Part 2

How to assess the EESE and identifying priorities for reform

2.3
Assessment Tool **7**

Section 2.3: Assessment tools

Mapping the Enabling Environment for Sustainable Enterprise Landscape

Purpose

This Assessment Tool has been designed to help the EO gain a sense of the current policy and political environment, and the likely government response to its proposals. Mapping the process of reform in the economic, political, and social environment is an essential first step in understanding how reform works and how the EO can affect policy or regulatory change. This tool should be used with conjunction with Assessment Tool 10 *"Assessing Government"*.

How to use this tool

This Assessment Tool is designed to assist EOs in making an 'external' assessment of the environment for their priority proposal(s).

Step 1:	Assessing the capacity for change
Step 2:	Assessing the likely receptiveness of government to proposals from the EO
Step 3:	Assessing the policy framework

Introduction

The EESE Landscape refers to the policy legal and regulatory framework in which businesses operate; the regulatory and administrative framework in which policies and laws are implemented and enforced; and the institutional arrangements that influence the way key actors operate.

A mapping of the EESE landscape is important because it first provides the EO with an assessment of the chances of success or failure and secondly, an overall picture of likely issues and of the actors who will influence the process.

Step 1: Assessing the capacity for Change

The first step for the EO involves assessing the capacity of the government to reform. The EO needs to ascertain at the outset of a policy cycle if it has a chance of success.

Reform processes are intimately connected with the political economy of change. This includes the system of accountability and governance exercised within and outside the State, the extent to which the State is open or closed, and the extent to which its policy-making processes are open to influence. Because reform is fundamentally a process of political contestation, there are no formulas that may be imported from elsewhere. Each society needs to determine the political settlement that best accommodates its competing interests, and then find the appropriate technical solution that suits that chosen political settlement.[1]

In determining readiness for change, the following approach can help.[2]

The EO's objective is 'Change' or 'Reform'. To arrive at this the EO needs to logically assess the following issues:

1. What is the level of **dissatisfaction** with the status quo?
2. Does the EO have a **clear vision** of a 'new future?'
3. What are the **practical first steps** toward this 'new future?'
4. How great is the **resistance** to changing the status quo?

It then needs to make the judgement that change is likely if the level of dissatisfaction, vision for change, and clear practical steps for change are greater than resistance.

In practical terms take the following example:

Issue to change: The government introduces a new landing tax at all airports which all passengers must pay.

Level of dissatisfaction with the status quo: Airlines who have seen passenger numbers decrease since the imposition of tax; Hoteliers and restaurants who are noticing a drop-off in trade.

Clear vision of the "new future" proposed by the EO: Very strong pressure from a significant number of enterprises and sectors in the economy. The case needs to be put that by reducing, or preferably abolishing the tax, passenger numbers will increase; hotels and restaurants will be fuller, and government will ultimately receive more tax revenue.

Practical first steps towards changing the status quo: The EO and the Hotels and Restaurants Association commission a survey of tourists to ascertain the impact of the tax on their destination decision; the EO's airline members provide data on the decrease in passenger numbers since the tax came into effect; figures attained from the Tourist Board show a drop off in number of tourists since the tax was established (although this is also related to other factors).

Resistance to change: The State-run airport authority that will use the tax revenue to partly fund a new terminal.

To determine the likelihood of change and whether the EO should purse the proposal, some essential questions need to be addressed:

STEP 1: ASSESSMENT SUMMARY

Is the "change" that the EO wants to affect a realistic proposition?	
It is capable of receiving broad support Other stakeholders can be supportive of the proposal as a whole or key elements of it	
To what extent is there dissatisfaction with the status quo?	

1 Supporting Business Environment Reforms Practical Guidance for Development Agencies DCED 2008.

2 Adapted from David Gleicher's formula Beckhard, R 1969 Organization Development: Strategies and Models, Addison-Wesley, Reading, MA.

Enough interest groups will support the proposal for change Other stakeholders such as the general public or media, if shown a 'new future' would be supportive Dissatisfaction with the status quo is growing	
Has the EO articulated a clear vision of what a 'new future' could look like?	
It can genuinely show benefits outweigh any costs The proposal is shown to be practical and realistic in terms of implementation and application The proposal can be portrayed to impact positively on jobs and people's lives	
How great will the resistance to change be?	
The opposition to the proposal can be divided or split The power relations between winners and losers affected by the changed status is favourable There are identifiable subgroups that can be targeted to support certain elements of the proposal	

Step 2: Assessing the likely receptiveness of government to proposals from the EO[3]

Having established a 'capacity to change' the EO needs to assess broadly how its proposals are likely to be received.

2.1 Reasons the EO's proposal may be challenged

2.1.1 There is scepticism towards the effectiveness of the EO's proposal

This may be due to the existing system, or disbelief in the capacity of the government to change, based on deep mistrust between the public and private sectors. This scepticism is sometimes justified by previous failures.

Scepticism can be based on a narrow view of what is possible, possibly combined with ignorance of what other countries have already done.

2.1.2 Legitimate concerns about the principles and design of the proposal and its capacity to protect important public policies

These kinds of concerns are sometimes a self-serving cover for specific interests, but generally can be useful in structuring a public debate about the pros and cons of the proposal.

2.2.3 Personal interest in maintaining the existing system

This is a common incentive explaining opposition to changing the status quo. A wide range of interests get financial, professional, or political advantages from the existing situation. They can be threatened by the EO's proposal to change it.

[3] Adapted from: "Stakeholder management in business registration lessons from 10 countries" (IFC, 2009).

Incentives can be changed by supplying more information to change perspectives on benefits and costs, while others can be managed by reducing opportunities to influence the proposal, while others are vulnerable only to publicity and transparency that reveals the self-serving nature of arguments.

2.2 Reasons why the EO's proposal may be favourably received

Views are formed by a wide variety of influences that change perceptions about the benefits and costs of a proposal. These "exogenous factors" are part of the larger political economy that provides the context for or against the EO's proposal.

2.2.1 Access to international comparative indicators and empirical studies

Benchmarking indicators by the OECD, the World Bank, country-specific associations, think–tanks, and other sources can greatly facilitate debate on alternative systems.

2.2.2 Increasing competition, caused for example, by entry into a free-trade zone

Fears of intensifying competition can act as a catalyst for change. For example, looming free trade agreements or entry into a new regional trading bloc.

2.2.3 Broader economic reform programmes already under way

If a climate of change is already in place EOs should capitalise on it.

2.2.4 Political changes

Political changes can open new opportunities whereby the EO's agenda is more susceptible. The EO should look for windows of when the time is right to introduce new policy initiatives. For example the new constitution Kenya in 2010 ushered in a period of openness to new ideas.

2.2.5 Crisis

High unemployment and recession can provide a positive context and a concrete goal for the EO's agenda. Crisis is a time when governments are receptive to innovative policy proposals, more so than in good times. It is also a propitious time to pursue politically difficult policy agendas.

2.2.6 Donor pressures

Donors (bilateral or multilateral) may be putting pressure on the government to proceed in a certain direction, for example reform certain systems. This can be a useful pressure point for EOs to exploit.

The assessment summary below will assist the EO in arriving at a final conclusion on how positively or negatively its proposal is likely to be received.

STEP 2: ASSESSMENT SUMMARY

Can the EO's proposal be effectively costed?	Yes / No
Can it include lessons learnt from previous reform efforts?	Yes / No
Can it point to workable models from other jurisdictions?	Yes / No
The EO in its power analysis can identify who are the likely losers and address genuine concerns in its proposal design?	Yes / No
How strong are the groups that will financially or otherwise suffer from a change in the status quo?	Yes / No
Can their efforts to block reform be portrayed as self-serving?	Yes / No
Can reference to indicators in the EO's proposal help in making its case stronger?	Yes / No
Are there current opportunities or ones that might emerge in the near future that could facilitate the timing of the EO's proposal?	Yes / No
Can the EO's proposal be linked to other ongoing similar reform proposals?	Yes / No
Are there champions of reform that it can tap to help make its case?	Yes / No
Can the EO's proposal be linked to broader political economy changes that would be favourable to its chances of acceptance?	Yes / No
Can the proposal be directly linked to job creation?	Yes / No
Have preliminary discussions taken place with any Donors or development agencies that could assist the EO in its efforts?	Yes / No

Step 3: Assessing the process of policy reform

The EO needs to systemically analyse all factors that will influence its chances of success or failure and how they will impact on the policy framework.

The policy framework refers to the three interconnected layers of government activity that shape the environment for enterprises (see Assessment Tool 4 Assessing the policy, legal and regulatory environment).

- ✓ Assessing the policy framework involves an investigation into five aspects of the policy reform process:
- ✓ Assessing the prior experience of the EO in engaging in reform and advocacy efforts:
- ✓ Assessing the political climate for reform:
- ✓ Assessing the economic climate for reform:
- ✓ Assessing the social climate for reform:
- ✓ Assessing the competition for reform:

3.1 Prior EO Experience

The point of departure for an EO is examining previous action by the EO or other business-friendly actors on the issue. This analysis (using the checklist below) will provide vital information on how or why previous efforts failed or failed in part.

3.1.1 Checklist

The checklist below allows the EO to consider its previous experience in presenting reform proposals to government. It asks a series of questions that the EO should answer. The answers will help the EO to determine the capacity of the organization to engage in reform processes and to design these processes based on this understanding.

QUESTION	RESPONSE
1. What was the EO's (or other relevant business actors) previous experience with the issue it is proposing?	
2. Why was it a priority and how was it identified?	
3. What strategies were used during the advocacy process?	
4. Were partnerships with other actors utilized? 4.1. If yes, who were they? 4.2. Were all/some of these partnerships successful? 4.3. Were tensions overcome or did they prove insurmountable? 4.4. Were any of these partnerships used in other advocacy efforts?	
5. Was there a broad coalition of business groups that advocated on the issue? 5.1 If not, why not?	
6. Did the EO provide counter-proposals to the change it was looking for? 6.1 If so, were these realistically costed?	
7. How was the media used?	
8. What time-frame was provided to pursue the issue?	
9. Were the EO's proposals significantly altered during the process, taking on some of the views and interests of other stakeholders including those against the EO's proposal?	
10. What can be learned from these experiences?	
11. Will these experiences prepare the EO for this work or will lack of experience have a potentially negative effect on its success? 11.1 If so, how can the EO mitigate it?	
12. What results from past efforts – from the EO and other organizations – are worth building on?	

3.2 Assessing the political climate for reform

The political climate will determine to a significant extent how the EO shapes its proposal and who it should focus its advocacy efforts towards.

Can Parliamentarians be influenced by the EO's Proposals?

In democracies, influencing governmental parliamentarians and members of the opposition can be a very effective means of influencing policy. It can, if done correctly, develop proxies for the EO's position. In less democratic countries it could be a disastrous approach as it could be seen to be aligning the EO with the political opposition – and this could severely restrict the EO's ability to influence or produce even worse results. National circumstances will determine the approach the EO takes.

Are key decision-makers likely to be distracted by election battles?

If the EO is looking for a change, either a policy or legislative one, historically the early part of a government's tenure is when it is most receptive to taking bold initiatives. This is the time for the EO to be most forthright in pursuing its proposals. If an election is looming this may place on hold an incumbent government's willingness to go down the path of significant changes – unless they are politically expedient. However, elections are also a time to get policy ideas into the political domain. Even if the incumbent government is unlikely to support a politically unpopular EO proposal - the opposition may support the idea – perhaps privately.

Has the political landscape just witnessed a particularly bruising policy debate?

If this is the case, then it is unlikely that the EO's proposal will gain significant support; for example in the case where a major polemical debate sparked by plans to privatize a State company just took place and where ideological positions were unhelpfully taken up. Introducing a subsequent proposal seen as too 'business-orientated' immediately on the foot of such a debate is unlikely to proceed smoothly.

Will the EO's issue be visible?

Timing is essential. If the political landscape is dominated by one or several major issues, then the EO's issue – unless it is of direct relevance to one of these issues – is unlikely to get traction.

The EO needs to look for 'hooks' to frame its issue.

For example, if the EO's main issue is insufficient skills and poor education standards then it needs to seize opportunities to get government and other stakeholders to look at its proposals. One opportunity could be the release of census findings by the Central Statistics Office. The EO could target the release of the census results; for example, say they point to a large increase in population, the EO can use this as an opportunity to push its policy proposals on the need to upgrade the country's skills infrastructure in terms of future needs.

The EO may look to international best practice to assist its arguments. For example, the annual release of a major international ranking reports such as the World Economic Forum's Annual Competiveness Report or the World Bank - IFC's *"Doing Business"* Reports provide the EO with a wide variety of issues that can be benchmarked against the country's neighbours and competitors, and position its arguments in this respect. As well, the World Economic Forum's annual Global Gender Gap report, the World Bank - IFC Women, Business and the Law report, or the Economist

Intelligence Unit Women's Economic Opportunity Index may provide supporting arguments with respect to gender equality issues in the country that need to be addressed.

Is it an issue that will attract particular support from one particular political actor, party, or movement?

Electoral cycles with changes in political administrations of different persuasions require a mature relationship from business and its representatives. The EO must be apolitical: it must not be seen as connected with one political party or another.

However, that does not prevent an EO from seeking support for its ideas and opposition political parties can provide a platform for an EO's ideas as well. The EO should foster and maintain relations with all relevant political actors and seek broad support for its agenda across party lines.

Will the EO's proposal offer an opportunity for compromise and success?

In the course of the EO's advocacy efforts it will probably need to engage with a wide range of stakeholders. Some of whom will be implacably opposed to its proposal, some will be very supportive, some may be in-between. Depending on the nature of the proposal, but generally-speaking, the EO should be open during the development part of its proposal to other stakeholders and to other ways in which their ideas could be incorporated into the proposals (without diluting the fundamental nature of the proposal's intent).

3.3 Assessing the economic climate for reform

Has the EO's proposal reasonable ways to raise revenue or create savings? Is it realistic? Is it well researched?

Recommendations need to be as specific as possible. EOs will not be taken seriously by policy-makers if they simply say, for example, that corporation tax needs to be lowered to raise investment and create jobs. "Why? How is it restricting current investment levels? Do you mean corporation tax on all businesses? Are exemptions foreseen in your proposal? What are regional competitors' corporation tax rates?" The list goes on and the EO needs a credible answer to each and every question. It is therefore important to think through the issue, define the problem clearly, and then test it vigorously.

Can it make a case for increased growth, jobs?

These can be done by directly linking the proposal to employment generation. For example, if the EO is advocating simplification of changes to the registry for businesses in a country with a strong tradition of bureaucratic control but also high unemployment, its two messages may be: promoting the reform as a simplification exercise, in which the state does not lose any regulatory power, and secondly that the objective of the new law was designed to help new entrepreneurs and small businesses, such as artisans, who are important creators of new employment.

Can it impact favourably on consumers' pockets through reduced taxation (e.g., goods and services taxes) or through competition (e.g., leading to lower prices)?

If the case can be soundly made that the EO's proposal can directly impact on consumers' pockets then it should be made. It may become a powerful catalyst in mobilizing the media and others to support the proposal. For example, a new tax on goods in retail outlets could have a very negative impact on the retail sector but also on consumers. Similarly, by pursing the need for more competition in a key commodity sector such as energy, the EO can point out the impact that a lack of competition has on consumers' electricity bills and point out countries where competition has had a positive impact on costs.

3.4 Assessing the social climate for reform

Are there big social tensions that the EO's policy solutions might exacerbate or alleviate?

Perhaps there has been a series of bruising confrontations between government and unions on public sector pay, which resulted in widespread protests and disturbances; the climate remains volatile. Raising what could be portrayed as confrontational issues into such an environment could enflame the situation even further.

Could the EO's proposal be misinterpreted?

In this respect the EO needs to carefully shape its proposals and communicate them accordingly. It needs to avoid situations where serious policy proposals can be misrepresented. For example the EO's calls for pension reforms are portrayed by opponents as *"an attack on the elderly"*.

3.5 Assessing the competition for reform

Is the policy agenda too loaded at the moment? Is it better to wait?

This is again related to the issue of timing. If policy-makers are emerging from a period of intense legislative work – they may just be too exhausted to turn to a new area of focus. Perhaps the current environment has led to increased polarization on issues. Perhaps it has led to a lot of activity – but too little in actual concrete results.

Can the EO link its proposals to other current issues that are in the policy environment?

The EO should look for opportunities to link its proposals to such issues if these may find increased favour.

Could the issue be favourably linked with another issue?

"Venue shopping" can be a useful strategy for EOs to consider. This relies on the dual strategy of presenting an image (framing) and searching for a receptive political venue. The coupling of indigenous rights and environmental issues in the Amazon is a good example of a strategic venue shift by indigenous activists who found that the environmental arena was more receptive to their claims than the human rights' venues.[4] An example from the business community could be positioning the 'regulatory burden' in the 'corruption space'. Increased red tape and bureaucracy is empirically shown to create increased avenues for corruption; when added to the pervasive impact of corruption on the public – it can impact on everyone.

The EO can present its call for decreased red tape on business as tackling a issue which contributes to a broader societal problem.

Can the EO's issue be communicated as a recognizable issue?

Suppose the EO's proposal centres on infrastructure development in several major cities. Its members are communicating significant concerns that the lack of mobility in gridlocked cities is having on commercial activity.

So why is the government not acting? Perhaps the answer is that it's not a **universally** acknowledged issue requiring **immediate** action.

This may be because there is a large rural population and funds are decentralized through states.

---

[4] *Decent Work and Poverty Reduction Strategies: An ILO Advocacy Guidebook* (2005).

Rural voters don't care about urban infrastructure and it is then neglected.

The EO would then need to focus efforts on regional governance structures and bring elements such as connectivity arguments into its advocacy position. For example, connecting urban infrastructure to state-wide infrastructure in order to ensure quicker access to export ports for agricultural produce (presuming these are major exports, if a large portion of the population is rurally based).

What other issues are competing with the EO's for positioning on the policy agenda?

The EO needs to consider if there are other issues on the horizon likely to knock the EO's issue out of the minds of the public or policymakers, or worse yet, confuse these audiences. The EO needs to choose its moment.

Having taken these steps and discussed the above information, the EO needs to come to a conclusion about the EESE landscape. It needs to synthesize these discussions and to come up with a view about the kind of advocacy proposal that will work. The following assessment matrix can help in arriving at this viewpoint.

STEP 3: ASSESSMENT SUMMARY

1. PRIOR EO EXPERIENCE	
Arguments used by opponents of the EO's proposal in previous efforts are now less relevant	Yes / No
The Situation has changed favourably for the EO's proposal, signalling a more propitious reception	Yes / No
The proposal is more thoroughly researched than previous EO efforts	Yes / No
Scope now exists for coalition building amongst the business community	Yes / No
Scope now exists for partnerships with other non-business actors	Yes / No
The interests of some stakeholders have now changed	Yes / No
Some previous opponents of the EO's proposal are now no longer active/relevant	Yes / No
2. POLITICAL CLIMATE FOR REFORM	
Electorally-speaking it is a propitious time to launch proposals	Yes / No
The environment for policy debate on the EO's proposal is stable	Yes / No
No major issues that would likely derail or cloud the EO's proposal are foreseen	Yes / No
Emerging national/regional/international reports are due which can assist the timing of the EO's proposal	Yes / No
Other political actors could be receptive to the EO's proposal	Yes / No
3. ECONOMIC CLIMATE FOR REFORM	
The proposal addresses key economic concerns that are currently in the public domain	Yes / No
The proposal can be linked directly to job creation	Yes / No
The proposal can be linked directly to gains for consumers	Yes / No
4. SOCIAL CLIMATE FOR REFORM	
The proposal will not alienate key stakeholders	Yes / No
It will not be portrayed as having negative unnecessary social consequences	Yes / No
5. COMPETITION FOR REFORM	
The policy agenda is not heavily charged – the EO's issue would get visibility now	Yes / No
The issue can be linked with other issues which may assist the EO's proposal	Yes / No
The EO's proposal can easily be articulated as addressing a major concern	Yes / No
The EO's proposal offers scope for compromise	Yes / No
The EO's proposal offers scope for other stakeholders to support the proposal or support elements of it.	Yes / No