
CASE STUDY 11 – PERU

Utilizing Public-Private Dialogue to Create a Market for Reform

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Summary

Since 2004, the IFC has been working to improve the business climate in Peru by helping to simplify the regulatory environment for the private sector at the municipal level. In order to complement these efforts, a public-private working group, now called Intermesa, has been created to help ensure that there is broad-based support and an organized constituency to help plan and sustain reform initiatives.

The creation of Intermesa is the culmination of nine months of work by a partnership of the IFC and Ciudadanos al Día (CAD), a local NGO. In approaching this task the team consciously set out to create a market for reform, paying attention to both supply and demand of reform. This approach has led to interesting variations on standard PPD approaches.

For example, in addition to targeting business groups (demand), central government agencies (demand) and central and local political leaders (demand), the team also targeted technical level officials as both potential reform implementers (demand) and as potential consultants to other municipalities (supply). Intermesa also has a number of international cooperation groups in it which helps to ensure that demand for reform is coordinated with support for supply of technical assistance.

Intermesa is now playing an integral role in spreading the reform process to new municipalities through its support for a national plan for municipal-level administrative reform in Peru (*TramiFacil*). Intermesa has grown to include more than 20 prominent public and private sector organizations, and has become deeply integrated in all aspects of the reform process.

Background

Like many countries in Latin America, Peru is burdened with complicated and costly business regulations. According to Doing Business in 2005 it takes over 100 days to register a new business in Peru and over 200 to get a construction permit. Such long and difficult process can have serious costs to communities since they help to increase informality, and hinder local economic development and job creation.

High costs of compliance with business regulations also denies governments much-needed tax revenues, thus further lowering public expenditures on critical government services (such as education) and infrastructure (roads and water) which are critical toward increasing competitiveness.

In 2004 the Metropolitan Municipality of Lima (MML) chose to address these issues, and, with IFC assistance, embarked on a program to simplify the processes for registering a business in the

municipality. This was particularly important because municipal-level procedures account for about 60% of the time to register a business in Peru, a trait shared by many Latin American countries.

As part of the project the IFC insisted that the beneficiaries of the reform (the private sector) be involved through the creation of a local advisory council to help oversee the reform and, most importantly, promote them to the public and defend them when there is a change of administration.

The process was slow, but influential public and private sector organizations began to realize the scope and potential impacts of proposed reforms, and jumped on board to support its successful implementation. Such integrated involvement and coordination from the private and public sector, as well as from multilateral organizations, differentiated this from prior attempts at simplifying administrative procedures and regulations in Peru.

Intermesa as part of a national plan for reform in Peru

Initial success in the Lima simplification project, and growing involvement and interest from public and private sector groups, helped to generate higher levels of interest and demand for reform expansion throughout the country, and the development of a national plan that was led by an ever-expanding Intermesa. This culminated in the official launch of the National Municipal Simplification Plan, *TramiFacil*, on January 10, 2006, which was signed by 24 Intermesa institutions (see Annex I for a complete list of signing institutions).

Intermesa is the strategic planning committee and working group for *TramiFacil*, and is involved in the following core areas of the national reform program:

- Extending reform programs to four new municipalities in the coming year
- Continuing to develop reform leadership (through continued public-private dialogue) and a unified methodology
- Developing systems to coordinate and sustain continuous reform expansion to municipalities throughout Peru
- Identifying and training a network of local technicians who are able to independently implement reforms
- Creating and implementing systems to monitor reform progress and track its results
- Launching an extensive communications campaign to spread reform messages

Intermesa has also identified a six-month work plan that includes the following:

- Establishing a schedule to promote reform across the country
- Creating an organization manual for Intermesa
- Helping to produce training material (e.g. IFC Toolkit), and conduct training workshops for new consultants
- Developing a list of municipalities that will be supported during this period
- Launching a website for *TramiFacil*

Additional ongoing Intermesa activities that support this work plan include:

- Community outreach events and market consultations to gauge public opinion
- Promoting and lobbying for reforms, and establishing reform as an important issue on the public and political agenda
- Sharing reform experiences with other municipalities and interested government agencies
- Collaborating with regional institutions to develop local public-private working groups that will further assist reform initiatives and expansion

Composition and organization of Intermedesa

Intermedesa is composed of 24 institutions (see Annex I for a complete list). This includes national government agencies such as the Presidency of the Council of Ministers (PCM), the Ministry of Economy and Finance, and the Commission for the Promotion of Micro and Small Enterprises (PROMPYME), as well as local government institutions such as the Municipalities of Lima, Cajamarca, and Piura. Intermedesa members from the private sector include the National Confederation of Private Business Institutions (CONFIEP) and the National Confederation for Peruvian Micro and Small Enterprises (CONAMYPE). Ciudadanos al Dia (CAD) plays the role of technical secretariat, helping to coordinate the activities of Intermedesa.

Intermedesa has an Executive Committee that consists of the PCM and PROMPYME from the public sector, CONFIEP as a private sector representative, and the IFC, an international organization. Intermedesa holds regular meetings to discuss important reform issues and advancements, and is divided into three sub-committees focused on implementing specific portions of the plan:

1. Building local capacities and institutions, and sharing reform best practices
2. Communications, coordination, and monitoring strategies
3. Strategies to pass relevant regulations and policies that support reforms

Intermedesa milestones and results

The most evident milestone is the signing of *TramiFacil* by 24 Peruvian institutions, and publication of the workplan. This has generated momentum and increasing interest in the reforms as several municipalities have now asked to participate in simplification reforms and benchmarking studies that measure their bureaucratic processes, and national government bodies continue to voice their support and approval. However, each of the subcommittees of Intermedesa have already seen results, for example:

- The subcommittee on norms is currently revising a proposed law on municipal operating permits that would help structure the process at the local level and reduce superfluous requirements
- The communications subcommittee has approved a communications strategy and planned a series of regional fora to explain the national plan throughout the country and enhance regional representation.
- The local capacity subcommittee has gathered best practices from all members of Intermedesa and is compiling a single Simplification Toolkit that will be used by all members.

Additionally, the media has reported on events such as *Doing Business in Peru*, and the launch of the National Plan which has helped generate public interest, and encouraged public and private figures alike to speak out on its benefits and the importance of reform.

Lessons Learned with Intermedesa and Challenges Moving Forward

Some of the lessons learned during the creation of Intermedesa include:

- In order to truly engage the relevant public and private sector stakeholder groups, these actors should be actively involved in the activities, which may include: community outreach events, serving as general reform advisors and helping with proposal development, and promoting and lobbying for reforms.

- To reach consensus among numerous institutions, it is a good idea to put all institutions at the same level (including the facilitating institution). That is to say that there is not one leader of the group, but rather, equal partners and voices throughout all discussions.
- One must take into account the amount of time it takes to achieve consensus and create a truly well-developed plan. It is better to overestimate the amount of time it takes and try to set realistic goals, rather than hurrying up the process for the sake of moving forward.

Some potential challenges for the future of Intermesa include:

- Moving beyond strategic planning, and ensuring implementation and sustaining successful reform across the country.
- Successful national expansion and coordination, considering that current reform in Lima is only 14 months old.
- The ability to weather changes in government, as Peru will undergo national, regional and municipal elections in 2006.
- Increasing local capacity to implement reforms and willingness to pay for them, since donor support will diminish in the future.
- The ability to expand the agenda to include other issues critical to the private sector (local taxes, other regulations, etc).
- Maintaining solidarity and organization as a working group (Intermesa), and continuously improving as an entity.

ANNEX I: List of 24 Intermesa institutions that signed *TramiFacil*

Executive Power

PCM : (Presidency of the Council of Ministers)
Ministry of Work and Promotion of Employment
Ministry of Economy and Finance
Ministry of Production
INDECOPI (National Institute for Competition and the Protection of Intellectual Property)
ProInversion : (Government) Agency for the Promotion of Private Investment
PROMPYME : Commission of the Promotion of Micro and Small Enterprises

Local Governments

Municipality of Lima
Municipality of Cajamarca
Municipality of Piura
Municipality of Independencia
Municipality of Villa Maria de Triunfo
Municipality of Bustamante y Rivero

Private Sector Interest Groups

CONFIEP : (National Confederation of Private Business Institutions)
SNI : (National Society of Industries)
CONAMYPE : (National Confederation for Peruvian Micro and Small Enterprises)

International Organizations

IFC : (International Finance Corporation)
FIAS : (Foreign Investment Advisory Service)
OIT : (International Labor Organization) (Organizacion Internacional del Trabajo)
GTZ : (Society for Technical Cooperation) (German Sust. Econ. Dvlpmt Organization)
USAID : (United States Agency for International Development)

Projects / Programs

PROPOLI : (Program for Overcoming Poverty in Lima)

Non-Governmental Organizations

Ciudadanos al Dia
Simple

Authors:

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Beatriz Boza is Executive Director of Ciudadanos al Día (CAD), a Peruvian-based think tank and government watchdog organization promoting citizen participation and empowerment in public policy development. Main projects include the improvement of fiscal transparency through the provision of information to the public and the creation of Peru's Best Government Practices Prize, organized on the basis of research performed by a Yale Law student.

Also currently a weekly columnist at El Comercio, Peru's leading daily newspaper, and Professor of Legal Ethics at the Catholic University of Peru Law School. Was one of four experts on The World Bank's 2004 External Advisory Panel on Improving Investment Climates: An Evaluation of World Bank Group Assistance.

Luke Haggarty, Program Manager, Business Enabling Environment Program, LAC Technical Assistance Facility, IFC

Luke Haggarty is the Program Manager for the Business Enabling Environment program of the IFC's Technical Assistance Facility for Latin America and the Caribbean. The program is currently focused on simplification of business regulation at the Municipal Level.

Prior to joining the IFC, Mr. Haggarty was a senior economist in the Private Sector Development group in the Latin American and Caribbean region in the World Bank where he focused on issues connected to improvements in the investment climate across Latin America, working on several Central American countries as well as Brazil, Bolivia, Peru, and Chile.

Prior to moving to the Latin American region, Mr. Haggarty worked in the Development Economics Research Group in the World Bank. Over the last decade he has worked on issues concerning reform of state owned enterprises, privatization, regulation of infrastructure and private sector development in Latin America, Eastern Europe and Africa.