

CIPE commenced its work in Latin America and the Caribbean by launching its first partnership in 1984, just as countries across the region began to emerge from dictatorship and the debt crisis. Since that time, there have been huge advances in the democratic representation of marginalized groups, business formalization, and the protection of property rights, yet many of the issues CIPE addressed in its first years are still challenges today. The following pages celebrate a CIPE partner that has led Peru's progress in these areas, the Institute for Liberty and Democracy, look to the future of reform with Instituto Invertir (also in Peru), and provide regional highlights of the impact CIPE's work has had over the past year.

## PARTNERS IN SUCCESS

# INSTITUTE FOR LIBERTY AND DEMOCRACY

CIPE's first partnership, and one of its most successful, was with the Institute for Liberty and Democracy (ILD) in Peru. Beginning in 1984, CIPE helped ILD design an innovative economic reform agenda and an advocacy campaign based on increased citizen participation in decision-making. ILD used "289 days" – the time required to legally create a small business – as its slogan in order to convey the scope of the administrative barriers and legal discrimination experienced by small-scale entrepreneurs. This groundbreaking approach made it possible for ILD to help defeat the Shining Path terrorist movement in Peru. The Shining Path's own newspaper, *El Diario*, declared that the ILD's methods hindered recruitment efforts and weakened popular support for the terrorist cause. Over the past two decades, 35 heads of state have requested ILD services, and currently, ILD has 20 projects underway to move countries around the world toward inclusive modern market economies under the rule of law. Now an internationally respected think tank, ILD has seen its ideas integrated into the work of the United Nations through the Commission on Legal Empowerment of the Poor and many other international institutions.

- As a result of ILD's efforts in Peru, 300,000 small enterprises were integrated into Peru's formal economy, accounting for 560,000 legal jobs and contributing an added \$300 million in tax revenues each year.
- The time needed to legally register a business in Peru was cut from about 300 days to less than one day by ILD's establishment of a Unified Business Registry.
- The cost to register a business in Peru was lowered from \$1,200 to \$174, and registered businesses saved \$692.5 million in cutting through red tape.
- The macroeconomic policies and 200 other reforms initiated by ILD raised Peru's growth rate to nearly 14 percent by 1994 and brought down inflation from 7,605 percent in 1990 to 10 percent in 1995.

*(Figures are International Monetary Fund and ILD estimates. USAID provided principal funding for ILD's programs. CIPE supported ILD's advocacy initiatives with funding from the National Endowment for Democracy.)*

# AMERICA AND THE CARIBBEAN

*“In 1984 the Center for International Private Enterprise and the National Endowment for Democracy offered early support to pioneering reforms*



As a result of ILD's years of hard work, home owners, like the woman above, received official titles to their property, integrating them into the formal economy and institutionalizing the value of their holdings.

*in Peru. Recognizing the link between participation in economic society and democratic society, NED and CIPE buttressed the Institute for Liberty and Democracy's efforts to give the poor legal title to their property and the tools to release the wealth locked up in those assets. Economic reform begat political stability as the hope of a better future presented the people of Peru with a credible alternative to the Communist insurgency and undercut popular support of the Shining Path terrorist movement. CIPE and NED have stood with us for 20 years, and their continuing support today allows us to share our successes with other countries in transition.”*

**Hernando de Soto**  
President, Institute for Liberty and Democracy

## 2008 CIPE PROGRAMS AND PARTNERS IN LATIN AMERICA & THE CARIBBEAN

### DEMOCRATIC GOVERNANCE AND INSTITUTIONS

- Argentina:** Improving Corporate Governance Standards in Argentina; Furthering Good Corporate Governance Practices (Partner: Center for Financial Stability)
- Brazil:** Improving Corporate Governance in Brazilian Family Businesses (Partner: Brazilian Institute of Corporate Governance)
- Chile:** Building the Center for Corporate Governance (Partner: Foundation of Studies of the Faculty of Economics and Business Administration of the Pontificia Catholic University of Chile)
- Colombia:** Strengthening Corporate Governance in Public and Private Companies (Partner: Confecámaras)
- Mexico:** Strengthening Corporate Governance in Mexico (Partner: Center for Excellence in Corporate Governance)
- Regional:** Promoting Good Corporate Governance Culture in Colombia, Ecuador, and Venezuela (Partner: Confecámaras)

### EMPOWERING PRIVATE SECTOR ORGANIZATIONS

- Haiti:** Strengthening Private Sector Associations in Haiti
- Paraguay:** Private Sector Economic Forum: Building a Reform Agenda in Paraguay (Partner: Foundation for Development in Democracy)

### ACCESS TO OPPORTUNITY

- Guatemala:** Building Consensus to Reduce the Informal Sector in Guatemala (Partner: National Economic Research Center)
- Regional:** Leadership Development to Promote Democracy in Latin America

### GRASSROOTS PARTICIPATION

- Nicaragua:** Promoting Democracy through a National Business Agenda (Partner: Superior Council for Private Enterprise)
- Peru:** Advocating for Economic Reform in Peru (Partner: Confederation of Private Businesses and Institutions)

## PARTNERS IN SUCCESS INSTITUTO INVERTIR

# PERU

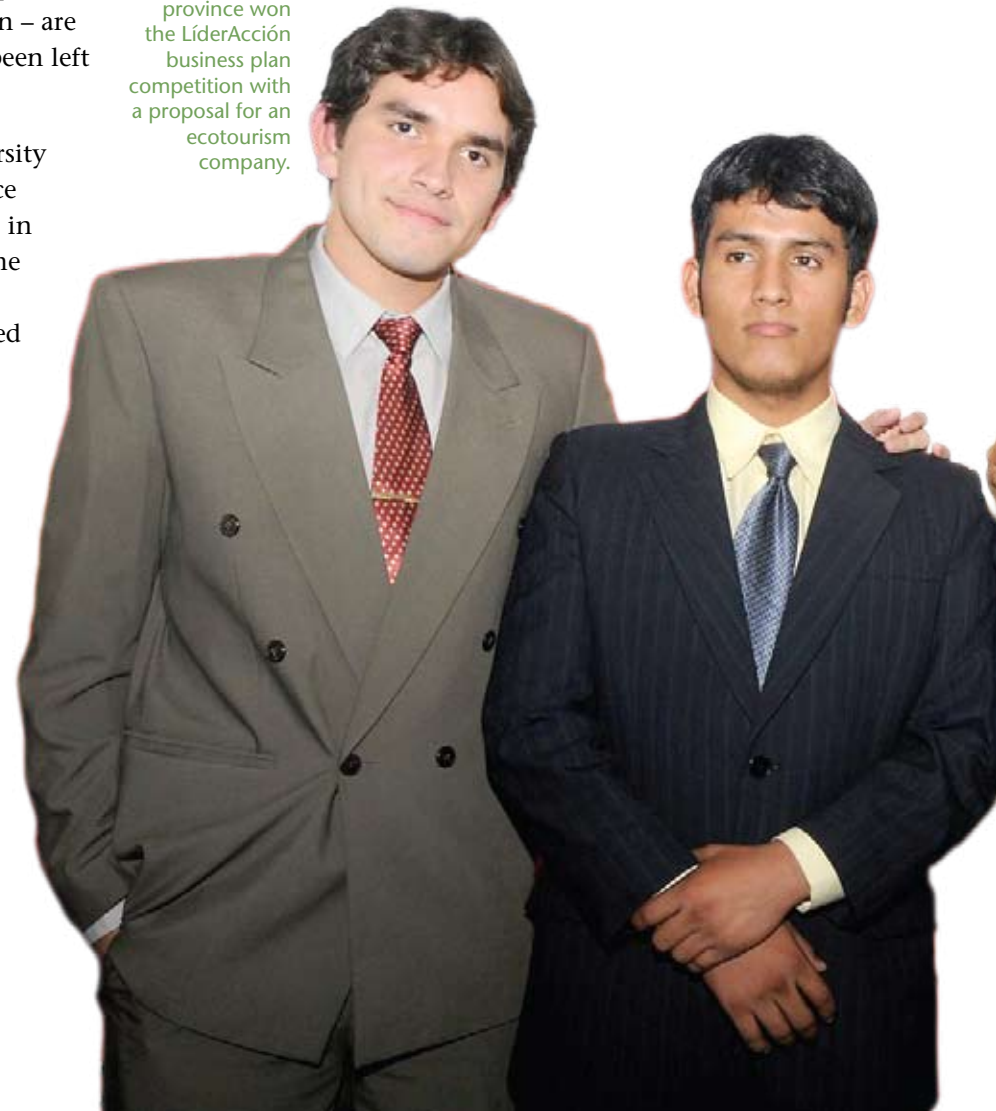
At just a year old, Instituto Invertir has already seen significant success encouraging entrepreneurship in Peru in a democratic context. Invertir teaches business development and the economics of business success through its training programs for small and medium-sized enterprises and youth. Among Invertir's most noteworthy programs is the LíderAcción leadership and entrepreneurship education program for university students from areas outside the capital, a group that is crucial to advancing democracy in Peru. Recent polls show that 86 percent of young people – who comprise nearly a third of the country's population – are disenchanted with democracy, particularly those in rural areas who have been left outside of the country's economic success.

The LíderAcción program was designed by Invertir, the Peruvian University of Applied Sciences (UPC), and CIPE as a response to this lack of confidence in democracy and the free market. In three interactive, hands-on trainings in Lima, LíderAcción helped 200 students from rural Peru learn how to assume a leadership position in their communities and foster Peru's democratic development and economic growth. Working in groups, students developed 47 business plans for community development projects with the guidance of UPC business school faculty. At the end of the program, three winners received the funds necessary to start their business, and they have already begun to implement their plans.

- Three new businesses are being established by the winners of the LíderAcción competition: an ecotourism company, a company that is producing marmalades from native Peruvian fruits, and a private retirement home.
- A LíderAcción alumni network is supporting program alumni as they assume a leadership role in their communities and implement their business plans.
- A number of Peruvian companies, including Interbank, Backus, TEPSA, Gloria, Southern Copper, and RPP News, have committed support to the graduating students and the LíderAcción program.

LíderAcción opens a window of opportunity for these young people to lead efforts to foster private enterprise and democracy in Peru.

Students from San Martín province won the LíderAcción business plan competition with a proposal for an ecotourism company.



# BOLIVIA

## FINDING REPRESENTATIVE POLICY ALTERNATIVES

While Bolivia is endowed with immense natural riches, it has not been able to successfully manage this wealth to ease the poverty of ordinary Bolivians. This mismanagement is compounded by the socialist political climate, government inefficiency, and corruption. With CIPE support, Fundación Milenio, a Bolivian think tank, launched an intensive awareness campaign to promote policy alternatives and demonstrate that natural resources must be properly managed if the wealth they generate is to benefit citizens.

Working in a challenging political context, Milenio was one of the few independent voices to call for such reform. In cooperation with the media, three leading Bolivian economists, and former Bolivian Vice President Victor Hugo Cárdenas, Milenio was able to foster objective discussion at the national level, leading the government to change its methodology for the distribution of natural resource revenues. Now, a significant part of resource wealth goes straight to citizens instead of supporting a large government bureaucracy.



### IMPACT ON REFORM

- Milenio's advocacy campaign pushed the government to reform the state pension program, which is funded by the revenues from natural resources. The pension program, Renta Dignidad, has been expanded to allow all Bolivians over the age of 60 (representing roughly 5 percent of Bolivian citizens) direct access to these revenues. The new system distributes nearly \$200 million a year, more than twice the resources distributed annually through the previous system.
- Milenio reached approximately 80,000 people with its special report on Bolivia's pension system, through the country's most widely-read magazine, *Oh!* The report helped change public perceptions of the pension program, which was previously considered a waste of money, to show how pensions could stimulate local economic growth when distributed efficiently to individuals.

# BUILDING SOUND ENVIRONMENTAL, BUSINESS POLICY

Using its National Business Agenda as an advocacy platform, the Superior Council of Private Enterprise (COSEP) strengthened private sector dialogue with the Government of Nicaragua. These efforts resulted in the creation of several public-private working groups, comprising 10 private sector leaders and 10 government representatives dedicated to reviewing pending legislation for its potential effect on the energy sector and business environment. COSEP developed and presented three legislative initiatives to the National Assembly: the Biofuels Law, the Mutual Guarantees Law, and the Law on Leasing. With COSEP's direction, these new laws will have a positive influence on business as well as the energy sector.

## IMPACT ON REFORM

- COSEP's advocacy efforts helped to reform the Energy Stability Law and the General Environmental Law, which ensure that Nicaraguans have consistent access to affordable electricity, facilitate private sector investment in renewable energy projects, and stabilize long-term energy costs.
- Amendments to Nicaragua's Water Draft Law now include a clause protecting the right to acquire private property in coastal areas. These amendments are crucial to continuing the development of Nicaragua's tourism sector.
- Two new laws, the Leasing Finance Law and the Invoice Exchange Law, have made it easier for small and medium-sized enterprises to acquire equipment and access credit.
- COSEP's advocacy has helped prevent the approval of at least four anti-market laws, including the Food Security Law, Government Purchasing Law, Social Housing Law, and the Coastal Law, each of which would have seriously hampered private property rights, market function, and business practices in hiring employees.



COSEP was highlighted in the CIPE publication, *El regreso de la izquierda y el futuro de las reformas en América Latina* (The Return of the Left and the Future of Reform in Latin America), for its work on a National Business Agenda and advocacy and policy reform in Nicaragua. Pictured above are President of Nicaragua Daniel Ortega, left, and President of Brazil Luiz Inácio Lula da Silva, speaking at a CIPE-sponsored investment forum for the two countries.

# ENGAGING RURAL ENTREPRENEURS IN POLICY REFORM

Throughout 2008, CIPE worked with the National Economic Research Center (CIEN) to address obstacles to doing business for formal and informal entrepreneurs in Guatemala's countryside by developing numerous local business agendas and implementing an aggressive public awareness campaign. Rural entrepreneurs encounter a more challenging business environment in the absence or weakness of state institutions outside the capital. Moreover, the traditional consultative relationship between the national government and large business associations leaves out small-scale rural entrepreneurs. CIEN helped rural entrepreneurs to organize and bring their recommendations for reform to political leaders in seven jurisdictions across Guatemala. Issues addressed included minimum wage, tax collection, business formalization, and establishing local business associations. With CIEN's help, these rural entrepreneurs were able to engage in the legislative process and present their needs in national-level debate.

# GUATEMALA

## IMPACT ON REFORM

- Guatemala's Real Estate Guarantees Law (Ley de Garantías Mobiliarias), now gives thousands of small businesses access to credit by allowing them to use all their non-fixed assets (in addition to land and buildings) as collateral.
- Guatemala's tax on land transfers and other fixed assets dropped from 12 percent to 3 percent as a result of CIEN's legislative recommendations.
- CIEN's policy recommendations helped defeat proposed legislation that would have complicated the income tax system and significantly raised taxes for business.

## 2008 CIPE PROGRAMS AND PARTNERS IN LATIN AMERICA & THE CARIBBEAN

### INFORMATION AND VALUES

**Argentina:** Strengthening Institutions and Advocacy for Fiscal Reform (Partner: Center for the Implementation of Public Policies Promoting Equity and Growth)

**Bolivia:** Economic Forum on Constitutional Reforms (Partner: Research Center for Economic and Social Studies)

**Bolivia:** Energizing Development in Bolivia (Partner: Fundación Milenio)

**Colombia:** Advisory to Key Political and Judicial Actors on Economic Reform Initiatives; Economic Advisory to Congress and the Judiciary (Partner: Fedesarrollo)

**Cuba:** Promoting Reform in Cuba

**Ecuador:** Building Public Support for a Market Economy (Partner: Ecuadorian Institute for Political Economy)

**Ecuador:** Developing New Leaders in Ecuador (Partner: Alianza Equidad)

**Ecuador:** Leadership Development to Combat Corruption in Ecuador (Partner: Foundation for Development Alternatives)

**Jamaica:** Developing a Reform Agenda in Jamaica

**Peru:** Promoting Leadership and Democratic Values among Youth (Partner: Instituto Invertir)

**Venezuela:** Educational Program for Community Leaders in Venezuela (Partner: Liderazgo y Vision)

**Venezuela:** Strengthening Democratic Values in Venezuelan Companies (Partner: Venezuelan Confederation of Industries)

**Regional:** *Perspectiva* Magazine: Promoting Reform; *Perspectiva* Magazine: Promoting Reform in Latin America (Partner: Political Science Institute)