



Chile Report

Fabian Klein, Edgar von Knebel, Claudia Zilla,
Martin Thunert (Coordinator)

Sustainable Governance
Indicators 2016

Executive Summary

Although Chile returned to a democratic regime over 25 years ago, a strong ideological polarization regarding political opinions and public-policy approaches still prevails today. This can be seen as a legacy of Augusto Pinochet's military regime, and must be taken into account in any evaluation of the country's democracy and governance quality. Traumatic experiences under the Salvador Allende government and during the military dictatorship of Augusto Pinochet have led to a political culture that favors consensus and avoids conflict. Key actors and citizens tend to favor the status quo and harmony. Nevertheless, social tension is rising in the OECD's most neoliberal country. Official and unofficial strikes, as well as protests and demonstrations of any kind, frequently lead to violence and police repression irrespective of the events' motivations. The student protests of recent years are still active, although less intense, and can be understood as the expression of a generalized discontent amongst the younger generation toward the older and established one, the latter of which tends to accept or at least tolerate the current societal, economic and political order.

Although the country has considerably improved its quality of democracy since the end of the military regime, Chilean democracy still demonstrates certain limitations, for the following primary reasons:

- The political elite remains dominated by individuals and groups that hold both economic and political power. High-level politicians and civil servants still mainly originate from the same narrow circle of families, so officeholders do not represent Chilean society as a whole. Given the importance of private campaign financing, it is no surprise that one of the country's richest people became president under the former government.
- The country still faces severe unresolved ethnic conflicts that often trigger state actions. These at times fail to respect the civil and political rights of ethnic minorities (e.g., the Mapuche). These conflicts have intensified in recent years, but have often been presented in a biased way or not even covered by national and international media. This tendency has not changed significantly during the past decade.

- Though in comparative terms, political corruption is not as widespread in Chile as in some other Latin American countries, several cases of illegal party funding have been revealed in recent years. In addition, in a phenomenon that goes hand in hand with the oligarchic conditions, officials tend to abuse their public positions by exchanging high-level political or administrative jobs only among one another. It is rare that officials or politicians that have demonstrated poor performance are replaced by someone from outside this limited elite circle.
- Chile has an oligopolistic media system that shows strong biases in the expression or depiction of various political, social and economic opinions. This constrains pluralistic public opinion and public debate on certain topics, especially with regard to highly ideologically freighted topics such as the economic system or the process of coming to terms with Chile's former military regime.
- Although Chile's general economy and gross income per capita have consistently grown across the last decade, the country remains extremely dependent on copper exports and thus this commodity's international price. Moreover, poverty rates did not decrease during the period under review, and the inequality of wealth distribution has risen. According to the Gini index, Chile's degree of income inequality is among the most extreme in Latin America.
- Chile is a very heterogeneous country, yet economic and political power is highly centralized in the capital, Santiago. Hence, regional and local interests are often not considered when it comes to national policies.
- The downside of Chile's relatively stable political system is the low participatory character of the country's politics. Chile lacks mechanisms of direct democracy that could foster citizens' policy control and influence. Even the media is unable to fulfill its task as a fourth estate. Neither the press nor public television provide citizens with a pluralistic view of government performance. However, congressional control over the government and the audit office do work quite well.

In general terms, the current government under President Michelle Bachelet has retained its reform ambitions. However, some reform issues have not yet been tackled, while others have been scaled back. Thus, for Bachelet's remaining tenure, the pressure to pass further reform laws will likely increase.

Key Challenges

Although Chile has undergone a considerable and successful modernization process in recent years, and is an OECD member, it still faces serious challenges in closing the gap with more developed countries.

In the first two years of her government, Bachelet was able to implement her ambitious reform agenda only partially, and extremely slowly. The lack of consensus and financial resources (the latter due to the end of the commodity boom) is holding back a complex reform agenda that comprises changes to tax, labor and education policies, as well as constitutional reform.

Despite many constitutional reforms during the past 25 years (more than 15 changes have been introduced), the constitutional framework still contains problematic areas inherited from the military regime and former governments, creating an overly rigid framework for the policymaking processes. For this reason, the current government under President Bachelet officially initiated debate over a new constitution. The possible procedures that could lead to a new constitution were presented in October 2014. Since the current constitution does not contain any criteria for its own reform or replacement, the parliament must decide by the end of 2016 on the necessity of the proposed reform as well as on the specific reform mechanism. Possibilities for this mechanism include a bicameral parliamentary commission (Comisión Bicameral), a mixed constituent convention consisting of citizens and members of the parliament (Convención Constituyente mixta), or an elected constituent assembly (Asamblea Constituyente). A plebiscite held in 2018, under the next government, might validate the final version of a new constitution.

Political and strategic planning is undermined by a lack of state capacities and instruments sufficient to ensure that policy takes a medium and long-term perspective, especially in the case of social, economic and ethnic issues. The lack of political and economic decentralization also hampers efficiency. Chile is one of the most centralized OECD countries despite its economic, geographic and ethnic diversity. However, the current government has initiated a decentralization program that is aimed at decreasing the structural deficit.

Neither poverty rates nor socioeconomic disparities have been significantly reduced, which implies that Chile is still one of the most unequal countries in

the region and in the OECD. This has consequences for the whole social system, but the effects are felt particularly strongly within the education, health care and pension policy areas. This is reinforced by the demographic change Chile is experiencing as its population ages. The current low interest rates in the euro and dollar countries, the still high rate of labor-market informality, and the fact that formal-sector jobs predominately pay low wages have increased pressure on the social-security system.

The lower-middle class is highly indebted and faces strong social pressure to participate in the consumer society. Many middle-income families struggle to maintain their living standards; if one wage earner per household loses a job or becomes sick, families almost immediately have to lower their living standard significantly. The enormous gap between the quality of the poorly funded public-education system (where educational institutions' annual per student expenditure tends to be less than half of the OECD average) and its expensive private counterpart renders the elimination of structural poverty and socioeconomic disparities much more difficult. Additionally, both the private and state-subsidized educational systems are mostly controlled by the economic and political elite that forms part of the opposition as well as the current government itself. Thus, the changes that Bachelet's government envisages in this realm will be difficult to introduce and implement.

Considering the high level of competitiveness needed in modern economies based increasingly on knowledge and innovation capacity, education-sector policymaking in Chile must emerge from its longtime ideological doldrums. This is especially true in a growing economy where there is a constantly increasing need for a skilled workforce. The advancement of certain social sectors into the middle class during the last 25 years has made university degrees more accessible to young people whose parents did not attend tertiary schooling, although most affordable private universities fail to meet international – and in a few cases even national – quality standards. In comparison to higher-education degrees, vocational training and technical education tends to be disregarded, even though Chile's economy creates a high level of demand for technical skills.

The country's political culture and ideological polarization has prompted each new government to transform much of the bureaucracy with new staffers in its own ideological camp. As a consequence, the experience and knowledge held by the upper civil-service echelons has repeatedly been lost, weakening the state's institutional capacity. Chilean democracy has also historically suffered as a result of the strong overlap between political and economic elites, a circle composed of quite a small number of families that has produced oligopolistic power structures and influential networks.

Citation:

<http://www.oecd.org/education/skills-beyond-school/48630868.pdf>

<http://www.gob.cl/2015/10/13/discurso-de-la-presidenta-de-la-republica-al-anunciar-el-proceso-constituyente/>

<http://www.gob.cl/2015/10/13/8-conceptos-del-proceso-para-la-nueva-constitucion/>

<http://www.elmostrador.cl/noticias/pais/2015/10/06/la-mitad-de-los-pensionados-recibira-una-jubilacion-pagada-por-las-afp-que-no-superara-el-15-de-su-sueldo/>

<http://www.comision-pensiones.cl/>

Policy Performance

I. Economic Policies

Economy

Economic
Policy
Score: 8

Chile has an advanced macroeconomic and financial policy regime in place. This is rules-based and combines a floating exchange rate, inflation targeting, an autonomous central bank, an overall government budget rule, and effective regulation and supervision of banks and capital markets. As a result, macroeconomic performance has generally been quite satisfactory. A dominant economic role is assigned to external trade, markets and the private sector, complemented by active government regulation and policies aimed at limiting noncompetitive market conditions, extending social protection, and to a limited degree reducing poverty and income concentration. Economic legislation and regulations provide a level playing field for domestic and foreign competitors. Barriers to international trade and capital flows are negligible, and international competitiveness, adjusted for labor productivity, is relatively high. These policies have enabled a relatively high level of growth, and poverty rates have fallen substantially in the last few decades. During the period under review, economic growth has increased slightly, but at a lower level than originally expected. The unemployment rate was stable at approximately 6%.

On the other hand, major structural weaknesses can be observed. Low labor efficiency represents a persistent problem. This is especially the case in small- and middle-scale businesses, which are the largest source of employment and labor in Chile. The highly bureaucratic public administration is another negative aspect that limits productivity.

Moreover, economic stability and growth almost completely depend on the export of commodities such as copper and agri- and silvicultural products with relatively low added value. Thus, Chile shows a low level of industrialization; the manufacturing sector is small and the majority of consumer, intermediate and capital goods have to be imported. Chile is also highly dependent on energy imports. Minor education-sector reforms have focused primarily on higher education, but given Chile's economic structure, there is a strong need to enhance capacities at a technical level. In the long

run, deficiencies in the education system along with low investment rates in infrastructure and R&D will probably hinder economic growth and undermine the sustainability of the country's development path.

Labor Markets

Labor
Market
Policy
Score: 6

By international comparison, Chile (like most of Latin America) has very wide-ranging and restrictive labor-market laws and regulations, at least on paper. Excessive regulation of job content, firing restrictions, and flexible and part-time contracts create disincentives to formal-sector employment. Minimum wages are high relative to average wages in comparison with other OECD countries.

The unemployment rate showed no significant change during the period under review, remaining at or near 6%. That said, between 70% and 80% of salary earners work in low-wage sectors or do not even earn minimum wage, despite being statistically registered as employed. Issues that would increase the flexibility of the labor market, such as greater integration of groups such as women or low-skilled workers, have largely been ignored. Trade unions are on average relatively weak, with a large variance in strength ranging from very high (in state enterprises and the central government) to very low (in informal enterprises and state-owned enterprises), with factors influencing this divide ranging from inadequate legislation and enforcement to the prevalence of informality.

The pressure brought to bear on wage topics by strong labor unions such as the Central Unitaria de Trabajadores (CUT) and Comisiones Obreras (CCOO), labor-market policy has resulted in a limited focus on wage levels; however, the quality of labor has received less attention. Continuing education and skill-enhancement training programs receive little support. Despite diminishing productivity, comparatively high wage levels have been put in place, with wage increases exceeding the rate of inflation. After more than a year in power, Michelle Bachelet's government was still working on a labor reform as of the time of writing, with the aim of changing a number of laws originally passed under Pinochet, and – more broadly – addressing the country's high degree of inequality. Originally intended to be introduced in Congress in October 2014, the labor-agenda legislative package was pushed back due to disagreements between the government and the opposition. Former Labor Minister Javiera Blanco engaged stakeholders in unions and the private sector in discussions seeking to develop a consensus, but as of the time of writing, the reform had not yet passed the parliament.

Citation:

See news on labor reform, for instance:

<http://www.miningpress.cl/nota/275874/cuando-enviara-el-gobierno-la-reforma-laboral-al-congreso>

<http://reformalaboral.carey.cl/>

<http://www.lanacion.cl/conozca-los-10-puntos-que-contempla-la-reforma-laboral/noticias/2014-12-29/141306.html>

<http://www.cut.cl/pdf/Analisis%20Proyecto%20de%20Ley%20de%20Reformas%20Laborales.pdf>

Taxes

Tax Policy
Score: 7

Chile has a moderately complex tax system. A tax reform passed in September 2014 raised the corporate-income tax rate from 20% to 25% – 27% (since companies may choose between two tax regimes) and eliminated a tax credit (Fondo de Utilidades Tributarias, FUT). This latter measure expanded the base for taxes on capital income. Thus, companies now have to pay taxes not only on distributed profits, but also on profit retained for future investments. These changes are expected to increase overall equity within the system, according to a World Bank study commissioned by the Chilean Ministry of Finance. However, the short- and long-term effects have yet to be fully evident, as a portion of the reform package will not take effect until 2017 (e.g., elimination of the FUT tax credit).

The more ambitious aspects of Bachelet's tax-reform initiative, seeking to increase revenues, reduce tax evasion and avoidance, promote company investments and private savings, and make the fiscal system more equitable could not be advanced yet.

The highest marginal rate for personal-income taxes is 40%. This implies that high-income wage earners have a high tax burden compared to low-income earners in general, and to high-income non-wage earners in particular. Few exemptions are applied to corporate and income taxes, reflecting a relatively high level of horizontal equity within each income-tax category. High-income non-wage earners can legally avoid high income taxes through incorporation. The value-added tax (VAT) is high and flat, with few exemptions, which argues in favor of allocative efficiency and horizontal equity. There is certainly tax avoidance in Chile, probably at higher levels than the OECD average due to the prevalence of informality. Yet efforts to ensure tax compliance have generally been successful. Moreover, Chile probably has one of the most efficient computer-based tax-payment systems in the world.

The government's tax and non-tax revenue is sufficient to pay for government expenditure, at least at current spending levels. Additional revenue stemming from newly introduced fiscal changes is slated to finance reform within the education system. By and large, Chile has been successful in generating sufficient public revenue. There are flaws in the efficiency of tax spending, but in general the national budget corresponds to the claims of different sectoral ministries. However, most of the tax income generated by corporate and personal taxpayers is based on VAT, and therefore has a very regressive effect. The fiscal reform is expected to make improvements in this regard. Nevertheless, the tax system promotes vertical equity through redistribution at only a relatively low level in comparison to other OECD member states.

Expenditures for education and social security are far too low compared to other countries in the region and to the demands of the lower middle class and the poorer population. Tax policy fails to produce equity with regard to tax burden, as bigger

companies and economic elites pay relatively low tax rates. This supports Chile's relatively strong international competitiveness, especially for services and products of comparatively low sophistication. Thus, in general terms, Chile's tax system contributes to the country's competitiveness with respect to world-trade and investment flows. On the other hand, taxation policy does not foster innovation or increase productivity, and thus endangers competitiveness in the long run.

The only reasonable way to assess whether Chile's tax system and actual revenue collection is sufficient to finance a welfare state equivalent to 50% of GDP is to ask whether Chile's ratio of government expenditure to GDP – at its current level of per capita income – is within the empirical cross-country range suggested by Wagner's law, which predicts that the development of an industrial economy will be accompanied by an increased share of public expenditure in GDP. This is the case.

Citation:

<http://www.kpmg.com/global/en/services/tax/tax-tools-and-resources/pages/corporate-tax-rates-table.aspx>

<http://www.tradingeconomics.com/chile/highest-marginal-tax-rate-individual-rate-percent-wb-data.html>

<http://www.latercera.com/noticia/negocios/2015/10/655-649927-9-banco-mundial-73-de-la-recaudacion-de-la-reforma-tributaria-provendra-del-01-de.shtml>

<http://radio.uchile.cl/2014/09/09/lo-bueno-lo-malo-y-lo-escandaloso-de-la-reforma-tributaria>

<http://www.reformatributaria.gob.cl/principales-modificaciones.html>

<http://www.sii.cl/pagina/valores/global/igc2015.htm>

Economist Intelligent Unit, Country Report CHILE, Generated on November 24th 2014.

Luis Eduardo Escobar, "Michelle Bachelet en busca de la transformación de Chile," in: Nueva Sociedad, Nr. 252. Julio-agosto 2014, 4-14.

<http://www.reformatributaria.gob.cl/#objetivos>

Budgets

Budgetary
Policy
Score: 9

Chilean budgetary policy has been very successful in terms of national debt reduction and reserve fund accumulation. The country's budgetary policy is based on a fiscal rule that explicitly – and relatively transparently – links overall government spending to an estimate of government revenue trends. This puts Chile at the international best-practice frontier regarding budget policies and fiscal regimes. Although temporarily suspended during the difficult 2009 – 2010 period, this rule's application since 2001 (and the adherence to fiscal orthodoxy even without comparative legislation since the mid-1980s) has allowed the government to reduce overall debt, accumulate sovereign wealth and reduce its overall financial liabilities to negative levels. This policy proved absolutely adequate in dealing with the global financial crisis. In order to improve fiscal transparency and the validation of the public balance, the Fiscal Consulting Council

(Consejo Fiscal Asesor) was created in 2013.

Recent trends have been somewhat more worrisome. The country's budgetary policy has come under pressure due to declines in the price of copper, slowing economic growth, state spending that has risen faster than GDP, the continued presence of a structural deficit, and an increase in debt.

Citation:

Cf. DIPRES, Política de Balance Estructural: http://www.dipres.gob.cl/594/w3-pro_pertyvalue-16156.html

Research and Innovation

R&I Policy
Score: 5

R&D expenditure as a share of GDP is very low in Chile compared to other OECD countries, and most of this expenditure is undertaken by the government rather than the private sector. But Chile has shown that it is aware of shortcomings regarding the necessities of technological innovations, especially for its future economic and thus social development. Significant reforms have been put in place to raise R&D funding, including earmarked taxation (a royalty tax on mining), higher government expenditure, and the improvement of tax incentives for private R&D. Although results have to date been disappointing – in large part because of bureaucratic hurdles to the approval of private and public projects – Chilean institutions show good results at least in the area of basic research. But the steps necessary to transform this good basic research into applied research are almost never taken. Universities are often not prepared to support research that operates at the interface between basic research and industrial development. This is reflected in the comparatively low number of patents registered per year on a per capita basis, whereas the number of scientific publications is relatively high. In general, access to the limited public funds available for research tends to be quite difficult due to high bureaucratic barriers. Despite these facts, a slight improvement regarding innovation policy and scientific cooperation can be observed. According to the latest version of the Global Innovation Index (2015), Chile was ranked at 42nd place out of 141 countries, up from 88th place in 2013.

Citation:

http://www.expansiva.cl/media/en_foco/documentos/17032010150429.pdf

<http://www.scidev.net/america-latina/innovacion/noticias/tres-paises-lideran-innovacion-en-latinoamerica.html>

<https://www.globalinnovationindex.org/>

Global Financial System

Stabilizing
Global
Financial
Markets
Score: 6

Given its small size, Chile has quite limited power within international arrangements and, although it participates in regional institutions and regimes, the country has distanced itself from the recent tendencies of its Latin American neighbors to strengthen their respective independence from international-level political hegemony and financial

sources. During the world economic and financial crisis, the government applied an austerity policy and engaged in a responsible budgeting policy mandating a 1% structural surplus, largely shielding itself from crisis effects. Nevertheless, in the national as well as international context, the official political discourse privileges the virtue of a totally deregulated and free market, combating any forms of state regulation.

II. Social Policies

Education

Education
Policy
Score: 4

Chile's school and education attainment levels are very mixed, and are generally much lower than the OECD average. Pre-primary education coverage is still low, but rising. Primary and secondary education coverage is high, reaching nearly 100% of current age cohorts. Tertiary-education coverage is moderate but increasing, although the quality of universities and private-sector technical institutions varies significantly. The government has not achieved its aim of closing the gap that exists between the private and public systems; this failures has led to strong public protests that have continued since 2010, peaking during 2011 and 2012.

The general ideological gap between the government and opposition regarding the role of education and the free market has made it more difficult to pass reforms. However, conflicts between teachers' boards and the corporations or enterprises offering private education services have also played a role. The current government's electoral manifesto promised reforms that would abolish profit-seeking in the educational sector. A series of legislative proposals on the issue have been submitted to Congress, but only minor changes have as yet been passed.

In sum, the government's educational reform aims at eliminating profit, selection and copayments within the private-education sphere, and is based on four fundamental principles:

- 1) Ensuring that institutions provide a strong education and protect families' financial security;
- 2) Creating a high-quality public-education system;
- 3) Providing for a modern, well-paid, highly skilled teaching profession; and
- 4) Creating a free (no-fee) higher-education system of high quality.

In line with these goals, the budget proposal submitted by President Michelle Bachelet to Congress on 1 October 2014 included a 27.5% increase in public investment. Public education received a funding increase of 10.2%, largely dedicated to nurseries, kindergartens, public-school infrastructure and training programs for teachers. The 2015 budget also contained an increase in scholarships for about 70% of Chile's university

students. The 2016 budget foresees an increase in education spending of 7.5%.

Traditionally, high-quality education in Chile has been accessible only to those able to afford it. There is a huge financial divergence between private and public education, with per month spending per pupil in the public system averaging CLP 40,000, and private-schooling fees averaging about CLP 300,000. Chile traditionally had a broad public-education system, but as a result of the poor quality of the actual public schools, the number of students attending public institutions has today declined to approximately 40%. There is a great gap in the quality of education for less gifted students, as the system is strongly focused on preparing students for careers requiring higher education. There are consequently comparatively few options for applied, vocationally oriented training courses for students who cannot afford the university, do not obtain the necessary grades to enter university, or are simply skilled in fields that require solid technical training instead of an academic degree.

Furthermore, there is wide variance in standards between universities and even technical training centers, with insufficient quality-control standards. In general terms, Chile's education system – with the exception of a few top universities – fails in the task of educating and training people to acquire the knowledge and skills required if the country is to make a quantum leap in development and growth. This hampers labor-productivity growth and undermines efforts to diminish poverty rates. This weak performance results from failures in past and current education policies, as well as the efforts of a strong teachers' lobby that has effectively opposed necessary reforms to school curriculums and school management structures, and has blocked attempts to link teacher pay to teaching productivity.

Citation:

<http://michellebachelet.cl/wp-content/uploads/2013/10/Reforma-Educacional-14-21.pdf>

<http://www.dipres.gob.cl/595/w3-multipropertyvalues-14437-22369.html>

http://www.dipres.gob.cl/595/articles-124267_doc_pdf.pdf

<http://reformaeducacional.gob.cl/documentos/>

Social Inclusion

Social
Inclusion
Policy
Score: 5

In terms of possibilities for upward mobility, Chile still fails to overcome a long lasting and broadening social gap. There still is, for example, much exclusion along ethnic lines and a considerable gap between poor parts of the population and the middle class. There is also little upward mobility within higher income groups. The middle class in general and especially the lower middle class can be considered to be highly vulnerable given the lack of support for those suffering unemployment or health problems. Middle-class wealth tends to be based on a high level of long-term indebtedness and its share in the

national income is low even by Latin American standards. The income distribution is highly unequal; although GDP (2014) is about \$258 billion and GDP per capita (2014) about \$14,500, 70% of the population earns a monthly income less than \$640 (CLP 426,000). About 53.5% of the population earns less than \$440 (CLP 300,000) per month. Furthermore, poverty rates among the elderly people are disturbingly high.

The public-education system provides a comparatively low-quality education to those who lack adequate financial resources, while the approach to social policy promoted and supported by the Chilean elite maintains this very unequal social structure. Although some social programs seeking to improve the situation of society's poorest people have been established and extended, the economic system (characterized by oligopolistic and concentrated structures in almost all domains) does not allow the integration of considerable portions of society into the country's middle class. Moreover, the lower-middle class in particular can be regarded more as a statistical category than a realistic characterization of people's quality of life, given that the majority of the Chilean middle class runs a perpetual risk of falling (material) living standards, as their consumer spending is mainly financed by credit and individual debt. If a household's primary income earner loses his or her job, or a family member has serious health troubles, families tend to face rapid impoverishment.

Reforms planned by Bachelet's government (in the realms of taxation, education and labor) are expected to have substantial pro-inclusionary effects. Some of these have already been introduced, while others are on the way or still under discussion.

Citation:

<http://www.fundacionsol.cl/wp-content/uploads/2015/06/Verdaderos-Salarios-2015.pdf>

<http://www.elmostrador.cl/mercados/2015/10/14/desigualdad-historica-este-2015-el-1-mas-rico-de-la-poblacion-alcanzo-el-mismo-patrimonio-que-el-99-restante-del-mundo/>

<http://data.iadb.org/ViewIndicator/ViewIndicator?languageId=en&typeOfUrl=C&indicatorId=485>

Health

Health
Policy
Score: 7

For more than three decades, Chile has maintained a dual health system, with one pillar represented by private insurance and private health care services chosen by self-financing participants (typically upper middle-income and high-income groups), and another pillar of public, highly subsidized insurance and public health care services for participants who pay only part of their health costs. This system provides broad coverage to most of the population, but with large differences in the quality of health care provision (including waiting times for non-emergency services). A significant reform has been implemented gradually since 2003, expanding the range of guaranteed coverage and entailing a corresponding extension of government subsidies to low- and middle-income population groups. In contrast to other policies, this reform has been

pursued in a very consistent and solid way, although some failures can be detected regarding the budget provided for public health and administrative processes. Above all, primary health care within the public system has shown great advances in coverage and in quality. In the domain of the more complex systems of secondary and tertiary health care, a more problematic situation is evident. These levels show funding gaps and an insufficiency of well-trained professionals. There is still a huge gender gap with regard to health care contribution rates, since maternity costs are borne only by women. For these reasons, the quality and efficiency of public health care provision (government clinics and hospitals) varies widely.

Families

Family
Policy
Score: 5

In recent years, there have been efforts to establish wide-ranging preschool-education coverage. These policies offer Chilean parents more opportunities to place their children in free or low-priced nurseries and kindergartens. As enacted, Michelle Bachelet's 2015 budget included an increase in public funding in both categories. The national social program "Chile crece contigo" (Chile grows with you), which supports expecting mothers and families during a child's early years, also includes support for adolescent mothers.

However, this system does not yet fulfil actual labor-market requirements, given that nursery opening times often do not coincide with parents' long working hours. Families' abilities to find day care for their children depends to a great degree on their economic backgrounds, as wealthier families normally pay for private housekeepers and nannies. Aside from the issue of women's labor-market-participation opportunities, Chilean family policy does not fully respect fathers' concerns, as tuition for children is paid solely to mothers, for example. Chilean family policies still lack a holistic vision of modern families; for example, they are weak on issues such as single parents, adoption and same-sex unions.

Citation:

http://www.dipres.gob.cl/594/articles-121592_Ley_de_Presupuestos_2015.pdf

Pensions

Pension
Policy
Score: 6

Chile's pension system combines a redistributive means-tested pillar financed by general taxation with a self-financed pillar based on individual contributions and individual pension accounts, which are managed by private pension fund managers and invested both domestically and abroad. The redistributive pillar was extended and broadened very substantially by a 2008 pension reform that implemented means-tested pension subsidies, guaranteeing a pension floor to all older citizens that is very high relative to the country's minimum and average wages. The reform also provided pension benefit entitlements to women based on the number of children they have had, with no ceiling on the number of children. It is a matter of some debate whether the

Chilean pension system guarantees intergenerational equity or prevents poverty caused by old age. It can be argued that both public and private pension systems are fiscally sustainable (like those of Norway, the best-funded system among all OECD countries), and thus provide both intergenerational and intragenerational equity across income groups. Nevertheless, the system largely fails to guarantee poverty prevention among large parts of the socioeconomically weaker and older population who depend on the support of their families or have no pensions at all if they worked in unstable and/or informal employment. Thus, the pension system has (because of the capitalization logic) virtually zero redistributive effect.

A presidential commission was recently convoked with the task of analyzing possible pension-system changes. The current system, which was established under Augusto Pinochet's military regime, is strongly criticized as being designed to guarantee and provide sufficient funds for the economic and political elite and their financial interests, as these groups have strong links to the pension-fund management companies. The commission presented its final report in September 2015. It contained no radical reform proposals, but did suggest some slight changes such as an increase in contributions and an expansion in the coverage provided by basic solidarity pensions (*pensión básica solidaria*).

Citation:
<http://www.comision-pensiones.cl/>

Integration

Integration
Policy
Score: 4

Due to the financial crisis, the number of professionals immigrating to Chile has increased significantly, especially from southern Europe. In general, there are few restrictions for highly skilled immigrants and professionals, most of whom tend to obtain working permits. The integration of immigrants from other Latin American countries, who are largest group of foreigners in Chile, does not present significant difficulties, as they share the same language and, to a certain degree, a similar cultural background. About 2.1% of the population are immigrants; this is an increase compared to the former review period, but is still a quite small share in comparison to its neighbor Argentina or other OECD member states.

It is worth mentioning that the relationship between emigration and immigration in Chile is changing. While in the past Chile registered higher rates of emigration than immigration, this tendency is reversing due to today's patterns of economic development and political stability. Migration policy will thus be more important in the future, but no specific immigration policies have yet been implemented.

Citation:
<http://www.cooperativa.cl/noticias/pais/poblacion/inmigrantes/casen-inmigrantes-duplicaron-su-numero-y-equivalen-al-2-1-por-ciento-de-la-poblacion/2015-03-01/122756.html>

Safe Living

Safe
Living
Conditions
Score: 8

Internal security policy is quite effective. While organized crime is not apparent to the average citizen, there are some disturbing trends: selective acts of terrorism (or acts classified as terrorism) based on ethnic or political grounds, and a slightly rising incidence of drug trafficking (and related crimes). Homicide rates in Chile are among Latin America's lowest. Common crime rates have not shown any significant changes since 2012. Still, public perceptions of crime tend to overestimate the statistical reality. Private security services are widespread in the wealthier urban areas, especially in Santiago. Chile has an extremely high share of prisoners among the younger population in particular. Prevention measures are not well developed. The last two governments each launched anti-crime programs focusing more on detection and repression than on prevention. These had very mixed results. Crime-control programs such as the Plan Cuadrante and the marked increase in the numbers of police officers have significantly reduced crime rates. Penal-code reforms and their implementation over the last eight years have also significantly raised the efficiency of crime detection and criminal prosecution.

Citation:

http://www.ine.cl/canales/chile_estadistico/encuestas_seguridadciudadana/victimizacion2013/presentacion_x_encuesta_nacional_seguridad_ciudadana.pdf

UNODC report 2013:

http://www.unodc.org/documents/gsh/pdfs/2014_GLOBAL_HOMICIDE_BOOK_web.pdf

Global Inequalities

Global
Social
Policy
Score: 6

Chile formally follows and promotes the United Nations' Millennium Development Goals and its post-2015 agenda in its foreign policies. However, in practice those criteria are not necessarily considered when it comes to decision-making regarding international cooperation with developing countries in the region (Chile cooperates nearly exclusively with Latin American developing and emerging countries). Regarding the promotion of fair-trading access to global markets, Chile offers virtually no subsidies to domestic producers, and does not maintain protectionist trade barriers to imports.

III. Environmental Policies

Environment

Environmental Policy
Score: 5

Chile is a country with an efficient but scarcely restrictive environmental regulatory system. From 2010 onwards, it has boasted a modern environmental institutional system. For example, the former National Commission for Environmental Issues (Comisión Nacional del Medio Ambiente) has been upgraded into the Ministry of Environment (Ministerio del Medio Ambiente). The creation and implementation of complementary institutions, such as environmental tribunals (Tribunales Ambientales) and a chairperson for the environment (Superintendencia Ambiental), showed some progress by the end of 2012. However, Chilean environmental policy is basically designed for compliance with standards required by international markets and thus does not necessarily focus on aspects like ecological sustainability. In addition, Chilean environmental policy is also exposed to major domestic political pressures from the industrial sector, especially in the field of water and forestry policies and regulation. This often produces clashes over the protection, preservation and sustainability of natural resources and the quality of the environment. It is quite common for the judiciary to stop investments and projects on ecological-sustainability grounds.

Citation:
<http://www.sma.gob.cl/>

Global Environmental Protection

Global Environmental Policy
Score: 4

The government demonstrates commitment to existing regimes and international efforts. There has been at least one specific initiative regarding the protection of Antarctica, but in general terms, the government neither initiates significant reforms nor plays a leading role in their advancement.

Quality of Democracy

Electoral Processes

Candidacy
Procedures
Score: 8

In general terms, candidates and parties are not discriminated against in the registration process. Electoral procedures are very reliable and there is no ideological bias.

In April 2015, a new electoral law (Ley No. 20,840) was enacted that replaced the 25-year-old binominal system for parliamentary elections with a system of “proportional and inclusive representation” according to the D’Hondt distributional method in relatively small districts (producing between three and eight deputies, and between two and five senators per district). Further changes include the following:

- An increase of the number of overall deputies (from 120 to 155) and senators (from 38 to 50);
- A reduction in the number of deputies’ electoral districts or constituencies (from 60 to 28);
- The introduction of just a single senatorial district for each region, with a varying number of senators drawn from each district;
- The introduction of a gender quota, requiring women to make up at least 40% of political parties’ candidate slates;
- A requirement that independent candidates demonstrate the support of at least 0.5% of the electorate participating in the previous election in order to stand as a candidate; and
- The lowering of the electoral threshold for independent candidates to win a seat from 30% (former threshold) to 25% of the votes.

Beginning with the 2013 presidential election, a primary-election system (primarias) for the designation of presidential candidates was established. The 2013 presidential and congressional elections showed a slight improvement due to the fact that one of the two main coalitions, the former Concertación – now renamed Nueva Mayoría – broadened its ideological spectrum in order to integrate several small leftist parties (Partido Comunista; Izquierda Ciudadana; Movimiento Amplio Social). Under the current government, these political

forces were also assigned ministerial responsibility. This can be regarded as an improvement within Chilean democracy in general.

Under the current government, the Electoral Service (Servicio Electoral de Chile, SERVEL) has been assigned a wider range of oversight mechanisms regarding registration procedures. It has also been given more autonomy from other state organs, with the aim of ensuring more efficient monitoring of the registration process and of political-party and campaign financing. To a certain degree, this shift can be seen as a response to the electoral fraud that occurred in 2013, when two independent candidates forged signatures in order to meet the candidate-registration threshold. Both were found guilty in 2014.

Citation:

<http://www.gob.cl/2015/04/27/fin-al-binominal-conoce-el-nuevo-sistema-electoral/>

<http://www.bcn.cl/leyfacil/recurso/nuevo-sistema-electoral-para-elecciones-parlamentarias-%28fin-del-sistema-binominal%29>

<http://www.bcn.cl/leyfacil/recurso/nuevo-sistema-electoral-para-elecciones-parlamentarias-%28fin-del-sistema-binominal%29>

Media Access
Score: 4

Access by candidates and parties to public TV channels is regulated by law (Law No. 18,700, Ley Orgánica Constitucional sobre Votaciones Populares y Escrutinios, and Law No. 18,603, Ley Orgánica Constitucional de los Partidos Políticos). But given the high level of media concentration within a small group of companies with a specific political background, candidates and parties de facto lack equal opportunity of access to the media and other means of communication, as the media landscape is strongly biased. La Nación, a former daily paper owned and run by the state, stopped publishing a print edition under former President Piñera's administration (although the publication is still accessible online). Chile's largest free TV channel (TVN) is state-owned, and is required by law to provide balanced and equal access to all political views and parties – a regulation which is overseen by the National Television Directorate (Consejo Nacional de Televisión, CNTV). The private media is mainly owned and/or influenced by the elite associated with the Alianza por Chile coalition, which currently represents the opposition to the government. Although La Nación and TVN are state-owned, they must operate according to market rules, relying on advertising revenues and strong audience ratings. In general, regional candidates tend to have fewer media-access opportunities due to the strong centralization of Chile's political and media systems.

Voting and
Registrations
Rights
Score: 8

Law No. 20,568, enacted in January 2012, and law No. 20,669, enacted in April 2013, changed the voter registration system, eliminating the voluntary registration and compulsory voting system and replacing it with automatic registration and a voluntary right to vote for citizens older than 18. This reform

promoted the participation of younger and especially first-time voters in the 2013 presidential elections (which took place outside this report's observation period). This law also introduced assisted voting for citizens with disabilities. Since April 2014, Chileans living abroad have been automatically registered to vote if they are registered correctly with the register office. These individuals are now in theory allowed to participate in presidential elections, presidential primaries and national plebiscites (which are not explicitly provided for by the constitution), but not in parliamentary or municipal elections. However, only the electoral-roll inscription is carried out automatically today. As of the time of writing, the Chilean Congress had not yet approved procedures enabling expatriates to actually participate in national elections from abroad. However, implementation of this law is expected by the time of the 2017 presidential elections.

Individuals who have been charged with a felony and sentenced to prison for more than three years and one day, as well as people classified as terrorists, lose their suffrage rights. Prisoners who have not been charged but remain on remand also lose their right to vote. Nevertheless, Law No. 20,568 eliminated penalties previously dealt to registered voters who did not vote and failed to have an explicit and officially approved excuse for not doing so. The fact that the act of voting is now completely voluntary is questioned by some politicians and intellectuals who argue that voting not only represents a civil right but also a civil duty. Fears were raised by academics that the transition to voluntary voting would be accompanied by a bias toward middle- and upper-class voters, since lower-class and marginalized voters would disproportionately stay home. These fears ultimately turned out to be unjustified, as balloting has demonstrated no significant bias with regard to socioeconomic status in comparison to previous elections. However, voter-turnout rates have been low.

Citation:

<http://www.bcn.cl/leyfacil/recurso/voto-de-chilenos-en-el-extranjero>

<http://www.biobiochile.cl/2014/04/30/presidenta-bachelet-promulga-ley-de-voto-chileno-en-el-extranjero.shtml>

Party Financing
Score: 5

In general, party and campaign financing processes are not very transparent. Upper limits to campaign financing are set by law, but enforcement and oversight are not very effective. Electoral campaign expenditures are financed by public funds and private financing, but ineffective monitoring often enables the latter to be rather opaque. De facto, there are no real mechanisms for applying penalties in the event of irregularities. Law No. 20,640, approved in October 2012, made it possible for a political coalition to support candidates on a joint basis. This process is voluntary and binding, and joint campaign expenditures are limited by the current public-transparency law (Ley de

Transparencia, Límite y Control del Gasto Electoral). This limit is set at 10% of the amount allocated for normal elections.

At the end of 2014, wide-ranging evidence of corruption in political-party funding came to light. As the investigation progressed, more and more politicians and political parties have turned out to be involved, across the political spectrum. Known as “Pentagate,” the scandal reached such a dimension that the former head of the Chilean General Accounting Office (Contraloría de la República), in his end-of-term speech in April 2014, said, “We can’t shut our eyes, corruption has arrived.” The scandals have been particularly striking given that Chile has always tended to be considered an exception to the institutionalized corruption found elsewhere in Latin America.

As a response to this crisis, President Bachelet convoked an anti-corruption council that proposed several anti-corruption measures, including new restrictions on private campaign funding. In addition, enterprises would be barred from providing funding to political parties or campaigns, anonymous donations would be made illegal, and all donations would have to be registered transparently. However, a majority of the council’s proposals had yet to be accepted by the parliament as of the time of writing. A recent vote seeking to exclude elected representatives who abused the public trust in order to obtain personal advantages could not be passed, as a quorum of members failed to attend the session.

Citation:

<http://www.latercera.com/noticia/politica/2015/04/674-624292-9-contralor-general-de-la-republica-no-podemos-cerrar-los-ojos-la-corrupcion-ha.shtml>

<http://www.theguardian.com/world/2015/apr/08/chilean-president-michelle-bachelet-corruption-charges-sebastian-davalos>

http://www.bbc.com/mundo/noticias/2015/01/150115_chile_caso_penta_corrupcion_irm

<http://www.latercera.com/noticia/politica/2015/04/674-627553-9-las-principales-medidas-del-informe-anticorrupcion-que-presento-bachelet.shtml>

<http://www.latercera.com/noticia/politica/2015/04/674-627479-9-bachelet-anuncia-que-en-septiembre-iniciara-proceso-constituyente-y-da-a-conocer.shtml>

<http://www.elmostrador.cl/noticias/pais/2015/10/14/ausencia-masiva-de-diputados-provoca-que-la-camara-no-logre-el-minimo-para-sesionar-y-votar-proyecto-que-los-afecta/>

<http://consejoanticorrupcion.cl/>

Popular Decision-
Making
Score: 3

The Chilean constitution is one of the most restrictive on the topic of direct democracy – understood as citizens’ initiatives – in present-day Latin America. The last nationwide plebiscite was initiated by the government in 1989, albeit during a military dictatorship and in the midst of the agreement

process on the transition to democracy. At the moment, Chile does not contemplate nationwide citizen initiatives, although they have been called for by various civil-society groups and movements. At municipal level, the Organic Constitutional Law of Municipalities (2002) provides for popular consultations – plebiscites – either at the initiative of a mayor (with the agreement of the council), a municipal council itself (with a two-thirds majority), or a minimum of 10% of a municipality’s citizens. Thus, the opportunity to initiate referenda at the municipal level officially exists, but these referenda are not necessarily legally binding and may be ignored by the authorities.

Access to Information

Media Freedom
Score: 8

In general, the rules and practice of media supervision guarantee sufficient independence for public media. Privately owned media organizations are subject to licensing and regulatory regimes that ensure independence from the government. The latest Freedom House Index (2015) on the issue of freedom of the press classified Chile as “partly free.” The index takes into account “the legal environment in which media operate, political influences on reporting and access to information, and economic pressures on content and the dissemination of news.” Chile has been stuck at this level since 2012, following increased numbers of arrests and heightened pressure on journalists – particularly photographers – covering the education protests across the country in 2012 and 2013. By contrast, the Borders Press Freedom Index 2015 placed Chile at rank 43, a rise of 15 spots from the previous year. Given Chile’s media landscape and its ideological and economic concentration, the degree of government influence over the media depends largely on which coalition is leading the government.

Citation:

Freedom House Index (freedom of the press):

<https://freedomhouse.org/report/freedom-press/freedom-press-2015#.Vg7cv5dRIZw>

Reporters without borders press freedom index:

<https://index.rsf.org/#/>

Media Pluralism
Score: 5

The Chilean print media sector is characterized by high concentration. The El Mercurio group and Copesa together account for much of the country’s print sector, have the greatest share of readers and control of a considerable amount of the country’s advertising portfolio. The papers owned by these two dominant groups offer essentially uniform political-ideological projects, editorial positions, styles and news coverage. However, these newspapers are more influential among Chile’s political elites than among the broader public. The official government daily, La Nación, presents views and opinions that run counter to those in the dominant papers; however, its print edition was

eliminated during the administration of former President Piñera (although it is still accessible online). A similar pattern can be found in the public-television sector, but on the whole the electronic sector offers a more diversified scope of opinion (especially on local radio stations and in a few online publications). In general, there is a very narrow informational mainstream, with the government-owned TVN being the most dominant free station. Whether it presents politically balanced views and provides access to all viewpoints is a point of debate.

Access to
Government
Information
Score: 7

The statute on access to public information (Ley No. 20,285 sobre Transparencia de la Función Pública y Acceso a la Información de los Órganos de la Administración del Estado) was approved by Congress in August 2008 and implemented in 2009. It stipulates two dimensions of transparency. The first is “passive transparency,” and obliges all public institutions and authorities of the government to respond to any request for information constituted as public information within a 20-day period (with extensions of up to 10 more days possible). The other dimension is that of “active transparency,” and requires governmental ministries and agencies to publish broad information on various topics on their websites. The statute also creates the Transparency Council (Consejo para la Transparencia), an independent agency responsible for monitoring transparency, regulating transparency practices and compelling public services to provide information should they refuse to do so. The Transparency Council’s board of directors is nominated by the executive and approved by the Senate. Information classified as a state secret is exempted from these transparency stipulations. This remains an important clause, as there are about 20 Chilean laws that are officially still classified as secret. These laws derive in some cases from the beginning of the 20th century, and in others from the military regime. Most are actually common knowledge, but remain formally treated as secret. Although the Transparency Law (Ley de Transparencia) leaves very little room for administrative interpretation, there have been cases of negligence regarding access to and publication of relevant information.

Citation:

<http://www.freedominfo.org/regions/latin-america/chile/>

<http://www.chiletransparente.cl/>

<http://www.leychile.cl/Navegar?idNorma=276363&idParte=0>

http://anticorpp.eu/wp-content/uploads/2014/03/Chile-Background-Report_Final.pdf (S. 14)

Civil Rights and Political Liberties

Civil Rights
Score: 7

The state and the courts efficiently protect civil rights, but certain specific conflicts (e.g., those related to indigenous groups) have led to human-rights violations. In conflicts involving ethnic minorities, anti-terror legislation – which violates international conventions signed by Chile and goes back to 1984 – is applied. Furthermore, some occasional conflicts between civilians and the military or the police are overseen by military courts, whose impartiality is questionable. In general, the enormous income gap between population groups tends to marginalize the poorest people, who receive less state protection regarding the infringements of their rights.

Political Liberties
Score: 7

In general, political rights are protected by the constitution and legislation, and are enforced by government policy and practice. Nevertheless, police interventions have sometimes crossed the line from guaranteeing law and order into repression – especially during the more intense period of the student movement and protests by Chile's indigenous people. Furthermore, the biased media landscape limits equal access to information and the opportunity to communicate different political opinions and versions of conflict situations.

Non-discrimination
Score: 5

In general terms, political rights are protected by legislature and government bodies. Major failings can be seen in the case of the Mapuche indigenous conflict in the southern regions of Chile, which has intensified significantly during the last four years. The Mapuche are not constitutionally recognized as a distinctive identity or ethnic minority with collective rights. Despite official denials, some Mapuche captives claim to be political prisoners. There have been some important attempts to diminish discrimination, such as the Civil Union Agreement (Acuerdo de Unión Civil) that allows for the official acceptance of same-sex unions. The law on this issue was enacted in October 2015. However, there are still inequalities in various domains such as labor rights, access to health care and family law.

With regard to gender, Chile is ranked 66th out of 166 countries in the current Global Gender Gap Index. Especially when it comes to economic equality between men and women, Chile is characterized by a serious income gap (ranked 128th out of 166 countries). Only about 16% of Chile's serving deputies and senators are women. These averages are much lower than comparable shares elsewhere in Latin America or in the OECD as a whole. In order to improve the ratio of women representatives, a new electoral law obligates political parties' electoral slates to be composed of at least 40% female candidates beginning in the 2017 elections.

Gender-discrimination issues are relevant in other spheres as well. For example, health care insurance is twice as expensive for women as for men

due to maternity costs. Many other social, political, economic and legal policies and practices lead (directly or indirectly) to gender and ethnic discrimination.

Citation:

Interparliamentary Union, Situation as of 1. September 2015

<http://www.ipu.org/wmn-e/classif.htm>

Global Gender Gap Index

<http://reports.weforum.org/global-gender-gap-report-2014/economies/#economy=CHL>

Rule of Law

Legal Certainty
Score: 7

Acts and decisions made by the government and official administrative bodies take place strictly in accordance with legislation. There are moderately effective autonomous institutions that play an oversight role with regard to government activity, including the Office of the General Comptroller (Contraloría General de la República) and the monitoring functions of the Chamber of Deputies. Government actions are moderately predictable, and conform largely to limitations and restrictions imposed by law.

Judicial Review
Score: 8

Chile's judiciary is independent and performs its oversight functions appropriately. Mechanisms for judicial review of legislative and executive acts are in place. The 2005 reforms enhanced the Constitutional Tribunal's autonomy and jurisdiction concerning the constitutionality of laws and administrative acts. Arguably, the Tribunal is one of the most powerful such tribunals in the world, able to block and strike down government decrees and protect citizens' rights against powerful private entities. But while the courts' independence has been consolidated since the return of democracy in 1990, military courts are still involved in certain domains of the law and in court cases involving military personnel and terrorists. During the current evaluation period, Chilean courts demonstrated their independence through their handling of the corruption scandals revealed over the past few years, which have included political parties and a large number of the country's politicians.

Appointment of
Justices
Score: 9

Members of the Supreme and Constitutional Courts are appointed collaboratively by the executive and the Senate. During recent years, there have been several cases of confrontation between the executive power and the judiciary, for example in the area of environmental issues, where the Supreme Court has affirmed its autonomy and independence from political influences.

Corruption
Prevention
Score: 6

In general terms, the integrity of the public sector is a given, especially on the national level. The most notable problem consists in the strong ties between high-level officials and the private sector. Political and economic elites overlap significantly, thus reinforcing privilege. This phenomenon was particularly problematic under the previous government, as many members of

the Alianza – including Sebastián Piñera himself – were powerful businesspeople. This entanglement produces conflicts of interest in the policymaking process, for example in regulatory affairs.

Furthermore, there are no regulations enabling monitoring of conflicts of personal economic interest for high-ranked politicians (for example the president and ministers). In the period under review, repeated corruption scandals (involving numerous major companies, with one case even involving President Bachelet's son) showed corruption and abuses of power within Chilean's political and economic elite is in fact more common than (international) indicators regarding corruption and transparency tend to suggest. It is as yet unclear how state institutions will confront these issues.

As a response to this crisis, President Bachelet convoked a council that proposed several anticorruption measures intended to prevent abuse of office. These measures would include a restriction on private campaign funding and the creation of a public register of all lobbyists. However, as of the time of writing, the proposals that required changes to existing law had yet to pass parliament.

Citation:
<http://consejoanticorrupcion.cl/>

Governance

I. Executive Capacity

Strategic Capacity

Strategic
Planning
Score: 7

The president has the power to ask for and ensure strategic planning, whether through formal or informal channels. Line ministries, most notably the Ministry of Finance, and the president's advisory ministry (the Secretaría General de la Presidencia, Segpres), have considerable influence in strategic-planning processes. Meetings between strategic-planning staff and the head of government are held frequently. However, no long-term view of policy challenges and viable solutions is necessarily presented – these are either limited in scope or depth of impact depending on the topic. Strategic planning, policy planning and regulatory reforms, budget planning, and ex ante evaluation of government policies and public-investment programs are carried out by specialist units and departments inside the various ministries. While there is no explicit multi-year budget planning process in place in Chile, this takes place implicitly due to the fiscal rule that (by law) links overall government expenditure to forward-looking estimates of long-term government revenue, based on growth trends and copper-price projections. These forecasts are provided in a transparent way by specialist budgetary commissions comprised of academic and private-sector experts (mostly professional economists).

Scholarly
Advice
Score: 8

Technocratic institutions and practices play an important role in government decision-making. Experts from academia, NGOs, partisan think tanks and the private sector are very influential in the preparation of government (presidential) programs and the development of policy reform proposals by presidential or ministerial technical commissions. These technical commissions, which are charged with proposing policy reforms in specific areas (education, pension, social and wage policies, minimum wage policy, fiscal rule, etc.) tend to have a great degree of influence in shaping government legislation as submitted to and voted on by Congress. Commissions are largely comprised of experts, and to a minor extent of representatives of interested parties, and cover a wide political spectrum. This kind of technical input into the policymaking process belongs to the technocratic tradition in Chilean politics. As a political practice, this can be described as institutionalized, as

both the former and the current coalition followed this tradition. Under the current government, the main policies of the government program were elaborated and accompanied by expert commissions. Some reform initiatives in the education and environmental sectors have been accelerated or even blocked due to ideological differences within the commissions dealing with the issue. Experts (economists in particular) are very influential in drafting the reform proposals submitted to the president or to ministers.

Interministerial Coordination

GO Expertise
Score: 9

The president's advisory ministry (Ministerio Secretaría General de la Presidencia, Segpres) and the Government or Cabinet Office (Ministerio Secretaría General de Gobierno, or Segegob) have at their disposal the necessary instruments and capacities to monitor and evaluate the policy content of line-ministry proposals. Nevertheless, channels of evaluation and advice are not fully institutionalized, and may change with a new head of state.

GO
Gatekeeping
Score: 10

The Government or Cabinet Office (Ministerio Secretaría General de Gobierno, or Segegob) has the ability to return items. The president can overrule the advisory ministry if he or she holds a strong particular interest in a special item. But in the day-to-day course of operations, this rarely happens. Under the previous government, however, some proposals were blocked directly by then-President Sebastián Piñera.

Line Ministries
Score: 9

The Government or Cabinet Office (Ministerio Secretaría General de Gobierno, or Segegob) and line ministries have a strong tendency to coordinate activity, and in practice the president or Government Office and the Ministry of Finance are nearly always involved in the preparation of policy proposals. No serving minister would ignore the president's opinion in the preparation and elaboration of a policy proposal.

Cabinet
Committees
Score: 7

Ministerial or cabinet committees are not necessarily central when it comes to decision-making on policy matters. Depending on the topic, ministerial committees are more or less involved in preparing cabinet proposals, especially those of relatively significant strategic or financial importance. These proposals are normally coordinated effectively.

Ministerial
Bureaucracy
Score: 7

Ministry staff and civil servants do not always play a dominant role in the drafting of policy proposals before those proposals reach ministerial committees. Depending on the ministry and the importance of the proposal, officials and civil servants are more or less effectively involved in the preparation and coordination process.

Informal
Coordination
Score: 8

Informal coordination plays an important role in settling issues so that the cabinet can focus on strategic-policy debates. Existing informal mechanisms might be characterized as "formal informality," as informal coordination mechanisms are de facto as institutionalized as formal ones in daily political practice. The functionality of this coordination mechanism did not change significantly during the review period.

Evidence-based Instruments

RIA
Application
Score: 8

All newly proposed laws must be accompanied by a report summarizing their predicted fiscal impact and the financial implications for the government budget. This report is always prepared by the fiscal department of the corresponding ministry. Chile also has a constitutional restriction on policy proposals that imply budget changes. Legally, there is no obligation to present a report concerning potential socioeconomic impacts that do not implicate the state budgets, but political practice shows that those implications are normally considered. Furthermore, there are supervisory bodies (Superintendencias) that monitor enterprises within specific sectors and produce evaluations and reports. In a strictly legal sense, these supervisory bodies do not have the specific objective of evaluating the impact of new regulations or proposed modifications to the legal framework. Nevertheless, the evaluation of possible impacts tends to be one result of their work. The following supervisory bodies exist in Chile:

- Supervisory Board for Health (Superintendencia de Salud)
- Supervisory Board for Banks and Financial Institutions (Superintendencia de Bancos e Instituciones Financieras)
- Supervisory Board for Securities and Insurance (Superintendencia de Valores y Seguros)
- Supervisory Board for Education (Superintendencia de Educación)
- Supervisory Board for Health Services (Superintendencia de Servicios Sanitarios)
- Supervisory Board for Electricity and Fuels (Superintendencia de Electricidad y Combustibles)
- Supervisory Board for Social Security (Superintendencia de Seguridad Social)
- Supervisory Board for Casinos (Superintendencia de Casinos de Juegos)
- Supervisory Board for Bankruptcy (Superintendencia de Quiebras)
- Supervisory Board for the Environment (Superintendencia del Medio Ambiente)

In some areas, the line ministries serve as the oversight body for this type of review.

Quality of RIA
Process
Score: 7

Given the informal and non-institutionalized character of instruments used for regulatory impact assessments, reports tend not to specify the purpose of and the need for a regulation. Furthermore, they do not tend to analyze alternative options. Depending on the topic, stakeholders may play a certain role in the RIA process, but this does not entail a high degree of relevance within the political process over the middle or long term. RIA assessments are not routinely evaluated by independent bodies.

Sustainability
Check
Score: 5

RIAs do not necessarily analyze a regulation's impact on sustainability in the broad sense. Short-, medium- and long-term analysis tends to focus exclusively on economic rather than ecological or social issues.

Societal Consultation

Negotiating
Public Support
Score: 7

Frequent consultations with civil-society groups and particularly stakeholder organizations take place. However, consultations tend to be inclined toward economic interest groups. By contrast, unions and environmental organizations are frequently underrepresented. Online surveys have been implemented with the aim of gauging opinions within the non-institutionalized public. The president's advisory ministry (Secretaría General de la Presidencia, or Segpres) is primarily responsible for initiating and monitoring consultations. Depending on the issue, sectoral institutions can also be involved. The ad hoc advisory commissions represent another means of societal consultation, as they include interest-group representatives, experts and other stakeholders.

Policy Communication

Coherent
Communication
Score: 7

Each new government designs its own communication policy. As a result, strategic communication often tends to be rather haphazard at the beginning of a presidential term, but improves as the administration gains experience. Both the former and current governments have shown a fairly high number of communication lapses.

Implementation

Government
Efficiency
Score: 6

Implementation performance varies widely, ranging from excellent in areas where benchmarks and oversight mechanisms are strictly enforced (i.e., the general government budget) to weak in less rigidly monitored areas (i.e., implementation of some sectoral reforms such as Transantiago, the Santiago transport system). The Piñera government, for example, did not follow through on policies in the field of crime reduction and public safety, while the current Bachelet government has had to downsize its tax- and education-reform proposals. In general terms, far-reaching reforms that would require constitutional change and thus support by at least three-fifths of the national deputies and senators have not been considered as a part of government programs. Thus, this high hurdle has not yet proved to be a practical obstacle in the achievement of governments' policy objectives. Nevertheless, Bachelet has launched a debate on a constitutional reform.

Ministerial
Compliance
Score: 9

The president annually evaluates his or her ministers' policy performance. In a commission consisting of the president's advisory ministry (Secretaría General de la Presidencia, Segpres) and budgetary units of the government, ministers have to present their sectoral priorities, and if necessary, arrangements and modifications are made to ensure alignment with the government program.

Monitoring
Ministries
Score: 9

The president's advisory ministry (Secretaría General de la Presidencia, Segpres) and the respective budgetary units of the government monitor the line ministries (especially within the annual performance evaluation). If necessary, arrangements

and modifications are made in order to ensure effective alignment with the government program. Monitoring of effectiveness seems to have improved slightly since 2011.

Monitoring
Agencies,
Bureaucracies
Score: 7

To a certain extent, high positions in government agencies are filled not via political appointments but through the government's civil-service department (Alta Dirección Pública, ADP), based on candidates' technical capacity and experience. Clear goals are identified by the directors of executive agencies and the corresponding ministries. Exhaustive evaluations of the system and of personnel choices are performed annually by the minister, the civil service and the president's advisory ministry (Secretaría General de la Presidencia, Segpres). In addition, the Ministry of Finance's budget office monitors decentralized agencies and public enterprises from a budgetary perspective very tightly and effectively. Nevertheless, the changes in government in 2011 and 2014 showed that the selection of candidates through the ADP is in fact quite weakly established, as there is still an understanding that a successful candidate is a "government officer" rather than a "state officer." The monitoring of bureaucratic activities and executive agencies, especially at the subnational level, tends to be distorted by this effect.

Task Funding
Score: 6

Chile's central government exercises strong control over municipal and regional budgets, and accounts for a significant proportion of local revenue. Currently, about 18% of the federal government's budget is redistributed to the regional and local level (OECD average is about 45%). However, the assignment of new duties to the municipal level does not necessarily imply a corresponding allocation of adequate funds.

Municipal programs are monitored relatively closely by the central government, although spending overruns do sometimes occur, resulting in local-government debt. The quality of services provided by less wealthy municipalities are sometimes below average (for example, with regard to the public health care and education systems), and some are unable to raise the income required to provide the services themselves. This problematic situation is characteristic of Chile's centralized political system, and must be regarded as a structural problem. The current government has convoked a commission to study the issue of decentralization, with the ultimate goal of addressing this issue. The commission's proposal, which was presented publicly and supported by President Bachelet at the beginning of October 2014, included several proposals designed to strengthen regional governments. Two such measures are slated for implementation by the end of 2017:

- Regional governors (Intendentes) will be elected directly, and be accountable to citizens of their region for promises made in their political programs.
- Regional governors (Intendentes) will be given responsibility for regional and urban territorial planning, the administration of the National Fund for Regional Development, and the implementation of social and economic policies at a regional

level. The regions will create three new divisions for this purpose: Industrial Advancement (Fomento e Industria), Human Development, and Infrastructure and Transport.

In addition, the amount of federal funds provided to regional governments will be increased. The decentralization proposal contains an implementation timeline stretching through 2016.

Citation:
<http://descentralizacion.cl/>

<http://www.emol.com/noticias/nacional/2015/01/16/699525/presidenta-bachelet-firma-indicaciones-a-proyecto-de-ley-de-descentralizacion-del-pais.html>

http://www.senado.cl/eleccion-directa-de-intendentes-permitira-regiones-mas-empoderadas/prontus_senado/2015-01-02/105200.html

Constitutional
 Discretion
 Score: 5

Chile is a centrally organized state. This represents a structural problem given the wide-range of differences between the respective regions regarding geography, productivity and density of population. Nevertheless, local governments legally enjoy a considerable degree of autonomy concerning mandates and tasks that do not touch on constitutional issues and can be executed within the allocated budget. Furthermore, the government has tended to devolve responsibilities to local governments (i.e., in the domain of urban regulation). In comparison to the local or municipal levels, regional governments enjoy a high degree of budget autonomy. At the regional level, however, governors' autonomy is limited by their simultaneous function as representatives of the national government. A draft law has been elaborated that would enhance regional governors' (Intendentes) financial autonomy. This draft law had not passed the parliament by the end of the period under review.

National
 Standards
 Score: 3

Due to the different financing structures at regional and municipal levels, the national government can only guarantee services at an adequate standard at the regional level. The central government has clearly failed to establish national standards at municipal level. In addition, relatively poor municipalities and those in rural regions often lack the capacity to meet national standards for public services, especially in the fields of health care and education. This segregation is also evident in Santiago itself, where public schools in richer districts clearly tend to show higher standards and better results than public schools from poorer districts.

Adaptability

Domestic
 Adaptability
 Score: 5

The modernization of Chile's state is still under way, but national institutions have already become quite solid. In general terms, the reform of domestic governing structures tends to be driven by national fiscal-policy concerns, which implies that any innovations that might imply financial changes (such as a budget augmentation for a certain ministry or for a department within a ministry) are very difficult or even

impossible to realize. Changes concerning topics that might be of future interest and do not directly affect current political challenges – for example, the expansion of a department’s staff or the creation of a new unit dedicated to topics of possible future interest – are driven more by fiscal or political reasons and political cycles rather than international or supranational developments. Law No. 20,600 of 2012 created environmental tribunals (Tribunales Ambientales) to be established in three different regions of the country (north, center, south), as well as a Supervisory Board for the Environment (Superintendencia Ambiental). Two of these environmental tribunals had been created by the end of the review period. This can be seen as a domestic adaptation responding to international and supranational developments. Chile’s membership in the OECD might create incentives for more substantial adaptation in the near future.

Citation:

Environmental Tribunals:

<http://www.tribunalambiental.cl/2ta/informacion-institucional/sobre-el-tribunal-ambiental/historia/>

International
Coordination
Score: 7

The government is endowed with the institutional capacity to contribute actively to international efforts to foster the provision of global public goods. The government actively participates in the international coordination of joint reform initiatives. This is underlined by the fact that Chile represents one of the most active countries in Latin America with regard to international policymaking initiatives. However, the impacts of national policies on these global challenges are not always systematically assessed and then incorporated into the formulation, coordination and monitoring of policies across government.

Organizational Reform

Self-
monitoring
Score: 6

Ministries are required to establish sectoral goals, which are then evaluated annually. Reports are presented quarterly but do not focus directly on the adequacy of institutional arrangements. For example, the accomplishment of ministerial goals is evaluated, but not the adequacy of the ministry in general. The Ministry of Finance assesses the adequacy of institutional arrangements in the case of new law proposals, but there is no specific institution assigned to monitor preexisting institutional arrangements. Furthermore, to a certain degree, changes in institutional arrangements tend to be influenced by personnel criteria rather than being efforts to engage in strategic structural change.

Institutional
Reform
Score: 6

Some improvements in strategic capacity have been made by changing institutional arrangements. For example, in 2012 the erstwhile Planning Ministry (Ministerio de Planificación, MIDEPLAN) was transformed into the Ministry of Social Development (Ministerio de Desarrollo Social, MDS), with some slight institutional changes that increased its strategic capacity. Furthermore, the creation and implementation of complementary institutions such as the environmental tribunals (Tribunales Ambientales) and the Supervisory Board for the Environment

(Superintendencia Ambiental) in 2013 have improved capacity in these areas. But in general terms, attempts to alter institutional arrangements tend to encounter very substantial bureaucratic obstacles.

II. Executive Accountability

Citizens' Participatory Competence

Policy
Knowledge
Score: 5

Print-media discussion of policy-reform proposals and government programs is relatively widespread, including discussion of reform proposals and options presented by the ad hoc policy-reform commissions. This has been recently displayed following the proposal of education, pension, fiscal and labor reforms. New forms of public communication regarding government policymaking, in many cases through websites and social networks, are on the rise. Yet a large share of the population is excluded from such discussion due to low levels of education, limited understanding of in-depth analysis and/or its lack of exposure to media other than television. For instance, a study conducted by the National Cultural Council in 2011 (Consejo de la Cultura) indicated that 84% of Chileans of all ages did not have an adequate understanding of content they had read. This observation was confirmed by a 2015 PISA study on the reading comprehension of adolescents. Furthermore, Chile's oligopolistic media structures distort the political options offered to citizens (e.g., policymaking regarding ethnic minorities and the associated conflicts).

Disinformation and manipulations hinder public-policy discussions. In addition to these deficits in news coverage, citizens in general show low interest in policymaking. Policy interest within the socioeconomic elite is also generally fairly limited, at least as long as public policies do not substantially affect their lifestyle in a nearly completely privatized environment (discussions of fiscal redistribution, as took place during the 2014 fiscal reform, represent a notable exception). Those elements of the middle class that are interested in these debates tend to have access only to the low-quality information sources mentioned above, while members of the socioeconomically lower-class population often know only about the specific public-subsidy systems they use, and lack broader familiarity with public policies and public policymaking.

Citation:

www.uchile.cl/documentos/2Festudio-sobre-el-comportamiento-lector-a-nivel-nacional_110593_2_2405.pdf&usg=AFQjCNHhAyEyR819xPkhH1ch5LLl0dIGJQ&sig2=yRzmtJFaAIB-Bf3ltxYgsw

<http://radio.uchile.cl/2011/12/14/solo-el-84-de-los-chilenos-entiende-lo-que-lee>

Legislative Actors' Resources

Parliamentary
Resources
Score: 5

The National Congress is furnished with a multidisciplinary staff of consultants in order to support deputies and senators in their representative, legislative and control functions as well as in the field of congressional diplomacy. Nevertheless, this support tends to be asymmetric in comparison with ministerial analytical and investigatory capacities. The National Congress' oversight function is based in the Chamber of Deputies (Cámara de Diputados). However, this function tends to operate as a reaction to journalistic complaints in combination with political conflicts rather than as a real mechanism for monitoring the government's ongoing activity.

Obtaining
Documents
Score: 8

Congressional committees or individual deputies can request documents, which must be delivered by the government within legally defined time limits. Those deadlines are generally met, but there are de facto limitations in the exercise of oversight, as the majority party or coalition can block the minority's request. Until recently, obtaining information from state-owned companies or the Ministry of Finance was difficult.

Summoning
Ministers
Score: 9

In August 2005, a constitutional reform (Law No. 20,050) established the process of ministerial interpellation. Committees in the Chamber of Deputies and the Senate have the right to summon ministers for questioning about matters concerning their area. The ministers are obliged to attend. This political instrument has been used on various occasions. The effectiveness of this new instrument of congressional oversight depends on the quality and quantity of information accessible to the National Congress through other channels.

Summoning
Experts
Score: 9

Congressional committees may summon any civil servant to interview as a subject-area expert. Private experts can also be invited, but the National Congress lacks the financial funds to pay for the assistance of prominent private experts. However, there is a group of 50 to 60 specialists from a variety of subject areas affiliated with the Library of the National Congress whose task it is to offer professional support to the members of Congress in their law-making, representative, diplomatic and oversight tasks.

Task Area
Congruence
Score: 7

The Chilean legislature's oversight function lies mainly with the Chamber of Deputies and its (currently) 29 permanent committees. These coincide in part with the 23 ministries, but there are various exceptions in which a single committee is responsible for the domain of various ministries, or one ministry's area of responsibility is distributed across multiple committees. It should be noted that Chile is not a parliamentary but a presidential system, and thus ministers are not directly accountable to the Chilean National Congress. Therefore, the degree of control exercised by the congressional committees is naturally rather weak.

Quantity and name of the permanent parliamentary committees: http://www.camara.cl/trabajamos/comisiones_tipo.aspx?prmT=P

Quantity and name of ministers: <http://www.gob.cl/ministros/>

Audit Office
Score: 8

Chile's General Comptroller (Contraloría General de la República) has far-reaching competences, and is invested with strong political and legal independence. The officeholder is nominated by the president, and must be approved by a three-fifths majority vote in the Senate. The comptroller has oversight power over all government acts and activities, and investigates specific issues at the request of legislators serving in the Chamber of Deputies. The office presents an annual report simultaneously to the National Congress and the president. The National Congress has the right to challenge the constitutionality of the comptroller's work.

Ombuds
Office
Score: 2

Parliament does not have a formal ombuds office. Efforts to establish such an office failed twice under previous governments. However, the National Congress and its members listen informally (but not systematically) to concerns expressed by citizens and public advocacy groups, inviting them to congressional hearings. In general terms, direct-democratic elements in Chile are quite weak.

Media

Media
Reporting
Score: 4

Although locally produced news programs are generally of high quality and draw large audiences – particularly through radio – Chile's newspapers and the main public TV stations report tabloid news, and employ bold headlines and techniques with strong popular and infotainment appeal. Furthermore, statistics released by the National TV Commission (Consejo Nacional de Televisión) show that on average, less than five hours a week per channel or radio station is spent discussing in-depth political information. More than 50% of the news presented through publicly accessible channels is dedicated to sports and crime. Surveys indicate that the Chilean audience would prefer less sports news and more focus on national and international politics. Due to the biased media landscape, there is a strong ideological framing of political information and policy discussion.

Chile's largest free TV channel (TVN) is state-owned, and by law is required to provide balanced and equal access to all political views and parties – a regulation which is overseen by the National Television Directorate (Consejo Nacional de Televisión, CNTV). Although La Nación and TVN are state-owned, they must operate according to market rules; they have to fund themselves by relying on advertising and high audience ratings. Since the print edition of the La Nación newspaper was eliminated under former President Piñera, the quality of its reporting and in-depth information on government decision-making has dropped dramatically.

Citation:

http://www.cntv.cl/prontus_cntv/site/artic/20130723/asocfile/20130723171104/pluralismo_en_la_televisi_n_p_bli_ca.pdf

Parties and Interest Associations

Intra-party
Democracy
Score: 4

Chile has a presidential governmental system. As the president determines the government's policy agenda, presidential elections are much more relevant in terms of policy direction than are congressional ballots. Therefore, in campaigns for the presidency, government programs are presented by the presidential candidates, and not by their coalitions or parties. These global program proposals tend to be limited to descriptions of policies' intended public effects rather than technical details or any detailed discussion of content. The primary elections (primarias) for the 2013 presidential elections demonstrated that candidate selection and issue agendas are largely controlled by the parties' leaders.

Association
Competence
(Business)
Score: 4

Policy proposals by economic-interest groups do address relevant topics and are not always short-sighted or untenable; however, they tend to be narrow and largely guided by the groups' interests. Unions as a socioeconomic interest group are relatively weak, and their influence in formulating policies relevant to their interests is quite limited. Exceptions to this rule of thumb do occur.

Association
Competence
(Others)
Score: 7

A substantial number of autonomous, self-organized groups, associations and organizations exist in Chile. Civil society's organizational landscape has become increasingly differentiated since the return to democracy. Religious, environmental and social organizations, as well as NGOs, academic groups and professional associations often present substantive policy-reform proposals that contribute positively to policy discussions and government reforms and take long-term perspectives into account. Various political foundations and think tanks play a decisive role as formulators of relevant policies. On the other hand, there are great disparities in the durability and the organizational strength of associations, mostly as a result of social inequalities.

Address | Contact

Bertelsmann Stiftung
Carl-Bertelsmann-Straße 256
33311 Gütersloh
Germany
Phone +49 5241 81-0

Dr. Daniel Schraad-Tischler
Phone +49 5241 81-81240
daniel.schraad-tischler@bertelsmann-stiftung.de

Dr. Christian Kroll
Phone +49 5241 81-81471
christian.kroll@bertelsmann-stiftung.de

Dr. Christof Schiller
Phone +49 5241 81-81470
christof.schiller@bertelsmann-stiftung.de

Pia Paulini
Phone +49 5241 81-81468
pia.paulini@bertelsmann-stiftung.de

www.bertelsmann-stiftung.de
www.sgi-network.org