



The CIPE Guide to Program Development

Strategic Planning for Emerging Markets • CIPE Staff Edition
Center for International Private Enterprise

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**Strategic Planning for Emerging Markets
CIPE Staff Edition**

CIPE



Center for International Private Enterprise



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The Center for International Private Enterprise (CIPE) strengthens democracy around the globe through private enterprise and market-oriented reform. CIPE is one of the four core institutes of the National Endowment for Democracy and a non-profit affiliate of the U.S. Chamber of Commerce. Since 1983, CIPE has worked with business leaders, policymakers, and journalists to build the civic institutions vital to a democratic society. CIPE's key program areas include anti-corruption, advocacy, business associations, corporate governance, democratic governance, access to information, the informal sector and property rights, and women and youth.

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Introduction

Since the end of the twentieth century, it has become clear that free-market, democratic countries enjoy certain advantages in attaining developmental goals, raising the quality of life, and responding to the challenges of a competitive, changing world. The combination of economic and political freedom has powerful effects on reducing poverty and expanding opportunity for citizens of the developed world and emerging markets countries alike.

The Center for International Private Enterprise (CIPE) has developed proven techniques for advancing democratic and market reforms, which private sector groups around the world have used to improve the business environment and the quality of governance. *The CIPE Guide to Program Development* introduces these techniques and the key principles in designing a reform agenda. This guide explains how CIPE assists private sector citizens in designing and implementing their own reforms tailored to their country's situation.

This edition of the guide is intended for use by CIPE staff. The concepts and practices presented here should inform the planning and judgments of staff as they manage programs and partnerships. The guide is organized according to the logical sequence of program development and proceeds from Analysis to Strategy to Program Design. Staff is encouraged periodically to revisit the concepts and consult appropriate sections whenever needed. Used in this way, the *CIPE Guide to Program Development* will help you get the most out of your programs.

1

The CIPE Business Model

CIPE operates according to a “business model” that describes the logic of the CIPE approach to reform and the way CIPE pursues its mission.

Strengthening democracy around the globe through private enterprise and market-oriented reform.

The model reflects CIPE’s core competencies as well as CIPE’s commitment to meaningful, enduring reform that serves the public good.

1. Strengthen democracy and support market-oriented reform

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

2. Empower private sector organizations

CIPE works in partnership with private, voluntary business organizations, typically business associations or think tanks. CIPE aids organizational development so that groups 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.

3. Promote institutional reform

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

4. Focus on advocacy

Focus on advocacy that strengthens markets, advances legitimate business interests, and promotes business participation in democratic processes.

- Without recommendations and follow-through, research and recommendations are not enough to spur change.
- Private sector participation in the public policymaking process, from the grassroots up, is key to success.
- CIPE increases support for and understanding of the rights, freedoms, and obligations essential to a democratic private enterprise system.

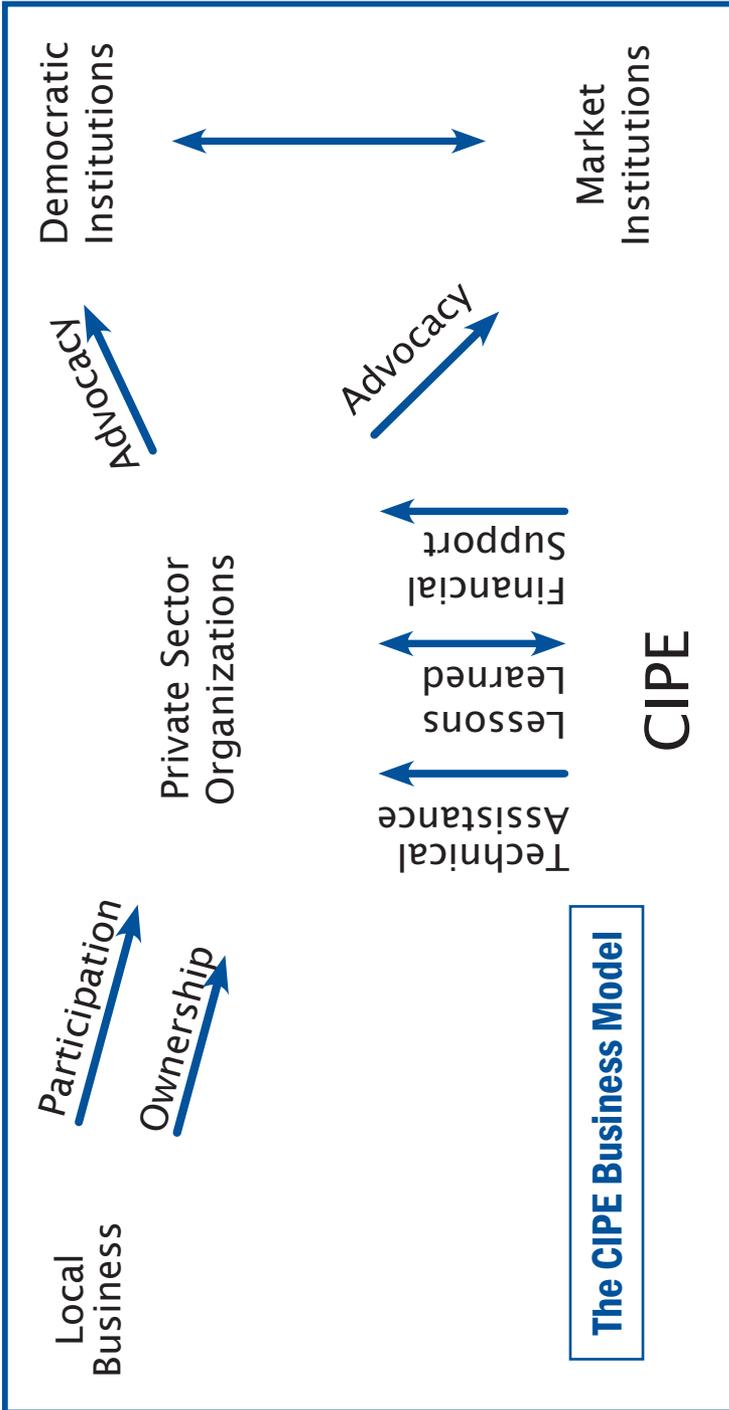
5. Reinforce local ownership and accountability

Reinforce local ownership and accountability in all aspects of project management.

- Each project should be of strategic importance to the partner organization. The partner organization should commit its own resources to the project.
- 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.

6. Apply lessons learned

Apply lessons learned from one part of the world to help face challenges elsewhere. CIPE deploys appropriate expertise and models for the practical implementation of reform principles.



2

The Goal: Free-market Democracy

Market economies and democracies are defined by a set of mutually reinforcing freedoms and institutions. These core freedoms and institutions can take diverse forms around the world, yet all are essential to modern free societies.

What is a market economy?

Most people think of a market as a place where buyers and sellers exchange goods and services. Indeed, the ability to exchange freely and do business is an essential freedom that underpins dynamic, modern economies. Yet the “market” itself is often taken for granted. Markets must in fact be nurtured and structured to facilitate free exchange.

A market economy is a competitive economic system where the rules are the same for all participants. The rules, or institutions, of markets provide confidence to market participants and reduce the costs of completing transactions. Market institutions encourage the development of economic activities beyond limited, short-term transactions toward greater specialization, economies of scale, and innovation.

What are institutions?

“Institutions are the humanly devised constraints that structure human interaction. They are made up of formal constraints (rules, laws, constitutions), informal constraints (norms of behavior, conventions, and self-imposed codes of conduct), and their enforcement characteristics. Together they define the incentive structure of societies and specifically economies.”

Characteristics of market economies:

- Economic arrangements arise out of voluntary and free exchange of value between individuals and/or firms. Values associated with exchanges of goods and services are set by supply and demand as registered in an uncontrolled price system. The claim to legitimacy is that both parties to transactions perceive benefit from the exchange.
- Freedom of association for economic activity is established and guaranteed by law for individuals to form firms, cooperatives, unions, and other forms of economic activity.
- Freedom to own and exchange both personal property and the means of production is guaranteed by law for all individuals regardless of socioeconomic background.
- Freedom of movement and information is guaranteed by law.
- Free entry into and out of markets is guaranteed by law for individuals and firms.
- Competition is maintained in markets as a function of a legal and regulatory system that prevents monopoly and/or collusion through restraint of trade, price fixing, government charters, and other barriers.

- The role of the government is to regulate the creation and maintenance of the market system through the establishment of objective laws (rules) that protect individuals and firms from corrupt practices. Regulations should be objective and preventive in nature (not command oriented). Taxation must be applied through objective factors and not be confiscatory in nature. Access to government services and public goods must be open to all in an objective fashion.

A private sector economy is not necessarily a market economy. If the behavior of private economic actors revolves around rent-seeking, corruption, and cronyism, it is not a market economy. The Philippines under Ferdinand Marcos is a classic example of a private sector economy dominated by cronyism instead of open, honest competition. The rules must be the same for all private actors.

A hands-off (*laissez-faire*) policy is not adequate for markets to function. The government must guarantee consistent, fair laws and rules so that a market economy may emerge. Without binding rules that govern all players, business becomes nothing more than “casino capitalism,” where investments are only bets – bets that people will keep their word, companies will tell the truth, workers will be paid, and debts will be honored.

Key market institutions

Property rights – Private property rights encourage owners to invest and improve their assets. They also give entrepreneurs incentives to innovate. A strong system of private property rights defines who owns what and how property may be exchanged, and protects owners from expropriation without due process.

Secure contracts – Reliable contracts facilitate exchanges and investments on a national scale, even between strangers. The assurance that contracts will be honored forms a basis for a wider circle of trust in economic transactions. Laws and courts guarantee the sanctity of contracts.

Freedom of entry and exit – Free markets are competitive and open to new entrants. Government does not restrict entry through excessive regulation or official monopolies, nor are private producers allowed to stifle competition. Barriers to entry are removed, anti-trust laws enforced, and preferential treatment eliminated. Bankruptcy laws place limits on entrepreneurs' liability and grant protection to creditors.

Freedom of information – In a market economy, government is transparent about policies and never restricts the flow of economic information. Businesses, the media, civil society organizations, and citizens have access to economic information as well as knowledge of policies, rights, and regulations.

Rule of law – All of the above market institutions are backed by rule of law. This means laws are enforced consistently and fairly, and citizens have equal protection under the law.

What is democracy?

Democracy refers to the form of government based on sovereignty of the people, that is, “rule by the people.”

Rights and freedoms – Democracy respects civil and political rights, including freedom of expression, freedom of association, the right to private property, and freedom of information. Citizens enjoy freedom in all aspects of life.

Competition – The selection of public officials and the representation of interests occur through open competition defined by consistent rules of the game that apply to all. Ideas, opinions, and policies are openly debated.

Participation – The legitimacy and effectiveness of democracies flow from widespread participation in the political process. All citizens have equal opportunity and multiple occasions to participate.

Accountability – Democratic governments are bound by the rule of law and subject to checks on authority. Citizens and civil society are able to hold government accountable for its actions and performance.

What is good governance?

Good public governance means that government is responsive, effective, and accountable to the people. It centers on high-quality decision-making in a participatory policy process. Democratic governance complements democratic representation that occurs through elections and political parties – it makes democracy work.

- The public and its representative interest groups have opportunities to participate in and influence decision making, not only during elections but between elections.
- Elected officials have the means and incentives to carry out their mandates.
- An independent judiciary enforces the law impartially and upholds rule of law.
- The civil service is professional and answerable to elected officials.
- Laws and regulations are clear, consistent, and provide social benefits that outweigh the costs.
- Lawmaking, enforcement, and government actions are transparent.

Relationships between a market economy and democracy

Market economies and democracies are open, competitive systems based on shared rules of the game and extensive freedoms. They manifest common values such as participation, transparency, fairness, and equality of opportunity. At the heart of the symbiotic relationship between these two systems is good governance. Good governance sustains both responsible, productive market behavior and effective, legitimate democracies.

In a market economy, a competitive private sector provides a counterweight to the state, injects dynamism into political discourse, and makes possible a vibrant civil society. The entrepreneurial culture of initiative and risk-taking in the

economy promotes a political culture of citizen involvement and leadership. Moreover, the growth and opportunity that arise from free markets support the development of the middle class, helping democracies deliver a higher quality of life.

A democratic system is the best guarantor of political stability, rule of law, and property rights, all of which are essential to long-term economic growth and private sector investment. In democracies, decision-making processes based on popular participation, feedback, and accountability allow for valuable input from the private sector into economic policy. Democracies have proven themselves capable of effectively balancing the social pressures arising from rapid growth, encouraging economic opportunity for all, and advancing human development indicators. Democratic governance is the cornerstone of a legitimate, sustainable economic order.

Further reading

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Notes

¹Douglass C. North, "Economic Performance Through Time," Nobel Prize Lecture, December 9, 1993.

3

Country Analysis

The starting point and the destination of reforms differ widely from country to country because the initial conditions matter. CIPE staff must analyze specific

Invisible Institutions

Imagine that the challenge of development is to get fish to thrive in a fish bowl. You might approach this challenge by teaching the fish to swim better. You could teach the fish all the right strokes, enough to become champion swimmers, and yet if they are swimming in really dirty water they will still do poorly. If you do not change the water, the swimming lessons will be for naught.

requirements and possibilities of their respective countries. Simply grafting international best practices onto any country's institutional framework does not work. Effective reformers pursue market and democratic principles pragmatically, recognizing that market economies and democracies assume a variety of forms in different cultural and institutional settings.

A serious development analysis must focus on the nature and performance of a country's institutions. Institutions, simply put, are "rules of the game"—they serve to insert predictability into human interaction.

The fish in developing countries struggle because they are swimming in water without access to property rights, rule of law, information, justice, and the other institutions of a market-based economy and democracy. The fish in developed countries do not even see the water. Their water is clean and clear, so they take it for granted.

By observing rules and conventions, people are able to pursue their businesses and their lives with a degree of certainty and security. Good economic institutions permit people to plan investments, trade with confidence, and innovate. Good governance institutions establish peace and order, preserve freedom, and uphold economic institutions.

How institutional reforms work

Institutional reforms are about getting incentives right. Since individuals everywhere respond to benefits and costs in their environment, they must be given good reasons to participate in markets and democratic processes, reasons that make sense to their personal well-being. When strong democratic and market incentives prevail, the cumulative energy of individuals can be channeled to advance national development.

The creation of clear, reasonable rules does not by itself solve the question of institutional reform. To begin with, a country's problems must be diagnosed correctly before suitable rule changes can be introduced. Regulatory reforms to support the functioning of stock markets, for example, do not solve the question of access to capital in a country where most capital is raised through borrowing from banks. The capacity to implement rules is another key factor that varies by country. One would not expect a property rights system based on a state-of-the-art registry to function properly in a poor, rural area with under-equipped authorities. The will and the means to enforce rules are crucial.

All institutions operate within a wider institutional framework and must be compatible with other institutions already in place. If not compatible, the incentives they

The Limits of International Best Practice

In 1999, the Parliament of Georgia adopted a new General Administrative Code, originally written by academics and development experts and translated into Georgian. The code was a high-quality legal document that, if fully enforced, could ensure the transparency of administrative bodies and promote the participation of civil society in regulatory decision-making.



However, research by the Partnership for Social Initiative (PSI), a CIPE partner, revealed that a number of the code's important provisions were never applied due to underfunding of administrative bodies, bureaucratic indifference, and ignorance of the code among entrepreneurs and the public. In response, PSI spread awareness of the code, organized an advocacy coalition, and pressured agencies into compliance with freedom of information requests, resorting to legal action when it became necessary.



There are several lessons from Georgia's experience: local experts must diagnose a situation because initial conditions differ from country to country; the degree of local capacity and experience influences how a solution is actually implemented; civil society and officials should be involved in the development of legislation so that they will understand, endorse, and apply it; and civil society coalitions have an important role in monitoring and pushing for the implementation of legislation.

create will become ineffective or distorted. This occurred in the late 1990s, when Russia's federal government established policies to encourage the development of small and medium-sized enterprises. In many cases, regional legislation contradicted federal legislation, resulting in a wide gap between the law on paper and the implementation of law by regional authorities.

Informal norms and customs also have powerful effects on formal institutions, frequently either reinforcing or undermining them. Botswana has had a positive experience in this respect. Robust formal mechanisms for public-private dialogue have developed there, which were reinforced by a traditional norm of consultation (*therisanyo*). In many cultures, however, informal practices such as gift giving have undermined formal efforts to prevent conflicts of interest and corruption.

Successful institutional transformations prune away dysfunctional elements of a country's political or economic system, introduce targeted improvements, and retain functional, locally accepted elements. Institutions may be considered successful when they are relatively efficient, consistently observed and enforced, and widely accepted as legitimate.

How to analyze country conditions

Because initial conditions matter, the first component of any reform program should be a thoughtful analysis. Your analysis will form the basis of your strategy.

Start by asking questions. How do things currently work? How are they dysfunctional? Why do things work the way they do? Keep asking "why" and digging deeper until you have a compelling logical explanation of what drives and

directs behavior. Remember that institutional analysis is not just about formal rules and structures on paper. It is about exploring the incentives that individuals actually respond to.

- Who benefits from the current situation?
- How do institutions exclude other people from participating in the economy and decision making?
- What costs do current institutions impose?
- Are there competing informal norms and practices? What are their advantages and disadvantages?
- Are laws and rules enforced consistently?
- What are barriers to the flow of information?

Business climate analysis

A business climate analysis examines the conditions for doing business and the health of market institutions. Healthy market systems involve more than liberalized trade and investment. They feature governance institutions that reward entrepreneurship, facilitate efficient markets, and protect the rights and freedoms of businesses. A well-governed business environment encourages innovation and investment, increases productivity, and expands opportunity. To pinpoint problems in the business environment, ask yourself two things, “What are the biggest barriers to market entry?” and “What are the true costs of doing business?”

One good way to assess business conditions in a country is to adopt the perspective of a foreign investor. Domestic investors share many of the same concerns as foreign investors. Consider the following criteria that foreign investors typically use to make their decisions.

Asking “Why?”

When Peruvian businessman and economist Hernando de Soto returned to Peru from Europe in the early 1980s, he wondered why most Peruvians failed as entrepreneurs in their native country, while other Peruvians succeeded in foreign countries.

Why was it that “people who have adopted every other Western invention, from the paper clip to the nuclear reactor, have not been able to produce sufficient capital to make their domestic capitalism work?”¹ Ruling out cultural and technological explanations, De Soto set about researching the question and talking to poor people. His research showed the basic problem was not an absence of assets either: the Peruvian poor possessed as much as \$80 billion worth of “dead capital,” assets that were not recognized in the formal economy.

Digging deeper, de Soto hit upon legal barriers and the absence of property rights as the fundamental business constraint on most Peruvians. He further devised effective methods to integrate informal assets and ownership practices into formal property systems. “Property means not simply honoring pieces of paper just because they exist...The genius in creating property rights lies in determining the current social contract regarding rights to a particular asset, then building on that reality.”²

His discovery helped more than half a million Peruvians join the mainstream economy and demonstrates the value of asking, “Why do things work the way they do?”



When to Analyze

CIPE staff should analyze a country’s situation at any of the following occasions:

- CIPE is new to a country
- An officer is new to a country
- The annual strategy document is being created or revised
- The context for a new proposal is being reviewed
- Major developments occur in a country

Partners should perform their own analysis independently.

Internal Market – the size and potential for growth of a country’s domestic market, especially the purchasing power of its customers. You do not invest in a market where you have little potential to make a profit.

Freedom of Access to the Market – the strength of the competition as well as the degree of government interference to entering a country’s market. The freer the market, the more attractive it becomes as an investment opportunity.

Labor Force and Raw Materials – while the investor brings capital, technology and management to the table, the quality of the indigenous work force and the availability of incountry raw materials are also important.

Protection from Currency Devaluation – if you make an investment in dollars, and then the local assets (valued in the local currency) are devalued, you have lost part (or possibly all) of your original dollarbased investment.

Remittance of Dividends, Interest, Royalties and Technical Assistance Payments – if you cannot get your money out of the country, then why invest?

Property Rights Protection – likelihood that a company’s property, real or intangible (patents, copyrights, etc.), will be stolen.

Export Potential – ability to source from an operating unit in one market to serve nearby markets or maximize a company’s global efficiency by trading among its various operating entities in different countries.

Regulatory Burdens – the cost of government intervention on business and profits in a country.

Favorable Taxation and Tax Incentives – although tax incentives geared to attract initial investments are important, the final investment decision is usually based on how a country's taxation will affect the normal operating environment.

Low Political Risk – an investor's ability to rely upon the integrity of the host government and its ability to maintain local law and order.

Predictable Macroeconomic Management – confidence that the economy will be managed in a competent and predictable way; that the rules of the game will not change in the middle of an investment.

Reliable Infrastructure Support – the ability to consummate transactions and get products and services to market. Whether it is reliable transportation services, power generation, insurance and accounting services, a competent financial system, or other basics, investments cannot yield reliable returns without them.

Source: U.S. Chamber of Commerce, Center for International Private Enterprise

Note that several of these investment criteria – property rights, regulatory burdens, and political risk – relate directly to the quality of a country's governance, and the others are related indirectly, but still connected. Improving the investment climate is largely a matter of improving governance by removing administrative barriers, protecting investors, and making governments responsive to the needs of entrepreneurs and economies.

You might observe that some investors do not particularly care about a host country's governance and institutional quality; they are only interested in speculative short-term investments and will look elsewhere if no quick profits

are to be made. That kind of investment does exist, but serious investors recognize its risks and limitations. Foreign direct investment, for example, brings investment partners with a long-term perspective who are interested in a better business environment.

What are the main barriers to market entry?

Barriers to market entry take many forms. Some barriers arise as firms develop natural competitive advantages through investment and innovation. Other forms of barriers have no place in a market economy. Unfair competition sacrifices efficiency, discourages investment and innovation, diminishes freedom, and rewards politically connected individuals who seek rents (privileges) rather than development. A sure sign of high barriers to entry is the presence of a large informal sector. When the economic assets and activities of large segments of the population are not legally recognized, the country suffers from a lack of access to economic opportunity.

- Are there cartels and government monopolies?
- Does registering a new business involve onerous procedures and fees?
- How difficult is it to gain title to a property?
- Are taxes exorbitant?
- Do cronies influence public policies, contracts, and investments to their benefit?
- Do trade and investment regimes protect some firms or sectors at the expense of competitive firms?

What are the true costs of doing business?

The costs of doing business also take many forms. Firms face various costs of production depending on their factor inputs. In addition, firms face significant transaction costs in many countries. Transaction costs are costs in time,

money, and risk that firms incur when they have imperfect information about business partners and opportunities, when property rights are in dispute, when they negotiate deals, and when they seek to enforce contracts. These costs have profound implications for development:

“Adam Smith explained that the productivity of the economic system depends on specialization..., but specialization is only possible if there is exchange—and the lower the costs of exchange (transaction costs if you will), the more specialization there will be and the greater the productivity of the system. But the costs of exchange depend on the institutions of a country...”³

Transaction costs tend to be much higher in developing and transitional economies, where information is privileged or unreliable, property rights are ill-defined, courts are weak, trust is scarce, and governments are unaccountable.

- How heavy are administrative burdens, including permits and licensing?
- How available is economic and policy information?
- How secure are property and investments?
- How long does it take to enforce a contract?
- What are the full costs of corruption to business, including extortion and long-term costs?

Governance Analysis

It takes far more than free and fair elections to make democracy work. Between elections, citizens must have avenues to participate in decision making, stay informed, and hold the government accountable for its performance. In conducting your governance analysis, you will look at

what makes government effective, what makes government responsive, and the various avenues citizens have to address and influence policies.

Targeting Transaction Costs

In the mid-1990s, the current of private sector opinion in Brazil came to view transaction costs as a hindrance to national competitiveness. The Liberal Institute of Rio de Janeiro (ILRJ) and CIPE launched a project to investigate the causes of high transaction costs and examine their economic impact.

One study documented the high cost and excessive length of labor court cases, which put a premium on conflict rather than resolution. Two of ILRJ's recommendations were adopted as law, including the institution of arbitration in commercial cases.

Another study underscored the effects of inefficiency and weak transparency in government procurement, which produced higher transaction costs through corruption.

ILRJ made 11 recommendations – such as reducing the discretionary power of purchasing agents and increasing competition among contract bidders – seven of which were adopted by law or decree.

Part of ILRJ's success on these issues can be explained by its presentation of solid data and specific recommendations, as well as its advocacy efforts through conferences and bulletins distributed to elected officials, the media, and the private sector.

How effective is government?

From the perspective of democracy and development, the effectiveness of government should be viewed not simply in terms of power and control but rather in terms of the government's ability to achieve and facilitate important objectives. Such objectives include the implementation of democratic decisions, support for economic growth led by the private sector, and the defense of basic freedoms.

The quality of public administration is one important component of government effectiveness. Without a capable and responsive administration, decisions made by elected officials have no practical effect. Moreover, citizens depend on the administration for the delivery of government services.

- Is the civil service capable, professional, and honest?
- Is it easy for citizens to obtain services and comply with regulatory procedures?
- Do corruption and patronage interfere with administrative performance?
- Will bureaucrats implement reforms adopted by elected officials?

The quality of laws and regulations also has a tremendous effect on government performance and the vitality of the private sector. Laws and regulations should be clear, consistent, and provide benefits to society that outweigh the costs.

- How great a burden do regulations place on administrators and citizens?
- What incentives encourage compliance with laws and regulations?

- Do laws agree with local customs and practices or do they encourage greater informality?
- Do regulations create unintended incentives that increase the risk of corruption?

How responsive and accountable is government?

In order for elections to result in responsive government action, elected officials must have the power and incentives to carry out their mandates.

- Do legislators actively participate in policymaking and oversight of the executive?
- Are political parties sufficiently organized and representative to provide leadership, choices, and action on the issues that matter to voters?
- Between elections, do citizens have avenues to make their voices heard?

The free flow of information is crucial to the functioning of democracy. The principle of transparency requires public and private action to disclose and share information.

- Does the government have mechanisms such as a freedom of information act to promote transparency?
- Are draft laws and regulations made broadly available?
- Do independent news media have the freedom and capacity to spread information on issues affecting citizens?
- Do civil society organizations monitor the government, educate their members, and keep officials informed about civic needs?
- Are corporate transactions with the public sector transparent?

In a democracy, the rule of law ensures that the government serves the public interest and not just private interests. Rule of law is based on three fundamental democratic principles: supremacy of law, equal protection under the law, and impartial enforcement.

- Is the judiciary independent? Is it capable of upholding the law and checking government abuses?
- Are laws enforced consistently and fairly?
- Do citizens have recourse to courts or arbitration procedures to resolve disputes, including commercial and contract disputes?
- Are there any groups that are denied access to justice or formal property rights?

What is the policy environment?

Understanding the policy environment matters for three reasons. First, to achieve policy changes, one needs to know how the game is played and target advocacy accordingly. Second, it may be possible to reshape the policy environment to improve decision-making on future issues. Third, by finding openings to expand participation in the policy process, one strengthens reform constituencies while enhancing democracy. Although authorities are sometimes unreceptive at first to input on policy, they actually need information from the private sector to achieve economic and developmental goals.

The following are characteristics of a good policy system:

Stability and predictability – policies are understood and permit individuals to plan ahead.

Adaptability – policies respond to changing situations and development priorities.

Coherence – policies are coordinated across different sectors and ministries.

Orientation to the public interest – policies serve the public, not narrow interests.

Efficiency – policy benefits outweigh costs.

Visibility and transparency – it is possible to monitor the creation, implementation, enforcement, and effects of policies.

Openness – a variety of channels exist for dialogue with civil society and public comment.

The quality of policy outcomes depends largely on the process by which policy is formulated and implemented.

Consider the following questions:

- What are the roles and powers of the executive, legislative, and judicial authorities? What are the roles of public agencies and local governments? Are authority and decision-making procedures well defined and observed in practice?
- Who participates in policy-making? What are their incentives and preferences? Do they have a short-term or long-term perspective? Which groups favor or oppose reform? How do civil society actors participate?
- What information is available to policymakers and the public?
- What are the relevant institutions for policy formulation and implementation? Are there functioning institutions for public-private dialogue?

After analyzing the existing situation, consider how a more democratic policy process might look.

- How could policymaking become more open and transparent?
- How could more constituencies participate in policymaking?
- How could decision-makers be better informed?
- How could policy implementation and enforcement be improved?

Analysis of Private Sector Organizations

The private sector can be a leading driver of reform. When businesses become politically engaged, they can improve policymaking, represent legitimate economic interests, and defend democratic rights and institutions.

Pay careful attention to the composition and diverse interests of business and industry. Do not assume that all businesspeople and companies share common interests and views. Economies can be divided along industry and sector lines – such as the state sector, the private sector, and the informal sector – each with its own interests and objectives. Government policies often have differential impacts on firms and industries. Firms that operate behind protectionist trade barriers or that have strong links to the government tend to support the status quo. Conversely, firms that have been marginalized by government policy – such as small entrepreneurs or firms that trade internationally – will tend to demand change.

Analyze the major actors who represent the private sector and assess their potential to become reform leaders. Look at their interests, capabilities, and their environment. Major actors include business associations, chambers

of commerce, economic research institutes, and non-governmental organizations. Identify those business groups that are potential allies, those that can be mobilized, and those that may resist change.

Environment

Private sector organizations operate in an environment defined by government, civil society, and the private sector itself. Governments can either restrict or protect freedom of association. They commonly regulate registration of private organizations and the functions that they are authorized to perform. They may even influence the leadership and financing of business organizations.

A tradition of strong civil engagement facilitates the development of business organizations. When individuals are accustomed to participating in voluntary organizations, they bring a level of trust and organizational skill to economic causes. On the other hand, if voluntary activity and political engagement are scarce throughout society, it will be more challenging to organize and represent the private sector.

Orientation

A key distinction to make among private sector organizations is whether they promote markets and competitive business or whether they seek redistribution, protection, and special privileges. A second important question is whether they are independent of government and organized on a voluntary basis. Voluntary associations tend to be more democratic, more dynamic, and more responsive to business needs. Finally, examine the overall structure of interest representation. Does it follow a corporatist or pluralist model? Corporatist models channel all interest representation through fixed

Characteristics of Private Sector Organizations

Environment

- Freedom of association
- Laws and regulations governing chambers and non-governmental organizations
- Strength of civil society

Type

- Business association
- Think tank
- Non-governmental organization
- Media
- Educational institute

Orientation

- Competitive markets or protection?
- Voluntary or mandatory membership?
- Pluralist or corporatist?

Constituency

- Size
- Diversity
- Sector
- Demographics
- Level of political and economic participation

Capability

- Governance structure
- Leadership
- Resources
- Membership
- Influence

structures, such as federations that speak for all employers. Pluralist models are less regulated, more diverse, and more competitive.

Constituency

Find out which business constituencies are represented, how well they are represented, and which are underrepresented. Some economic think tanks and business federations speak for very broad constituencies. Others serve an industry or a demographic group. Probe whether business organizations are responsive to their members and constituencies – do they consult them on important issues? Consider the needs of groups that are frequently excluded from mainstream national organizations, especially informal enterprises, women entrepreneurs, and youth.

Capability

The organizational strengths of private sector groups influence their ability to advocate effectively and serve businesses. Do they have institutionalized leadership or do they revolve around the personality and interests of a single individual? Is there professional staffing to conduct programs? Do members participate in association activities and contribute financially? Do they have experience with policy advocacy?

Country Indicators

Numerous indexes of governance and the business environment can orient you to country conditions and serve as a cross-check on your own analysis. Although useful, indexes should be used sensibly. Do not rely on any single indicator. Read the explanations of the scores and also read qualitative reports. For specific reforms, a separate detailed

analysis is necessary. Bear in mind that small differences in cross-country rankings are not significant, and within-country trends are usually more important than cross-country comparisons.

[Basic economic data](#)

www.worldbank.org/data/countrydata/countrydata.html

[Business Environment Snapshots](#)

rru.worldbank.org/besnapshots

[Corruption Perceptions Index \(Transparency International\)](#)

www.transparency.org

[Doing Business \(World Bank\)](#)

www.doingbusiness.org

[Enterprise Surveys \(IFC\)](#)

www.enterprisesurveys.org

[Freedom in the World Index and Country Reports \(“Map of Freedom”\)](#)

www.freedomhouse.org

[Global Integrity Index and Country Reports](#)

www.globalintegrity.org

[Index of Economic Freedom \(Heritage Foundation\)](#)

www.heritage.org/research/features/index/index.cfm

[Worldwide Governance Indicators](#)

info.worldbank.org/governance/wgi

Notes

¹ Hernando de Soto, *The Mystery of Capital: Why Capitalism Triumphs in the West and Fails Everywhere Else* (New York: Basic Books, 2000), p. 7.

² Interview with Hernando de Soto, “Securing Property Rights,” *Economic Reform Today* (1996, no. 1).

³ Ronald Coase, “The New Institutional Economics,” *American Economic Review* 88, no. 2 (May 1988), p. 73.

4

Country Strategy

Once you have completed your country analysis, you will be looking for openings to take action. But before diving into projects in a country, you will need to chart your course. The country or regional strategy will follow from the analysis described in Chapter Three. If a strategy is already in place, you should reassess it from time to time and revise as necessary.

Why strategy matters

Strategic planning is about relating goals, objectives, activities, resources, and outcomes. It is a way of turning ideas into action for results. A clearly articulated strategy provides numerous advantages:

Direction – Having a strategy gives you a structure to meet your goals. A strategy states exactly how you are pursuing CIPE’s mission and guides the implementation of program activities.

Effective use of resources – Instead of blindly mounting a frontal assault on problems, using a strategy allows you to target and coordinate the deployment of resources.

Prioritizing – Not everything can be paid for or accomplished at once. A strategy identifies a starting point and a logical sequence leading to the fulfillment of goals.

Amplified impact – Focused, sustainable strategies can transform political and economic institutions, producing ramifications throughout society.

If local knowledge matters, one might ask, why does CIPE need its own strategy? It is true that local partners usually know what reforms need to be made, but they require practical methods and assistance to achieve those reforms.

A CIPE officer advises on what has worked in similar situations and guides partners through their strategic planning process. The officer must have a system for recommending which partners to support and determining the best allocation of CIPE's resources. Finally, the officer must ensure that the program is aligned with CIPE's objectives and strategy.

Components of strategy

Strategies for governance and policy reform have soft and hard components. The soft components consist of issues, ideas, and values. The fight for democratic ideals is waged on multiple levels: shaping the understanding of individuals, transforming public debates, promoting innovative solutions, and building the legitimacy of democratic and market institutions.

Hard components of strategy consist of the organizational and material resources available to reformers, which include organizational capacity, funding, and networks of supportive constituencies. These are the resources that reformers can marshal on the battlefield of ideas.

A good strategy has the following characteristics:

Focus – Bring multiple assets to bear on a single objective for concentrated effect.

Simplicity – Keep a limited number of objectives, activities, and moving parts in your strategy. Simplicity facilitates execution as well as monitoring and learning. (Do not oversimplify to the point of ignoring country conditions.)

Coherence – The parts of a strategy should complement each other, not work at cross-purposes. Avoid a difficult-to-manage scattershot approach.

Feasibility – Objectives should be challenging, yet attainable.

Combine need and opportunity

Needs are apparent all around us; there is usually no shortage of needs to be met that fall within CIPE's mission. Before taking action, assess and prioritize the needs within a region and its countries. Drill down, asking *why* things are the way they are, to find which needs are fundamental and which are simply symptoms of more fundamental problems.

Needs matter, but opportunities are what drive a strategy forward. A focus on opportunities will encourage better use of CIPE's resources while capitalizing on momentum for reform. An opportunity involves a good partner and a reason to think that now is the time for reform. For example, an issue may be on the agenda in a country, new leaders may be taking office, or the country may influence the region. When a good opportunity presents itself, make the most of it! In the opposite case, when opportunity seems scarce, find strengths on which to build in anticipation of future openings, or try to reframe the way people think about problems. Focus on getting a small win and move forward on that.

Capitalize on strengths, address weaknesses

Strategy has an external aspect (a country's political and economic environment) as well as an internal aspect (the capabilities of CIPE and its partners). Turning to the internal aspect, you must take inventory of the strengths and weaknesses of your partner organizations. Do they have staff, members, resources, and skills for advocacy? Determine in each instance whether it is better to support a proven advocacy organization that can confidently complete a project, or support the development of a weaker organization in hopes of creating new voices and reaching a new constituency.

Always keep in mind CIPE's business model and core competencies. CIPE has particular strengths and experience in the areas of business association development and legal and regulatory reform, in addition to specialized thematic knowledge. Innovations in programs always have an important place, but should be backed by CIPE's existing knowledge and strengths.

Leverage the biggest amount of change

The resources of CIPE and its partners are finite, so seek to obtain the largest attainable return on a program investment. CIPE's focus on institutional reform aims to capture the energy of countless individuals responding to positive incentives in a sustainable manner.

- Use grants like seed money or venture capital.
- Look for multiplier effects. Will an investment continue to multiply or is it a one-time activity?
- Be willing to take some chances.

How do you know if you are really promoting institutional reform at a particular juncture of political and economic development? The question is, will the program change the rules of the game in a way which improves participation of the average person? If you are not changing the rules of the game, you may actually be doing humanitarian work instead. That is not a bad idea, but it is not CIPE's approach of institutional reform. Thus, the CIPE approach would favor teaching advocacy skills to facilitate policy change, over coaching individual entrepreneurs on business skills.

Focus, Incentives, and Strength in Numbers

The Institute for Solidarity in Asia's (ISA) public governance program for Philippine cities, supported by CIPE, exemplifies several characteristics of good strategy.

First, the program mobilizes multiple constituencies - business, labor, civic organizations, professionals, youth, academia, and city officials - around the common goal of improving local governance.

Second, ISA's strategic planning system provides a sharp focus by defining each community's selected objectives and targets. ISA facilitates participation of the various constituencies in this planning process.

Third, the program works through powerful incentives. Mayors participate by invitation only, and are recognized for their achievements when they attain predetermined milestones.

Prioritizing reform issues

Begin by letting the people on the ground tell you what their own priorities are. Ask, “What are the issues that are important to you?” When you start hearing the same thing over and over, it is a strong indicator that this is something to focus on.

Gathering information

Structured methods for gathering information are essential tools. Surveys or roundtables can be used to determine barriers to entrepreneurship and country priorities. Be sure to assess the needs and opinions of private sector constituencies themselves in addition to consulting expert opinions.

A project advisory board can be a good source of local advice on project ideas and policy recommendations. Prominent decision makers on the board enhance the credibility of the project, too.

The national business agenda process is the most sophisticated exercise for drawing people into issue prioritization. A good national business agenda narrows issues down to a few recommendations that are feasible. These recommendations provide focus for advocates and decision-makers, and allow some early wins to build credibility.

Wedge issues

Reforming institutional systems is a complex task, but reform has to start somewhere. Finding a wedge issue is a good place to start. A wedge issue is a change that people think they can accomplish in a reasonable amount of time.

It may not be the most important issue, but if it is the one they can change for the better, it serves to open up a wedge that allows other things to happen.

A wedge issue looks innocuous and manageable at first, for instance, corporate governance. Everyone can gather around the table to agree this is a problem and that action can be taken. Then as the issue moves forward, people start saying, if we really want to address the issue of corporate governance, we also need to look at how the courts are functioning and the rule of law. We may also want to look at securities market regulation and what the government is doing there. And then, while we are looking at that, we need to look inside companies and the structure of boards and how they're reporting. Then on top of that, we have another issue dealing with shareholder rights and how those are being protected and enforced. So by taking on a single issue, one actually opens up the whole institutional reform within the country, giving people a dialogue through which they can engage a broader concept.

How to enter the policy process

In any policymaking process, three elements combine to produce policy: a problem, a solution, and a decision point. All three require strategic attention.

Illuminate and frame the problem.

Identify problems by surveying, prioritizing, and analyzing local needs. Dig deeply to locate the underlying sources of problems, especially any distorted incentive structures. Once a key problem has been identified, publicize it and raise its salience on the public policy agenda. Frame the problem in terms the public can relate to, for

instance, by demonstrating the importance of reform to national competitiveness or the advancement of broad constituencies.

Design a solution.

Policymakers are not always receptive to complaints, but they are often willing to listen to solutions. Policymakers depend on others for information and frequently accept ready-made solutions. Every policy campaign should prepare well-informed solutions that are practical, specific, and appropriate to local conditions. One should also critique alternative solutions that are being proposed.

Determine the appropriate decision point.

Who are the decision-makers? – Map out how the policy process functions, both constitutionally and in practice. Identify decision-makers who are involved and assess their level of influence, knowledge, and support for reform. Of particular importance are decision-makers who will actively campaign for reform and gatekeepers who can veto policies. Then, invite decision-makers to participate in open, non-partisan discussions of policy problems and solutions. Provide them with factual information and demonstrate popular support for the private sector's preferred position.

Timing – Since it is not easy to move issues to the top of the policy agenda, act on current issues that are attracting interest. Good timing means coordinating advocacy efforts around opportunities, which might include a change in political leadership, an election, an international opening, an economic crisis, or a previous policy success.

Getting laws passed and rules changed is only half the battle. Implementation and enforcement comprise the

other half. Mechanisms for implementation and feedback should be incorporated into the policy process. Subsequent to policymaking, the reform priority will become following through on implementation with monitoring and accountability.

Tangible policy wins are always valuable, yet it is also worth trying to reshape the policy process itself. Doing so helps develop democratic governance while facilitating future policy reforms. Key process reforms include gains in transparency, participation, and new forums for dialogue.

Mobilizing constituencies

The democratic policy process requires the ownership and involvement of many constituencies. Assess which constituencies have the right combination of unmet needs and opportunities that will leverage change. Consider those groups which could be better represented, mobilized quickly, or swayed toward market views. All of these may represent important opportunities.

Target constituencies

Small business – a potentially large pool of employers, voters, and association members. Small businesses are particularly vulnerable to regulations, taxes, and arbitrary government action, and as a result are often motivated to support change. Their access to information is typically limited.

Big, private business – can be an influential, capable ally; but some businesses have excessively close ties to government and political elites. Those businesses that seek to compete globally can become reform leaders. Establishing good corporate governance is a priority.

Informal sector – a large constituency that is generally poorly represented. Reforms in this sector depend on extending the rule of law, reducing the costs of formalization, and opening up opportunities to informal entrepreneurs. Incentives for informal operators are important and often overlooked in favor of enforcement.

Women entrepreneurs – are emerging leaders in business, politics, and communities. They may face discrimination and impediments in business or political activities on top of the impediments that men face.

Youth – can be innovative, energetic, and receptive to new ideas. Help them understand how entrepreneurship and free markets will open up opportunities for them.

Building bridges across constituencies

Advocacy efforts by private sector constituencies risk stalling if they do not form bridges across sectors of society and among themselves. The news media, for instance, should be frequently engaged by business groups as partners in reform. Various non-governmental organizations can also be partners on specific issues or in the general effort to promote better governance standards. Although inclusive coalitions are desirable, bear in mind that each business constituency must have good representative entities, a clear sense of policy goals, and a sense of ownership before it can serve as an effective partner in a coalition.

Managing a Project Portfolio

The selection of CIPE projects in a region can be managed effectively as a portfolio. Managing a portfolio means thinking about expected returns both from individual projects and from the portfolio as a whole.

Top-Down or Bottom-Up Reform....

Why not both?

In Egypt, business leadership for change is flowing from different directions, particularly from two CIPE partner associations representing contrasting constituencies.

The ***Egyptian Junior Business Association*** (EJB) represents over 400 young managers and business owners. Many of them have international education and experience and are responsible for large companies. This elite, forward-thinking group has been on the cutting edge of promoting ethical business and public service. Since 2004, EJB has issued an annual National Business Agenda based on the CIPE model, which reflects the policy priorities of its membership. The annual launch of the agenda document is now anticipated by government officials and has attracted a significant number of cabinet members.

No less impressive is the ***Federation of Economic Development Associations*** (FEDA), a grassroots small-business federation spanning 18 of Egypt's 26 governorates, 102 member associations, and 32,000 entrepreneurs. It speaks for owners of formal and informal businesses in far-flung areas, creating venues to give officials direct access to small-business views and concerns. FEDA has gained enough credence with members of parliament that nearly 45 percent of FEDA's recommendations were incorporated into Egypt's new law for small and medium-sized enterprises.

Together, FEDA and EJB complement each other very nicely, reaching as they do from the grassroots up to the summit of policymaking.

Time horizon – Institutional reform is a long-term process, yet it remains necessary to show significant impact from projects regularly. Some projects can and should show results relatively quickly. Others, particularly with new partners, are investments in organizational capacity and human capital that will yield strong advocacy results in a few years' time. Thus, it makes sense to maintain a “pipeline” of projects with a mix of short and medium-term expectations.

Diversification – Given the complexity of country environments and the variety of partner organizations, it is wise to have a mix of partner types and approaches within an overall strategy. One cannot predict with certainty where breakthroughs will occur.

Complementarities – Progress in one sector sometimes depends on support and progress from another sector. Changes in the media, for instance, may be supportive of business association advocacy. CIPE can assist mutually supportive programs in different sectors. Encourage information sharing and cooperation among partners.

Probability of success – Taking on a few riskier projects has merit, provided of course due diligence is performed. A new partner or an untested approach may turn out to be what's needed to achieve breakthrough success. On the other hand, significant resources should be invested in projects that advance proven approaches and capitalize on core competencies.

Steps in Building a Reform Agenda

1. Identify the initial conditions. What are the most important barriers to market entry and the true costs of doing business? What are the underlying problems? Publicize the findings in both the financial and popular press.

2. Locate the key points of change. What institutional reforms will generate a private sector supply response? How can existing incentives be improved? Demonstrate the benefits to business, the economy, and society as a whole.

3. Mobilize business associations, think tanks, and other civil society organizations to join in a collective action program to advocate for institutional reforms.

4. Generate specific policy recommendations such as reductions in entry barriers, reform of customs procedures, or simplification of tax administration. Be as specific as possible; general ideas such as “reduce tax rates” are rarely addressed. Ensure that solutions are compatible with local institutional frameworks and that costs are low relative to the benefits.

5. Manage expectations by setting out achievable goals that demonstrate to business constituencies and the public that reforms can be achieved.

6. Mount an aggressive advocacy campaign that effectively communicates complex ideas in simple and attractive ways to build the case for policy reforms.

7. Recognize the government officials, political leaders, and businesspeople who act upon the reform agenda. Monitor implementation and enforcement.

5

Project Design

A well-designed project fits the strategy and country context, sets appropriate objectives, and spells out how resources will be used effectively to achieve the objectives.

Country and Program Context

What is CIPE's country/regional strategy?

Does the project idea advance the strategy? Strategy should guide the selection and design of every project. A string of isolated projects that do not fit the strategy will dilute the effectiveness of program efforts. Strategy should be applied flexibly, however. Do not try to force a project idea into the strategy. If major new opportunities or challenges arise, you may wish to revisit the strategy and determine if it needs modification.

What has CIPE or the partner done before in the country?
What was the result?

A reform program requires time and continuity to bear fruit. Each project should build on previous efforts in a progression of related, evolving projects. Take stock occasionally of whether the partner and the approach are having measurable effects, or whether tactical changes may be necessary to advance the strategy. If previous work has succeeded or if it has failed, analyze and record the reasons for the outcome.

What have other international organizations done in the country?

CIPE has many strengths and each region has many needs, but CIPE is not always the best positioned to address each particular problem. Rather than duplicating the work of other organizations, CIPE should find an underserved niche or improve upon the methods others have tried.

What diagnostics and studies have been performed?

If CIPE, its partner, or another has assessed the needs of entrepreneurs and private sector organizations, do the project ideas address those needs? If no study has been done, consider whether it makes sense to include a study in the project. The need for information, though, should be balanced against the imperative to pursue advocacy activities.

What lessons have been learned in other countries?

CIPE's experience throughout the world has produced valuable lessons that can be applied to many relevant situations. Learn and employ the concepts, tactics, and resources that CIPE has found to be effective. Save yourself trouble by learning from others' discoveries and mistakes.

State the key assumptions.

The successful implementation of a project depends on attention to key assumptions regarding the need being addressed and the conditions under which the project's objective may be reached. Assess the validity of the assumptions and be prepared to modify the project if conditions change.

Example one: CIPE proposes to train business association executives in order to improve management practice in associations. Key assumptions may be that participating executives are empowered by their boards and interested in making changes.

Example two: A think tank proposes to host a public debate on election issues in order to raise voters' awareness. Key assumptions may be that an election will be held, that public debate is possible, and that relevant audiences can be reached via invited media groups.

Setting Objectives

Multiplier effects

Ultimately, CIPE aims to support system-level transformations in countries' democratic and free-market development. Achieving this high goal requires changes that extend well beyond the scope of individual projects. A project should be designed with a plan to leverage its outputs for greater gain.

Institutional change – Improvements to the business environment and the policy process have a positive influence on far more firms and individuals than does assistance limited to particular firms or individuals.

Local leadership – CIPE acts as a catalyst for reform by developing local leaders. These leaders then share their knowledge with others, pursue advocacy, and develop new leaders.

Sustainability – CIPE succeeds when a reform program continues after CIPE ceases to provide financial support.

Level of impact

System-level change cannot be achieved at a single stroke, so one needs to map out a plan to get there. Although CIPE's aim is to reform institutions, at the project level CIPE necessarily engages with individuals and organizations. A project's objectives should be calibrated to the level of social change that can reasonably be anticipated, given the country conditions and the degree of progress that has previously been made. In general, CIPE develops and supports individual leaders, who then build and reform organizations, which then change the governance of a constituency or policy area, and ultimately shape a society's development toward free-market democracy.



Each step of the plan must be feasible. Overly ambitious plans break down in the middle, failing to consolidate their gains. Start small and build with success.

Target Audience

Advocacy programs target a wide range of audiences to seek their understanding and support. Each group plays its own role in the reform process and presents its own set of opportunities and challenges. The particular mode for reaching an audience will significantly shape the character of a project. When selecting audiences, consider the specific response desired from each and which types of appeals will be most effective.

Decision-makers – Political leaders have the ability to reform policies. They must be made aware of private sector needs through precisely targeted information and outreach.

Business leaders – Reform-minded leaders are CIPE’s partners who develop and implement advocacy campaigns. They stand at the crucial nexus between grassroots entrepreneurs, political decision-makers, and other business leaders.

Grassroots business – Grassroots entrepreneurs are harder to reach, but when organized become a formidable constituency. Their voices must be heard in order to genuinely advance access to markets and democracy.

Public opinion – The public benefits from having a vibrant private sector and good governance. The public’s support for reform should be won with simple, consistent messages and strong examples, conveyed through the media and grassroots networks.

SMART Objectives

S *Specific*

M *Measurable*

A *Achievable*

R *Resource-sufficient*

T *Time-sensitive*

What constitutes success?

It is important to get a clear picture early on of how the partner and CIPE envision a successful outcome. This is more than an evaluation question. The answer will shape how objectives are articulated and direct the activities toward the true goal. Ask two simple questions:

“What will change as a result of the project?” – For instance, will new groups be participating in politics? Will new businesses be formed?

“So what?” – Why does the project matter? How will the public benefit?

For further information on CIPE’s criteria for success, refer to the *CIPE 15 Year Evaluation* (1984–1999), Appendix A.

Making a decision on the project

Core goals

If there are a plethora of good project ideas that are all within the realm of possibility, ask, “What is core to our strategy here? What is core to our mission?” Find the point where CIPE’s objectives meet the partner’s objectives. A project should advance the mission and strategy of both CIPE and its partner.

Return on investment

If multiple project possibilities could advance CIPE’s goals but resources are limited, make a rough calculation of which project will produce the largest benefit relative to the project cost.

The 5-Way Test

Should you do the project? When deciding whether to pursue a project idea, check it against these five criteria:

1. Is the activity consistent with the CIPE mission (and the partner’s mission)?
2. Is the activity meaningful for the community?
3. Does the activity make the best use of resources?
4. Can the activity be funded sufficiently?
5. Does the activity duplicate the efforts of other organizations?

Resource inputs – What are the total costs, including administrative costs?

Multiplier effects – Will the project generate institutional change, new leaders, and sustainability?

Ancillary benefits – Will the project support future efforts through capacity building and learning?

Where is CIPE's support pivotal? – In which project will CIPE's support make the difference between success and failure?

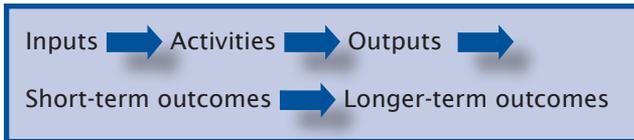
Time frame – How long will it take to achieve the expected returns?

Risk – Which project has the better chance of success?

Work Plan

Logic model

A logic model describes the causal relationships underlying a project's design. The model explains how and why the project will work; that is, how the desired outcomes (not just outputs) will be achieved through the project. Creating a logic model assists in clarifying assumptions, coordinating activities, and preparing for evaluation.



Draw a simple flow chart to make the model clear. Looking at the flow chart, one can easily tell which steps must happen in order for all subsequent steps to occur.

Activities

A project's activities should all be designed to advance the project's objectives. Each activity should be linked to the promotion of a particular objective. Think backward from

the objectives to determine what tasks need to be done. Activities should be focused and mutually supportive; too many or scattered activities will complicate management and weaken a project's effect.

In the activities plan, be specific about who will do what, when they will do it, and what quantities are involved. If any inputs are unclear at the start, have a process prepared for resolving the unknown items. Be clear which activities may depend on the completion of other tasks or on events outside the control of the project. A schedule or time line of activities helps facilitate project management and tracking of deadlines.

Personnel

A well-designed project is only as good as its execution, which depends on the leadership and performance of key personnel. Professional personnel are commonly scarce in not-for-profit organizations, and may be managing multiple projects, so it is vital to ensure that a project has dedicated leadership and sufficient staffing. Check during the site visit who will be staffing the project. Identifying and developing talent is always an important component of increasing capacity for reform.

Budget

A project's budget says a lot about how its activities will actually be implemented. Ensure that activities are sufficiently funded. When crafting a budget, start with the activities description and list the resources that will be needed. Dividing payroll from other expenses is an easy way to get a preliminary breakdown. Quantify all the details and check that the "Five W" questions have been answered: Who, What, When, Where, and Why?

Success factors

A project can fail for any of three reasons:

The environment changes – Be attentive to changing conditions and whether the original assumptions still hold. Flexible management can sometimes save a project, especially if an eye is kept on the ultimate objectives.

The project management is deficient – Good project management is a function of personnel performance, attentiveness to management practices, and regular monitoring. Execution makes the difference between a good idea and good results.

The project is not the right project for the country – Attention to context, strategy, and local knowledge prevents project mismatches. New information and experience, however, can change one's understanding of the situation; the important thing is to learn!

Start small, build on success, and always ask *why* things are happening, good or bad.

6

Partnerships

CIPE embraces partnerships as the key to building business organizations and civil society. The partnership approach gives local organizations ownership of programs and leads to sustainability. Typically, partners identify their country's needs and formulate solutions. CIPE transfers technical and managerial capabilities to the partner organization and shares powerful international reform practices. Thanks to CIPE's reform network and more than two decades of experience, partners can compare and test their ideas against approaches that have been applied in numerous other emerging markets countries.

Selecting and screening partners

Characteristics of suitable partners

Prospective partners should be independent organizations that are committed to open markets, rule of law, and democratic decision-making. Partners should be broadly representative of business interests, either representing a business constituency directly or advancing policy positions that contribute to free-market democracy. They should not be beholden to particular commercial or political interests. Typical CIPE partners are business associations and think tanks, but CIPE supports programs with a variety of media, civil society, and educational organizations.

Associations should be voluntary and inclusive, seek change on issues of concern to their members, and encourage wide participation in the policy process. Partner organizations of all kinds should have credibility among the business community and be willing to reach out and work with others. Good partners have a keen understanding of local challenges and opportunities, as well as a clear idea of their own purpose.

CIPE rarely supports the founding of brand new organizations, in part because new organizations involve risk, but also because intervention at this stage often threatens local ownership and sustainability. Organizations with experience, capacity, and proper governance structures have a better chance of absorbing outside assistance to implement successful projects. CIPE helps many young organizations develop their capabilities, once they have shown some potential.

Locating prospective partners

One of the most important ingredients of a successful partnership is a good partner. Program officers routinely scout out talented local reformers who are already involved in promoting change. Rather than limiting itself to the existing pool of potential partners, CIPE actively seeks out and develops new leaders and their organizations.

Valuable leads on new contacts can be obtained from many sources:

- Previous partners
- Consultants
- Conferences
- Training programs
- Diagnostic studies

- Advisory boards
- NED and affiliated organizations
- Washington experts
- International donor organizations
- Embassies
- AmChams

Due Diligence

CIPE program staff plays an essential role in ensuring that prospective partners are ethical, capable, and suited to CIPE program work. Staff must make inquiries and verify information received from applicants.

- **Ask around** about the organization to find out if they are who they say they are. Inquire with embassies, local experts, reliable contacts, etc. Be aware, though, that other organizations may not be objective if they are competing for funds.
- **Visit** the prospective partner's office. Is it a real organization or just a shell? Observe what people are actually doing.
- **Check** with NED and other donors for information. Has the group been successful? Competent? Responsive?
- **Search** public sources with tools such as Google.

Seek answers to the following questions throughout the program development process:

Ethics

- Is there any criminal background to the organization or its key personnel?
- Are there any corrupt connections or conflicts of interest?

People

- Who are the board members? Are they representative of the organization's constituents? Are they connected with government or other interests?
- Who are the key personnel? How long have they held their positions? Are they empowered by the board to act?
- Is there continuity in leadership? Are there foreseeable changes in board or staff-level leadership?

Funding

- What are the major sources of funds?
- Does the organization receive government funding?
- Would CIPE funding potentially overlap activities being funded by other donors?

Activities

- Is the organization pursuing its own program and mission?
- Or does it pursue whatever program donors are interested in?
- Does the organization have a track record of pursuing democratic and market reforms?
- Do they do what they say they do?

Delivering assistance to partners

How to Assist

- Listen to their ideas.
- Provide international examples.
- Give strategic guidance.
- Let them learn by doing.
- Teach advocacy skills.
- Develop partner capabilities.
- Plan for the long term.
- Help them meet CIPE's requirements.
- Give them support.

How Not to Assist

- Do not convince them to do something they are not interested in.
- Do not ignore local knowledge.
- Do not design their project for them.
- Do not manage their project for them.
- Do not advocate on behalf of the partner.
- Do not encourage dependency.
- Do not support a partner indefinitely.
- Do not accept lack of accountability.
- Do not accept lack of performance.

Ownership

Ownership means that the local partner is empowered, is committed to the project, leads the project, and shares responsibility. CIPE staff should reinforce local ownership over all aspects of project management and avoid driving the reform agenda. Think of CIPE's roles as supporting and mentoring the partner.

Program ideas must be initiated by the potential partner organization. This ensures that the idea is relevant to the country's circumstances and responsive to local demand. It also allows the organization to learn strategic planning and program development. A project's objectives should conform to the partner's mission. Confirm early on that the project is strategically important to the organization.

Relationships with partners

For a partnership to function, communication and roles must be handled fairly and skillfully. CIPE can have significant positive influences on partners, but as a donor must be vigilant to minimize unintended influences that may weaken ownership or encourage dependency.

Listen to prospective partners! They know best what should be done and what is possible. Do not lead the conversation. If you are doing more than 20 percent of the talking, you are probably not listening.

In providing technical assistance, CIPE frequently shares examples of international experiences and practices, yet does not impose an international standard. Partners should be offered options and examples, which they can then evaluate for themselves. Never pressure people to do something they do not really want to do.

Be clear about roles and expectations from the beginning of a relationship. CIPE staff must respect local ownership while requiring accountability from partners and adhering to CIPE's objectives and principles.

Funding

Financial assistance is an important means of support, which should be delivered in proportion to what the recipient organization can manage. Excessive funding causes waste and distorts organizational objectives. Funding should be provided primarily for programs, not operational support. Although operational support can be a component of funding, CIPE staff should ensure that projects are directed toward achieving the partner's strategic objectives and that appropriate milestones are met. Partners should commit

matching funds to projects to demonstrate the strategic value of the projects and to maintain financial ownership of their programs.

Preparing partners for action

CIPE invests in the capacity of private sector organizations to conduct advocacy and engage in civil society. Building capacity takes time, so CIPE staff should plan ahead over the course of multiple annual projects to develop sustainable advocacy organizations. Failure to plan can result either in efforts that never become consolidated or in long-term dependence on CIPE support.

Develop reform leaders – Identify, train, and advise new leaders who will guide change in their organizations.

Build capacity of partner organizations – Develop internal governance, staff skills, membership, and resources. Provide guidance on strategic planning.

Build capacity to conduct advocacy – Teach advocacy strategies, impart project development skills, and allow the partner to learn by doing.

Plan for sustainability – Develop financial resources, reduce dependence on CIPE support, and advise on a plan for long-term autonomy.

Finally, when you succeed, make the most of it! Share the lessons learned with partners elsewhere. Help partners to tell their story and publicize their impact.

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