

Business & Development

DISCUSSION PAPERS

The power of business advocacy and ICT reforms

Kathrin Frauscher and
Camelia Bulat

Kathrin Frauscher is a consultant in the Finance and Private Sector Development Unit of the World Bank Institute. Camelia Bulat is the Executive Director of the Regional Center for Organization Management Foundation.

Increasingly, business participation in shaping reforms in an open and transparent manner is impacting the development of emerging markets. The private sector can become a valuable partner for policy makers through a process of business advocacy that enables companies to come together, identify issues of common concern and propose joint solutions that will support industry growth and competitiveness. This is especially relevant in young and fast-changing frontier industries, such as the Information and Communication Technology (ICT) industry.

Many governments have placed a high priority on reforming the business environment because of its significant influence on levels of private sector development and therefore on long-term economic growth and poverty reduction.

Governments are the primary actors in the design and management of business environment reforms. They develop, implement, and monitor the laws and policies that regulate business activities. However, to design effective reforms that address real business roadblocks and achieve high-quality economic growth for society, the insight and cooperation of those operating under the legal and regulatory framework – companies and entrepreneurs – is instrumental. The private sector can contribute significantly to business environment reforms by helping policy makers to identify and catalog concrete problems, develop potential policy responses, and build a sustainable constituency for reform. This process that enables companies, often acting through business associations, to come together and present their concerns and solutions

to governments, is an important aspect of business advocacy.

Business advocacy is especially important, but also especially challenging, when governments lack the technical expertise or organizational capacities to manage reform programmes. This is foremost the case in areas, industries, or regions that are of particular concern to the business community due to the prevalence of uncompetitive regulations and/or excessive red tape that hampers growth and investment. Take the ICT industry for example. On the premises that strong ICT capabilities can be powerful drivers of firm performance and economic and social development (see table 1), many governments in emerging and developing countries consider building a competitive ICT industry as a strategic objective. Yet, many government officials, struggle with the complexity and fast-changing pace of this frontier industry and find it challenging to create effective, consistent and transparent regulations that create incentives for technology adoption and the creation of a competitive ICT industry.

Table 1: Effect of ICT use on enterprise performance in developing countries

Indicator	Enterprises that do not use ICT	Enterprises that use ICT	Difference
Sales growth (percent)	0.4	3.9	3.4
Employment growth (percent)	4.5	5.6	1.2
Profitability (percent)	4.2	9.3	5.1
Investment rate (percent)	n.a.	n.a.	2.5
Re-investment rate (percent) ^a	n.a.	n.a.	6.0
Labor productivity (value added per worker, dollars)	5,299	9,712	3,423
Total factor productivity (percent)	79.2	79.2	1.0

Note: n.a. Not applicable

a. Because the investment and re-investment rate are limited dependent variables (that is, they are truncated at zero), their marginal changes are not equal to their coefficients. For that reason their average rates are not calculated. The unconditional mean for investment is 6 percent and for re-investment, 44 percent.

Source: World Bank 2006.

This was certainly the case in Romania in the late 1990s, and yet the Romanian experience since through the Tech 21 Coalition (see box 1) has shown that proactive business engagement can foster constructive relations with government agencies and contribute to substantive reforms. If business associations act as the voice of their members and promote market reforms that do not serve special interests, but the whole

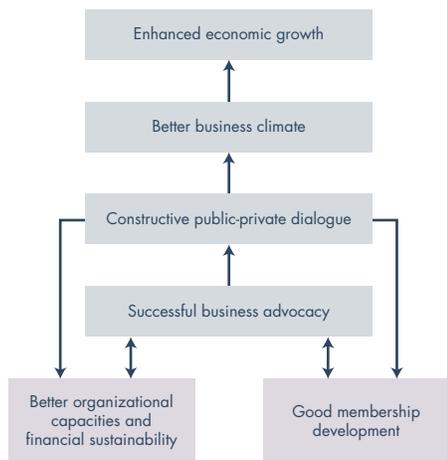
business community, these associations can create real momentum for reform through advocacy. They are in daily direct contact with companies and are in a good position to understand systematic regulatory constraints on businesses. If business associations can explain pragmatically why a certain regulation is problematic and also suggest a credible solution supported by a coalition of associations and a broad constituency of stakeholders then there a few reasons for the government not to enact it.

Box 1. The Tech21 Coalition in Romania

To have a better chance to make their voice heard, the five leading ICT business associations in Romania formed an alliance, the Tech 21 Coalition, and initiated a joint advocacy campaign for ICT reforms. From 2000 to 2003 Tech 21 Coalition developed a business agenda with reform priorities and solutions, organized public hearings on specific legislative reform proposals and offered advice to Romanian public authorities on the design of public policies that would make the industry more competitive. The Romanian ICT Ministry and the ICT Commission in the Parliament of Romania were receptive to the demands and solution of the Tech 21 Coalition and started an open dialogue with them. The dialogue resulted in several key reforms, such as the introduction of a zero salary tax for software developers designed to help limit the brain drain of Romanian ICT workers, the amendment of leasing legislation to encourage software acquisitions across industries, the establishment of three technology parks, the adoption of an e-signature law for businesses, and the introduction of vouchers for purchasing computers available to school pupils and students. As a result, Romanian IT companies created over 1,500 new jobs within 18 months and today the Romanian ICT industry is one of the most competitive in Eastern Europe, and publicly recognized by the Romanian Government as having high potential for export. The Romanian Ministry of Economy and Commerce resumed its dialogue with the Tech21 Coalition in 2004 to develop a joint sector branding strategy for the Romanian ICT industry. The “RomaniaIT” brand, the result of these efforts, was officially launched in 2007.

Truly successful advocacy efforts cannot just improve the quality of particular reform processes, but they can help create improved levels of trust, partnership and cooperation between public and private sectors. By opening the door to a constructive dialogue with government agencies on reform solutions, business advocacy enables associations to become a credible partner for policy making. This, consecutively, can increase an association’s stance within the business community and help retain existing members and winning new ones. With more funding and leverage from a revived membership base, the association can engage more regularly and more actively in advocacy, which in turn benefits policy makers as they gain better business feedback and a stronger reform counterpart (see box 2).

MASIT, the ICT chamber of commerce of Macedonia, was able to develop this reinforcing circle of business advocacy, membership

Box 2: Benefits of successful business advocacy

Source: Regional Center for Organizational Management 2008.

development and participation in the policy making process. MASIT was founded in 2000 by leading ICT companies as Macedonia's first ICT industry association. From its initiation MASIT advocated for ICT reforms, especially in support of creating an Information Society. As a result of its efforts, MASIT was invited to join the Governmental Commission for IT and the National Entrepreneurship Competitiveness Council. Being able to show their members that it could influence policy making, MASIT attracted new members and funding and reorganized itself in 2007 as the Macedonian ICT Chamber of Commerce with sub-industry specific working groups that monitor and develop policies in their respective areas. Today MASIT is an established partner of the Macedonian Ministry for Information Technology and, together with the Ministry, MASIT has built up the Macedonian ICT cluster.

Developing advocacy capacities and strategies and implementing them are no easy tasks. There is often not only an atmosphere of mistrust between the business community and government agencies, but even struggles within associations to unify and motivate their membership to engage proactively in business advocacy. A sense of apathy can prevail among a business community that believes the government will

not listen to what the private sector has to say. Another risk is that some companies or associations might attempt to hijack policy advocacy agendas to promote their own vested interests or try to manipulate procurement processes, for example, through collusion.

To counteract this, there is no simple blueprint for business advocacy. However, there are steps that can increase the chances of success. Effective advocacy requires the investment of knowledge, time, commitment and funds. It requires that associations identify, analyze and prioritize those issues for advocacy that affect the interests of all its members. It is imperative to collect information from members and outside sources, like the World Bank Group's Doing Business Indicators and Enterprise Surveys, to develop and sustain suitable policy solutions. It also requires reaching out to industry competitors and other key stakeholders to agree on a common message and joint responses in a transparent, legitimate and inclusive manner (see box 3).

It was with this capacity building agenda in mind that the World Bank Institute (WBI) and the Regional Center for Organizational Management (RCOM) developed programs and resources for business associations in Southern and Eastern Europe that aimed to strengthen the understanding of business advocacy within the ICT sector and build capacity for its application.

Notably, in Bosnia and Herzegovina the pro-

Box 3: Advocacy steps for business associations

1. Identify and prioritize advocacy issues
2. Research potential solutions and locate key stakeholders
3. Build a coalition
4. Develop an advocacy strategy and advocacy materials
5. Launch and implement a campaign
6. Continuously reevaluate your campaign and adjust your strategy
7. Monitor the advocacy campaign and learn for the next time

Source: Adapted from Center for International Private Enterprise 2007.

gram provided assistance to the only state-level ICT association in the country, BAIT, to enhance its advocacy capacities and implement an advocacy campaign on ICT legislation. With help of the program, BAIT was able to identify and prioritize specific reform issues (mainly concerning ICT legislation) and to launch an advocacy campaign that received media attention and was backed by several other business associations and supporting organizations. While BAIT's reform proposals are not yet implemented – held up in a broader legislative impasse – BAIT is now a member of the Ministry of Transport and Communication's permanent working group for the development of a new ICT sector strategy for Bosnia and Herzegovina.

In Ukraine and Romania, WBI and RCOM facilitated a dialogue between ICT associations on regional best practices in business advocacy that enabled the participating associations to come together and learn from each other's experiences. The program also developed a toolkit that captures experiences on advocacy and public private dialogue from within the Romanian ICT sector.

Development and capacity building organizations will need to scale up these types of assistance to business associations if they wish to reap the benefits of informed business inputs to policy development. This includes offering training on advocacy techniques, public consulting mechanisms and political analysis, as well as capacity building assistance on business association management, coalition building and media relations. Another worthwhile option to consider in promoting positive private sector engagement in reforms might be providing seed grants to reform-minded associations to build and sustain advocacy efforts.

Business advocacy is by no means a panacea to uncompetitive business regulations and limited government support for reforms. Yet, as these examples from South East Europe illustrate, it can be a useful tool to create demand for reforms and to build consensus and local ownership in policy

making processes. Most importantly, advocacy can advance private sector participation in policy making by creating an entry point for genuine dialogue and partnership with government agencies. This dialogue does not need to be limited to competitiveness and business environment reforms, but can be applied to broader private sector issues, such as human rights, anti-corruption, environmental sustainability and health.

The ultimate reward is improved democratic governance with real, open, and transparent business participation into policy making that produces more sensible and workable reforms that are good for the economy and society as a whole. 

Recommended Sources

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