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# Indicators for economic institutions and business enabling environment in the post- 2015 development framework

Zhenbo Hou

Overseas Development Institute

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# 1 Overview

At the Millennium Declaration in September 2000, world leaders committed their nations to a set of comprehensive development targets for poverty reduction by 2015. These targets are multi-dimensional in nature and include the following:

- Goal One: Eradicate extreme hunger and poverty
- Goal Two: Achieve universal primary education
- Goal Three: Promote gender equality and empower women
- Goal Four: Reduce child mortality
- Goal Five: Improve maternal health
- Goal Six: Combat HIV/AIDS, malaria and other diseases
- Goal Seven: Ensure environmental sustainability
- Goal Eight: Develop a global partnership for development

Although it is fair to argue the Millennium Development Goals (MDGs) have been remarkable in leveraging international and national development resources, they have been criticised for their lack of emphasis on economic growth (Collier, 2007). After all, developing countries that have arguably achieved the most development progress since the inception of the MDGs, were also the ones that grew the fastest. Such evidence has led some leading commentators to argue it is time to put economic growth at the centre of the of post-2015 development agenda (Melamed et al, 2010). The new set of goals will replace the MDGs and form the new focal point for international development efforts. In 2012, UN Secretary Ban Ki-moon announced the 27 members of a High Level Panel to advise the global development framework beyond 2015.<sup>1</sup>

Business enabling environment is one of key ingredients affecting economic outcomes such as jobs, investment, and growth. More broadly, there is also a growing consensus regarding the importance of inclusive economic institutions for sustaining long-term inclusive growth, for instance as described in Acemoglu and Robinson's book 'Why Nations Fail'. In this book, the authors argue that inclusive economic and political institutions that enforce property rights, create a level playing field and encourage investments in new technologies and skills are more conducive to economic growth. These are more conducive to economic growth than extractive economic institutions that are structured to extract resources from the many by the few and that fail to protect property rights or provide incentives for economic activity.<sup>2</sup> Some examples of inclusive economic and political institutions include;

- A predictable, fair, and transparent "rules based" business environment
- Secure land and property rights
- An effective court system to deliver commercial justice
- Regulations to promote competition and
- Openness to trade(business, not necessarily international trade rules)

Given the importance of these issues for economic outcomes and poverty reduction, the question is how they can be incorporated within the new post-MDG framework that is being discussed within the United Nations? The High Level Panel on the post-2015 Development Agenda made an initial attempt in setting out shifts three and four in their report, describing the importance of 'Transforming economies for jobs and growth' and

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<sup>1</sup> <http://www.post2015hlp.org/about/>

<sup>2</sup> P429-P430, *Why Nations Fail?* D.Acemoglu and J. A. Robinson

'Building peace and effective, open and accountable institutions for all'. Others have continued the debate.

There is still a significant amount of work to do, however, to convert these concepts into measurable targets and indicators. The most prominent growth targets and indicators have been non-institutional, and the debate on institutional targets and indicators has tended to focus on political outcomes – centred around good governance. The objective of this PEAKS request is to review the literature and on-line forums to draw together work that has already been done in this area and answer the following questions;

## 1.1 The questions:

- 1 What proposals (targets and indicators) have been made by NGOs, academics, the business community, multilateral organisations, and/or national governments to include the **business enabling environment** and **inclusive economic institutions** in the post-MDG framework?
- 2 What are the relative merits of the proposals that have been put forward?

In this report we set out to review and comment on proposals that have been made to include business enabling environment and improved economic institutions in the post-2015 development framework.

Most reports included did not propose concrete indicators. Finally, in understanding the narratives being proposed by various stakeholders, we also attempted to analyse the underlying agendas or motives held by the stakeholders in their interest in influencing the post-2015 framework.

## 1.2 Key message

This report finds that very few proposals have been made directly to include business enabling environment and inclusive economic institutions in the post-MDGs framework. There are however, proposals that touch upon broader issues such as property (land) rights, taxation, regulation, law and so on, which we have examined and analysed in this report. Secondly, this report calls for a critical assessment of Acemoglu and Robinson's argument about the relative merits of inclusive economic and political institutions and policy prescriptions they offer to developing countries.

## 2 Methodology

The following report is organised in the following way: the query is addressed in a table that includes the name of the organization, the title of their report or proposal, the web link, a synopsis of the narratives found in their reports as well as the relative merits and critiques of the proposals. This is then followed by a conclusion that discusses the merits and draw backs of some of the proposals.

In this report, we have used ***tracker.post2015.org***, a website facilitated by ODI that provides an extensive database of material relating to the post-2015 debate. The Future Goals Tracker search function featured on the site was used to find more detailed formal proposals from various groups. Key words that have been used to conduct the research include business registration, competition issues, commercial justice, land and property rights, business taxation, free markets, fair markets, property rights, economic policies, regulations and laws. Once these specific aims had been noted, underlying agendas or motives held by the various stakeholders were taken into consideration.

### 3 Indicators and proposals

Organization	Title	Links	Proposals	Merits
International Expert Group on Earth System Preservation (IESP)	"Sustainable systems in the post-2015 development agenda: Keeping societies, economies and ecosystems resilient"	<a href="http://post2015.files.wordpress.com/2013/11/iesp-sdgs-recommendations_pp681_11.pdf">http://post2015.files.wordpress.com/2013/11/iesp-sdgs-recommendations_pp681_11.pdf</a>	<p><u>Goal 2: Foster resilience of economies</u></p> <p>Enhancement of the resilience of economic systems through development of incentives favouring small and medium size enterprises.</p>	<p>Presents several targets that are within certain goals;</p> <p>Looks at the economy, society and ecosystem;</p> <p>Gives a brief explanation of each target.</p>
Business Action For Africa – Harvard Kennedy School	"Building a post-2015 development framework to achieve sustainable prosperity in Africa"	<a href="http://www.hks.harvard.edu/m-rcbg/CSRI/CSRI_BAA_TPI_New_Global_Partnership_With_Business_Sept2013.pdf">http://www.hks.harvard.edu/m-rcbg/CSRI/CSRI_BAA_TPI_New_Global_Partnership_With_Business_Sept2013.pdf</a>	<p>Supporting effective policy making that improves the overall enabling environment for business, attracting new investment and domestic business growth;</p> <p>Economic growth, driven by markets and private enterprise, creates wealth and raises living standards, generates jobs and incomes and enables the poor to access essential social and economic infrastructure and affordable life-enhancing goods and services.</p>	<p>Recognises three ways businesses can help alleviate poverty;</p> <p>One of which is to improve the overall enabling environment for business;</p> <p>One of highlights in the paper is the case studies where they demonstrate the importance of what they suggested previously.</p>
World Vision	"Business – A vital contributor to the post-2015 agenda "	<a href="http://post2015.files.wordpress.com/2013/04/post-2015-policy-brief-business-a-vital-contributor-to-the-post-2015-agenda_pp170_1-1.pdf">http://post2015.files.wordpress.com/2013/04/post-2015-policy-brief-business-a-vital-contributor-to-the-post-2015-agenda_pp170_1-1.pdf</a>	World Vision supports the inclusion of the private sector as an interlocutor in the post-2015 debate.	<p>Provides many statistics;</p> <p>Heavy emphasis on the role of the government.</p> <p>Emphasis on transparency and accountability.</p>

CAFOD	"Building from the Ground Up"	<a href="http://post2015.files.wordpress.com/2013/04/cafod-building-from-the-ground-up.pdf">http://post2015.files.wordpress.com/2013/04/cafod-building-from-the-ground-up.pdf</a>	<p>Think small: Foster micro and small enterprises (MSEs) in a fair business environment:</p> <ul style="list-style-type: none"> <li>- Correcting the spending bias to better resource programs to support MSEs</li> <li>- Correcting the policy blind spot to better support MSEs</li> <li>- Correcting the policy blind spot to better reflect the needs of small businesses</li> <li>- Improve voice and representation through consultation with small businesses</li> </ul>	<p>Discusses about values such as solidarity, equality and universality;</p> <p>"Values are important because they shape the environment in which the framework operates"</p> <p>Presents case studies and example goals.</p>
UN (2013)	"A new global partnership"	<a href="http://www.post2015.hlp.org/wp-content/uploads/2013/05/UN-Report.pdf">http://www.post2015.hlp.org/wp-content/uploads/2013/05/UN-Report.pdf</a>	<p>Goal 1(b)</p> <p>Increase by x% the share of women and men, communities, and businesses with secure rights to land, property, and other assets;</p>	<p>Fails to give credible indicators on how to secure rights to land, property and other assets;</p> <p>Talks about the global impacts by 2013 in different sectors, provides possible impacts</p>



Africa Youth Voices	"African Youth Declaration on Post-2015 agenda"	<a href="http://www.beyond2015.org/sites/default/files/African%20Youth%20Declaration%20on%20Post-2015%20Agenda.pdf">http://www.beyond2015.org/sites/default/files/African%20Youth%20Declaration%20on%20Post-2015%20Agenda.pdf</a>	<p>Under Goal 3: Streamlining and secure of intellectual and property rights with the aim of supporting local innovations.</p> <p>The development, promotion, and implementation of policies that enable internal mobilization of resources towards friendly business environment for local technological organizations/institutions.</p> <p>Under Goal 5: Government ensure that citizens especially the youth have equal and unrestricted access to an effective justice system both in urban and rural areas that is not respective of status and financial background.</p>	No specific targets or indicators proposed.
Global Land Tool Network	"Experts identified key indicators to advance the global land agenda"	<a href="http://www.glttn.net/index.php/resources/publications/publication-s-list/finish/3-glttn-documents/132-expert-group-meeting-of-the-global-land-indicators-initiative-eng-2013">http://www.glttn.net/index.php/resources/publications/publication-s-list/finish/3-glttn-documents/132-expert-group-meeting-of-the-global-land-indicators-initiative-eng-2013</a>	<p>Perceived tenure security</p> <p>Secure land rights</p> <p>Equal rights of women</p> <p>Legal recognition of a continuum of land rights</p>	Proposes 4 indicators
Participate	Civil Society demands for the post 2015 development agenda synthesis of post 2015 national	<a href="http://www.beyond2015.org/sites/default/files/Regional%20Synthesis%20-%20Asia%20-%20ENG.pdf">http://www.beyond2015.org/sites/default/files/Regional%20Synthesis%20-%20Asia%20-%20ENG.pdf</a>	Financing mechanisms needed to go beyond aid and catalyse domestic resource mobilization including strong anti-corruption measures and radically curbing tax evasion.	<p>No indicators provided.</p> <p>Fails to explain what it means by 'economic democratisation'.</p>

	deliberations in 10 Asian countries		Pursue detailed economic democratization and growth policies fair to both small and large enterprises and strengthen fair taxation and tax equity.	
Open Society Foundation	Justice 2015: Measuring Justice in the post-2015 development framework	<a href="http://www.opensocietyfoundations.org/sites/default/files/measuring-justice-post-2015-20131209.pdf">http://www.opensocietyfoundations.org/sites/default/files/measuring-justice-post-2015-20131209.pdf</a>	<p>Goal 3A: Increase the amount of land for which communities have secure tenure and decisions are taken through an open and accountable process</p> <p><u>Administrative data</u> legislation implementation of regulations recognising customary land tenure, community land and resource rights</p> <p><u>Objective situation data</u> Amount of land for which local communities possess rights to own, use and conserve</p> <p><u>Experiential &amp; Perception data</u> Proportion of households who believe they have a fair say in decisions about local land and resource governance.</p>	<p>Divided into two goals</p> <p>1) Access to Justice Targets 2) Illustrative baskets of indicators for access to justice targets</p> <p>Under goal 2, they provide 3 possible types of data: Administrative data, Objective situation data, Experiential &amp; perception data</p>
IBON International	Consultation report: Development for Whom? Asia Pacific Voices for a Just and Transformative Sustainable Development Agenda	<a href="http://peoplesgoals.org/download/Report%20-%20Asia%20Pacific%20CSO%20Consultation%2023%20-%2024%20Aug%202013.pdf">http://peoplesgoals.org/download/Report%20-%20Asia%20Pacific%20CSO%20Consultation%2023%20-%2024%20Aug%202013.pdf</a>	<p>Reform intellectual property rights to prioritize development rights, public health, and public interest ahead of profit.</p> <p>4. People's sovereignty over food systems, access to land, agrarian</p>	Emphasis on land rights

			<p>reform, and management of fisheries resources</p> <p>Set targets to increase the number of people who have access and control over land and resources;</p> <p>Measure the level of land grabbing (acquisition by private sector and governments);</p> <p>Ensure equal rights for women over land and other resources;</p> <p>Ensure pro-poor and local community-based control over national resource systems;</p> <p>Recognise the rights of indigenous and other rural communities over land and other resources.</p>	
Save the Children	Ending poverty in our generation: Save the Children's vision for a post-2015 framework	<a href="http://www.savethechildren.org.uk/sites/default/files/images/Ending_Poverty_in_Our_Generation_Africa.pdf">http://www.savethechildren.org.uk/sites/default/files/images/Ending_Poverty_in_Our_Generation_Africa.pdf</a>	<p>Rule of law, the absence of conflict and corruption, and the presence of property rights and strong institutions.</p> <ol style="list-style-type: none"> <li>1. Ensure all countries have transparent governance, with open budgeting, freedom of information and comprehensive corporate reporting;</li> <li>2. Ensure all countries have participatory governance, with greater freedom of speech, press and political choice;</li> </ol>	<p>Discusses about how achieving the MDGs was only half the job.</p> <p>Goes in depth on fundamental factors such as reducing inequality</p> <p>Presents 10 goals that need to be achieved (most of them are the same as the MDGs)</p> <p>Provides statistics, indicative targets and potential indicators</p>

			3. Ensure all countries have accountable governance, with commitment to the rule of law, more equitable and effective public services, and reduced corruption	
Action Aid	Bringing taxation into the post-2015 development framework	<a href="http://www.actionaid.org.uk/sites/default/files/doc_lib/post_2015_tax.pdf">http://www.actionaid.org.uk/sites/default/files/doc_lib/post_2015_tax.pdf</a>	<p>A global commitment to changing international tax rules to prevent avoidance and evasion, and protect developing-countries taxing rights.</p> <ol style="list-style-type: none"> <li>1. Ensure that international treaties and agreements safeguard developing countries' taxing rights on cross-border income and capital;</li> <li>2. Increase transparency including in tax havens and in companies themselves;</li> <li>3. Support countries in building regional agreements to address tax competition and excessive tax incentives;</li> <li>4. A narrowing of the corporate tax gap in developing countries – potentially leading to a 20% increase on the current corporate tax</li> <li>5. An increase in overall developing country tax take overall as a proportion of GDP, potentially reaching a tax/GDP ratio of 25%, for example (an ambitious but progressive target).</li> </ol>	A very good proposal on taxation on developing countries, but overlooks how developing countries can execute such tax laws and whether this increase in taxation would turn businesses away.

## 4 Conclusions

This report has made an attempt to analyse the proposals that have been put forward to include business enabling environment and inclusive economic institutions in the post-2015 development framework. Unfortunately, the report has found very few explicitly linked to these two areas; some of the proposals are simply re-branding existing policy statements with the post-2015 agenda label.

All of this leads the author to suspect that the lack of proposals in this domain might be an indication for that fact that there is some space for governments and NGOs to shape these two agendas before 2015.

It might also be a worthwhile exercise to revisit the academic merits of Acemoglu and Robinson's argument that has inspired this query in the first place – countries prosper or fail not because of its geography, values, cultures or natural endowments but because of its political and economic institutions - more precisely, political institutions determine economic institutions, which in turn determine a nation's development trajectory. The authors theorize that political or economic institutions can be divided into two kinds – 'extractive' institutions that a small of individuals do their best to exploit the rest and 'inclusive' institutions that a large number of people are involved in the governing the process hence the exploitation is attenuated. Think of dictatorships and democracies here.

The first problem for Acemoglu and Robinson is that one has to quantify what a small number actually means in extractive or inclusive economic institutions. For example, as Boldrin, Levine and Modrica pointed out, in what sense were the institutional arrangement of the Roman Empire inclusive 'inclusive' relative, for example to those of the Communist Soviet Union. Secondly, Acemoglu and Robinson also pointed to the great contrast between North and South Korea. Here the two countries have started at the same level after the Korean War and ended up in very different places due to the extractive North and inclusive South, but one has to remember that South Korea's spectacular economic success began under a military dictatorship. Other important examples of countries whose economy took off under an 'extractive' political institution include Germany before the First World War, Republic of China (Taiwan) under Generalissimo Chiang Kai-shek, Chile under Augusto Pinochet, and the People's Republic of China over the last three decades.

On the hand, this report is not convinced by Acemoglu and Robinson's argument that inclusive political institutions would necessarily create inclusive economic institutions and therefore leads to growth. India has been the world's largest democracy since the 1950s but its growth remained slow until economic reforms were implemented in the 1990s and yet, its growth trajectory remains fragile compared to some of the other large emerging market economies. The other example is Russia, where every citizen nominally participates in elections but corruption persists and economic benefits are confined to the few.

Lastly, while the authors of 'Why Nations Fail' offers a compelling argument about the need for inclusive economic and political institutions, one needs to be critical about the limits of their arguments. Mostly importantly, it is all very well establishing institutions but it is often a huge test for developing countries to carry out the duty and functions of these intuitions effectively.

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