Governance
- Corporate Governance
- Political Party Platform Development
- Youth

### Access to Information

Inadequate access to information is a significant barrier to democratic and economic development in Eurasia. A lack of quality public and governmental debate impedes the development of

healthy multi-faceted democratic systems. To address this situation and to expand the scope and quality of information available to both decision-makers and the public, CIPE will work with journalists and grassroots groups to increase understanding of economic reform issues and democratic values through web-based and printed publications, drawing on the experience of the existing network of reform-minded individuals. CIPE will explore new venues – such as short documentaries and radio programs – to provide information. CIPE will work with local business networks to educate entrepreneurs on their rights within the voluminous and rapidly changing legislative framework.

The region has had little history of market-based economics or democratic self-governance. Due to a media controlled by political or financial interests, access to timely and accurate information is limited. Consequently, informed debate on crucial political and economic issues is stifled by inadequate analysis of the central issues affecting reform. Debate must be opened by addressing two specific areas:

(1) Access to legislative information. CIPE will work with local partners to provide access to economic legislative information to the business community to help it comply with voluminous, complex, and rapidly changing laws, regulations, and other government guidelines for business. Excessive government intervention in business activity has led to an increasing gray economy: compliance with excessive regulation is nearly impossible, yet it is compulsory if the business is to survive. CIPE will work with its partners to provide essential information to the business community that will serve to ease the plight of entrepreneurs and reduce corruption.

(2) Access to knowledge of economic policy alternatives. In Eurasia, the public is generally misinformed about the basic principles of a free market democracy and the benefits of such fundamental democratic tenets as good governance, transparency, accountability, and the rule of law. Politicians are seldom held accountable for their actions by the public or the media. Building awareness of the true mechanisms of a free market economy and democratic governance within the business community, academia, and the public at large will help foster society's understanding of key democratic tenets and galvanize grassroots demands for reform. To improve public understanding of the key pillars of market economics and democratic governance, CIPE will work with business and economic journalists to improve information flow to civil society through effective journalism on important issues that will advance economic and democratic reform.

Citizens receive little information about economic policies and how they affect business. As a result, informed debate about the effectiveness of economic policy is minimal outside circles with access to policymakers. Information on resource revenues and public spending is not always available, while self-censorship and outright repression are realities for journalists who have the skills to report objective, fact-based news. Over the next five years, CIPE will encourage public debate about economic policies by seeking partners that address these challenges through economic journalist training, thus promoting transparency in public and private sector financial reports; and through writing and publishing news and analysis relating to economic policies. CIPE will also examine how it can use its knowledge management resources to provide citizens with information about successful private sector-led economic reforms around the world.

## Combat Corruption and State Capitalism

Despite the fact that the private sector's role across the region has increased significantly over the past 10 years, democratic reforms remain stagnant due to rampant corruption. Corruption permeates society on many levels. It is manifested in numerous forms, some of which include opaque policymaking processes without public involvement; overregulation and extensive government intervention in business activity; and unofficial taxation and hidden costs of doing business.

To combat corruption and state capitalism, CIPE will work with business communities, the media, and other NGOs to address endemic corruption and cultivate the development of an open, inclusive, and transparent process for the promotion of progressive and sound policy across the region. CIPE will work with its partners to foster public-private partnerships, coalitions, and educational campaigns that will

- improve partner institutions' management and advocacy capacity to lead the reform process on community, national, and regional levels;
- strengthen the rule of law, a key pillar of democracy that undercuts corruption, fosters prosperity, and furthers reform by helping to improve enforcement and accountability; and
- support the formation of a strong, vibrant, and informed middle class that demands a say in government. Creating economic conditions to spur business growth and encourage entrepreneurs to function within the official market will provide an opportunity for the middle class to re-emerge and to demand a more open and democratic society.

## Association Governance

Despite several successful advocacy campaigns in the past few years, business associations in the region still need to take a more active role in driving economic change and advocating for democratic reforms. CIPE will continue to support organizational management institutions that reinforce and develop the private sector through advocacy, training, and consultancy. CIPE will work to identify the conditions in the region that have prevented business associations from developing into viable reform catalysts.

Across the region, CIPE has had mixed success working with business support groups to generate dialogue about economic reform. Weak organizational capacity has been a major stumbling block to advocacy success. CIPE will develop technical assistance programs and support projects when organizations are clearly making an effort to meet demand and serve a membership base. CIPE will work with local partners that have produced a significant impact in order to identify ways to share knowledge and skills with less advanced organizations in the region. In addition to building local capacity, CIPE will continue to seek windows of opportunity where governments might tolerate public policy participation or where a critical mass of interested business community members are ready to take the risk of advocating for reform.

### **Corporate Governance**

To foster transparency and accountability among private companies and state-owned enterprises, the private sector must take the lead in improving governance. It can do this best by strengthening democratic institutions and enforcing the rule of law. CIPE will continue working with promoters of corporate governance to create safeguards against corruption and mismanagement while simultaneously promoting the fundamental values of a market economy in a democratic society.

### **Political Party Platform Development**

Political party platforms, particularly economic ones, are instruments of communication and planning that most of the world takes for granted. In Eurasia, as the concepts of democracy and free elections take hold, the ability of political parties to articulate their economic priorities must be developed to match public expectations. CIPE plans to work with major political parties to raise their capacity to design meaningful economic reform agendas.

### **Youth**

CIPE will implement projects to stimulate the vision and values of a democratic, free market society among youth. While many politicians and civil society leaders in the region today were trained under a communist system, the region's youth are much more open to new ideas and methods. They do not have to break the mold of communist ideology before replacing it with a vision of self-determination. Given adequate education, democratic values, and a desire for fair business practices, free speech, the rule of law, and effective public-private dialogue might be instilled in young people more easily than in the older generation. CIPE will help young people to take ownership of their country's future and support their efforts to engage in policy debate through youth leadership and educational programs.

## 5.1 | Afghanistan

Over the next five years, Afghanistan's trend of slow but steady progress is likely to continue. The country will continue to face challenges similar to those of today: establishing security, improving governance, and generating viable economic opportunities. What is unknown is whether the government can establish the legitimacy it needs to ensure stability in Afghanistan, and to continue to improve politically and economically. Emerging from decades of conflict, Afghanistan has made significant strides in the past few years toward establishing the governing institutions and the fundamentals of a market system. The establishment of an interim government was followed by the development of a constitution, and in 2005 Afghans formed their first democratically elected parliament, with women securing 27 percent of the seats. Now that the framework of a democracy has been established, Afghanistan must institutionalize democratic processes in order to build support for future democratic development and reconstruction.

Institutions are the cornerstone of a democratic, free market society. They include functioning courts, protection of private property rights, contract law, and government services – including security. The government is working to establish these institutions from the ground up, and there are positive signs that reforms are being taken seriously.

The influence of international reform advocates such as Hernando de Soto is being felt in Afghanistan; for example, the government has launched a land titling project that may eventually lead to the monetization of land. Even more importantly, the project demonstrates to common citizens that democracy delivers in terms of institutions and tangible improvements to quality of life. Without sound institutions and clear rules, reforms falter and citizens are likely to blame market economics and democracy. Afghanistan cannot afford to lose this crucial support for its nascent reforms.

The security situation remains Afghanistan's most significant problem, especially in the southern regions. In addition, the Taliban continues to threaten the development of legitimate government institutions. Establishing good democratic governance mechanisms, combating corruption, and integrating citizens into the political and economic arenas are likely to become the determining elements of a successful approach to improving the security situation.

Private sector development is one area in which there has been marked improvement, and in which we can continue to expect progress. Enhancing the voice of the business community will be more important than ever over the next several years. Additionally, strengthening institutions and establishing the rule of law will require considerable practical input from the business community in order to establish transparent and manageable legislative and administrative systems. Of particular note for democratic and economic development is the initiative undertaken by the Afghan International Chamber of Commerce (AICC) and its partners in the business community to voice a preferred strategy for the country's economic development. AICC has successfully influenced several policy decisions, has established ongoing dialogue with the government, and continues to advocate for pro-business economic reforms. With CIPE support, business organizations that include AICC and the Afghan Women's Business Federation (AWBF) have begun to expand and flourish in Kabul and beyond. Building on early successes, CIPE will work to build a broad-based private sector advocacy movement.

CIPE support of the private sector will be essential to combating statism, which is a serious risk, as evidenced by the recent debate over a law to create a monopoly state chamber of commerce. CIPE will work to promote the values and mechanisms of the free market and open democratic systems as an alternative to statist tendencies.

## CIPE'S APPROACH

Over the next five years, CIPE will work with its partners to ensure that they are prepared to establish channels for democratic participation, helping people realize the benefits of democracies and free markets. CIPE's efforts will focus on building key institutions in order to make the government more effective at establishing a democracy that delivers security, accountability, and economic development. To help democracy and free markets take root in Afghanistan, CIPE will:

- Develop the capacity of the private sector to lead reform efforts
- Position good democratic governance as the centerpiece of the reconstruction effort
- Build an understanding of democracies and free markets
- Help young people to become leaders of economic and democratic reform
- Integrate women into political and economic arenas

### **Develop the capacity of the private sector to lead reform efforts**

Building on the early success of its programs with the AICC, CIPE will work to develop the capacity of the business community to advocate for change. Private sector advocacy will help the government develop and implement policies that address the real needs and concerns of citizens. Establishing a strong economic structure through sound public policy will be instrumental in generating private sector activity, creating jobs, reducing corruption, attracting investment, and lifting people out of poverty.

### **Position good democratic governance as the centerpiece of the reconstruction effort**

Weak governance has emerged as an important factor in the uncertain security situation and general resistance to reforms in Afghanistan. CIPE will work to position good governance – which provides citizens with access to political institutions and allows democracy to become a part of day-to-day life – as the centerpiece of reconstruction efforts in Afghanistan. Success in developing good democratic governance mechanisms will be instrumental in bridging local divides, giving citizens a stake in their country's future, and moving the nation-building process forward.

### **Build an understanding of democracies and free markets**

Democracies, free markets, and good policies do not exist in a vacuum. They require a constant flow of information that spurs healthy debate and generates ideas. This information must convey the message that institutions matter and that the effort to establish these institutions will take time, but will eventually provide benefits to all of Afghan society. In the coming years, CIPE will build up its outreach efforts, develop new resources, employ new tools, and reach out to new audiences with the message of democratic and free market reform. CIPE will also reach out to media outlets in Afghanistan to develop journalists' economic reporting skills.

### **Help young people to become leaders of economic and democratic reform**

CIPE has been successful in launching programs that provide entrepreneurship and leadership training to young people. Over the next five years, CIPE will focus on replicating early successes on a larger scale. CIPE will also develop complementary programs to help position young people as active participants in policy debates within the private and public sectors. CIPE finds that young people are generally more open to the ideas of democracy and free markets in Afghanistan; CIPE will explore this opportunity to nurture the future leadership that will take the country forward.

### **Integrate women into political and economic arenas**

In the coming years, CIPE will focus on building the capacity of the AWBF so it will become sustainable. CIPE will also explore opportunities with other women's groups to implement programs that provide women with opportunities to shape their own future by participating in the economic and political arenas.

## 6 | Latin America and the Caribbean

Over the past five years, the countries of Latin America and the Caribbean have continued to demonstrate a commitment to the electoral processes of democracy. Approximately 20 democratic presidential and legislative elections were held in 2006 alone. The most recent Latinobarómetro opinion polls show a modest upward surge in popular support for democracy and for the implementation of moderate market economic reforms. Looking ahead to the next five years, however, it is clear that democracy must penetrate more deeply into the social structures of society if it is to flourish. The region is currently experiencing a resurgence in leadership advocating economic agendas that are reminiscent of failed policies of previous eras and that threaten to employ less democratic forms of governance. The coming years will require a renewed effort to expand democratic participation in both economic and political terms if the region is to be competitive and prosperous in an increasingly globalized economy.

In a number of countries, there has been a trend for leaders to curtail the democratic process and undermine pluralist institutions. In Venezuela, for example, President Hugo Chávez has managed to transform a rather open political system into one where there are no longer checks on the power of the Executive Branch. In Argentina, the President has been able to take away power from the Legislative Branch by approving the use of “superpowers,” while in Bolivia the President has shown disregard for the rule of law and property rights by nationalizing hydrocarbons and moving towards land expropriations. It is essential to develop strategies to counter these threats over the next five years.

In the long term, democracies in the region will only be sustainable if they can deliver prosperity to a majority of the region’s citizens. Despite the recent positive macroeconomic performance of many countries in the region, the fundamental issue of the quality of growth is likely to remain at the forefront of public debate. Opinion polls from the region clearly

show that while the population views democracy as the most viable political system, people are frustrated that they have not directly benefited from or participated in this system. Income inequality will remain an issue of concern as policymakers have generally failed to address the underlying problem of weak institutions. Further institution-building efforts are needed to address popular frustration and to deliver prosperity to more of the region's citizens. CIPE's programs will use this approach to address the core problems and issues the region must resolve.

Strengthening institutions in the region will require a multifaceted effort. Political party reform is desperately needed to lead Latin America and the Caribbean in the direction of sound economic policies. Property rights should be strengthened so that all citizens have the opportunity to participate in formal political and economic institutions. There is a clear need for functioning judicial structures that will be able to guarantee the rule of law. Without these fundamental institutions in place, true and sustainable democracy will be impossible to achieve.

## CIPE'S APPROACH

Regional partnerships among democratic, market-oriented think tanks and civil society groups are only beginning to have an impact in the region. Building partnerships between regional think tanks, business associations, and civil society groups will be an important program contribution to the region in the coming five years and one that will play a part in encouraging long-term commitments in the region to both democracy and a market economy.

Within that partnership structure, CIPE will address challenges to democracy and the free market economy by focusing on:

- Economic Platforms for Political Parties
- Informal Sector Reform
- Capacity Building in the Private Sector
- Corporate Governance and Corporate Citizenship
- Combating Corruption

### **Economic Platforms for Political Parties**

The surge of populist candidates in recent elections is a clear signal that popular memory has forgotten the leaders and policies that ruined Latin American countries in the past. Their electoral successes underscore the frustration felt by a growing number of citizens with limited access to economic and political institutions. Over the next five years, this tension will continue to reverberate in local and regional elections and in the deliberations of legislative bodies. As a rule, political parties in the region have expended little effort to develop platforms that specifically detail an economic reform agenda. Stable political parties help articulate and implement sustainable policies by establishing clear plans of action that address the concerns of their constituents. Helping political parties define clear economic policy agendas will

counterbalance the rise of populist candidates who prefer flashy statements that attract media coverage rather than discussion of achievable policies with a positive long-term impact. CIPE will develop new approaches to working with political parties to move beyond personalities, focus on governance and institutional reform, and educate citizens about policies that will lead their countries to prosperity and equal access to the benefits of reform.

### **Informal Sector Reform**

Since CIPE's early partnership with Hernando de Soto and the Institute for Liberty and Democracy in Peru, CIPE has championed approaches in the economic arena that integrate small, informal entrepreneurs into formal business institutions. Despite gains made in Peru and elsewhere, informal enterprise continues to constitute half or more of the economies of most Latin American countries. This economic disenfranchisement provides an opportunity for populist leaders to gain political viability. To address this problem, political parties and candidates must commit to breaking down barriers to doing business that informal entrepreneurs and formal SMEs face. The concerns of these groups need to be articulated to political leaders in the form of private-sector-led policy solutions. CIPE will seek to develop innovative programs in this area that build on past experience and new alliances.

### **Capacity Building in the Private Sector**

While democracy continues to be the preferred political approach in the region, economic policies in Latin America and the Caribbean appear to be much more fractured. At one extreme is Chile's solid commitment to integrating into the global economy, increasing domestic investment, and lifting a large segment of its population out of poverty. Chile's consensus on economic policy includes both the left and the right, and has put the country on a path of steady development. At the other extreme is Venezuela, where political pluralism continues to decrease and state control of the economy is resurgent. The rest of the region lies somewhere between these two extremes, and in many cases is divided on how to proceed; some countries are even revisiting the economic debates of 20 years ago.

For the region to remain a meaningful participant in the global economy, it is imperative that it reach consensus on both democracy and market-oriented policies. To achieve this goal, the capacity of the private sector to participate in public policy debate and represent a true cross section of private sector enterprises must be cultivated. Private sector associations are beginning to show greater interest in promoting policies that improve capital markets, lowering barriers to doing business, and increasing competitiveness. Over the next five years, CIPE will address these goals through association development training programs.

In Haiti, for example, CIPE launched a new field office designed to provide more direct assistance to private sector associations. CIPE's goal is to work with its partners to help activate the Haitian economy, and to help its partners engage in constructive dialogue with the Haitian government on the most beneficial economic reform agenda to create jobs and prosperity for the country. CIPE will assess the value added by this office in the coming year and decide whether it should form an integral part of CIPE's five-year strategy.

## **Corporate Governance and Corporate Citizenship**

The role of business as a positive force for society and democratic development has yet to take hold in Latin America and the Caribbean. Much work remains to be done in the coming five years to improve the image of business in society and to define corporate citizenship in a regional context. Latin America's failure to strengthen its economic and political institutions is causing it to lose ground in global competitiveness vis-à-vis other regions of the world. While neither growth nor investment rates in the region are sinking overall, they are not as high as they could be, and have certainly not brought the increases in wealth that have occurred in many Asian countries. Latin America is losing the competition for global markets to Asia in many sectors.

Poorly functioning capital markets impede investment in the region and put regional businesses at a competitive disadvantage. To strengthen those capital markets, companies must understand that they stand to gain from developing stronger corporate governance standards and greater transparency in business transactions. In so doing, they will increase local investment in their enterprises, creating more jobs and expanding the ownership base as more investors participate in domestic markets.

## **Combating Corruption**

Reducing corruption would eliminate a large penalty for companies doing business in Latin America. Some estimates show that as much as 10 percent of business transactions are lost in corrupt payoffs, wasting resources and decreasing competitiveness. Moreover, cultural acceptance of corruption as a fact of life undermines the average citizen's faith in democratic institutions and creates a deep cynicism about the failure of the political process to produce fair and just societies. Over the next five years, CIPE will prioritize more innovative and effective ways to reduce levels of corruption in the region.

## 7 | Middle East and North Africa

The interplay of socio-economic realities and geopolitical factors that has come to define the political landscape of the Middle East and North Africa will increasingly shape the region's political and economic evolution over the next five years. Burgeoning populations, social discontent, declining oil reserves, and increasing global competition will continue to provide the impetus for reforms. The pace and scope of these reforms will be influenced by how governing authorities and their constituencies negotiate change in the context of entrenched patronage systems, regional instability, militant Islamist groups, and waning external pressures for reform.

Although pervasive, the democratic deficit of the region is not uniform and is subject to both domestic considerations and externalities that could influence the reform environment in the next five years. With political systems ranging from authoritarian to semi-authoritarian to emerging democracies, and economic systems ranging from statist to mixed economies, the region presents a complex mix of opportunities and challenges for democratic progress.

One opportunity lies in the potentially explosive political mix of high unemployment and population growth that prevails in the region. Demographic pressures, coupled with the push for global competitiveness, have fueled economic and political reforms in the past and have the potential to do so in the future as well. It is estimated that the region will need to create 100 million new jobs by 2020, doubling current levels of employment. To accomplish this task and meet growth objectives, countries in the Middle East and North Africa must continue to institutionalize accountability and transparency in their policies and practices.

Another opportunity lies in the waning political authority of autocratic leaders. As economic and social disparities undermine the performance legitimacy of governing elites, the public is calling for better and more responsible governance. Though the oil boom may ease pressures for liberalization in the immediate future, declining oil reserves and the painful experience of past oil busts indicate that political regimes throughout the region will need to more concretely address legitimacy concerns.

Reform movements in the region are not consistent, however, and some countries suggest greater prospects for public engagement than others. Democratic progress in individual countries will depend on the ability of reformers and civil society groups to identify and leverage opportunities to tackle the state-centered, corporatist status quo. These opportunities will be shaped by entrenched patronage systems as well as by regional externalities.

Given the benefits accruing to various constituencies from political patronage and domestic ambivalence toward reforms, it is difficult to envision a decrease in the level of state interference in the next five years. Even so, more robust efforts to address corruption and strengthen the rule of law, coupled with development of more organized and informed associations and media groups, could contribute to more oversight, advocacy, and engagement on public policymaking in the coming years.

Unfortunately, regional instability, militant Islamist movements, and reduced external pressure for reform have the potential to sidetrack democratic transitions in the region. The widening sectarian struggle between Sunnis and Shiites, coupled with Iran's growing regional influence, could result in further crackdowns on liberal reformers as authoritarian and semi-authoritarian governments seek to consolidate power and control security. Additionally, uncertainty regarding Iraq's democratic transition and the political rise of militant Islamist groups in the absence of viable liberal parties could contribute to the weakening and possible retreat of external pressure for change.

While it is not clear how regional dynamics will shape the reform agenda over the next five years, it is clear that the onus for reform will increasingly be on indigenous agents of change. Local business communities will have a unique opportunity to contribute to the establishment of accountable, transparent, and inclusive political and economic systems.

Over the next five years, private sector stakeholders in the Middle East and North Africa must be empowered and given the capacity to become active, credible, and informed participants in the reform process:

- Partnerships with civil society and business groups working toward transparency in the business and policy arena should be extended and intensified.
- Diverse advocates should be engaged and supported in becoming champions of democratic, market-oriented change. These advocates should include women, youth, moderate political parties, economic journalists, and representatives of SMEs.
- Complemented by technological advances, CIPE expertise will be applied to reduce unequal access to information between governments and societies on regulatory and legal reform.

- Corporate governance, having made significant progress in the region with CIPE support, should be enhanced to reduce arbitrariness and uncertainty.
- The private sector must receive support in addressing corruption so more people in the region can access and capture the benefits of open and accountable societies.

Because the region does not present a uniform operating milieu, CIPE activities in the next five years will be calibrated to respond specifically to local needs and environments. In those countries with more open environments, CIPE will seek to consolidate trends in accountability and transparency by supporting efforts to tackle corruption and give depth to best practices in corporate governance. Additionally, CIPE will seek to counterbalance efforts to sidetrack reform efforts by building the organizational and technical capacity of private sector organizations and independent media groups to monitor government policies and propose recommendations. CIPE will also assist moderate political parties in developing economic platforms that emphasize the benefits of an open, market-oriented economy.

In destabilized environments such as Iraq and the Palestinian Territories, where political and economic trends point to a continuously complex situation over the next five years, CIPE will build on its successes and adapt to changing circumstances. In Iraq, CIPE will continue to enable advocates at the national and regional level to participate in the decision-making process, simultaneously generating awareness among parties, policymakers, and grassroots organizations regarding market-oriented reform. This will provide CIPE with the flexibility to navigate political and security shifts in the country. In the Palestinian Territories, CIPE will cope with the shifting situation by working with responsible partners on advocacy and governance initiatives.

In less permissive countries such as Iran, Syria, and Libya, CIPE will identify promising partners for change. Private sector groups in these countries will need to be supported through regional programs and networks in order to advocate for democratic, free market systems. Such an approach will allow CIPE to make use of openings that may arise as a result of political shifts or developments in governing structures.

## CIPE'S APPROACH

In the next five years, CIPE will engender top-down and bottom-up momentum for reform, increase transparency in the policy arena, and foster the inclusion of various private sector and civil society groups by focusing on the following themes:

- Corporate Governance
- Capacity-Building for Business Associations
- Combating Corruption
- Women and Youth
- Economic Platforms for Political Parties
- Access to Information

## Corporate Governance

To continue confronting corporatist systems and reducing arbitrariness and uncertainty in the policy arena, the business communities of the region must add depth to governance and business practices, working to institutionalize accountability, transparency, and inclusiveness. This will not only improve the investment climate and increase competitiveness, but also will contribute to the development of a law-based democratic society. CIPE has already made significant contributions to raising awareness about the benefits of corporate governance, and will work over the next five years to advance the implementation of good corporate governance practices. CIPE will expand its current network to target family-owned as well as SMEs. CIPE programs will further engage in sharing best practices among state-owned enterprises, banks, and capital markets. CIPE's work with the OECD and regional partners like the Hawkamah Institute for Corporate Governance has positioned CIPE to increase the breadth and depth of its work on corporate governance in the region.

## Capacity Building for Business Associations

Democratic transitions are facilitated by non-governmental institutions with the knowledge and aptitude to engage in constructive debate as part of the decision-making process. Informed and effective business associations can help manage the risks of democratic pushback by continuing to advocate for a policymaking process that takes into account the preferences of citizens and strengthens accountability linkages. For the most part, business associations in the MENA region are weak, fragmented, and lack access to information about international best practices. Over the next five years, CIPE will work to increase the credibility of business associations as advocates of change by bolstering the capacity of various organizations that represent the private sector. Through the executive management training program for associations, CIPE will assist the business community in developing an effective voice and agenda for reform.

## Combating Corruption

Pervasive corruption decreases the quality of governance and limits the possibility for open, market-oriented societies. As governments, societies, and markets in the region calibrate their political and economic approach, business associations and other civil society organizations must be supported in fighting bribery. Instead, they must be strengthened to serve as knowledge brokers on the economic and social costs of corruption. CIPE will work with stakeholders at the international, national, and regional levels to enhance awareness and implementation of anti-corruption policies. CIPE will specifically focus on the role of the private sector in combating corruption through legal and regulatory reform, corporate governance efforts, and an overall emphasis on ethical business practices.

## Women and Youth

Confronting the democratic gap in the Middle East and North Africa over the next five years will require the empowerment of marginalized stakeholders, especially women and youth. As the 2006 Arab Human Development Report highlights, Arab women must be able to realize their potential if Arab states are to develop. This goal cannot be achieved unless the countries in question reduce social and economic barriers limiting women's access to political and economic opportunities. CIPE will work to enable and empower women entrepreneurs by increasing their access to entrepreneurship education and helping them develop a voice to advocate for gender-specific reforms.

With 100 million people between the ages of 12 and 24, the region faces both long-term challenges and opportunities for democratic transitions in these countries. Often, young people are unable to reach their potential due to a lack of education, entrepreneurship information, and opportunities for participation. CIPE will work with local, regional, and international partners to build an entrepreneurial culture among youth and to provide them with advocacy skills.

### **Economic Platforms for Political Parties**

Weak liberal political parties face ascending Islamist and militant groups and symbolize the overall weakness of democracy in the region. Because they represent various constituencies and policy issues, political parties have the potential to mobilize and engage society in reform; they play an important role in the democratic process by developing policies that reflect the concerns of citizens. CIPE will strengthen the capacity of political parties by raising their awareness of economic reforms and legislations and developing an economic policy roadmap that is aligned with the interests of their constituencies. CIPE will also assist party representatives to develop coherent economic platforms that will engage and empower voters in making informed decisions at the ballot box.

### **Access to Information**

In the MENA region, information on market economies, data on economic indicators, and knowledge of international corporate best practices are often limited or fragmented. This contributes to opacity in the policymaking environment and limits the level of private sector engagement in the policymaking process. In order to strengthen the credibility of the business community as a counter-voice to state-centered control, CIPE will reduce information asymmetries between the government and society. CIPE will institute economic journalism programs to enhance the media's capacity to engage in dialogue on market-oriented reforms, and will support think tanks and other civil society organizations in the production of surveys, report cards, and polls. Finally, CIPE will assist regional partners in developing materials in local languages to increase awareness of democratic, market-oriented transitions.

## 8 | South Asia

In recent years, South Asia has become an important player on the world stage due to its large population, emerging democracies, and economic growth. The countries in the region are working to institutionalize the cornerstones of democracy, such as strong institutions; free, fair, and transparent elections; universal human rights; and market economies. The opportunities presented to South Asia depend on the adoption and institutionalization of these democratic ideals on the part of the governments, judiciary systems, economies, and ordinary citizens of each country. South Asians must cultivate confidence in their democratic and free market systems before more substantive development can take place.

The business community is emerging as an independent force for promoting democracy within the region. There is a strong push by chambers of commerce and business associations for increased economic reform and greater interaction with the government. Recent developments such as the adoption in Pakistan of a less restrictive law governing chambers of commerce and business associations in Pakistan point to government interest in bringing the business community more meaningfully into the policymaking process. Other countries in the region maintain laws governing chambers and associations that restrict competition and repress the business community's voice. The legal reform in Pakistan has spurred discussion elsewhere of best practices for creating an environment more conducive to advocacy. Business groups throughout the region have reached a level at which coalition building has become a real possibility. Additionally, the possibility of WTO accession is spurring economic reform, which in turn is alleviating poverty in countries across the region.

However, South Asia is also a region that embodies many of the challenges faced by emerging democracies around the world. Political disagreements and electoral disputes spread to a national level quickly and have devastating effects, as in Bangladesh in early 2007. Civil

conflict within the region creates a stronger resistance to democratic ideals and practices as governments attempt to control their populations. Although efforts toward equality are made in governments across South Asia, minority populations continue to be marginalized by cultural traditions and unfair policies.

South Asia must also address regional effects of the war on terror by ensuring that democratic governance and economic reforms are not inhibited by the influence of local terrorist populations. Pakistan especially sits at an uneasy crossroads, acting as a partner in the U.S.-led war on terror, but sharing a border with Afghanistan that is porous enough to allow inflows of Al Qaeda and Taliban terrorists, thereby threatening the stability of both countries. The Baluchistan and North West Frontier provinces in Pakistan have become increasingly fundamentalist in recent years, reverting to a more traditional path that blocks democratic reform efforts. It is important to recognize that Pakistan's role in the region is still unpredictable. As a nuclear power with a semi-authoritarian government in place, Pakistan's progress will shape South Asia's development in the next five years.

In the long term, South Asia will continue to face a variety of threats, both internal and external. Strong religious influences and adherence to traditional values in each country will challenge democratic and economic reformers by creating a diverse set of conditions unlike those of any other region in the world. Additionally, the strong tribal and ethnic bonds seen in Pakistan and Sri Lanka affect efforts at strengthening democracy: divided populations find it difficult to cultivate common ground.

## CIPE'S APPROACH

These challenges will shape CIPE's work in the region over the next five years. The key to successful reform in South Asia over the long term will be building grassroots support for democracy and strengthening participatory institutions to give citizens a stake in economic and political institutions. CIPE will address challenges to democracy and free market systems by:

- Combating corruption
- Building coalitions
- Increasing access to information

### Combating Corruption

Corrupt practices increase the cost of doing business, discourage foreign investors, and weaken the rule of law. Corruption is rampant in South Asia, although it is often disguised as a gift or as the protocol for maintaining a business relationship. The business community must take a stand against corruption in order to promote democratic governance and encourage economic development. CIPE will assist the region in fighting corruption by promoting good governance, increasing awareness of the harmful effects corruption has on the economy, and encouraging a unified stand against corrupt practices.

## Building Coalitions

Chambers often compete against each other in an unproductive manner, favoring internal election campaigns over advocacy programs. CIPE will focus on conducting capacity-building programs for associations to help them capture their role in promoting democracy and free market reforms, and to help position them as reform leaders. CIPE will also work with chambers and associations in the region to bring laws and regulations governing trade bodies in line with international best practices. By creating stronger chambers, CIPE will improve opportunities for coalition building regionally and within each country. Bringing business together as a single voice will drive the acceptance of advocacy in democratic policymaking and economic reform. Tools such as national or regional business agendas can be used by coalitions to focus advocacy efforts and strengthen the business community. During the next five years, CIPE's regional partners will become a strong network of individuals and groups dedicated to reform.

## Increasing Access to Information

One of the most important indicators of a healthy democracy is the quality of public and governmental debate. In South Asia, access to information is extremely limited. Members of the media are fettered by socialist educations and a lack of understanding of basic economic principles. Distribution also poses some problems: Internet access is limited to wealthier members of society, so the population as a whole has only limited access to foreign media sources. To promote stronger economic debate, CIPE will work with key stakeholders throughout the region to improve understanding and foster the development of economic knowledge.

One of CIPE's greatest challenges in the region lies in identifying and sharing success stories from its partner programs. Information distribution is particularly difficult in South Asia, due to uncertain political and security situations and limited Internet availability. CIPE will work to overcome these conditions and develop an outreach program to deliver a message of democratic and economic reform to the business community and citizens at large.

Regionally, CIPE's priority in the coming years will continue to be Pakistan. From the reform perspective, civil unrest, an underdeveloped association and chamber community, weak rule of law, and rampant corruption are key issues to be addressed. CIPE will focus on bringing together government officials, the business community, and the media to add depth to ongoing reform efforts. Transparent, broad-based private sector advocacy mechanisms must be put in place for democracy and free market economy to take root in Pakistan. CIPE's Pakistan office will continue to play a key role in strengthening the ability of the private sector to effectively engage in policy debate, and in the development of a regional CIPE reform network to support associations and chambers throughout South Asia.

# The CIPE Business Model

The logic underlying CIPE strategy is captured in the business model. The business model aligns CIPE activities with its mission and bestows coherence on its operations as a whole. The model, described below, reflects CIPE's core competencies as well as organizational commitment to sustainable reform that serves the public good.

## **Strengthen Democracy and Support Market-Oriented Reform**

Recognizing that political and economic freedom are mutually dependent, CIPE concentrates its reform initiatives at the nexus of the two. CIPE programs pursue both objectives simultaneously.

## **Empower Private Sector Organizations**

CIPE works in partnership with private, voluntary business organizations, typically business associations or think tanks. CIPE aids their organizational development so that they may participate in the democratic process as self-sustaining, integral components of civil society.

- Business organizations provide information and services that strengthen the private sector and entrepreneurial culture.
- CIPE enhances business associations' capability to involve their membership in democratic policy dialogue.

## **Promote Institutional Reform**

Well-designed institutions serve as the foundation of economic growth and good democratic governance. The institutions of efficient market economies and functional democracies rest on clear, transparent rules that foster stability, opportunity, and freedom. Institution-building is a long-term process that yields long-term benefits.

### Focus on advocacy

Private sector advocacy strengthens market mechanisms, advances broad-based business interests, and promotes business participation in the democratic process.

- Research and analysis without recommendations and follow-through are not enough to effect change.
- Private sector participation in the public policymaking process, from the grassroots up, is key to success.
- Through its own policy advocacy, CIPE increases support for and understanding of the rights, freedoms, and obligations essential to a democratic private enterprise system.

### Reinforce Local Ownership and Accountability

The following features are all aspects of project management.

- The project should be of strategic importance to the partner organization. The partner should commit its own resources to the project.
- Potential partner organizations should initiate the program ideas. They should stay faithful to their objectives, not follow a donor's agenda.
- CIPE rarely participates in the creation of completely new organizations.

### Apply Lessons Learned

CIPE is committed to capturing lessons learned and applying them in other environments to help reformers face challenges. CIPE deploys appropriate expertise and models for the practical implementation of reform principles.

## CORE COMPETENCIES

CIPE has crafted a unique set of development tools that strengthen the capacity of partner organizations and guide them in policy advocacy and other democratic processes.

### Capacity Building

Business associations are integral to successful policy reform, participatory processes, and private sector development. In many cases, before associations can effectively participate in the formulation and implementation of reform agendas, they must undergo their own transitions to become viable institutions. CIPE supports their organizational development through executive management courses and educational materials, technical assistance on advocacy strategies and organization governance, and support for market-oriented member services.

### Advocacy Tools

Democratic governments need participatory input from a wide range of organizations in order to legislate effectively. CIPE's national business agenda approach brings private sector leaders together to discuss issues of concern, identify common interests, and develop proposed solutions. A national business agenda identifies laws and regulations that hinder business activity and offers concrete recommendations to remove these barriers and improve the

economic climate. CIPE's legislative advisory programs assess the economic impact of specific legislative proposals. Other tools and techniques enhance partners' effectiveness in framing the issues; communicating with media, the public, and government officials; and building coalitions for reform.

### **Expertise on Development Issues**

With over two decades of experience and innovation, and input from outside experts, CIPE has developed a strong knowledge base for legal and regulatory reform, private sector development, governance reform, and more. Unlike research institutions, CIPE has a keen practical understanding of how to implement reform principles. At the same time, CIPE has played an active role in shaping international standards and principles in areas such as corporate governance and countering bribery.

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*CIPE developed this five-year strategy document based on current conditions outlined in greater detail in the 2007 Strategy. Rather than focusing on specific countries, the five-year strategy identifies regional issues of concern and maps out programmatic approaches to addressing reform challenges. Programmatic approaches build largely on CIPE's business model and the core competencies presented above.*



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