



Part 3

3.3

Advocacy Tool 5

How to formulate enabling environment reforms

Section 3.3: Advocacy Tools Developing Policy Positions



Purpose

This tool takes EOs through a three step process towards preparing a policy paper: preparation, planning, and production.¹



How to use this tool

This Assessment Tool is designed for use by EOs. It is best used as a guide for employers and enterprise development specialists who will facilitate the assessment process with the EO and among other actors.

Step 1: Preparation

Step 2: Planning

Step 3: Production

¹ Catherine Smith: *Public Policy writing*, 2005.



Having identified in detail the EO's priority issues for advocacy action the EO will need to work this into a position. The EO's policy will assert what should, or should not, be done to alleviate a major constraint on business. This should present the facts, interpretations, and assumptions that make that case for the change it is proposing.

As the EO sets out to convince policy-makers of its 'argument', it also needs first to have a clear idea of its end goal. What does it want to achieve out of the process? It needs to articulate a sustainable solution, alternative approaches, and the benefits for other stakeholders. Where policy does not already exist it may need to develop a new proposal.

A position paper is an ideal vehicle in which to articulate these views and proposals.

Introduction

Policy position papers are not the only means for communicating or influencing, but they are the most crucial, as they will be the only written explanation of the EO's position. They should stick to the main points concerning the issue and be both incisive and persuasive; the average length of a position paper should be four to six pages.

Policy position papers need to achieve two objectives. First, they need to communicate, clearly and

concisely, the position taken by the EO in relation to a specified policy area, which may either be quite narrow or fairly broad. Secondly they need to influence policy-makers, ideally so that they implement the EO's objectives or at least adopt a position that is close to that of the EO's (or closer than it may have been had there been no attempt at influence).

Step 1: Preparation

1.1 Clarity of purpose

As the EO sets out to convince policy-makers of its 'argument' it needs first to have a clear idea of its end goal. What does it want to achieve out of the process.

This needs to go beyond simply 'relieving an identified constraint on the private sector' – it needs to articulate a sustainable solution, provide alternative approaches, and present benefits for other stakeholders.

Outlining the EO's case in a written policy paper will enable a clear presentation of the facts, together with a logical framework and policy alternatives. Even if the principal advocacy work by the EO is carried out in face to face meetings, in corridors with public servants, or across the airwaves, a policy position will act as an anchor in all these efforts and become a common message for the business community to follow.

1.2 A policy can impact many constrained factors at the same time

Policy does not fit into neat patterns – it often overlaps. For example, if infrastructure is seen as a major constraint for a country, then increased investment may be the solution. However, how the government finances this effort may force decreased spending in other vital priority areas (education as an example), or through borrowing leading to fiscal imbalances; all these considerations need to be factored into final positions.

1.3 Learn from others

Do not presume similar issues in different countries should be addressed in the same fashion. To take the abovementioned infrastructure example, countries with different amounts of fiscal space may go about things very differently, with different implications for their own public finances.

1.4 Data will help you in priority identification but..

It may be easier to get data for certain areas than others, which could lead to policy presumptions. For example, it may be easier to get data on taxation policies, so it is easier to accept or reject taxation as a major constraint on economic development. For an issue like infrastructure, available data tends to be difficult to find and less precise, but this does not make it any less likely to be a major constraint.

1.5 Look at all issues

All factors impacting on the investment environment should be considered in presenting the EO's policy position. For instance, costs can have a time dimension, i.e. the time taken to get goods cleared through customs in physical terms together with the amount of time staff need to spend dealing with officials. Such illustrative examples can be useful in presenting a case for policy or regulatory change.

A constraint to growth that today is binding may have been triggered by another constraint, rather than it being the initial constraint that occurred when growth declined. For example, social unrest in El Salvador caused a growth collapse, and went on to cause significant damage to infrastructure. Although a peace agreement was reached in the country, the negative consequences of the conflict on the country's infrastructure remain. Therefore, it would be a mistake to observe that since the decline in growth occurred before much of the infrastructure was damaged or that because the original conditions that caused the growth collapse have since become peaceful, that infrastructure does not remain the binding constraint to growth today.¹

1.6 Understanding the other side!

The job of regulators is to weigh the advantages and disadvantages of every viable response to a situation that merits government intervention and to recommend regulation when it is the best option. This involves balancing a number of priorities such as public health and safety, environmental protection and sustainable development, economic efficiency and performance, national cohesion, and international obligations.

Awareness of an issue or its gravity is just one part of public opinion. For many issues, the EO's advocacy needs to shape underlying attitudes, perhaps combating false or negative beliefs that may block its audience from understanding the issue and the EO's proposal. By understanding the EO's audiences' beliefs, it is better able to address problems and propose solutions in ways that inspire them to act.

Do not assume that everyone will accept the EO's proposal because it seems obvious to the business community.

Policy change is hard as it affects different interest groups in different ways – positively and negatively. No matter how certain the EO is of the damage a particular constraint has on business, an alternative case can probably be made by opponents of the policy proposal. The EO should not try and dismiss an alternative out of hand, nor hide basic facts. It should strive, based on the best available information, to present the most plausible case for its policy proposal.

Plans to build a major highway linking a port to a cluster of business activity makes sense but perhaps not to the local residents who may suffer compulsory land acquisition, nor perhaps to the local retail outlets who will suffer a downturn in trade, nor perhaps other groups who may see the construction as a precedent for building in other areas.

The EO needs to shape its message in a way that will resonate with policy-makers and other actors it wishes to influence. It needs to demonstrate an understanding of the positions taken by other stakeholders. By being willing to adopt elements that are acceptable, this may assist in encouraging others to take seriously the position that the EO is adopting.

1.7 Are there demographic considerations?

Demographic change has to be taken into account in any forward-looking policy analysis as the impact of demographic change is much more encompassing than a single issue. Today, one out of every ten persons is 60 years of age or above. By 2050, one out of five will be 60 years of age or older.

In some developed countries today, the proportion of older persons is close to one in five. During the first half of the 21st century that proportion will reach one in four and in some countries one in two. By 2050 world population is set to increase by some two and half billion people, but the vast majority of them will be born in less developed regions: by that year the population of the 50 least-developed countries will

¹ Francisco Rodriguez: "Comment on Hausmann and Rodrick, 2005.

more than double in size.²

The issue of demographics cuts across so many policy areas such as pensions systems, health services, education structures, and skills. These are important policy considerations (with very significant cost implications) that need to be taken into the EO's analysis.

Step 2: Planning

2.1 Benefits of the proposal outlines

To increase impact, the EO needs to know the benefits and disadvantages of different solutions:

- *How many enterprises and workers are affected by the constraint?*
- *How many will be helped by the solution it is proposing?*
- *Will alleviating the constraint positively affect more enterprises and workers?*
- *Does the EO's policy solution have a plausible chance of being adopted?*
- *Who will be helped (or potentially harmed) by the EO's proposal?*
- *How much does it cost?*
- *How does it compare with other proposals and the status quo?*
- *Who are the principal beneficiaries/losers?*

All these questions need to be eloquently answered in the EO's policy position.

2.2 Message & Audience

The following needs to be clearly articulated in the policy position:

- *What is its central message?*
- *How does its message differ from others on the same topic?*
- *For whom is the policy position aimed at?*

The primary audience for the policy position paper is policy-makers – who will likely comprise Ministers, influential Parliamentarians and senior civil servants. Other stakeholders, including the media, trade unions, NGOs, the general public, etc., may well be interested, may support your position, and may ally with you to seek change, but the ultimate purpose of the EO's policy paper is to influence policy-makers.

The EO needs to ask:

- What will policy-makers and others know after reading the EO's policy position?
- What will users of its information do?
- What is likely to happen as a consequence of the communication?

² All figures quoted are from UN Department of Economic & Social Affairs Population Division: World Population Prospects - The 2006 Revision United Nations Economic and social development 2007

³ International Trade Centre: *Business advocacy and trade policy making*, 2002.

MULTIPLE AUDIENCE MESSAGES - EXAMPLE:⁴

For example, assume that a country imports annually 40.000 tons of sugar at an average price of US\$ 400 per tonne and that the government envisages an import tariff of 30 per cent (or US\$120/tonne) in order to reduce imports to 20.000 tons per annum. The social loss resulting from the protectionist policy may be estimated to be in the range of \$1.2 million per annum. The cost to the consumers/users of the input (reduction in the consumer surplus) will be much bigger. It will comprise - in addition to the above deadweight losses - also the government's revenue and producers' rent. Government revenue is equal to imports multiplied by the tariff, thus, about \$2.4 million. The producers' rent is equal to the domestic production multiplied by the tariff, minus a portion of the deadweight loss attributed to less efficient sugar production (say, some \$0.6 million).

A message, to be effective has to be simple and focused, otherwise it confuses. There are three messages to be found here:

The "social loss" message above is for the government, and it should contain an explicit request to oppose protection.

The message for sugar users such as the local food processing industry is that the increased input costs shall "reduce the industry's competitive position" at home and in exports.

The public message to consumers is that "they are annually taxed \$2 per person" (assuming that the annual visible and invisible sugar intake is in the range of 50 kg per person).

2.3 Counter arguments

Arguments contained in the policy position should be made both implicitly and explicitly. For example, to define an issue such as, skills mismatches as an obstacle to inward investment is to argue implicitly that government education and skills' policy is not effective. In other words, implicit arguments are the unacknowledged structures of thought underlying a position.⁴

EOs should be aware of their implicit arguments as well as their explicit arguments. They should critically analyse positions other than their own for implicit arguments as well.

Step 3: Produce

3.1 The content

The content of the EO's policy position will depend on the point the policy has reached in the formulation process. If a policy already exists, and the EO wants to change it, then it will need to look in detail at the current policy and its impact on business.

If there is a proposal for a new policy, in which the policy is being fleshed out and tested, the EO may at this stage just be seeking to influence the scope of the review, in an effort to lessen the potential impact. These will all require a different approach.

The following checklist will help the EO to think about the structure and the content:

- *Summary*: an opening paragraph summarizing the issue and its main recommendation(s);
- *Statement of the issue*: explanation of the issue, using relevant data and statistics, including financial, social, environmental, cultural, and political aspects;
- *History*: if there is a policy already in place, explanation of the policy, what it set out to do, and how it will now potentially change;

⁴ Catherine Smith: *Public Policy writing*, 2005 (Adaptation).

- *International comparison*: when relevant to highlight a threat to national competitiveness include favourable approaches taken by other countries to the same issue;
- *Impact*: describe the (potential) impact of current (or proposed) policy;
- *Policy options*: list the possible options, including the 'do nothing' option, to address the issue. Consider each option (or explain why some options have been omitted) in terms of costs and benefits, and in terms of the implications for business. If there are constraints on the choice of option, including political constraints, these should be explained.
- *Policy recommendation(s)*: specific recommendations should be offered;
- *Justification*: make the case in support of the EO's recommendation(s) including financial, technical and political aspects;
- *Implementation*: it is not normally necessary to make proposals for implementation, but there may be some instances where it is necessary to provide a plan or a timescale, or to identify the responsible people;
- *Monitoring and evaluation*: it may be wise depending on the issue to call for monitoring or review mechanisms;
- *Appendices*: include a bibliography (if the EO hasn't included citations as footnotes) and if relevant supporting evidence simply cite the EO's own, add more detailed research report(s).

3.2 Developing Policy Principles

In developing a policy a useful approach is to outline the broad 'policy principles' that the EO advocates and stands for. These are key elements that are unlikely to change on the short to medium-term. Specific policy guidelines can flow from these principles.

EXAMPLE: EMPLOYMENT POLICY

Employment Policy principles could include:

"Any employment system must be reliant on an economic framework that promotes per capita growth and it must operate within a labour market that meets the needs of employers. This is critical in meeting two key employment policy requirements:

- ✓ business being able to offer more jobs; and
- ✓ the unemployed having the required skills to take employment opportunities as they arise."

Specific Employment policy objectives could include:

- ✓ raising productivity and ensuring that growth in the cost of labour does not exceed productivity growth;
- ✓ allowing relative wages to adjust to reflect labour market needs;
- ✓ taxation and social security systems that encourage people to work when job opportunities become available, and embracing the approach of mutual obligation;
- ✓ expanding education, training, and employment pathways and improving education and training as a demand-driven system based on needs specifically aligned to industry.

3.3 Presentation

The EO's presentation should be strongly constructed to convince others to agree with its position.

In preparing policy proposals the EO needs to be clear, succinct, and compelling. The proposal certainly needs to clearly articulate the benefits for enterprise but also other stakeholders such as workers, the general public, consumers, taxpayers, and government.

The proposals should be grounded in evidence and facts. For example, removing regulation "X" or enforcing regulation "Y" will lead to a "Z" per cent increase in income amongst enterprises or "W" specific number of jobs created.

Ensure that the final policy position paper is:

- **Clear about the purpose of the paper.** Keep it focused. Keep it simple. Think clearly what message the EO wants to communicate – and do so succinctly.
- **Short** - the ideal is no more than four to six A4 pages.
- **Logical** - ensure that the EO takes the reader logically through the argument and ensure that the conclusions flow logically from the evidence.
- **Accurate** - any research to which the EO refers to needs to be thorough and rigorous so that policy proposals flow logically from the evidence.
- **Engaging** - have a mix of types of evidence. Include precise statistics showing the individual or global impact, but also include case studies or stories to personalize the impact. If reports are quoted, cite sources fully and accurately.
- **Qualitative in presentation** - ensure quality in presentation and that everything makes sense. Check that your conclusions follow from the evidence.
- **Setting and situation:** What is the occasion? What is the timeframe for communicating? Where, when, and how will this communication be presented? Where, when, and how will it be received or used?
- **Form and medium:** What is the appropriate medium for presentation and delivery? National conference? Meeting with the Minister?
- **Contents:** What information will support the message?
- **Tone and Appearance:** How does the EO want the position to be portrayed? What attitude does it want to convey? How does it want the policy position to look?

SUMMARY

A policy paper should have the following objectives:

- Identify the problem or issue under consideration and briefly describe relevant laws or regulations.
- Include a legislative history of the issue if available/relevant.
- Explain why the issue is important by describing how it affects business (monetary impact; administrative impact, etc.).
- Propose a specific policy recommendation that provides a clear solution to the existing problem in the short term (supported by evidence, discussing relevant experiences from other countries or regions, etc.).
- How many enterprises (and list their importance to the economy) support/are against the policy?
- Its potentially positive impact on enterprises, consumer services and product choices, growth, and jobs (and conversely the negative impacts of the current status quo).
- Likely opposing arguments and their rebuttal.
- How will the proposal help specific constituent groups such as workers, investors, suppliers, and taxpayers?
- What specific action needs to be taken (i.e. which policy, law or regulation needs to be adopted, repealed, or modified).

POLICY PAPERS EXAMPLES

- ✓ **Kenyan Association of manufactures**
<http://www.businessadvocacy.org/dloads/Plastics%20Position.pdf>