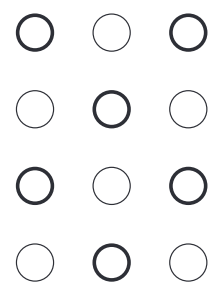


ASOCIACIÓN DE CONTRIBUYENTES DEL PERÚ:

# Leveraging Indices For Free Enterprise Policy Reform Project – Connecting a Nation One Reform at a Time





# Introduction

Peru is a country poised for a larger role on the global playing field. Formerly home to the oldest civilization in the Americas, dating back to the 32nd century BC, Peru has most recently garnered attention as one of the fastest growing economies in Latin America. Diverse geography has provided an abundant range of natural resources to drive economic development, from mining to fishing to agricultural products. But the features that deliver a broad scope of industries also provide social strains.

Rapid economic growth of the past two decades has drawn about a third of the approximately 30 million Peruvians to Lima, the country's capital city. However, a large majority of the population is spread out across the country, from the coast, to the mountains, to the Amazonian rainforest. This makes it difficult to connect all citizens to the national economy due to underdeveloped infrastructure. While there are efforts afoot to bring sanitation, medicine, telecommunications, and other elements of modern day living to rural communities, the country is struggling to balance its development and provide opportunity for all.

The structural and cultural barriers to development have resulted in opposing political narratives. In the 1990s Peru began to pursue an approach of economic liberalization, ushering in investment and technocratic management of the country's economic indicators. The same period saw stable inflation rates, steadily growing GDP, and an increasing number of trading partners. Some current political parties

draw on the country's economic performance to advocate for increased liberalization. Yet others focus on the resultant inequality and press for schemes of redistribution, much in line with South American styled socialism. The result of this philosophical clash will significantly influence the country's future.

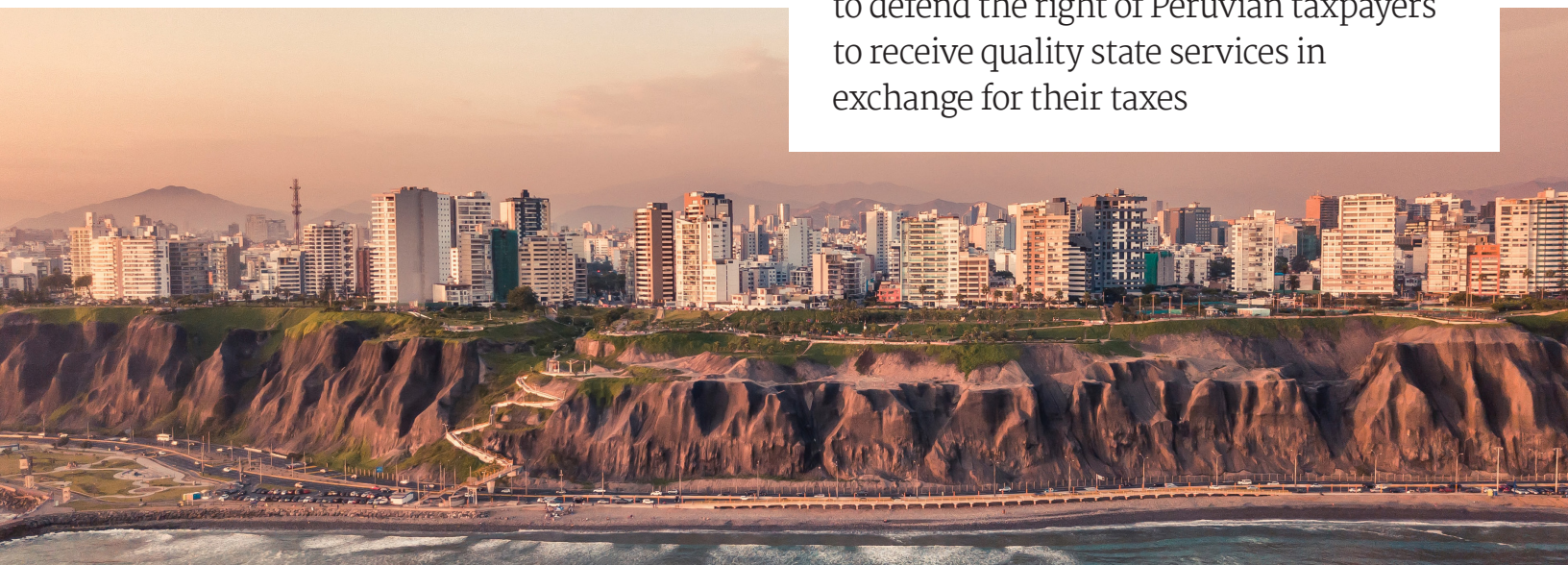
## Organization's History & DNA

Contribuyentes por Respeto (CpR) was founded in 2012 by a small group of lawyers, economists, and businessmen, to defend the right of Peruvian taxpayers to receive quality state services in exchange for their taxes. This much needed advocacy came at a time when, as Peru developed, the central government's coffers began to grow.

Due to a lack of understanding of appropriate development policy, funds were underutilized. When monies were disbursed, billions of dollars were mismanaged. CpR stepped in to pursue the answers of a simple question, "How can we unleash that investment to grow the country for all its citizens?"

Juan José García, one of CpR's principal researchers who has been with the organization from the beginning, explained, "At the core of many problems in Peru are faulty institutions, which provides a ripe opportunity to conduct

Contribuyentes por Respeto (CpR) was founded in 2012 by a group of lawyers, economists, and businessmen, to defend the right of Peruvian taxpayers to receive quality state services in exchange for their taxes



research and identify solutions.” Garcia attributes his passion for employing free markets to solve problems to his experience working in the stock market when he was a teenager, along with his university studies, where he discovered the Austrian school of economics. He is one of CpR’s 4 full-time employees.

Due to its size, the organization must run lean and efficiently, which has required organizational strategy. This has been provided by José Ignacio Beteta, who joined as CpR’s president two years ago, coming with a background in leading other non-profits. He expounded, “On one side, we have to be very prudent with resources, on the other we have to take some risks to leverage for success in the future.”

One way they’ve navigated that balance is partnering with another non-profit to share back-office support to coordinate accounting, human resources, taxes and paperwork for both organizations. Garcia noted, “As a researcher, these changes have dramatically freed up my time. I used to get stuck crafting Facebook messages. Now I can focus exclusively on my research.”

In addition to its organizational acuity, CpR benefits from exercising its identity as one-of-a-kind organization. As the only taxpayers’ association in Peru, being independent from both government and business sectors, the media has developed a deep interest in its work and perspective, leading to over hundreds of mentions across radio, television, print, and online outlets. This widespread publicity has led to invitations by policymakers to weigh in on policy developments and positioned CpR for effective advocacy moving forward.

CpR’s broad goal is to enhance free enterprise in Peru. All their research and analysis revolves around the interaction of the public and private sectors, and how that impacts the daily lives of Peruvians. Being small and flexible, the team employs a range of tools to accomplish its mission, including original research, partnerships, and even cartoons.

## Project Overview & Impact

As CpR strategized how to craft their LIFE project, they cross-referenced current government initiatives, Peru’s areas of weakness in global indices, their own scholarly aptitudes, and hot topics in society. What emerged as the nexus of these areas was one element: infrastructure. Specifically, they launched an “Infraestructura para Todos” (“Infrastructure for All”) campaign, under which they decided to pursue policy changes in telecommunications and water management, along with several smaller areas, to produce marked improvement in the World Economic Forum’s Global Competitiveness Index.

Infrastructure is the skeleton upon which the economy is built. Typically, government plays the central role in infrastructure development. This is especially true in Peru, as its relatively undefined institutions have prevented the materialization of robust market-based provision of public goods.

This gives rise to a catch-22 because the most problematic factor for doing business in Peru, according to the World Economic Forum, is inefficient government bureaucracy. Furthermore, corruption and the inadequate supply of infrastructure are the third and fourth most problematic factors.

## LIFE Program

The Leveraging Indices for Free Enterprise Policy Reform, or “LIFE,” project is designed to promote policy reforms that demonstrably move the needle on economic policy, measured by marginal change in a specific prominent ranking or index. Such indices include the Ease of Doing Business Ranking by the World Bank Group, the Economic Freedom Index by the Heritage Foundation in partnership with the Wall Street Journal, and the Economic Freedom of the World Report by the Fraser Institute. The program provides grants to Atlas Network partners to conduct research, advocacy campaigns, and media campaigns to affect change. The grant awards \$100,000 to each selected organization, divided over the course of three years, and is generously sponsored by the John Templeton Foundation. In the inaugural iteration of the project, 16 think tanks were selected for participation.



Population in Lima has increased by 50% over the past twenty years. Making matters worse, with that expansion the public investment dollars centralized there, further leaving the rural areas out of the development initiatives.

CpR's goal was to transform this situation by freeing up latent capital and unleashing the solution-seeking power of the private sector to drive development. "We started this project trying to release Public Private Partnerships (PPP)," said Beteta. PPPs are intended to blend the best of both worlds: drawing on public funding collected via taxes to provide public goods more efficiently through the market process.

## TELECOMMUNICATIONS

In the past ten years, access to mobile telephone networks in Peru has exploded, from around 30% to nearly 100%. This rapid expansion has caught some by surprise, particularly in rural communities where rumors of antenna-induced cancer have gripped people with fear, spurring intent opposition to further installations.

However, coverage does not equate to quality, and while the vast majority of the country has some access to cellular networks, constraints on speed and reliability have limited the benefits associated with greater connectivity. Highlighting this point, one of CpR's research reports explains that there are 289 antennas per million people in Lima, compared to 10,112 per million in Tokyo.

CpR has adopted a tandem approach to advancing telecommunications reform.

First, they have published a number of studies that identify municipal practices and government regulations inhibiting the installation of cell towers. They analyzed 42 local governments. This research was aggregated on a website and integrated into social media campaigns.

Second, the CpR team has taken issue advocacy to new heights by partnering with the Ministry of Telecommunications to visit remote

## Final Project Goals

1. Reduce civil society and local government's opposition to the installation of cell towers in key districts.
2. Increase public awareness on the need to invest in water reservoirs through Public-Private Partnerships (PPP) and not public-owned companies, in order to secure water provision.
3. Position the fact that there are companies executing PPP on infrastructure projects under ethical standards in order to promote the use of PPP on the reconstruction process.
4. Design a program aimed at enhancing transparency in the reconstruction of highways, where public resources are used.



and mountainous areas of the country to explain the value of increased network expansion, and to assuage fears of locals. “In Peru, many people are afraid of cell towers. They are worried about cancer and devaluation of property values,” said Garcia. For this campaign they developed the slogan, “Mas Antenas, Mejor Comunicacion” (“More Antennas, Better Communication”).

Their efforts have not been universally appreciated. In many inland areas, Peruvians speak local languages, imposing language barriers to CpR’s advocacy. Some cities have been open to the ideas presented, while others have gone as far as to kick the team out of the town. “This can be scary,” recalled Garcia. Nonetheless, the project made gradual progress. That is, until El Niño Costero.

Peru suffered extensive flooding and landslides (over 100 people died) due to an anomalous series of storms that impacted much of the economy and brought policy reform to a crawl during the early months of 2017. This derailed some of CpR’s efforts because public attention was diverted, but it also offered an opportunity. Much of the nation’s infrastructure stock was destroyed in the storms, resulting in “an ideal time to discuss (with policymakers) how to do the rebuilding,” said Beteta.

## **WATER MANAGEMENT**

Over 9 million people in Peru do not have ready access to potable water. Water infrastructure is managed by public companies that are appointed by the rural government leaders. They are unbound by market pressure, and the people suffer in response to the poor performance. However, due to the structure of nepotistic government management, “We have been unable to gain ground in advocating for private sector management of water,” said Beteta.

Upon further research, however, CpR discovered they could get their foot in the door of the water management industry by focusing on an individual stage of the process. They identified water sanitization as an undesirable but critical function of the water management process, unguarded by public companies and local politicians.

The El Niño Costero natural disaster vaulted this issue to greater prominence because the local water systems were overloaded and the inefficient management companies could not keep up. Seizing the opportunity, CpR launched

an advocacy campaign to allow for PPPs in water sanitization. Relying on CpR research, “We proved that many of these water enterprises were very much in debt,” said Garcia.

The combination of urgency and research-backed advocacy prompted the central government to establish special procedures for water companies to proceed through bankruptcy, and then restructure in a way that allows for the private sector to bid on management projects. This may take several years to become operational practice, but it has begun and CpR is optimistic. “The most important thing for us as a result of this achievement,” noted Beteta, “is that we have become an established authority on policy reform.”

A key factor that has slowed CpR’s progress in achieving reform in water infrastructure, and other areas, has been public reticence toward PPPs. Around the time the LIFE program began, a corruption scandal was emerging in Brazil that had repercussions across Latin America. The Lava Jato (“Operation Car Wash”) scandal was a widespread corruption scheme whereby the publicly owned oil company Petrobras accepted bribes in exchange for awarding inflated contracts to private construction companies, tarnishing the reputation of PPPs around the world.

This challenge took CpR by surprise. Beteta explains, “At the beginning, we were naïve. We didn’t recognize the degree to which PPP could be used for corruption.” Now, they have to expend efforts and resources to clean up the image of PPP on top of their work to advance the implementation of PPP itself. This extra effort, however, has demonstrated that CpR is willing to go the extra mile to demonstrate the merits of their policy recommendations.

Serving as an advocate and watchdog for PPP, CpR buffers against misbehavior on both sides. The government is compelled to allow for PPP based on the quality and reach of CpR’s research on the value of integrating free enterprise into the provision of public goods. And the business community is held in check because its practices are being monitored, resulting in less opportunity for corruption and greater chance of getting caught and experiencing consequences. In this way, CpR is positioned to spur on a virtuous cycle of infrastructure development, able to last beyond the bounds of the LIFE project itself.





dissonance; Peruvians enjoy the benefits of a degree of market reform while they simultaneously have an affinity for socialism. In fact, people have an impression that markets are harsh, reflective of the past authoritarian regimes of Peru's own Fujimori and Chile's Pinochet.

As civil society, ungrounded in market principles, grows in power due to increasing wealth and access, Garcia and Beteta fear that the country may regress. They are especially worried about the Millennial generation, which esteems socialist values more than other groups and will form a cohort of 3-4 million eligible voters for the 2021 election.

## Challenges

One drawback of CpR's rising status is attempts from both government and business to appropriate their efforts. Policymakers have begun to rely on their research, involving them in the policy development process. "They have started asking for our help in writing reports and laws," Beteta revealed. While on the other hand, "private companies are starting to view us as partners... and they also want to have us as consultants." In each case, CpR's most precious feature – its autonomous intellectual independence – is threatened.

The team strives to navigate this challenging opportunity with tact, clearly conveying the importance of independence while reinforcing an interest to engage in cooperative pursuits. Such messaging has helped refine another of CpR's capabilities, namely its communication. This has, serendipitously, helped prepare them for challenges emerging from deep-seated cultural perspectives.

While Peru has maintained relatively market-oriented policies over the past few decades, politicians have done a particularly poor job developing institutions. This has led to a sort of cognitive

Provoked to action by these statistics, Beteta reflects, "We need to translate our ideas in an emotional and romantic way." And that's just what CpR is attempting to do. Presenting their research in simple language has been a core value of CpR since its inception. In fact, a defining element of their outreach is the use of cartoons to capture ideas and put them into a visibly accessible format.

But the shift in demographics has prompted a further shift in medium, as Garcia noted that he is working to craft memes to target Millennials. He also added, "I am personally evaluating how to build a vlog to communicate ideas, hoping to develop tools to reach Millennials with ideas since they won't read a paper."

CpR has proven to be an effective taxpayer advocate.



Despite the series of major challenges Peru has faced in the past few years, the country has seen improvements in its rankings in the World Economic Forum's Global Competitiveness Report.

# Results

CpR has proven to be an effective taxpayer advocate. Despite the series of major challenges Peru has faced in the past few years, the country has seen improvements in its rankings in the World Economic Forum's Global Competitiveness Report. The infrastructure category specifically increased in individual areas like mobile telephone subscribers and quality of electricity supply (see graphic below).

Regarding telecommunications, the central government has become supportive of CpR's policy recommendations, resulting in the Ministry of Telecommunications traveling with CpR to advance their policy education around the country. So far, they have visited nearly 30% of the regions. They also gained partnerships with civil advocacy organizations, multiplying their impact. Their boots on the ground campaign to advocate for expanding the cellular network, paired with their in-depth analysis of bureaucratic barriers in the industry, has contributed to Peru's improvement in the number of mobile phone subscribers.

CpR's research and advocacy related to water management, and the associated triage of the country's views of PPP, have contributed to Peru's ongoing discussion of this issue. Importantly, the government passed a law in 2016 that formally allows private companies to bid on water management projects.

# Key Insights

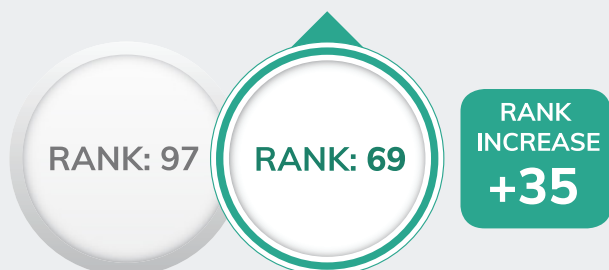
**Make friends not war.** The social and political environments in Peru pose challenges and arouse frustration for anyone seeking to unleash the transformative power of markets. Nonetheless, CpR has remained focused on understanding others' positions and finding ways to align incentives, even with those from different operating philosophies, language, or sociodemographic status. This has resulted in more invitations to be involved in crafting policy approaches, a longer term win.

**Necessity is the mother of invention.** The amount of impact CpR has had is almost unbelievable considering they only have 4 fulltime employees. The team has shown a remarkable affinity for building partnerships across a wide range of pursuits. Whether sharing back-office support with another nonprofit or starting a website in conjunction with a trade association, traveling to remote areas of the country with central government ministries or engaging in disaster response discussion with international NGOs like the World Bank, CpR has shown versatility in finding common ground and working toward mutual benefit.

**Carpe Diem.** There was formerly no taxpayer advocacy group in Peru. In fact, there were many reasons to doubt that one could succeed. Yet armed with a vision for a more prosperous society, CpR was launched. Furthermore, for outside

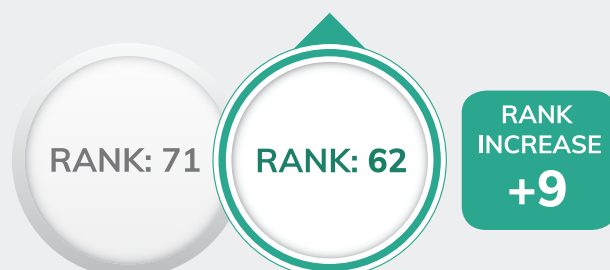
Indicator Selected:  
**Mobile Telephone Subscriptions /100 Pop.**

2014—2015    2017—2018

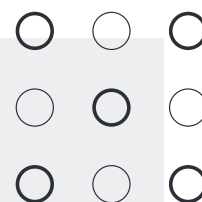


Indicator Selected:  
**Quality Of Electricity Supply**

2014—2015    2017—2018



Index Selected: **The Global Competitiveness Report, by the World Economic Forum.**





challenges such as natural disasters and political scandals related to proposed policy solutions, CpR met them head on. When politicians have been content with the status quo, CpR has seen an opportunity to push for policy change, seeing political abdication as presenting easy ground to take. Opportunism and optimism are great strengths for an organization with limited resources in a challenging environment.

**Stick to your convictions.** CpR set out to be a voice for taxpayers. Even as their influence has grown, they have remained dedicated to that vision. The lure of increased impact if partnered with government or of financial stability if partnered with businesses has no doubt been present, but CpR has stayed true to the initial mission. This has in turn reinforced their reputation, and ended up leading to both greater influence and better financial standing.

**Focus on one thing and do it well.** Every success from CpR's work has rested on the quality of their research. They have reorganized operations, partnered with wide ranging groups, and pivoted to completely new issues, but they have always maintained principal focus on the quality of their research. Garcia confirmed the preeminence of this approach, saying, "We strive to be very solid in our research so we can withstand critique."

## Conclusion

CpR began the LIFE project by focusing on "Infrastructure for All," looking to unleash the power of free enterprise in Peru to bring prosperity to the farthest corners of the country. They faced unexpected challenges along the way, being forced to change project aims midstream and build communication capabilities previously lacking. Throughout the process the organization increased in reputation. Maintaining a focus on the core pursuits of quality research and tactical communication efforts, CpR has become a trusted voice in public policy discussions.

Participating in the LIFE project not only helped CpR focus its portfolio of initiatives and affect real change on the country's international rankings, but the program itself helped the young think tank develop. "The LIFE program was the impetus to our success," explained Garcia. "Without it, we wouldn't have accomplished what we have."


## LOOKING AHEAD...

CpR is a relatively new think tank and it has already had a large impact on Peruvian public policy. As it develops and expands, researchers will specialize and continue to refine expertise. Many of the projects initiated under the LIFE banner will also continue, ranging from pushing for the acceptance of PPPs to conducting grassroots education on the value of cell towers. Regarding new outreach, Both Beteta and Garcia indicated that they will begin to explicitly target Millennials, who will play an increasingly influential role in the country's direction.

## Life Take Aways

**Outsized Impact:** Small organizations that leverage a depth of key skills (e.g., research, marketing, political savvy, interpersonal communication), well-developed focus and strategy, and effective tactics to reach stakeholders (e.g., government, media, business leaders) can dramatically impact policies that affect many citizens, extending their reach far beyond conventional expectations.

**Responsive Feedback Loops:** Organizations with a structured strategy of iterative trial and revision are positioned to adapt efforts and achieve success despite shifting environments that may emerge from political change, natural disasters, public sentiment, or other factors. These groups follow variations of this basic process: plan, act, adapt, review, repeat.

Organizations with a structured strategy of iterative trial and revision are positioned to adapt efforts and achieve success 

These observations have been synthesized from independent case studies of Atlas Network LIFE Program participants, and were common elements of each organization profiled. Read the rest of this case study series to explore in greater detail how Contribuyentes por Respeto's work led to deregulating the provision of infrastructure in Peru, how the Centre for Civil Society helped usher India's regulatory framework into the digital age, and how the Institute of Economic and Social Studies leveraged bi-partisan connections to liberalize Slovakia's business sector.



# Discussion Questions

1. What unique challenges has your organization faced? CpR dealt with both internal and external shocks to executing its programs. How has your organization experienced something similar and how did you respond? Did the fight or flight instinct win out?
2. What administrative or bureaucratic issues impede the development and reach of your work? How might your organization be able to find an outside-the-box solution to improve short term performance while setting up for a stronger future?
3. What is your comparative advantage? Is there one thing that your organization does better than anyone else, or that you would never stop doing? If it is an integral part of your organizational identity, how can you leverage this strength to have a greater impact?
4. Would your organization be willing to partner with another organization that may disagree with you more than agree? In which areas could you see this being possible? What would it look like?
5. CpR has gained a lot of credibility by identifying (and acting) as an advocate for taxpayers. What messaging approach can your organization employ to win in the forum of public opinion? Have you ever tried to do this? What happened, or what do you think would happen?



---

To read more Think Tank Impact case studies, visit:

[atlasnetwork.org/case-studies](https://atlasnetwork.org/case-studies)



ATLAS  
NETWORK

Two Liberty Center 4075 Wilson Boulevard Suite 310  
Arlington, VA 22203 | [atlasnetwork.org](https://atlasnetwork.org)