Private sector advocacy

Governments and regulation

Governments want to legislate. Indeed, many politicians think that the specific reason that they have been elected to Parliament is to legislate.

Regulations are a form of government intervention in the economy. While there are costs associated with regulation, there are also benefits accruing from regulation. For example, setting safety standards for nuclear power stations may impose costs on the operators, but it also helps to minimise the risk of radioactive pollution of the environment. 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.

Increasingly, however, government are concerned to demonstrate that they are being responsive to business, that they are creating an enabling pro-business environment, and that, whilst regulation may be necessary from time to time, they are far more business friendly than other governments.

The problem for business is that regulations impose financial burdens – through the time taken to comply and to demonstrate compliance, through the initial cost and through recurring costs. Sometimes, it is the financial cost that is the objective (say, a requirement to pay tax or some sort of levy) imposed to stimulate a change in behaviour. Sometimes, little thought is put into the administrative burden (say, preparing the paperwork to demonstrate compliance). Inevitably these burdens are felt disproportionately by smaller businesses. Large businesses can afford to employ people – who then build up expertise – specifically to ensure compliance; in the smallest business it is usually the entrepreneur who has to do the work – on top of everything else required to generate sales and make a profit.

Influencing the enabling environment

You will hear the terms: ‘enabling environment’ or ‘investment climate’. This simply refers to the environment in which businesses operate and covers a wide range of factors which impact on the ‘cost of doing business’ and make it more or less likely that businesses, both domestic and foreign, will want to invest. These include:

- Legislative & regulatory framework (including employment, environmental, consumer protection, health & safety, taxation, duties and tariffs, etc)
- Government policy & macro-economy
- Access to finance
- Protection of intellectual property rights
- Availability of skilled labour
- Commercial justice & contract enforcement
- Infrastructure (power, water, telecoms, etc)
- Transport
- Land ownership

Some of these will take time to change and even longer before there is an impact on business; others may be easier to influence in the short term. Regulation is amongst the easiest to change – and can have a big impact.

Regulatory reform

Regulation covers "the full range of legal instruments and decisions through which governments establish conditions on the behaviour of citizens or enterprises".[1] 'Regulation' is used here to define all statutory requirements, whether enacted by Parliament or by local government or additional rules prepared by agencies such as the tax authority.

Businesses get particularly exercised by the regulatory requirements imposed on them. Ideally both the financial burden and the administrative burden should be mitigated, but focusing on the administrative burden can often provide the biggest dividends. There are a number of ways in which the burdens can be mitigated:

- Less new regulation;
- Improving existing regulation – to reduce the administrative burden, to reduce opportunities for corruption, etc;
- Providing guidance so businesses know what is expected of them; and
- Promoting a culture change so that inspectors are seen as 'coaches' not 'cops' and so that there are fewer inspections.

Improving the enabling environment can lead to a more vibrant private sector and, ultimately, to greater poverty alleviation. The private sector sees the results of regulation or, in some cases, the results of lack of enforcement of regulation, and is in an ideal position to advocate for change – provided they can research issues clearly and make compelling arguments for change.

What is advocacy

Quite simply, advocacy is the act of influencing, or attempting to influence, the way that someone else thinks about, and acts on, an issue. So private sector advocacy describes attempts by the private sector to influence public policy in an effort to improve the business environment. Effective advocacy requires a thorough understanding of the particular issue being addressed, the ability to prepare evidence based policy proposals and the opportunity to meet with and persuade policy makers and implementers to do something differently or, occasionally, not to do it at all. In addition to influencing and communication ability, advocates will also require tenacity and persistence.

Public private dialogue

Ideally, trade associations should aim for regular contact with key public sector people and not just when advocating change. Effective dialogue is a pre-requisite for effective advocacy. Dialogue implies regular contact between private and public – sometimes because the private sector wants to influence a particular policy or particular decision, but often just to ensure that each party understands the other. This is important not only because it can provide advance notice when the public sector is thinking of regulating but also because there are ready channels of communication already established which can be used to ensure that each can quickly understand the position of the other.

[1] OECD, "Improving the Quality of Laws and Regulations: Economic, Legal and Managerial Techniques", Paris, 1994

Further reading and further information

- Advocacy: a five step approach

The Business Advocacy Network is an initiative of Irwin Grayson Associates and intended to support business member organisations (BMOs) to engage in public private dialogue and to advocate improvements to the business environment. This factsheet has been written by David Irwin. You are free to use the factsheets and other materials provided that the source is acknowledged. The Business Advocacy Network can be found at businessadvocacy.net. IGA can be found at irwingrayson.com and contacted at david@irwin.org. You can follow David Irwin on twitter at @drdavidirwin.