

# OverseasREPORT

Number 47 Winter 2011

## CIPE Releases Arabic Translation of *Good Capitalism, Bad Capitalism*

**Cairo, Egypt** – Negative views on business in the Middle East and North Africa region often stem from a lack of knowledge – a dearth of local-language material and analysis on the issues of democratic and free market reform. In order to narrow the knowledge gap, CIPE publishes and disseminates original and translated material in Arabic and French. With this information, members of the private sector – especially small and medium-sized enterprises – are equipped with the tools necessary to participate in reform.

On November 3, 2010, CIPE and independent Egyptian media organization *Al Masry Al Youm*,

with the support of the Ewing Marion Kauffman Foundation and the Intel Corporation, launched the Arabic translation of *Good Capitalism, Bad Capitalism*, and the *Economics of Growth and Prosperity* at a gathering of over 300 influential Egyptian leaders from business, government, politics, academia, civil society, and the media. The book, co-written in 2007 by William J. Baumol, Robert E. Litan, and Carl J. Schramm, dispels the myth of a monolithic



Chief Editor of *Al Masry Al Youm* Magdi al-Gallad speaks at the launch event.

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## Strong Corporate Governance Aids Indonesia's Democratic Transition

**Bali, Indonesia** – Strong corporate governance is an especially pressing issue in Indonesia, a country with a post-independence history hindered by large-scale corruption at the highest levels of government and by collusion between political elites and state-run industrial conglomerates. CIPE's work with the Indonesian Institute for Corporate Directorship (IICD) continues to make exceptional progress towards improving corporate governance in Indonesia.

In November 2010, nearly 200 corporate directors, government regulators and governance advocates met in Bali, Indonesia for the release of IICD's latest *Corporate Governance Scorecard*, an annual initiative in which IICD scores all publicly-traded companies in Indonesia on their corporate governance standards and then ranks these companies on the basis of these scores. Companies are given a score of 0 to 100 percent

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# Board Member Column

By John D. Sullivan, Executive Director, CIPE

Economic freedom is an essential element in functioning democracies and is at the core of democratic development. This has been proven again and again around the world in recent decades. Current events in the Middle East add even more proof to this truth. Entrepreneurs are, by their very nature, innovators – people who open new space – in business and dialogue on important issues for democracies.

Entrepreneurs are great adapters, planting roots wherever they find space to grow. Their creativity and optimism strengthens and inspires us all. When entrepreneurs are locked out of the formal economy, individual freedoms and economic growth are hampered, leading to instability and political unrest. From the time of de Tocqueville, we have known that business and professional associations – and the freedom of association – are a key element of democracy. As the world recovers from a global economic downturn and watches the ever-changing landscape of emerging economies and democracies, we should value and encourage entrepreneurs – the engines of economic growth and stability, who are the key to upholding stability around the world.

In this issue of CIPE's OverseasREPORT, you will read about work being done by think tanks, business associations, and others around the world to promote entrepreneurship, economic freedom, and individual liberty. All of these are at the heart of what President Ronald Reagan called the "infrastructure of democracy" at the founding of the National Endowment for Democracy in 1983.



*John D. Sullivan*

- An article on Belarus shows that even under the conditions of an authoritarian regime, entrepreneurs nevertheless coalesce and advocate for legal and regulatory reform.
- Reports from Africa of partner forums demonstrate the power of sharing information to create the conditions for dynamic entrepreneurship.
- We have published in Arabic Good Capitalism, Bad Capitalism and the Economics of Growth and Prosperity. Although markets and bazaars have existed since the Middle Ages, many Arab states lack the laws and institutions necessary for entrepreneurs to flourish. Indeed, no single term matches the word "entrepreneur" in Arabic. Working with noted Arab linguists, we are encouraging the use "Riyadiya Al-Amal," which means "business innovator," and captures the essence of entrepreneurs as risk-takers and change agents.
- Looking forward in this year, we have announced our feature conference on Democracy that Delivers for Women, June 20-21, 2011. Women entrepreneurs are a crucial – yet often overlooked – lynchpin in any growing economy.

A special feature in this issue lays out the approach CIPE takes to entrepreneurial development. This approach is grounded in the belief that unless entrepreneurs have legal protection, property rights, the right to contracts, and the other features that create the institutional framework of a market economy, entrepreneurial development cannot flourish. Progress simply cannot be sustained without a real effort toward institutional reform. And, without entrepreneurs, we cannot have a democracy that delivers.

CIPE focuses on assisting business associations and chambers of commerce, who are better able to undertake collective action and speak for the business community with a unified voice and it is that aspect of democratic development that is the crucial link to economic freedom. ♦

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# Partners From Across Africa Gather to Discuss Reform

**Dar es Salaam, Tanzania** – Creative thinking, collaboration, local voices, and unrelenting stamina are required to find solutions to development and democratic challenges in Africa. Many groups have tried and failed to impose non-indigenous strategies for reform. Instead, why not go to the source and ask leading African reformers themselves? CIPE brought together more than 30 partners, representing 13 countries across the continent, for a three-day *CIPE Africa Partners Roundtable*, under the theme “*Strategies for Reform*.”

In Dar es Salaam, Tanzania, from December 7-9, 2010, CIPE gathered experts from West, East and Southern Africa to strengthen the network of private sector organizations in Africa, promote democratic and economic reform, and enhance access, dissemination, and application of information on successful reform strategies. Partner presentations highlighted three major topics: the role of business associations as leaders of institutional reform, local approaches to advocacy, and the informal sector. Break-out sessions focused on themes selected by the participants themselves and included youth and women’s engagement, regional integration, corruption, and the role of the media.

The informal sector makes up a significant percentage of the economic activity and employment in most African countries. Participants presented recommendations for addressing

challenges associated with the informal sector:

- a policy framework that recognizes informal entrepreneurs’ benefit to the economy and protects their rights,
- incentives for formalization such as access to credit,
- more transparent tax structures,
- improved education on the benefits of formalization,
- a stronger regulatory environment, and
- capacity-building for business associations who represent the informal sector.

Another reoccurring topic among the participants was fair taxes. “Taxes feed directly into democracy. When someone pays his or her taxes, he or she will likely then make demands on the government,” said Richard Muteti of the Micro and Small Enterprise Federation of Kenya. From Nigeria, Enugu Chamber of Commerce Industry, Mines and Agriculture President Okey Nwadinobi explained to participants, “We have met with members of our coalition and the various government officials to agree on payable taxes; these are now being printed, so that every member of the coalition will know what and where to pay. The number [of taxes] have been reduced, and our members have developed greater confidence in the system, so many more are paying. Various authorities are collecting, and the tax revenue is much higher.”



Halima Hima from the Harambe Entrepreneurial Alliance leads a discussion at the conference.

Partners were enthusiastic about the level of frank discussion at the roundtable, their ability to shape the agenda, and the opportunity for cross-fertilization of programming ideas. CIPE’s consultant in Mauritania Haroune Sidatt said, “This conference showed that we have so much that we can gain from each other. We have a network that can actually do something for our continent. We see challenges, but we see also what is working and how we can learn from each other. This is a great opportunity.”

Building on the discussions started at the roundtable, CIPE will continue to engage participants in dialogue and interaction, and share knowledge and best practices. Presentations, videos, and additional resources from the Africa Partners Roundtable can be found at CIPE’s website at [www.cipe.org/africa](http://www.cipe.org/africa). ♦

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# Kyrgyzstan Continues to Improve Reporting on Economic Issues

**Osh, Kyrgyzstan** – A strong and vibrant free press is vital, especially in nascent democracies and fragile economic systems. Rebuilding continues throughout Kyrgyzstan following the civil unrest and political upheaval that took place earlier in 2010. Concurrently, CIPE partner the Kyrgyz Stock Exchange Press Club (KSEPC) continues to empower those reporters responsible for informing the public on the market concepts fundamental to economic and democratic reform. On November 15-20, 2010, with CIPE support, KSEPC conducted its second successful training seminar to improve the quality of economic reporting in Kyrgyzstan.

Fifteen active journalists from three southern districts – Osh, Jalal-Abad, and Batken – attended the “Osh Educational School for Economic Journalists.” Seven local

experts and practitioners spoke on a wide variety of topics covering key financial issues, from individual banking to the role of the financial market in the development of market economies. While discussions took place in Russian and Kyrgyz languages, easy-to-understand Kyrgyz-language handouts provided by KSEPC provided the participants with in-depth information, particularly useful since most media in the south is in Kyrgyz. At the end of the seminar, the participants received certificates for successful completion of the course.

The training seminar has had an immediate effect. On November 24, two of the television journalists who participated in the seminar broadcast their new knowledge to the local public with a 6-minute report on budget expenses on Jalal-Abad district television, which also broadcasts to

parts of Osh district. On December 6, another participant wrote an article entitled “Cooperatives’ funding gets started” for a Jalal-Abad newspaper with a weekly circulation of 2,500 copies. Other participants are working on financially-themed articles, seven of which were set to be published in late 2010 and early 2011.

A major challenge in boosting popular support for market-based reform in Kyrgyzstan has been the lack of a knowledgeable media to report clearly and accurately on economic issues. A well-informed civil society engaging in the policymaking process at every level is essential during this crucial time in Kyrgyzstan’s redevelopment. CIPE and KSEPC will continue to educate journalists and increase the amount of readily understandable economics news. ♦



## GLOBAL EDITORIAL CARTOON COMPETITION 2011

*CIPE invites amateur and professional cartoonists to submit cartoons on key CIPE themes, including democracy, corruption, and gender equality.*

The judges’ panel consists of highly-esteemed professionals from around the world such as Pat Oliphant, a Pulitzer Prize Winner and the world’s most widely syndicated cartoonist, and Tom Gibson, founding cartoonist of USA Today.

Deadline for entries is **April 17, 2011.**

[www.cipe.org](http://www.cipe.org) | [www.cipe.org/cartoon](http://www.cipe.org/cartoon)

# Business Network Advocacy Key to Reform of Small Business Law in Armenia

**Yerevan, Armenia** – The passage of a new small business law in Armenia will allow for important changes in the regulation of small and medium-sized enterprises (SMEs) during 2011. For many years prior, large holding companies and other businesses received inappropriate special benefits from the government, which were intended to help entrepreneurs and small business owners. This misappropriation of funds reduced resources available for the programs' intended beneficiaries, complicated implementation of SME support laws, and threatened harmonization of Armenian business legislation with European standards.

In order to combat this inequity, the Armenian parliament passed a new SME law in October 2010 that will help ensure that only true SMEs receive the appropriately designated state funds, bringing Armenian law closer to the standard throughout most of Europe. This law is the result of nearly two years of advocacy by the Business Advocacy Network, a coalition of 22 Armenian business organizations. CIPE and the Association for Foreign Investment and Cooperation (AFIC) have worked with the Network since its formation to improve members' advocacy skills and develop a sustainable coalition with a clear mission, strategy, and structure.

The group was first created in 2008 in response to the business community's serious concerns about the economic reform



*Gagik Poghossian of the Association for Foreign Investment and Cooperation (AFIC) presents recommendations for reform to representatives of the Armenian Ministry of Economy.*

process in Armenia, which were largely ineffective and developed without significant input from business people. The Network consists of a diverse group of business associations, chambers of commerce, and business support non-governmental organizations. The varied backgrounds and missions of member organizations is a valuable asset, allowing members to approach issues from different perspectives.

Now in its third year as an advocate of economic reform, the group has emerged as the chief representative of the Armenian SME community among government agencies, civil society, and European institutions. Network members now regularly advise government officials on economic

policy issues; for example, a network representative serves on a government commission tasked with reforming Armenia's inspection legislation. Network members were also among the founding members of National Platform, a coalition of Armenian civil society organizations promoting European integration. Additionally, the EU delegation in Armenia has consulted the Network regarding the state of the private sector in the country.

As the important work continues, CIPE and AFIC will continue to enable the Network to become a more effective platform for collective advocacy, conducting training workshops, and assisting with leadership development whenever necessary. ♦

# International Chamber Exchange Program Promotes Cross-Cultural Learning



*Nadeeja Ashubodha (Sri Lanka), Patricia Kafoe (Sierra Leone), Sadya Rahman (Bangladesh), Ekaterina Lebedeva (Russia), Upendo Minja (Tanzania), and Marcos Pereira (Brazil) pose in front of the U.S. Chamber of Commerce in Washington, DC.*

**Washington, DC** – A chamber of commerce equipped with a well-trained staff, advocating on behalf of its membership, has a positive impact on other members of the private sector and on the environment for doing business. CIPE’s ChamberL.I.N.K.S (Leaders, Innovators, and Knowledge Sharing) program provides an opportunity for talented young professionals from chambers of commerce and business associations to gain valuable leadership skills by observing, shadowing, and engaging with staff and members of host chambers in the United States.

During November and December 2010, five local chambers of commerce across the United States hosted six international chamber professionals. These interns, ranging in age from 23 to 30, traveled from Bangladesh, Brazil, Russia, Sierra Leone, Sri Lanka, and Tanzania to shadow senior staff members at local chambers in Troy, MI; Denver, CO; Cheyenne, WY; Indianapolis, IN; and Fort Mitchell, KY. In the final week of their programs, the six participants

traveled to Washington, DC, to meet with U.S. Chamber of Commerce and U.S. Department of State officials, and members of Congress. Over the past three years, this program has provided opportunities for 20 local and international chambers to share knowledge, build skills, and create new and lasting connections.

As ChamberL.I.N.K.S. participants experience how a chamber in the United States operates, they enhance their skills and professionalism, and their home organization can benefit from techniques learned throughout their stay. This program’s goal is to reach beyond each participant to the membership of their home organizations and the communities in which they operate. By building their professional skills and acting as a conduit for new ideas, these young professionals are able to bring home innovative ideas and techniques to help their chambers increase their roles as advocates for the private sector. ♦

# Seminars Strengthen Association and Chamber Management in Serbia, Moldova, and Armenia

**Bucharest, Romania** – Well-organized and properly trained business associations and chambers of commerce are vital to a strong and vibrant private sector. Over the past year, CIPE's Regional Office in Romania has focused on training programs designed to strengthen business associations, drawing participants from across Eastern Europe. Building on the success of that program, CIPE organized a series of seminars throughout the region in October 2010 intended to strengthen organizational management and advocacy capacity.

This program, dedicated to creating a network of trainers and consultants in association management and public policy advocacy in Moldova, Serbia, Armenia, and Azerbaijan, is allowing participants the opportunity to put into practice the concepts, models, and best practices discussed during the first phase of the project. The workshops allowed participants to



*General Secretary of the Association of Armenian Freight Forwarders Diana Sargsyan receives a certificate from CIPE Eurasia Regional Director Andrew Wilson at the close of the seminar.*

act as trainers for their peers, crossing the boundaries of their own field and facilitating sessions on a variety of business association management topics. Moreover, the seminars sought to address the training needs of local business support organizations.

The next phase of the project in early 2011 will work to consolidate

the network and focus further on project implementation. Participants will learn how to conduct organizational assessments, make recommendations for improving effectiveness, and design plans to implement change in business associations and chambers of commerce in the Balkan and Caucasus region. ♦

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# CIPE Releases New Arabic Translation of *Good Capitalism, Bad Capitalism*

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capitalism by outlining four different forms of this system and how each is either “good” or “bad” for sustainable economic growth. Co-author Litan, vice president of Research and Policy at the Kauffman Foundation, provided a keynote speech on the book via videoconference.

The Arabic translation comes at a crucial moment for the Middle East and North Africa, as the

countries of the region seek to ensure levels of growth that will provide jobs and prosperity for its rapidly burgeoning youth population. Baumol, Litan, and Schramm stress the key ingredients that promote entrepreneurial capitalism—the most successful system for encouraging innovation and growth. CIPE hopes that *Good Capitalism, Bad Capitalism* will spark local debates on state

economic policies in the region and on how free markets and private enterprise can provide the key to growth and prosperity. The event was timed to serve as a precursor to Global Entrepreneurship Week on November 15-21, 2010, founded by the Kauffman Foundation and Enterprise UK as a global initiative to inspire young people to embrace innovation and creativity. ♦

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## Corporate Governance Aids Democracy in Indonesia

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on the following categories of corporate governance (based on the Organisation for Economic Co-operation and Development principles): Rights of Shareholders, Equitable Treatment of Shareholders, Role of Stakeholders, Disclosure and Transparency, and Board Responsibility.

At this Bali conference, IICD announced that the average score of its 2010 scorecard was 66.5 percent, up from the previous year’s 64.9 percent. These results marked

the fourth consecutive annual increase, indicating that the quality of corporate governance is steadily improving in Indonesia. The top performer in IICD’s scorecard was Bank Mandiri, the largest bank in the country in terms of net assets. A senior official from the Central Bank who spoke at this event explained that stronger corporate governance practices are having tangible impacts on the country’s economy, citing stronger governance on the part of Indonesian banks as a major factor in their ability to weather the 2008-09

global financial crisis far better than the Asian financial crisis of the late 1990s.

Improving corporate governance will continue to help Indonesia as it moves beyond its restrictive past. In order for democracy to fully mature, the people of Indonesia must see how democracy is delivering for them. By strengthening governance, reducing corporate collusion, and promoting transparency, IICD’s corporate governance scorecard is helping to make this happen. ♦



Conference attendees pose for a photo at the conclusion of the conference in Bali.

# CIPE THEMES IN DEPTH

## Promoting Entrepreneurship through Institutional Reform

Increasingly, governments around the world talk about the importance of entrepreneurship and supporting small business, recognizing that in many cases it is the only option that can meet the growing youth demand for jobs in the private sector. Governments speak about establishing an entrepreneurial economy, adopting new technologies, and promoting innovation in national development plans, electoral campaigns, and policy debates. However, such calls too often remain simply rhetoric, especially in those countries where the lack of democratic mechanisms or institutions leaves public officials largely unaccountable. Delivering on promises – not just making statements – requires a fundamental rethinking of how countries are governed.

In many parts of the world, institutional barriers prevent people from becoming an entrepreneur or render existing firms, especially small business, incapable of growing and creating jobs for others. In these situations, efforts to educate individual entrepreneurs, support individual firms, create venture capital funds, and help youth develop business plans and obtain financing are not sufficient. These efforts can be quite effective in creating individual success stories but they often fail to address institutional barriers that are the core of the problem. Such efforts move some people out of poverty, but fail to reach many others.

The recipe for building entrepreneurial economies is simple: build market institutions, remove barriers to starting, operating, and growing a business, reform educational systems, and create a broader awareness and understanding of what

entrepreneurship means as well as appreciation for its contribution to the development of societies. It is more about systemic, institutional changes than individual success stories. Only when the right institutional climate is in place can individual success stories become prevalent; only then they become a norm rather than the exception.

There are many other barriers entrepreneurs in developing countries may face between opening, running, and closing their business that prevent entrepreneurial activity: enforcing contracts, defending against criminal groups, struggling to overcome pervasive corruption, dealing with complex licensing procedures, navigating conflicting and burdensome customs regulations, seeking credit, finding reliable employees, complying with export requirements, and striving to follow overly complicated laws and regulations. Add to this lack of transparency, lack of trust, lack of market competition, and lack of the rule of law – and it becomes clear why doing business in emerging markets is so difficult.

While the recipe for entrepreneurship-driven development may seem straightforward, the implementation of necessary reforms is a much more complex matter. Institutional change takes time, effort, patience, determination, and, above all, dedicated reformers. Governments are often regarded as the leading force in building entrepreneurial economies; and although the political will to implement reforms is key, no government can legislate the creation of an entrepreneurial economy from the top down. By definition, such an economy needs active and engaged

entrepreneurs who can work with the government and provide guidance on reform priorities and policy solutions. Otherwise you get the informal sector disconnect – there are rules, procedures, and initiatives on the one hand, and majority of the economic system operating outside of those rules, procedures, and initiatives on the other. Therefore, business can and should become the leading force of reform.

As countries around the world face a growing youth unemployment crisis, governments must look for new solutions to create jobs. Public sector jobs – the traditional engine of employment in many developing countries – can no longer absorb millions of new graduates who instead end up chronically unemployed with their hopes and aspirations for a better future crushed. Entrepreneurship can provide a much-needed alternative for those young people and reinvigorate the economies of their countries, but only if institutional shortcomings that make starting and growing business difficult are addressed.

CIPE's experience around the world shows that entrepreneurs themselves can become a driving force for reform. When they work together and make their voices heard through business associations and chambers of commerce, they can formulate concrete reform recommendations and engage in a constructive dialogue with the government. In so doing, businesses can go beyond the immediate value of goods and services they deliver to their customers and provide greater value to the country as a whole. They can become an integral part of the complex institutional transformation necessary for democratic and entrepreneurial economies to flourish. ♦

# Businesses Take the Lead on Governance, Democracy, and Reform

## CIPE launches Responsible Business Guide in Pakistan

**Lahore, Pakistan** – As Pakistan’s businesses become increasingly sophisticated and integrated into the global economy, they must further enhance their transparency, accountability, and integrity. On November 11, 2010, in Lahore, Pakistan, CIPE, the Responsible Business Initiative (RBI), and the Association of Certified Chartered Accountants (ACCA) launched a new tool to encourage just that – the *Responsible Business Guide: A Toolkit for Winning Companies*. The Guide is a new element in CIPE’s emerging focus on corporate citizenship, which represents a move from philanthropy and corporate social responsibility to a deeper understanding of the commitment of companies to society.

The publication is the result of years of research, roundtables, focus group discussions, and drafting guided by a working group including leading Pakistani firms, business associations and chambers of commerce, the Securities and Exchange Commission of Pakistan, and others. CIPE Executive Director John D. Sullivan explained in his opening remarks that the guide is a roadmap for companies to “embrace and demonstrate ethical business practices,” allowing them to “create jobs, strengthen civil institutions, combat corruption, and promote growth.” The Guide focuses on six practical areas: governance and management, principles and values, compliance and disclosure, stakeholder involvement and social investment, product integrity and customer focus, and financial viability and capitalization.

At the event, a panel discussion pointed out the difference between corporate philanthropy and corporate citizenship. Giving charitable donations can be a part of being a good corporate citizen, but it is not the whole picture. One panelist described responsible businesses as “islands of excellence,” oriented toward sustainable growth, using resources wisely, and taking into account the interests of a wide range of stakeholders.

Responsible business encourages long-run economic growth, an effect which functions in two key ways. First,



*Panelists at the Lahore launch discuss the Responsible Business Guide.*

entrepreneurs who conduct their business in a fair, transparent, responsible and accountable manner, recognize that with increasing profits comes increasing responsibility to all stakeholders. This helps the business to grow faster and increases earnings. Second, companies that voluntarily adopt and adhere to ethical principles can head off attempts by politicians to mandate the same behavior through regulation. Excess regulation drives up costs, so responsible business helps firms unleash the economic potential of the private sector for the benefit of the whole society.

Instituting responsible business practices remains a challenge for many Pakistani firms, but these firms are recognizing the need to keep up with international trends. To continue building on this initiative, the audience and panelists sketched out some ideas for further activities, including more research, advocacy and education, training firms to implement responsible practices, and greater coordination among interested stakeholders. CIPE and its partners plan to continue engaging business on the issues of corporate citizenship, through tools such as the new Guide, not just in Pakistan, but in countries around the world. ♦

## Business Community Strengthens Democracy in Mauritania

**Nouakchott, Mauritania** – A fragile political system in Mauritania since its transition to democracy in 2007 has contributed to the low capacity of business associations within the country to advocate for reform on behalf of their members. Business associations face structural challenges

accentuated by poor internal governance and a lack of human resources. In order to address these issues and encourage Mauritania’s continued path toward democracy, CIPE has partnered with Mauritanian business groups for the first time to empower private sector organizations in Mauritania and provide

them with the knowledge base required to mobilize and play an active role in demanding democratic reforms.

From December 12-15, 2010, CIPE held a training program for 19 people representing 15 Mauritanian business associations such as the National Employers Association, the Association

## Belarusian Business Community Steps Up its Campaign for Economic Reform

**Minsk, Belarus** – Who is ready to start a business in Belarus? According to a recent live poll of more than 5,500 viewers on the interactive television talk show *Vybor*, 85 percent of Belarusians are not. On November 22, 2010, with Belarus's presidential campaign in full swing, members of think tanks and five business associations representing the independent business community debated the merits of economic liberalization with officials from the Ministry of Economy. In front of potentially millions of television viewers, the business community had the opportunity to promote their unified vision for national development.

Entrepreneurs in the audience and on live streaming video related their challenges of doing business in Belarus. Longtime CIPE partners Analytical Center Strategy (ACS) and the Minsk Union of Entrepreneurs and Employers (MUEE) publicized their agenda for economic reform during this live discussion.

Over each of the past five years, the independent business community in Belarus has created a National Business Platform (NBP). After a constructive participatory process and 14 draft revisions, the NBP-2010 was a concrete set of 6 economic policy priorities focused on property rights and accountability. All throughout the televised debate, ACS and MUEE advocated for the NBP-2010 as a tool to engage the private sector in the policymaking process at every level of governance. Further, officials spoke optimistically about Presidential Directive #4 – later adopted on December



*Business leaders appear on the popular television show Vybor to discuss the entrepreneurial environment in Belarus*

31, 2010 – which is expected to significantly contribute to liberalizing the Belarusian economy. Approximately 39 percent of the recommendations in the NBP-2010 were included in the draft of Directive #4.

The lively debate on *Vybor* helped to raise public awareness of the benefits of a free market democracy, and the ideas of the NBP-2010 were brought into the homes of millions of ordinary Belarusians. In addition, the government's participation demonstrated its willingness to seriously consider the business community's united platform. CIPE's experience around the world has shown that building a broad-based coalition for change around the business community will ultimately produce success. CIPE continues to partner with ACS and MUEE to boost public enthusiasm for the National Business Platform and its participatory process. ♦

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of Women Entrepreneurs and Traders, the National Agricultural Federation, and the National Federation of Artisans. To ensure that democracy in Mauritania continues to strengthen, CIPE's training focused on the role of associations in a democracy, association management and governance, advocacy basics, and strategic planning.

The program itself was inspired by a thorough diagnostic assessment of over 40 business association across the country that took place from November 2009 to January 2010 and examined

the socio-economic environment and the capacity of business associations to advocate for reform. The assessment indicated that Mauritania's transition to democracy has led to significant challenges for Mauritania's business associations.

The participants have expressed their interest in continuing to work with CIPE to improve the performance of their associations. As a follow-up to the training program, CIPE is providing one-on-one technical assistance to some of the participating business



*Mariem Mint Moulaye Ely, Treasurer of the Association of Woman Entrepreneurs of Mauritania, speaks at the conference.*

associations. The success of these activities has laid the foundation for future CIPE work in the country. ♦



### Putting the poor on the map

**John Zemko, November 12th, 2010**

Cantagalo is a community perched on the hills above the affluent neighborhood of Ipanema, with magnificent views of the coastline and surrounding mountains. It is one of the older favelas in Rio, with a 100-year history of families living on, inheriting, and even selling land that they do not formally own. For years they have survived without legitimate access to basic services such as water, electricity, or sewers. Without city streets, residents had to climb stairways to reach their homes on Cantagalo Hill from Ipanema down below.

The favelas, or shantytowns, of Rio de Janeiro have long served as a symbol of the clash between the rich and poor in this magnificent city. In recent years, the favelas have come to be seen as source not only of poverty but of drug trafficking and violence that damage Brazil's overall standing as a developing country on the verge of becoming an economic powerhouse. On a recent trip to Rio, I was able to see a remarkable project that demonstrates how developing stronger property rights in poor communities can turn around a seemingly hopeless situation.

The property rights project was initiated by the Atlantic Institute, a longstanding CIPE partner, and the Security Project of Ipanema, with the motivation of improving the well being of the community by reducing crime and promoting economic development. Inspired by the work of Hernando de Soto in Peru, the project developed an approach that first would map the community to figure out where informal property lines existed, then seek the legal remedies that could create transferable property titles to longstanding residents of the community—many of whom have lived there for over 20 years.

The first task of mapping the community was challenging but in the end was completed quickly with the help of the president of the Cantagalo Community Association, Mr. Luiz Bezerra, a respected leader in the neighborhood where he has resided for 40 years. Through the community newspaper "Canto do Galo" (Song of the Rooster) some 1,500 residents in the community learned of the project and helped established residential property

lines through interviews conducted by a local architectural and survey firm.

To obtain legal remedies for the transfer of property titles to residents, several local law firms helped to develop different strategies, since the lands occupied by the community include property held by private owners, others by the state and some completely unknown holdings. Each of these required a different legal strategy to gain legal permission for the transfer of titles.

There remains much work to complete this project. Some title transfers will require an amendment to the Rio de Janeiro State constitution. Moreover, businesses in the neighborhood, which are still informal, will require an entirely different legal remedy that the partner organizations must still figure out.

Nevertheless, crime rates in the community have dropped precipitously and economic development has been on the rise. The mapping project has provided residents with street addresses, which can qualify them for bank accounts and other city services. The legalization of their residences has quadrupled the value of their properties, providing them with real estate equity that they can leverage as they desire and give them the resources to pay for their access to telephone and electricity lines. Cantagalo now has an impressive community center and a police precinct building is being built to maintain policing efforts in the community. An elevator from Ipanema along with an entrance to Rio's subway system has been constructed to reach the community from Ipanema below.

President Lula da Silva has visited the community several times in recent years and this project has received his support. Brazil's new President-elect Dilma Rousseff would do well to make this civil society inspired initiative a cornerstone of her development goals as Brazil moves ahead. Rio de Janeiro is now facing the challenge of organizing its local institutions to accommodate the World Cup soccer tournament in 2014 and the Olympic Games in 2016. This project shows a way for poor communities throughout Rio de Janeiro to participate fully in such development and progress, rather than being left off the development map as they have been for too long. ♦

# Spotlight on: John Callebaut, Regional Director, Asia

## What are your responsibilities at CIPE?

I manage the East and Southeast Asia portfolio of CIPE projects, with particular focus on China, Indonesia, Philippines, Thailand, Burma, Vietnam, Mongolia, and North Korea.



## What do you consider to be the most pressing issues and hot spots in your region?

Asia presents unique challenges because it is so heterogeneous in culture, ethnicity, language, and religion. Each country in the region has to be dealt with a completely different way. People often compare the Philippines and Indonesia, because they share a Malay Austronesian heritage and are both trying to establish a stable democracy after years of dictatorship. But even these two countries have dramatically different religious and colonial backgrounds.

The most pressing issues in Southeast Asia and Mongolia are weak governance, both public and corporate, and democratic institutions such as separation of powers and judicial independence that often don't work very well, leading to corruption. In China, Vietnam, Burma, and North Korea, the most pressing issue is how to build and strengthen civil society and political space in countries where the regime is hostile to political reform. The hot spots are widespread and often shifting.

## What do you consider to be your best/most effective/most interesting program and why?

In the Philippines, our project with the Institute for Solidarity in Asia (ISA) is creating a political movement of local governments across the country dedicated to improving public governance and service delivery. We have worked with ISA since 2004 to reform and build the capacities of local governments across the Philippines, and recent years have seen dramatic results.

For example, in San Fernando, Pampanga, ISA financial management training enabled the city to dramatically increase local tax collection rates, and the volume of resources mobilized through public-private partnerships more than quintupled. This growth in the city's own-source

revenue contributed to the doubling of city spending on elementary education. The city of Iloilo also increased locally-generated revenue and reduced the time required to process business licenses by 85 percent. This healthier economic environment contributed to a quadrupling of the city's manufacturing output by 2010.

As we move forward with ISA, we are now beginning to work with Cabinet ministries and other national government agencies to improve organizational performance. This project's successes are giving Filipinos reason to believe that democracy can work in the Philippines.

## What can others in the development community take away from your experience?

Development donors need to listen more and talk less. CIPE's approach is different from many organizations in that we don't tell people what to do in order to receive funding from us. We don't pretend to know the political and economic situation in a given country better than those on the ground, so we ask potential partners to tell us what they believe will be a practical and effective approach toward encouraging reform. Obviously, finding the right partner is key.

For a project to have sustainable impact overseas, there must be local ownership. Donors who show up somewhere with a project idea and a bag full of money to distribute will find many potential recipients and apparent admirers of the project concept. Unless the local partner is truly committed, however, few such projects will survive the eventual discontinuation of donor funds.

## What drew you to the development field?

I don't really think of myself as an economic development specialist, but rather as a private-sector development specialist. My background before coming to CIPE was primarily as an international trade professional with American business associations, including the U.S.-China Business Council and the U.S. Chamber of Commerce. I am a very strong believer in business associations and the crucial role they play in helping their members create jobs, open new markets, develop new technologies and improve standards of living. Coming to CIPE, where one of the key dimensions of our mission is helping business associations overseas play a more effective and meaningful role in policymaking, was a natural progression. ♦

# News in Brief

## CIPE Regional Office Organizes Roundtable for Albanian Business Support Organizations

**Tirana, Albania** – CIPE Regional Office based in Romania organized the first of a series of three roundtables on December 10, 2010 aimed at strengthening business support organizations in Albania. The roundtables were intended to build cohesion within the business community for future collective action that will help improve the business environment and the dialogue with public officials.

The roundtable follows a diagnostic assessment and training needs assessment conducted in September 2010, which sought to identify the current status of Albanian business support organizations. Based on the findings of the assessments, CIPE will organize a training seminar on association management and public policy advocacy and two more roundtables for Albanian business support organizations in early 2011.

## CIPE Opens New Regional Office in Ukraine

**Kyiv, Ukraine** – CIPE opened a new regional office in Kyiv, Ukraine, in November 2010, launching an effort in the former Soviet state to cultivate and nurture indigenous business associations. Based on CIPE's research, Ukrainian associations are well-positioned to benefit from a skills- and capacity-building program. The newly opened Kyiv office's program is part of a long-term strategy of engaging with

the country's business associations to enhance their ability to advocate for reform and improve the business environment. This field office is the third that CIPE has opened in Eastern Europe and Eurasia, after Bucharest, Romania in 2000 and Moscow, Russia in 2002.

Prior to the registration of its Kyiv office, CIPE has been active in Ukraine for over 10 years in a variety of programs, working through a partner network that includes think tanks such as the Property and Freedom Institute, the Ukrainian Center for Independent Political Research, the Institute for Competitive Society, and the Institute for International Business. In partnership with these organizations, CIPE has supported training programs for chambers of commerce and associations in various Ukrainian regions, as well as supporting roundtables and conferences in Kyiv on policy issues. CIPE is deeply committed to ensuring the success of economic reforms in Ukraine. By building transparent, accountable and effective market institutions, Ukraine can be a powerful role model for other post-Soviet countries.

## Training Program Aims to Build Capacity in Kenya

**Nairobi, Kenya** – CIPE facilitated a three day training program from December 14-16, 2010 for the Micro Small Enterprise Federation (MSEF) in Nairobi, Kenya to build the capacity of its Board Members to better manage an organization dedicated to advocate at the national level for policy and regulatory reforms to create a better enabling environment for small business.

MSEF represents 200 private sector associations, whose members are entrepreneurs in the informal sector. Thirty four leaders of individual associations from Kisumu, Mombasa, and Nairobi participated in the training program, which coordinated by CIPE partner the Kenya Gatsby Trust (KGT). KGT and CIPE are working in Kenya to build the capacity of the private sector to participate in the democratic process of governance.

## Kyrgyz Partners Work to Reform the Business Climate

**Bishkek, Kyrgyzstan** – CIPE partners the Bishkek Business Club (BBC) and the National Alliance of Business Associations (NABA) continued their efforts to strengthen a reform-oriented public-private dialogue in Kyrgyzstan. In December 2010, with CIPE support, BBC and NABA published three white papers targeting business climate reform priorities. The publications – “A Guide to Amending Tax Legislation,” “The Tourism Sector in Kyrgyzstan: Challenges and Approaches on a Legislative Level,” and “Legislative Challenges in the Automobile Sector and Its Operation in Kyrgyzstan” – consist of legislative analysis, concrete recommendations for reform, and drafts of amendments to legislation.

These papers are the business community's unified response to government initiatives that directly affect the entrepreneurial climate in Kyrgyzstan. BBC and NABA have been leaders in establishing a national pro-reform advocacy coalition, and CIPE continues to work with them to unite the independent business community and strengthen its participation in policymaking. ♦

# CIPE Speaker Circuit Highlights

## John D. Sullivan, Executive Director

**November 10** – Sullivan gave the keynote presentation at a conference in Karachi, Pakistan on “Corporate Governance – Strategy and Competitiveness,” co-hosted by CIPE, the Pakistan Institute of Corporate Governance, and the Institute of Business Management.

**November 10** – Sullivan gave the keynote presentation at the launch of the Responsible Business Guide, a joint product of CIPE, the Responsible Business Initiative, and the Pakistan branch of the Association of Chartered Certified Accountants. Over 150 people attended the launch.

## Aleksandr Shkolnikov, Director for Policy Reform

**October 11** – Shkolnikov presented the draft principles of association governance at the annual World Federation of Development Financing Institutions meeting.

**October 15** – Shkolnikov presented on anti-corruption and governance programs and approaches at the Foreign Service Institute’s program on “Drug Trafficking and Illicit Networks in West Africa,” organized for staff of U.S. government agencies.

**October 22** – Shkolnikov delivered a presentation on CIPE’s anti-corruption programs at a conference on fighting corruption in Afghanistan organized by the Smith Richardson Foundation in Dubai.

**November 12** – Shkolnikov presented on a panel on improving procurement integrity at Transparency International’s (TI) 14th International Anti-Corruption Conference held in Bangkok, Thailand.

## John Callebaut, Regional Director for Asia

**October 21** – Callebaut represented CIPE as chair for a panel on “Marketization and Social Change in North Korea” at the 2010 International Conference on North Korean Human Rights held at the National Endowment for Democracy.

## Andrew Wilson, Regional Director for Eurasia and South Asia

**November 10** – Wilson spoke at the launch of the Pakistan Business Council’s National Business Agenda.

## Kim Bettcher, Knowledge Management Officer

**December 16** – Bettcher presented on “Private Sector Development in Post-Conflict Reconstruction,” as part of a course on Economics and Conflict at the United States Institute of Peace Academy of International Conflict Management and Peacebuilding.

## Greg Simpson, Senior Program Officer, Middle East and North Africa

**October 31** – Simpson spoke on a panel at a conference in Oman entitled “A New Leaf: The Growth of Corporate Governance in the Region.”

## Natalia Otel Belan, Program Officer, Central and Eastern Europe

**October 19** – Otel Belan delivered opening remarks at a roundtable discussion in Armenia on the subject of inspection reform, hosted by the Business Advocacy Network.

## A Call for Items: ECONOMIC REFORM Feature Service



CIPE welcomes articles submitted by readers. Most articles run between 3-7 pages (1000-3000 words), but all submissions relevant to CIPE’s mission of strengthening democracy through private enterprise and market-oriented reform will be considered based on merit. *Economic Reform Feature Service* articles are primarily geared toward an international, non-academic community of businesspeople, economic reformers, and policy-makers.

*Please send your original, unpublished articles to [forum@cipe.org](mailto:forum@cipe.org).*



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**National Endowment  
for Democracy**  
*Supporting freedom around the world*

CIPE is a core institute of the National Endowment for Democracy, which provides funding for many of CIPE's projects.

For more information about CIPE's activities and programs, please visit [www.cipe.org](http://www.cipe.org).

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. 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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