
Poverty Reduction Strategy Papers

A Guide For Employers' Organizations

Gary Rynhart

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Preface

In the fight against poverty PRSPs are the principal response of the international community in the formulation of national development strategies that are fully supported by donor agencies. The World Bank and the International Monetary Fund are the key agencies driving PRSPs, but, other agencies including (and increasingly) the ILO are also playing a role.

PRSPs are crucially about policy change and priority setting at national level. The scope for employers' organizations to influence the direction of such a process can be considerable. In addition to guiding policies, particularly those influencing the business environment, employers' organizations may also take advantage of their participation in PRS processes to build alliances with other stakeholders involved in policy making.

This guide is a response to the increasing recognition of the role that employers' organizations can play. It is intended particularly for those employers' organizations that are considering engaging in their national PRSP. It is designed to inform employers' organizations about the nature of PRSPs, the way the process functions and the role that they can play.

The guide provides illustrations of how tools and resources can be used by employers' organizations to strengthen their lobbying efforts. Also included are examples of how federations have engaged in the PRS processes.

The guide was written by Mr. Gary Rynhart, adviser at the International Organization of Employers (IOE). Substantive comments were provided by Ms. Anne Knowles, Mr. Alvaro Ramírez and Mr. Graeme Buckley. We wish to thank them for their valuable contribution.

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A.

Background to PRSPs

What are PRSPs?

1. The World Bank and International Monetary Fund (IMF) sponsored Poverty Reduction Strategy Papers (PRSPs) were introduced at the end of 1999 in order to serve as a framework for domestic policies and programmes, as well as development assistance. They also provide the operational basis for concessional lending and debt relief under the heavily indebted poor country (HIPC) initiative.
2. The approach is based on the two pillars of national self-help and support from the international community. Importantly, they are designed to be results-oriented country-level operational frameworks.
3. PRSPs should measure poverty on a country basis, identify goals for reducing poverty, and create a policy and spending programme for reaching those goals. In terms of achieving the Millennium Development Goals (MDGs)¹ the PRSPs can be a key strategic and implementation vehicle.

A PRSP SHOULD HAVE:²

- **a comprehensive poverty diagnostic:** This will measure poverty nationally and or regionally, and will also include technical descriptions e.g. impact on ethnicity or gender;
- **clearly presented and costed priorities for macroeconomic, structural, and social policies:** These will be prioritized according to their importance in promoting economic and employment growth and reducing poverty;
- **appropriate targets and indicators for monitoring progress:** A PRSP will include a policy matrix which is a table summarizing the policy actions the government intends to take to achieve its goals for poverty reduction. A matrix usually contains columns listing the policy area or sector of activity, the objectives in that area, the specific policy actions to be taken, the timeframe for execution, the government agency carrying out the action, and the method of financing it;
- **a description of the participatory process that was used in its development.**

4. The Poverty Reduction Strategy (PRS) aims to fit into existing initiatives and national processes and to avoid duplication. In part the approach was designed to address long standing problems of poor donor coordination, weak country ownership of externally financed programmes, and the fragmentation of governmental programmes and institutions caused by multiple and often inconsistent aid delivery and management policies and procedures. While nearly all donors have agreed in principle to align their programmes with PRSPs, much remains to be done in reality to achieve this objective.

¹ The Millennium Development Goals summarize the development goals agreed on at international conferences and World summits during the 1990s. At the end of the decade, world leaders distilled the key goals and targets into the Millennium Declaration (September 2000). The Millennium Development Goals, to be achieved between 1990 and 2015, include: halving extreme poverty and hunger; achieving universal primary education; promoting gender equality; reducing under-five mortality by two-thirds; reducing maternal mortality by three-quarters; reversing the spread of HIV/AIDS, malaria and TB; ensuring environmental sustainability; developing a global partnership for development, with targets for aid, trade and debt relief.

² From WB/IMF *The development of poverty reduction strategy papers: Background*

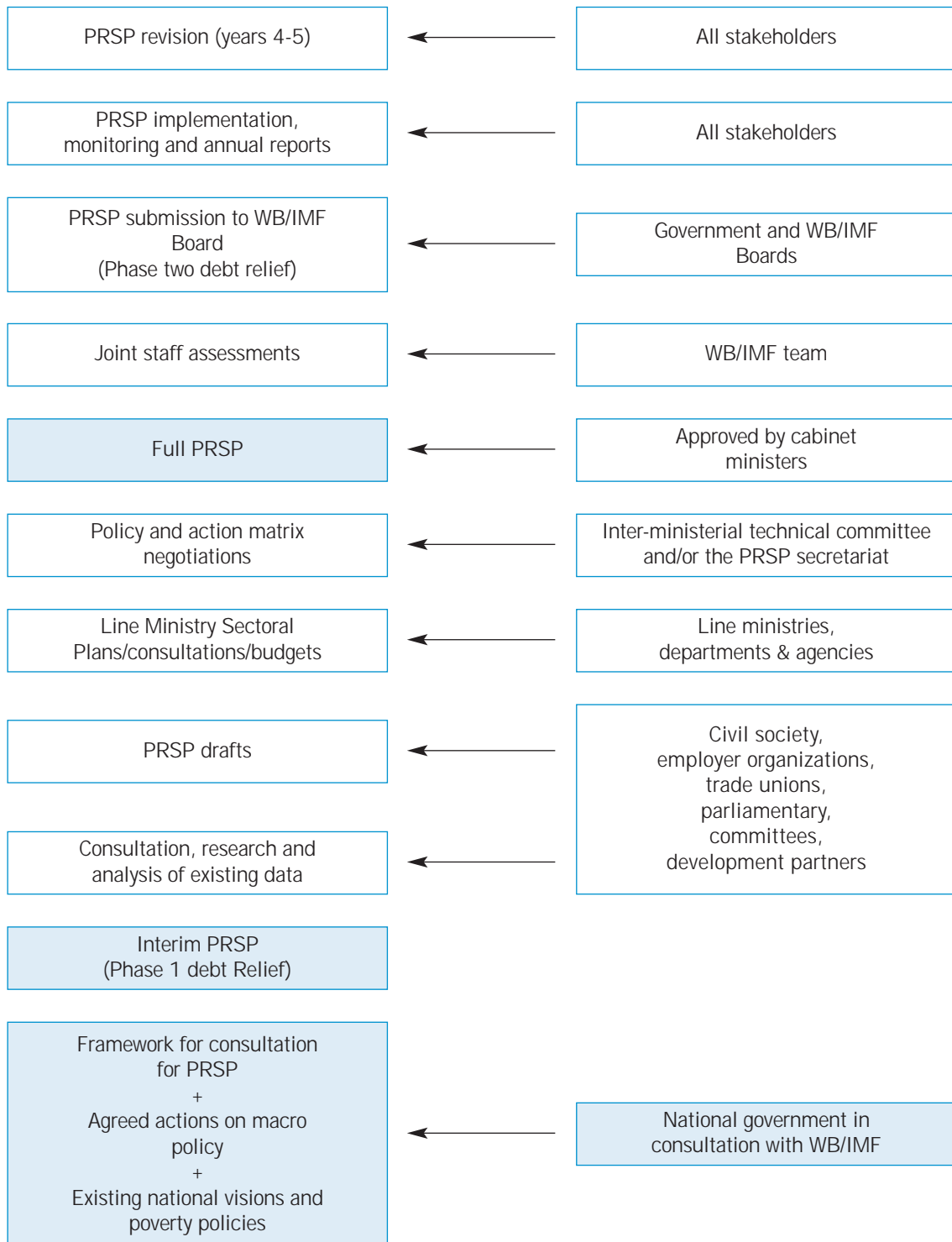
What kind of process is it?

5. There is no single institutional PRSP model. Every country is different; opportunities and challenges differ. Therefore a key element of this process is to focus on country-specific constraints to development.
6. Principally, PRSPs differ from previous approaches in three key ways. First is the emphasis on country ownership; second is the stress on increased participation; and last is the greater prominence accorded to poverty reduction in policy debates.
7. Each process needs to be deeply rooted in national circumstances. Certain 'best practices' and positive experiences have emerged in a number of countries which could provide useful illustrations and directions without becoming templates. Approaches, challenges and outcomes will vary widely. Consequently, while policy lessons can be learned from other countries, generalized approaches would be unwise.
8. The PRSPs are a participatory framework, but there is no 'blueprint' for engagement. Employers' organizations will not necessarily be 'invited' to participate, their engagement will depend on existing national relationships. Private sector involvement (mainly in terms of representative organizations) in the PRS process is increasingly a standard feature but during the early stages in many countries this was not the case.
9. Most countries have particular institutional arrangements for the PRSP process, and these should include employers' organization representatives at all levels: supervisory committees to retain oversight (ministerial at the highest level); technical committees and working groups to draft proposals and monitor the process.
10. Some countries are developing closer links between the PRSP and domestic decision-making processes, such as national budgets. This is important for policy coherence. While governments write the actual PRSP (often completed by the Finance Ministry) parliaments are increasingly playing a more direct role. An *Annual Progress Report* is also written up to track process.
11. As stated, there is no common PRSP framework but certain policy commonalities are to be expected. These include:
 - Macroeconomic and structural issues (growth and employment; economic framework; fiscal and monetary policies; trade policy);
 - Poverty status (rural/urban mix);
 - Governance (legal, regulatory and judicial reform; civil service reform, local and municipal government reform; management of public finances);
 - Human development (health, education, social protection, HIV/AIDS);
 - Workplace and labour market issues (policy environment conducive to enterprise investment and development, privatization; sectoral approaches; labour market policies and institutions);
 - Infrastructure (transport, utilities) ;
 - Country-specific issues: migration; conflict and security; regional integration processes.

The World Bank Sourcebook

The World Bank has developed a Sourcebook to assist countries in the development and strengthening of poverty reduction strategies. The Sourcebook provides guidance on the process aspects of the PRS and on substantive aspects of poverty diagnosis and the formulation of a strategy to address poverty in its various dimensions. It is not intended to be prescriptive nor is it envisaged that any country would apply all the guidelines proposed. The book should be used selectively: www.worldbank.org/prsp/

The PRSP cycle³



³ Decent Work and Poverty Reduction Strategies. A reference manual for ILO staff and constituents (Geneva, 2005).

B. Participating in the PRS process

Why should employers' organizations engage in PRSPs?

12. In terms of national development strategies that have the full support of the international community, PRSPs are currently *the key national development process*.
13. Vitaly important policy discussions (and changes) will take place within this framework. Lack of engagement by employers' organizations means being excluded from those talks. All recent PRSPs have included policy discussion to improve the regulatory environment in a variety of areas such as business registration, access to credit, taxation rates and trade. PRSPs are crucially about policy change and the scope for employers' organizations to influence the direction of change can be considerable. Importantly for many developing countries, perhaps most, the development and implementation of broad based national poverty reduction strategies is a process of 'learning by doing'.
14. Additionally, the PRSP is a participatory process which includes different stakeholders with different agendas. It is important that the collective view of business is heard and is not superseded or diluted by other participants.
15. The PRSP process is an opportunity to build alliances. Other private sector groups or business-friendly organizations can be represented. Employers' organizations should identify likely partners and explore common synergies and strategies. Trade unions often carry out a similar exercise with like-minded NGOs.
16. In short, the PRSP process can be an extremely important forum in which to pursue the national business agenda.

Tanzania: Promoting SME development through the PRS

In Tanzania, the Association of Tanzanian Employers (ATE), with the support of the Bureau for Employers' Activities (ACTEMP), developed a comprehensive proposal to reform the government procurement system in order to open market opportunities for small and medium size enterprises.

Based on an in depth analysis of the current system, ATE identified a series of obstacles that limit the opportunities of SMEs to contract with the state. The proposed reform will remove these obstacles and create a better institutional and regulatory framework for the participation of SMEs as state suppliers.

The proposal was officially presented to government officials and other stakeholders in a PRS workshop organized by ATE. Government representatives welcomed the proposal and agreed to work with the private sector, under the leadership of ATE, in reforming the procurement system.

Making the decision to participate

17. For some employers' organizations the biggest obstacle to participating in the PRS process will be lack of capacity. PRSP consultations take time and can be held in various parts of the country. Resources will be needed to organize meetings, sensitize members, carry out research and disseminate the findings to members, and prepare detailed alternatives to submit during the PRSP formulation process.
18. An equally important consideration is that PRSPs are not a short term undertaking with immediate dividends. They are an attempt to devise national policy responses to poverty alleviation and they take time – years not months (they average over two years). They are also not neat succinct documents but often run to over a hundred pages.
19. Employers' organizations will need to determine how much priority to give to participating in the PRSP and what *aspects and stages* they would like to be involved in. Early involvement in the process is highly recommended.
20. Once a decision has been made to engage in the process it is vital to keep the broad membership fully on board. Consultations with members need to be sustained throughout the process. Forums and other engagement mechanisms should be held with members to make sure that they are fully appraised of developments and that they support them.

Checklist: Making the decision to engage

- Find out if your country currently has a PRSP or intends to develop one.
- If the PRS process is already underway, obtain the latest draft and any other relevant information. Use existing channels of influence in government to gather as much information as possible.
- Find out what other business-friendly or private sector representatives are engaged in the PRSP. What are their views, perspectives, concerns? Is there room for a collaborative approach on certain issues?
- Identify your own capacities internally. Does your organization have the capacity to participate? If not, are there other ways of making sure your organization's perspectives can be included in the PRSP (e.g. collaborative alliances)?
- Identify the potential benefits from participation. Do you think the PRSP can be a *vehicle* in helping to deliver the national business agenda?
- If you decide that it is important for your organization to be included in the national PRSP, prepare and present the case to your Board of Directors. Approval from the Board will be essential for sustainable engagement.

The research and preparation phase

21. A prerequisite for effective engagement is a well developed strategy. *How can the PRS process fit into the organization's existing strategic objectives? What are the key objectives that the employers' organization wants from the process? What are the likely benefits? What are the trade-offs? What is achievable?*
22. A key issue for consideration at this preparatory phase is identifying possible partners to work with. For instance, collaboration with another business organization means that research and preparatory work can be shared. Different organizations can focus on different agreed areas.
23. But collaboration shouldn't be confined to other business organizations. Universities or research institutions may have undertaken studies that can be useful to you in developing your policy positions. Member companies too could play a role, both in the preparatory stage and in the actual PRS process.
24. This will require a strong preparatory phase underpinned by an effective and thorough analysis and research effort. A by-product of the preparatory phase is a compilation of data and an extended knowledge base. This in itself has a high value for any employers' organization.
25. In order to be most effective, employers' organizations should keep the main focus on the most pressing issues that are realizable for business. Resources will dictate this to a large extent. For instance, cataloguing specific laws and their impact on business can be very time consuming.
26. Research should be comprehensive and 'evidence based'. Organizations should map out, in clear measurement terms (if possible), both the direct costs and the compliance costs of certain overly-prescriptive regulation and legislation and identify the biggest opportunities for improvement. This can be done by surveying member companies; making cost benefit analyses of regulatory proposals; measuring red tape (i.e. the number of steps for a particular procedure such as registering a company) and compliance costs; developing illustrative examples of the obstacles certain legislation creates (small companies could sometimes be used to make the case and highlight their potential without such obstacles).
27. Such mapping exercises should be detailed. For example, tracing the origins of a law can exemplify its irrelevance or relevance as the case may be. In many developing countries legislation has been inherited from colonial legal systems and may have remained unchanged over generations.
28. Importantly, all factors impacting on the investment environment should be considered. For example, costs can have a time dimension i.e. the time taken to get goods cleared through customs in physical terms and the amount of time staff need to spend dealing with officials. Such examples can be useful in presenting a case for reform.
29. Based on this preparation phase employers' organizations need to develop a plan of action including concrete reform proposals and advocacy strategies.
30. It is vitally important to invest in this preparation phase as it will probably determine the success of future efforts.

Checklist:
The research and preparation phase

- Contact relevant government authorities/World Bank-IMF-ILO country offices and notify them of your intention to engage in the PRSP.
- Request all relevant and specific information for active and full engagement (e.g. committee membership, timetables, etc.).
- Plan and make sure that you have adequate time to prepare thoroughly. *Have realistic expectations.*
- Start developing positions. Gather data and research. (Useful databases and research resources are annexed to this guide).
- Establish priorities.
- Identify issues of concern that are missing from the PRSP or that are not adequately addressed.
- Start coordinating approaches with other business organizations.
- Contact ACT/EMP specialist or IOE for assistance.

How employers' organizations can access PRSPs

31. There are no hard or fast rules on who participates. It is therefore up to employers' organizations themselves to seek participation if they wish. Since mid-2001 the ILO has sought to engage in the PRS process at country level. The organization sees the process as a way in which the social partners can, with government, influence poverty reduction at the national level. While the ILO focus has been on bringing the 'social element' into the process, it can play a key role by supporting and strengthening the advocacy capacity of constituents.
32. Variations will occur between countries in the preparation of PRSPs, the development of interim PRSPs (I-PRSPs), the revision of processes and of course the speed of the process itself. As a general guide the 'cycle' is summarized in the diagram below.
33. The three key documents are a) the interim I-PRSP, b) the actual PRSP and c) the revised PRSP. The production of these documents is

interspersed with consultations and assessments of progress.

34. I-PRSPs are the first step. The consultation phase takes place between the I-PRSP and the full PRSP and this can be a key entry point for employers' organizations.

Some challenges

35. A PRSP is an instrument that attempts multiple objectives, many of which compete. Thus tensions are an inevitable feature. The challenge is to agree on priorities. For employers' organizations that means making a strong case for including their agenda and giving priority to the issues raised.
36. The multiplicity of strategies and demands on countries by different donors and international agencies as well as domestic political actors can be onerous.
37. Resource constraints mean that ambitions have to be realistic. Often there can be mismatch between policy aims and financial

realities which can result in interventions having to be scaled down so as to avoid any budget short falls. Another problem can be a lack of focus, which may be a consequence of the difficult trade-offs countries have to make in preparing a PRSP.

38. There is a role for employers' organizations, perhaps in concert with the ILO and perhaps

through traditional national tripartite mechanisms, in developing thinking in the difficult area of labour law reform. This might be done by creating a parallel process to concentrate solely on labour policy and legislation. Once progress has been made and trust and confidence built up, this discussion could then feed into the full PRSP.

C.

Designing a strategy

39. Employers' organizations have different mandates. Some are charged solely with social and labour affairs, others have a broader remit, incorporating economic and trade policies. Increasingly, many employers' organizations are broadening activities into wider policy areas, more so as these overlap. The approach to the organization's engagement in the PRSP will therefore be governed by its mandate and its strategic objectives. That said, there are some generalized approaches that all employers' organizations could take. For example, advocating policies aimed at developing a business environment conducive to enterprise growth is a common feature of all employers' organizations.
40. In many countries which have PRSPs the legislative and regulatory environment for business is far from ideal. Regulatory regimes are often overly restrictive, property rights insecure, and access to judicial and contract enforcement mechanisms limited. In these areas employers can use the PRSP as a key vehicle in trying to achieve positive outcomes for business. (Comparative data can be particularly useful in lobbying efforts and annexed to this guide are a number of references to tools and sources to assist employers' organizations in advocacy efforts.)
41. There is an emphasis in this guide on the impact a better regulatory environment can have in terms of employment generation and by consequence poverty reduction. It is an area that many employers' organizations will focus on. However, it is important to underline that this is not the only area for engagement by business. There are many other fields that employers may wish to focus on, such as: occupational health and safety issues (creating a safe and productive environment); working with others in developing practical and workable social security schemes; health care (the role of employers in the workplace in tackling HIV/AIDS); education and training, etc.
42. The shape of the employers' organization's engagement will be governed by its capacities, strategic objectives and its analysis of what is achievable.
- ### Poverty and job creation: Making the connection
43. In order to be as effective as possible in a PRS, employers' organizations should couch their policy positions in terms of the impact they will have on alleviating poverty. This is not an easy proposition and it can be difficult to measure.
44. Employers' organizations will need to argue that, for example, a better environment for business is going to reduce poverty and they will need to demonstrate the connection. Results could be achieved through more competitive businesses creating jobs for the unemployed or by making it easier for the unemployed to start their own business, or both.
45. But how can employers' organizations explicitly make the connection between their proposals and poverty reduction? Take the following as a starting point. Central to the problem of poverty is the availability of work. The private sector creates and sustains jobs and offers livelihoods for people. It creates the opportunities for those trapped in poverty to escape from it. This is the key agenda to bring to the PRSPs; this is how the business community can contribute to poverty alleviation.

46. The challenge is in demonstrating a direct link between the policy proposals put forward by the business community and the impact they will have on actual poverty reduction. For example, poor people are often struggling entrepreneurs in micro enterprises. By providing them with the environment and the tools (such as access to credit, property rights etc) to thrive, their latent potential can be released. A useful way to demonstrate the link between the business agenda and poverty reduction can be through illustrative examples.
47. Poverty can be exacerbated by a lack of essential public services. If governments are not providing these services then the private sector can step in. Employers' organizations can advocate the creation of Public Private Partnerships (PPP) which simultaneously generate employment and improve services at the same time. Take the example described in the box below.

Employer Organization Policy Proposal: Public-Private Partnerships

Presenting the case: A public-private partnership (PPP) was developed in Dar es Salaam which mobilized unemployed people to collect and, where possible, recycle waste. The waste collection is franchised to local collectors who bid for the franchise from the municipal council (52 franchises now operate in this example). The group that wins a franchise has the right to collect waste in a particular part of the city and is paid directly by households. This reduces the waste management costs for cash-strapped municipal councils and ensures good service as collectors have a direct payment relationship with residents. Waste collection groups have been formed as community-based organizations, NGOs or small enterprises.

(Dar es Salaam, Tanzania, ILO working with UNDP)

48. Often it is a question of the presentation of a proposal. For instance in advocating policies to improve productivity and national competitiveness it needs to be argued that low productivity, a characteristic of many micro and small enterprises, not only limits wages and income for employees but also reduces the overall viability of an enterprise. Policies to improve productivity can impact on both
49. Employers' organizations are always looking to develop and expand their membership base. This makes them as representative as possible and increases their ability to influence government policy. That core function of an employers' organization can be linked
- directly to poverty alleviation strategies. For instance, broader issues related to poverty include the lack of 'voice and representation'. Employers' organizations can bring micro and small businesses into their representative organizations, giving them both *representation* and *voice* within the organization.⁴
50. Business needs to be careful in how its key policy proposals are presented. For instance, if other participants in the process have the impression that employers are simply interested in deregulation, then they might see business engagement as one-dimensional and they might resist the employers' involvement.

⁴The IOE-ILO SME development tool kit for employers' organizations gives a number of case studies on how this is done and provides tools to implement such a strategy (see annex 1).

51. In putting together specific policy proposals for the PRSP employers' organizations should draw on their existing efforts which should be useful for other campaigns apart from the PRS.

Deciding on the approach to take

52. Within the planning phase, decisions need to be made on what type of approach to take. Should a wide approach be pursued or a more targeted one? These decisions will to a large extent depend on resources; existing relationships; the nature of the national PRSP; the employers' organization mandate; and finally, its assessment of what is achievable.
53. This latter point is worth emphasizing. Employers' organizations need to be realistic

in the targets they set themselves and try to work with other business-friendly organizations. This is extremely important not least in terms of preparing the policy positions, which will take time and resources.

54. If a broad approach is selected, care needs to be taken that it is not so broad as to be ineffective. While a more focused approach may have the disadvantage of not fully maximizing the opportunity to press for broad policy change on a wide sectoral basis, it can be very useful in detailing particular examples of where policy or regulatory change is needed, perhaps in one specific sector. This method, once successful, could then be replicated in other sectors. This approach should be considered by organizations with limited resources.

Indonesia: Broadening the agenda

The Indonesian national employers' organization (APINDO), after assessing possible research areas in preparation for their PRS engagement, decided to broaden their traditional labour focus to include trade-related issues on their agenda.

A move towards decentralization in the country has facilitated the emergence of tariffs and non-tariff barriers to inter-provincial trade. This development is hampering the expansion of the internal market on which most small and medium enterprises depend.

Aware of this worrying trend, APINDO has taken the lead in documenting the negative effects of these new regulations and raising awareness with the national government and other key stakeholders to ensure proper remedial action.

The conclusions of their study as well as the recommendations were presented in a PRS workshop to representatives from different institutions, including parliament, economic and social ministries, the central bank and other private sector associations.

A list of areas for policy reform, including domestic trade, was agreed by all participants, and appropriate responsibilities were assigned to different leading institutions. On trade issues APINDO will collaborate closely with the Chamber of Commerce (KADIN) with which it has developed a constructive relationship.

Some challenges in developing a strategy

55. In a number of instances employers' organizations have been reluctant to engage in the PRSP process because of limited resources and the lack of immediate returns.
56. Some employers' organizations have decided not to engage in the PRSP process, citing concerns that the participatory nature is 'broad' rather than 'deep' (in terms of meaningful engagement). The best way of ensuring a 'deep' role for employers (and proving their value) is by entering the process with well researched arguments and with practical and realizable goals.
57. There is often resistance to reform from those who benefit from the status quo, which can entail challenges and conflicts within the existing employers' organization's membership. While difficult, these can be surmounted by keeping a focus on the *overall* interests of the business community and the aggregate benefits that can accrue.
58. Consequently, for employers' organizations the decision to engage in the PRSP process needs careful analysis. Member companies need to be fully supportive of the undertaking and fully aware of the commitment and the investment that this requires. They need to be clear about the objectives of the organization and steps to be taken to achieve them. For most employers' organizations, particularly in developing countries, financial and human resources are limited. The likely benefits from participation have to be analysed, bearing in mind that these will usually be realized in the medium to longer term.

Checklist: Designing the strategy

- Decide the type of approach (wide or targeted) that is appropriate for your organization.
- Define realistic objectives that fit your overall mission and mandate.
- Identify potential partners and allies.
- Ensure that your proposals contribute to the twin objectives of private sector development and poverty alleviation. Make the connection between job creation and poverty reduction.
- Consider the resource implications of a meaningful engagement.
- Make sure your membership is aware and supportive of these undertakings.

D.

Implementing the strategy

Maximizing advocacy efforts

59. Employers' organizations can study successful examples in other jurisdictions and use these to make their case for reform. Policy proposals should be presented in a manner that is adapted to local needs and conditions. The wholesale transplantation of policy and regulatory approaches from one country to another should be avoided.
60. Policy proposals need to be advocated in terms of their total impact and other ancillary factors.
61. Advocacy efforts need to be nuanced. Blind calls for deregulation can alienate other partners in the process and may be detrimental to the business agenda. Sound regulation has a key role in addressing market failures, and in terms of property rights *more* regulation is often needed not less.
62. The poorest countries are often those with the most difficult conditions for business. They are generally the ones that have reformed the least. The countries that need entrepreneurs to create jobs and boost growth often put the most obstacles in their way. With burdensome entry regulations, fewer business bother to register. All top-performing economies regulate but they mostly do it in a less costly and time-consuming manner. Illustrative examples can be useful in highlighting the case.

Employer Organization Policy Proposal: Simplifying business registration procedures

Presenting the case: If Australia needs only two procedures to start a business why are 15 needed in Bolivia and 19 in Chad? If it takes only one procedure to register property in Norway, why are 16 needed in Algeria?

(World Bank: Doing business in 2005)

63. Often misconceptions can be hard to shift and they can become established as 'facts'. In recent times reform efforts in many developing countries have concentrated on simplifying business entry and establishing or improving credit information systems. This and other ancillary reforms can be presented as being 'at the expense of social outcomes'. But in reality the case can be made that heavier business regulation is simply not associated empirically with better social outcomes. For example, those economies (such as Finland and Norway) with the most conducive business environments are among those with the best rights for workers, proving that there does not have to be a trade-off between the two.
64. A coherent and effective business voice is essential to effect policy change. An important component of a successful approach therefore is developing and strengthening the national business voice, which can enable the employers' organizations to play a more effective role in policy discussions. It will also help them advocate for changes in the business environment that are conducive to

enterprise development (for example by identifying overly-prescriptive legislation). A number of avenues can be explored in this regard, such as alliance building between organizations. *Business needs to speak with a coherent and unified voice.*

Promoting the business agenda

65. The business agenda can be positive and *all* segments of society can benefit from it: enterprises (big and small; formal and informal) through increased capacity and opportunities; employers' organizations through a strengthened national presence; national government by the generation of additional wealth incurred by a better investment climate; and, importantly, the workers through improved employment options.
66. Try to present advocacy efforts in terms that ordinary people can empathize with. For example, if you have identified business registration as a key area in need of reform it could be useful to describe the impact of current legislation on a micro entrepreneur.
67. Often ordinary people can be faced with the same constraints as business – harassment from officials, bribery, corruption and unnecessary and overly-prescriptive bureaucracy. Getting public support for the business agenda is feasible. Surveys of the wider public on specific issues can be used to emphasize this point. Arguments can then be based on the effect of laws on ordinary people. Furthermore, if companies could spend less time and resources dealing with bureaucracy and more energy on their core business – producing goods and services – ultimately this too will benefit the end consumer.
68. A good investment climate encourages higher productivity by providing opportunities and incentives for firms to develop, adapt and adopt better ways of doing things. This applies not only to innovations that might merit a patent, but also to better ways to organize a production process, distribute goods, and respond to consumers.
69. Governments have a clear monetary incentive to support the business agenda and will gain directly from less administrative regulation. Officials could spend less time and resources chasing and implementing ineffective regulation and more time and resources, human and financial, on providing social services. Government revenue savings can be considerable: by some estimates reducing red tape by a moderate 15 per cent can result in savings amounting to between 1.2 per cent and 1.8 per cent of total government expenditure.⁵ The case can often best be made in a holistic fashion and examples again can be useful.

Checklist: Implementation

- Make sure that you fully understand the procedures and processes.
- Continually evaluate the effectiveness of your positions and their resonance with other actors engaged in the process.
- Develop a mechanism to keep your Board (and wider membership) informed of progress throughout PRSP process.
- Follow up on calls for more information on your policy positions (hold bilateral consultations when necessary).
- Seek IMF/WB/IOE/ILO help if you have problems or questions arising from your government's attitude to private sector engagement.
- Keep IOE/ACTEMP contacts updated on progress.

⁵ 'World Development Report 2005', World Bank.

Monitoring and evaluation

70. Federations need to underline the fact that reforms must be prioritized. At a national level indicators related to industry are often calculated in terms of aggregate gains, such as the growth rate of manufacturing contribution to GDP and of manufacturing employment. Employers' organizations need to emphasize that *tangible* targets and goals must be explicitly identified and that progress should be measured throughout.
71. Effective monitoring systems should be in place to oversee PRS rollout and the commitments made. For example, while an increasing number of countries have analysed the sources of growth and the barriers to growth, this is often not linked explicitly to the choice of actions and reforms. Employers' organizations can play a valuable role in acting as a 'score keeper'.
72. Aspirations and resource constraints need to be married. There is a need for realism in setting goals and targets as well as managing expectations. Employers' organizations have a role in keeping governments realistic in the first instance (a number of recent PRSPs tended to be overly optimistic about growth.)⁶ Policy reforms and regulatory changes should be mapped and analysed in terms of their effectiveness.

Measuring implementation: Commitment to reform regulations covering freight transport

Presenting the case: Using specific examples of the cost and time to ship freight from country X to country Y through country X's principal port. The indicators used to measure progress could include changes/simplifications in custom regulations, infrastructure improvements, deregulated transport options, reduced bureaucratic steps.⁷

73. It is important to keep the focus on the business agenda. There are cases of government priorities being diverted by the supply of donor funding rather than based on existing priorities. This point should be made to donor agencies.
74. There should be a proper analysis of where policies are working and where they are not. It is vital that decisions are based on sound empirical evidence. An important part of this process is making it sustainable – making the changes stick. For example, registering property has enormous potential but it needs to be accompanied by improvements in the land registry, collateral registry and the courts. Additionally, if the formal cost of selling a property remains high, titles will lapse back into informality.
75. Federations could pressurize governments within the PRS process to commit to establishing permanent mechanisms (or strengthening existing ones) to assess the impact of legislation and possible future legislation on enterprise creation and growth.
76. National Action Plans could be devised with review mechanisms built into the process to monitor effective implementation (task forces of experts in particular fields could be set up to examine specific policy objectives and areas). Part of this could include National Declarations on policy approaches, devised

⁶ World Bank/IMF "PRSP: Progress in implementation", September 2004.

⁷ World Development Report 2005, World Bank.

and signed by the mainstream political parties and the social partners, which could then be used as a framework.

77. Effective and legitimate governance requires two-way communication between decision-making institutions and stakeholders. Mechanisms for information flow and communication, including surveys, meetings, interactive websites, etc. could be strengthened as part of the implementation process. But if new mechanisms for dialogue are created, they need to be genuinely effective.

78. The most essential component of the PRSPs should be the clear establishment of benchmarks and indicators to review the implementation of agreed policy changes. Broad rhetorical commitments by government to policy change are not enough. Concrete, time-bound and transparent commitments are essential in tracking and evaluating the impact of policy changes. Employers' organizations should use concrete examples where possible.

Checklist Evaluation

- Make sure that mechanisms (i.e. benchmarks and indicators) are put in place to measure the implementation of agreed policy changes.
- Ascertain whether existing tripartite/bipartite bodies would be useful mechanisms to monitor the implementation of PRSP commitments.
- Assess whether your organization or your members could be involved in implementing the loan programmes and policies.
- Ensure that any concerns you have are included in the Annual Report.
- Ensure that you receive a copy of the final PRSP before it is submitted to WB/IMF for endorsement.
- Carry out a cost/benefit analysis. *Was your participation effective? Did you attain many of your goals? If not, why?*

Appendix

Further information sources

This section outlines a number of sources, such as tools and surveys that could assist employers' organizations engaging in their national PRS processes.

Measuring the cost of doing business

The World Bank '**Doing Business Database**' provides indicators of the cost of doing business by identifying specific regulations that enhance or constrain business investment, productivity, and growth. The data set covers 145 countries. The indicators are organized into seven categories⁸.

Indicator 1: Starting a business

This survey counts all procedures required to register a firm. The following indicators are used: *number of procedures; average time spent during each procedure (in calendar days); official cost of each procedure (as a percentage of income per capita); paid-in minimum capital (as a percentage of income per capita)*.

Indicator 2: Hiring and firing workers

This survey assesses the flexibility/rigidity of the labour laws. The following indicators are used: *rigidity of employment index (the average of three sub-indices: difficulty of hiring index, rigidity of hours index, difficulty of firing index); cost of firing indicator (expressed in weeks of weekly wages)*.

Indicator 3: Registering property

This survey measures the ease/difficulty of registering property. The following indicators are used: *number of procedures; time (in calendar days); official costs (as a percentage of the property value)*.

Indicator 4: Getting credit

This database covers two sets of issues, credit information registries⁹ and the effectiveness of collateral and bankruptcy laws in facilitating lending. The following indicators are used: *cost to create and register collateral (as a percentage of income per capita); index of legal rights of borrowers and lenders; index of credit information availability; coverage of public registries (number of individuals and/or firms that have a record in the registry, scaled to the adult population size); coverage of private bureaus (number of individuals and/or firms that have a record in the bureau, scaled to the adult population size)*.

Indicator 5: Protecting investors

A disclosure of ownership index is available based on the following measures: *information on family; indirect ownership; beneficial ownership; voting agreements between shareholders; audits of financial data; ownership; financial information*.

⁸ Two new topics will feature in *Doing Business 2006*: trade logistics (costs of transport, certification procedures, etc.) and corporate taxation (level, structure and administration).

⁹ Credit registries are institutions/firms that gather and disseminate information on credit histories, which helps creditors assess risk and allocate credit more efficiently.

Indicator 6: Enforcing a contract

This survey measures contract enforcement. The following indicators are used: *number of procedures; time (in calendar days); official costs (as a percentage of the debt value)*.

Indicator 7: Closing a business

This survey covers the step-by-step procedures on filing for bankruptcy. The following indicators are used: *time (in years); cost (as a percentage of the estate); recovery rate (cents on the dollar)*.

How to use it: The database can generate a snapshot of the business climate in a given country that identifies specific regulations and policies which encourage or discourage investment, productivity, and growth. The business climate of that country can then be compared with that of any of the other 144 countries surveyed (by each indicator). For the 'number of days to open a new business' indicator, a quick analysis will reveal that it takes two days in the best ranking country and 203 in the worst. All the data are available online: <http://rru.worldbank.org/DoingBusiness/>

The principal data collection methods for the indicators are a study of the existing laws and regulations in each economy; targeted interviews with regulators or private sector professionals on each topic; and cooperative arrangements with other departments of the World Bank, other donor agencies, private consulting firms, business and law associations. To be as effective as possible in lobbying for policy change, employers' organizations will need these raw data which are available to IOE member federations. Contact the World Bank Country Office directly (if you experience any difficulties contact the IOE).

How to make investment climate cross-country comparisons

The **World Bank Investment Climate Survey** database contains data on the investment climate in 51 countries, based on surveys of more than 27,000 firms. The surveys measure entrepreneurs' perceptions of the investment climate in their country, and provide indicators of firm productivity and performance. The surveys cover the following areas:

- government policies and services,
- quality and provision of physical infrastructure,
- structure and function of labour, capital and product markets,
- inter-business relations and networking,
- contract enforcement,
- effectiveness of regulations,
- tax and customs regulation,
- law and order, and other aspects of governance.

How to use it: The surveys will give cross-country comparisons for each indicator listed (above). For the largest possible dataset a comparison of all countries is possible (the indicators are broken into groups). Select the group that you want displayed in the table.

For example, the database can tell you that 67.2 per cent of firms identify corruption as a major or very severe obstacle to business operation and growth (the highest ranking) compared to 2.7 per cent in the lowest ranking country. More specific comparisons are also available, such as the collateral needed for a loan (% of loan) or the number of days needed to clear a check (1.1 days is the lowest with 14.3 days the most in the sample of countries used). All data are available online: <http://rru.worldbank.org/investmentclimate/>

The Bank also produces Investment Climate Assessments for a limited (but expanding) group of countries. These assessments are comprehensive country reports that draw upon the results of Investment Climate Surveys and other tools.

If you do not have access to a website contact the World Bank Country Office directly and ask for assistance in assembling the data you need.

Measuring national competitiveness

The World Economic Forum produces a number of reports that identify impediments to growth and national economic progress. The flagship report is *The Global Competitiveness Report* (GCR). The WEF also produces regional and topical reports such as the *Africa Competitiveness Report* and *The Global Information Technology Report*. *The Global Competitiveness Report* is a comparative study that assesses the competitiveness of over 100 economies and ranks them accordingly. The report combines publicly available data along with survey data of perceptions and observations of business leaders in a given country.

How to use it: *The Global Competitiveness Report* (GCR) analyses competitiveness through two indices: a) Growth Competitiveness Index (GCI); and b) Business Competitiveness Index (BCI). The two indices combine available hard data and data from the business surveys.

The GCI is based on three broad categories: a) the macroeconomic environment; b) the quality of public institutions; c) technology. Measurements can be made against all three indexes. Shifts over time can also be tracked, for example tracking how many years a country is running a budget surplus or whether its public institutions have remained stable.

The Business Competitiveness Index (BCI) evaluates the underlying microeconomic conditions defining the current sustainable level of productivity in the countries surveyed. The microeconomic foundations of productivity rest on two interrelated areas: (1) the sophistication with which domestic companies or foreign subsidiaries operating in the country compete, and (2) the quality of the microeconomic business environment in which they operate. The productivity of a country is ultimately set by the productivity of its companies.

Overall competitiveness country rankings 2004-2005: 1) Finland; 2) USA; 3) Sweden; 4) Taiwan; 5) Denmark; 6) Norway; 7) Singapore; 8) Switzerland; 9) Japan; 10) Iceland.

The global rankings and other information are available online: <http://www.weforum.org>

Measuring corruption

The Transparency International Corruption Perceptions Index (CPI) ranks countries in terms of the degree to which corruption is perceived to exist among public officials and politicians. It is a composite index, drawing on corruption-related data in expert surveys carried out by a variety of reputable institutions. It reflects the views of business people and analysts from around the world, including experts who are nationals of the countries evaluated. The CPI 2004 ranks 146 countries. For more information visit: <http://www.transparency.org>

TI Corruption Perceptions Index 2004 Countries perceived as the least corrupt				
Country Rank	Country	2004 CPI Score	Confidence Range	Surveys Used
1	Finland	9.7	9.5 - 9.8	9
2	New Zealand	9.6	9.4 - 9.6	9
3	Denmark	9.5	9.3 - 9.7	10
4	Iceland	9.5	9.4 - 9.7	8
5	Singapore	9.3	9.2 - 9.4	13
6	Sweden	9.2	9.1 - 9.3	11
7	Switzerland	9.1	8.9 - 9.2	10
8	Norway	8.9	8.6 - 9.1	9
9	Australia	8.8	8.4 - 9.1	15
10	Netherlands	8.7	8.5 - 8.9	10

Analysing labour market data and indicators

The International Labour Organization's (ILO) **Key Indicators of the Labour Market (KILM)** provides data on the key elements of the world's labour markets. The KILM is designed with two objectives in mind: (a) to present a core set of labour market indicators; and (b) to improve the availability of the indicators to monitor new employment trends. It can be a useful resource in making a comparative analysis.

There are 20 KILM indicators:

Labour force participation rate; unemployment by educational attainment; employment-to-population ratio; time-related underemployment; status in employment; inactivity rate; employment by sector; educational attainment and illiteracy; part-time workers; manufacturing wage indices; hours of work; occupational wage indices; employment in the informal economy; hourly compensation costs; unemployment; labour productivity and unit labour costs; youth unemployment; labour market flows; long-term unemployment; poverty and income distribution

<http://www.ilo.org/public/english/employment/strat/kilm/index.htm>

Developing an agenda for SMEs

The IOE and ILO have developed an SME Development Tool Kit specifically for employers' organizations. The tool kit is designed around three pillars:

Representation – increasing SME/MSME membership of the employers' organization;

Advocacy – developing the employers' organization's capacity to 'advocate' for the right policy environment for SME/MSMEs to thrive;

Services – specifically identifying services for SME/MSMEs.

The tool kit includes assessment guides and country studies as well as tools and other resources that can be applied in day-to-day operations. The tool kit is available on-line: www.ioe-ent.org or www.ilo.org/actemp.

Assessing and comparing entrepreneurship policies

The **Global Entrepreneurship Monitor (GEM)** research programme is an annual assessment of the national level of entrepreneurial activity. The research programme finds global comparisons, national reports, and special topic reports based on the annual data collection cycle. This material can be downloaded: <http://www.gemconsortium.org>

Tools to assist trade polices

The International Trade Centre (ITC) has a number of information sources for international trade and business development (largely accessible through the Internet) and tools such as practical guides, methodologies and approaches which can be adapted to local requirements. More information is available online: <http://www.intracen.org>

The **Market Access Map** is an interactive database of tariffs and market access barriers. It contains the market access conditions applied at the bilateral level by 169 importing countries to the products exported by over 200 countries and territories. It takes into account almost all multilateral, regional and bilateral trade agreements. The Market Access Map is available online at www.macmap.org and CD-ROM country extractions are available upon request. Contact macmap@intracen.org for more information.