



Expert Meeting Report

IMPROVING THE BUSINESS ENVIRONMENT IN CONFLICT

AFFECTED ENVIRONMENTS: THE ROLE OF ADVOCACY

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Humanity House, The Hague

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In 2014-2015 SPARK organises a series of expert meetings titled “Improving the Business Environment in Conflict Affected Regions”, designed to deepen understanding of the role of entrepreneurship development for stability in fragile and conflict affected environments, develop concrete tools with key development partners, and place the importance thereof on the international policy agenda. The first meeting focused on Advocacy for Business Environment Reforms, and took place on June 26th in the Humanity House in The Hague. The meeting brought together experts from various sectors, including two keynote speakers: Simon White (Managing Director of Southern African IDEAS) and John Zemko (Regional Director Latin America & the Caribbean at CIPE). With two keynote presentations and two breakout sessions for participants, the Expert Meeting was organised around two key subjects from the field: Advocacy for Business Environment Reforms and Reforms for Business Environments.

The two invited keynote speakers each touched upon one of the respective subjects. Below are the highlights from each keynote speaker and some of the conclusions made by participants in their respective breakout sessions.

SUBJECT 1: Advocacy for Business Environment Reforms

Keynote highlights, by Simon White (SA IDEAS):

- The first question to ask ourselves is ‘why business?’, as it is believed that most of the conflicts have economic roots. However, in conflict affected environments public and private sector development share many common goals (as part of the nation building process).
- If we are asking ourselves ‘why apply business advocacy?’, it is because business advocacy supports the role of the state, highlights the complementary role of the private sector, and presents a working model for government and business interaction.
- Conflict affected environments have a poor investment and business environment due to business environment (BE) barriers such as high costs of doing business, high risk, and low levels of competition and investment. The BE reforms should be complementary to the barriers, and therefore focus on lower costs of doing business, reduced risk, and higher levels of competition and investment.
- Transforming the private sector in post-conflict areas means focusing on ways to reduce informality and low investment climates, as predatory enterprises.
- To advance the Business Advocacy we can apply the so called Business Advocacy Continuum that moves through three stages: consultation, public-private dialogue and business advocacy. Business advocacy represents a shift from consultation and dialogue, and is an important element in democracy. This stage is significant in development of conflict-affected countries as it is demonstrating pluralism and building trust. Not the less important, it promotes accountability in government.
- Business Membership Organisations (BMOs) typically have a mandate to speak on behalf of their members. However, they often struggle to survive on membership fees alone, which can lead to capacity constraints. Other problems are that many BMOs have no such thing as “one voice” and competition among them. Also, they are led by elites who benefit from the status quo. Most of the times, BMOs typically focus on larger firms and have fewer women and young members.



Brief summary of breakout session 1

The main subjects that were hit upon during this session were the lack of representation of the informal sector, whether NGO's should get involved in advocating for businesses, how to highlight and identify the issue of corruption, how to influence cultural behavior to open up for inclusion and promote entrepreneurship and whether the needs of advocacy for post-conflict environment are the same as that of non-conflict countries. The main points made were:

- What is the role of NGO's in advocacy and inclusion within a cultural and religious context: how can we positively influence institutions in society and what is the role of NGO's in facilitating the evolution of enabling social cultural religious environment. If we think that NGO's can do that, how would they approach this? It is about looking at how we can help society transform to liberal democratic institutions.

- Part of the challenge of advocacy is trying to visualize and analyze the size of the informal economy and the priorities of the informal economy. For example who is accessing most grant money? Which businesses are being discriminated from getting grants? This is also something NGO's can do.

- Another challenge of advocating through NGO's is the problem of NGO's being regarded as potential opposition, because they sometimes negatively affect their business. An example was given of a similar situation in Kenya where there was a lot of tension between NGO's and businesses. As a consequence businesses started losing money. Is it realistic to construct a model where NGO's advocate for businesses?

- Another challenge is the fact that many governments in developing countries have a very negative perception of businesses, they are seen as crooks.

- How do people understand business within the social cultural dynamic, how do they understand entrepreneurship? In some of the cultures, especially rural cultures, it is about going to school, getting an education and finally getting a job.

- There is a big difference between the needs of post-conflict countries and non post-conflict countries when it comes to advocacy. Starting points for businesses in conflict affected states are very different. Post conflict countries also have issues of security issues (landmines, theft, robberies) and business environment issues. Even all post conflict countries cannot be treated as the same.

SUBJECT 2: Reforms for Business Environments

Keynote highlights, by John Zemko (CIPE):

- Barriers to reform can come in many ways- physical, monetary and societal forms.

- Unnecessary taxation and corruption are two very large barriers to reform that need to be addressed. Unclear and contradictory laws stifle business and reform. Lack of women in the workforce provides another barrier to reform – a large percentage of the workforce unable to work is a detriment to reform.

- Failure to address the issues when confronted about them – fearing change of the status quo (corruption, etc.).

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- Depending on political dynamics in the country, it might be more effective to work at national or regional level. When facing highly bureaucratic systems, it is generally better to focus on the local level and work up from there, identifying the problems on the ground and addressing them, eventually taking it to a national level.
- In areas that are conflicted or fragile, advocacy is still being attempted, but it is a misunderstood approach and a relatively new concept to many.
- Corruption and bureaucracy stagnate advocacy efforts, especially in countries with a larger government system.
- Creating coalitions to undertake collective action and achieve broad-based consensus can be very difficult.
- Negotiating with competition in the reform field can also be a challenge for Advocacy programs (IMF, World Bank, etc.)

Brief summary of breakout session 2

- National business agenda process is the most important tool, and within this process, working with youth stands out, as these countries often have high levels of unemployed youth. Not only businesses are important, but also how to associate with other entrepreneurs in forms of associations or alumni networks.
- Political support can be a strong tool for the group that wants reforms (business community). Other way is to convince people to open up and leave their closed mentality. However, try to avoid interference in political processes, but focus rather on working with the local groups. Local groups are crucial. They are the political voice and they have to do the ground work.
- There is an overlap in barriers for women and SME entrepreneurs. Avoid too many (women) associations.
- If you work sectoral, lobby plays a role. If you start national, you can focus more on the advocacy issues. Inclusiveness can be met by capacity building or small grants programmes (for the smallest businesses).
- Best way to deal with informal markets is to find ways through agenda building processes, and finding people (entrepreneurs) that want reforms. The informal sector can be divided to three types of entrepreneurs: 1) true entrepreneurs; 2) entrepreneurs out of necessity; 3) entrepreneurs doing illegal activities. Address informal markets by finding the true entrepreneurs who will realise that they will also benefit from more formality and reforms. Working together in informal markets, or at least part of it, could eventually lead to formal environments and make them even stronger.
- To measure own success, it is wise to formulate indicators before starting the programme that measure if your goals/targets/objectives have been met in a certain period.
- Solutions for the poor are to be found in (local) leadership adjustments.

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Conclusion

- A useful method could be to see what has been done in the past by NGO's to open up inclusion within social cultural and religious context. For example, in Afghanistan a local NGO used religion to encourage women to do business and society to be open about this. Support from political level for business advocacy is still needed especially for the people who are being excluded.
- Entrepreneurial behavior is not accepted in some cultures. It is important to foster the idea of a career as an entrepreneur is acceptable. We have to call people on some of the general perceptions that they use in order to dominate some people in terms of culture.
- When we look at advocacy maybe we should look at layers of advocacy, what are we advocating against? When we look at challenges in business, there are different layers to that and we need to respond with different types of strategies and also be aware of the risks embedded in the intervention we are suggesting and how it all fits together.
- NGO's need subtle ways to get involved in advocacy, not directly but through local actors. Advocacy in post conflict countries should be approached in a very careful manner, we do not want to create tensions. One has to think about the 'How?' And 'For What?' Be hypersensitive in not disturbing existing tension. You have to be very careful in all the dynamics you are shaping.
- Clear distinction needs to be made between business barriers and advocacy barriers.
- Grassroots approach is crucial: to understand the issues and to gain support.
- Inclusiveness starts on grassroots level and with capacity building. Providing small grants could also be worthwhile.