

SGI Sustainable Governance Indicators 2011

Chile report

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Executive Summary

In evaluating the quality of democracy and governance in Chile, one needs to take into account the fact that the country returned to a democratic system only 20 years ago. Even before the Pinochet dictatorship, Chile was not what we would consider a modern democracy, although the country is celebrating 200 years of independence as a republic. However, from the vantage point of two decades beyond Chile's 1990 transition from dictatorship to democracy, it is possible to assess the transition's achievements and failures, focusing on the state of political, economic and social development. While there is still a gap between Chile and many other OECD countries regarding democratic development and participation, this distance is explained more by social differences correlated with high levels of income and wealth concentration than by missing democratic institutions and procedures, or by violations to the rule of law or human rights. Chile's residents have the right to participate actively through citizen groups and political parties (which range from an unreconstructed Communist Party to rightist parties containing participants in the Pinochet government), but many poor and young Chileans in fact have little voice in public affairs and do not participate actively in Chile's political life. However, the peaceful and orderly transition from a 20-year period of government by a center-left coalition to a center-right coalition, which took place near the end of the 2008 – 2010 evaluation period, offers evidence of a functioning, mature democracy.

Although Chile has made considerable steps forward with respect to democratic quality, some center-left observers identify certain systemic weaknesses, due mainly to the following six factors:

(1) The coalitions governing Chile after 1990 had neither the political space nor the will to impose higher taxes. Therefore, the main Achilles' heel of Chilean democracy today is the worsening income distribution. (2) Certain forms of political discrimination inherited from the military dictatorship remain in place, such as restrictions in voting rights for Chileans outside the country, for prisoners even if not yet found guilty, and for military troops. (3) A media system that depends highly on an economically oligopolistic group, which limits the formation of a pluralistic public sphere. (4) The country still faces unsolved ethnic conflicts, which trigger state actions that fail to respect the civil and political rights of ethnic minorities. (5) Politics is still dominated by individuals and groups that unite economic and political power. High-level politicians and civil servants still mainly

originate from the same narrow circle of families from which they have always come, ensuring that officeholders do not represent Chilean society as a whole. Taking into account the importance of private campaign financing, it is not surprising that one of the country's richest persons has now acceded to the Chilean presidency. (6) Although corruption does not influence politics as much as in some other Latin American countries, there is a phenomenon that goes hand in hand with the previous point: Some people from elite circles gain public positions only by swapping high-level political or public administration jobs amongst one other. It is also rare for people who do not perform their job well to be replaced by someone from outside this limited circle.

A state of moderate growth, rising average living standards and declining poverty has characterized Chile since the mid-1980s. Chile's socioeconomic performance is based on an economic system that combines a large role assigned to free markets and private property, macroeconomic stability, nearly full integration into world markets for goods and capital, and a significant role played by the government in regulating economic activity and providing social protection and transfers to the poor and disadvantaged. More could be done to raise growth (which has been on a declining path since the late 1990s) and to reduce Chile's high concentration of income and wealth. Nevertheless, its achievements have been remarkable considering the country's starting point in the 1970s and 1980s, and even in comparison to other Latin American economies.

The last two years of President Michelle Bachelet's administration showed in some areas a continuation of necessary reforms that evidently met the approval of a great majority of Chileans, given Bachelet's remarkably high approval rates upon leaving office. The main focus of Bachelet's administration was on developing the country's social protection systems, putting in place social security reforms (the pension system), extending universal medical insurance, and raising social transfer levels. This was associated with a large systematic increase in real government spending, exceeding 10% per year during the administration's four years in office, two to three times the average rate of GDP growth. Some progress was achieved in areas of social inclusion, such as the extension of secondary education to all students, and making tertiary education available to social classes that had in the past lacked access to universities and or post-secondary technical schools. Yet informality and relatively high structural unemployment, weak private-sector trade unions (coexisting with excessively strong trade unions for public-sector

teachers, doctors, mining workers and bureaucrats, which block necessary reforms), and very low education and skill levels among the poor both hinder growth and, being highly inequitable, also raise concerns about medium-term social stability. Ethnic conflict has been addressed by large land acquisitions and redistribution of this land to ethnic minorities, who also benefit from higher levels of transfers through social programs. However, a number of problems remain: Declining growth, increasing corruption, stagnant and already-low education quality, inefficiency in the government administration and state-owned enterprises, inefficient private-sector regulation and red tape, low levels of innovation and R&D, and excessive regulation of labor markets (together with weak trade-union rights) all represent hurdles in the effort to overcome mediocre growth, significant poverty and high income concentration.

The government has demonstrated an adequate capacity for strategic policy planning, although implementation is sometimes weak. Formal and informal consultation mechanisms linking the government, interest groups and political parties function well. The government receives technical advice from within and outside the government during the design of policy reforms, as well as during the construction of consensus, the drafting of concrete proposals and during passage of the reforms through parliament. Government assessments of budgetary and environmental impacts are standard, but full-blown regulatory impact assessments are not yet fully developed. Policy design and implementation gaps are evident at lower levels of government. Strong presidential control over the ministries avoids independent action by ministers. Chile is a highly centralized country, where economic and political power is concentrated in the capital. Hence, regional and local interests are often not considered when it comes to national politics. This goes hand in hand with a lack of decentralization in the decision-making and policy implementation processes. Government accountability has been raised significantly in recent years, not least due to new requirements that intensify government accountability to parliament and the Office of the General Comptroller. Yet effective government accountability to average citizens remains weak, again primarily as a result of the lack of education and skills among large, relatively poor population groups. Some observers say the poor media system itself hinders the Chilean citizen in exercising democratic control over its government. While a few radio stations do offer good public affairs programming, neither the newspapers nor television stations provide Chileans with a pluralistic view of its government's performance. Due to the low levels of education, especially among poorer people, the sphere of public

discussion is limited to a constricted sector of Chilean society. Although new laws on the government's obligation to inform its citizens show the head of state's intention to strengthen citizen's powers of judgment, the rigid, oligopolistic structures of the media still impede a more critical and pluralist public discussion.

Strategic Outlook

Although Chile has undergone a substantial and successful process of modernization, it continues to face serious challenges in closing its gap with the average OECD country. Chile's key challenges lie in three areas: economic policies, policies to promote social development and cohesion, and policies to promote democracy and improve constitutional mechanisms. These are discussed in more detail below.

(1) Economic policy and social development: Declining growth, increasing corruption, rising crime, stagnant and already-low education quality, inefficiency in the government administration and state-owned enterprises, inefficient private-sector regulation and red tape, low levels of innovation and R&D, and excessive regulation of labor markets (together with weak trade-union rights) all hinder Chile's efforts to overcome its mediocre growth, significant poverty levels, and high degree of income concentration. These latter structural problems imply a corresponding set of reform challenges. Low overall growth, and low productivity growth in particular, has to be tackled through a combination of government and state-owned enterprise (SOE) reforms (including privatization); major reforms aimed at raising the quality of education, which will entail overcoming opposition by teacher unions; a streamlining of private-sector regulation and of bureaucratic red tape; implementation of better incentives for private-sector innovation and R&D spending; labor market deregulation, along with a strengthening of private-sector unions; reforms to prevent and repress crime more effectively; and reforms that deepen social programs that support human-capital investment and lessen poverty, while reducing the economic disincentives embedded in several of the social policies still current today.

Although there have been important advances in reducing poverty, socioeconomic disparities are increasing. This trend will be of importance due to its implication for the whole social system, especially education, healthcare and pension policies. While large parts of the actual middle class have indeed reached a certain level of

economic wealth, a part of the population still lacks access to adequate educational and health services. This problem is reinforced by the demographic change Chile is experiencing, as the median age of Chile's population is rising. Relatively high divorce rates can be seen as one indicator of the changing character of family bonds. Weaker family bonds reduce the likelihood that elderly family members will receive care within their family circle. Considering the low pensions many Chileans receive, the social protection system will be faced with new duties.

The lower middle class in particular is in a fragile position, with a high level of private indebtedness holding out the risk of socioeconomic decline. In combination with the enormous gap between the quality of public and expensive private educations, eliminating structural poverty looks today to be nearly impossible. Considering the high level of competitiveness in modern economies, which is increasingly based on the population's knowledge and capacity for innovation, educational policy-making has to overcome the country's perpetual, ideologically oriented struggles.

(2) Social cohesion and democratic participation: In parallel with the economic challenges noted above, Chile's current and future governments are faced with the need to deepen democratic participation and improve social cohesion. While much of this latter goal can be achieved by making social programs more effective, reducing social insecurity and improving human capital among the lower-class populations, more is needed. Policies must be developed that focus specifically on the promotion of democracy (for example, by extending voting rights to excluded groups and allowing for automatic voter registration), on making government policies and programs more transparent and accountable, and on promoting social cohesion by strengthening democratic and social participation on the part of the poor, the young and ethnic minorities.

The advancement of a certain part of society into the middle class during the last 20 years has made university careers accessible to young people with a family background of lower educational status. About one-third of today's students' parents did not attend tertiary education. Therefore, universities have to even out relatively larger knowledge disparities among their new students. However, education policies should not focus only on high-level training, providing the economy with the human resources required to compete in international markets, but should also try to provide new perspectives for children and adolescents from indigenous families. Improvements should also be made in the area of civic education. Indifference to

social and political concerns is increasingly evident among parts of the younger population. The obligation to vote in all future elections once actively registered in the electoral roll has discouraged many young people from registering and participating in local and national elections. As the electoral law now provides for automatic registration of all Chileans beginning at 18 years of age, and the obligatory-voting clause has been eliminated, observers hope that young people will participate more actively in elections. If Chilean society aims to promote participation by all citizens in the modernization process initiated with the return of democracy, the country has to overcome the political marginalization that still affects certain portions of society. The electoral system still excludes imprisoned persons, members of the military and Chileans residing abroad. Politics still do not allow full realization of the rights of ethnic minorities. Local and regional interests, particularly in areas distant from the capital, attract minimal attention on the part of national politicians. Discrimination due to sexual orientation barely registers on the national political agenda.

(3) Governance and constitutional issues: Despite many constitutional reforms during the last 20 years, the constitutional framework is still burdened by inheritances from the military regime and from predictorship governments, which reduce the flexibility available to policymakers. Certain issues such as education are regulated by laws which require a four-sevenths vote of approval in the Senate and Chamber of Deputies. The unusual binominal election system, in combination with an ideologically broad party system, exacerbates the difficulties in surmounting this supermajority hurdle. Efficient governance is harmed by a lack of capacities and instruments that would ensure a middle- and long-term perspective in political and strategic planning. In a country that is not only geographically but socially and ethnically diverse, the efficiency of future reforms can be questioned if they do not consider regional characteristics.

For the first time since the end of the military regime, a change of government has also resulted in a change in the ruling coalition. The president elected in January 2010 and his supporting coalition represent the former right-leaning opposition. This change of government has shown democracy to be a valid *modus operandi* for the distribution of political power. In this historic transfer of power, public institutions have proved to be stable, but their democratic character must mature further. Contrary to its announcements, the new government is in fact changing a substantial part of the administrative staff. As a consequence, experience and knowledge

will be lost, but the state's institutions themselves may be weakened. At the same time, the change of government will imply pervasive reorientations in certain political domains, mainly in the fields of education, family politics and minorities, given the new government's canon of conservative values. Nevertheless, Chilean democracy has traditionally been governed under a regime deeply influenced by a small number of families and persons. Their economic and political influence has been based not only on their wealth, but also on family, school, university and other such networks. This influence is often hidden, but there is no sign that it will change in the near future.

Status Index

I. Status of democracy

Electoral process

Candidacy
procedures
Score: 8

In general terms, candidates and parties face no discrimination in the process of registration. Nevertheless, substantial conditions are imposed on the registration of new parties, parties winning less than 5% of the electoral vote and independent candidates. Once registered, the binominal system (in which the two top vote-getters in each congressional district are declared winners) tends in most cases to lead to the electoral success of candidates representing only the two main coalitions. Successful exceptions include independent and small-party (such as the Communist Party) candidates that sometimes act on their own and sometimes in conjunction with one of the two major party coalitions.

Media access
Score: 5

The access of candidates and parties to public TV channels is regulated by law (Ley No. 18,700 Orgánica Constitucional sobre Votaciones Populares y Escrutinios and Ley No. 18,603 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 sometimes lack equal opportunity of access to the media and other means of communication. Chile is one of the few countries with a daily paper (La Nación) owned and run by the government. This has traditionally been used as a propaganda machine for the incumbent government, presenting much more political bias than the privately owned papers and media overall. For most of the period under analysis (until April 2010), government control of La Nación compensated to some extent (because of low circulation) for the weaker political bias of the dominant privately owned paper. Moreover, the government owns the largest free TV channel (TVN), which by law is required to provide balanced and equal access to all political views and parties, a regulation which is strictly observed.

Voting and
registrations rights
Score: 7

The voter registration process is fairly simple, with some bureaucratic formalities. Overall voter participation is relatively high. However, a significant fraction of young people fail to register, notwithstanding efforts by successive governments and the political parties to raise youth participation rates. In January 2009, a constitutional reform was

passed that introduces automatic voter registration, and makes voter participation voluntary. This will first become effective for the 2013 presidential election. Chileans living abroad do not have the right to vote. According to law, persons that have been charged with a felony and sentenced to prison for more than three years and one day, as well as persons categorized as terrorists, lose their suffrage rights. Persons who have not yet been charged, but remain in detention, are also barred from voting, as are persons serving in the military below a certain rank.

Party financing
Score: 5

In general, party and campaign financing processes are not very transparent. There are upper limits to campaign financing set by law, but enforcement and oversight is not very effective. Electoral campaign expenditures are financed by public funds and private financing, but ineffective monitoring often enables the latter to be rather nontransparent.

Access to information

Media freedom
Score: 10

The rules and practice of media supervision guarantee sufficient independence for the publicly owned media. The privately owned media is subject to licensing and regulatory regimes that ensure its independence from the government.

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 run, have the greatest share of readers and control 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. The official (and more biased) government daily, La Nación, presents opposite views and biases to the dominant papers, but has a lower circulation.

The electronic sector offers a more diversified scope of opinion (especially local radio stations and a few online publications). Free TV is still more popular than paid cable TV. The government-owned TVN is the most dominant free station, but presents politically balanced views and provides access to all viewpoints.

Access to gvmt.
information
Score: 7

According to freedominfo.org, Chile was the most recent Latin-American country to enact legislation guaranteeing the right to freely access government information (see the Ley sobre Transparencia de la Función Pública y Acceso a la Información de los Organos de la Administración del Estado, or Ley N° 20.285, August 2008). This law mandates that all government agencies must respond to requests for information within a period of 20 days, excluding topics protected as

state secrets. This period can be extended by an additional 10 days. The judiciary and parliament have only the obligation to inform the public through their websites (so-called active transparency). It is important to note that there are still about 20 laws that officially count as secret laws, some of which go back to the beginning of the 20th century while others date from the military regime period. The existence of the majority of these laws is de facto known by the public, but is still formally treated as secret.

Civil rights

Civil rights
Score: 7

The state and courts normally protect civil rights efficiently, but certain specific conflicts (i.e., with indigenous ethnic groups) have led to violations of those rights. In some cases, those conflicts included the application of anti-terror legislation that is actually in conflict with international conventions signed by Chile. Furthermore, conflicts between civilians and the military or the police are occasionally handled by military courts, the impartiality of which is questionable. In general, the enormous income gap between rich and poor tends to passively marginalize the poorer and poorest part of the population in terms of their ability to depend on the state for protection against infringements of their rights.

Political liberties
Score: 8

In general, political rights are protected by the constitution and legislation, and are enforced by government policy and practice.

Non-discrimination
Score: 6

Political rights are protected by the law and by government policy. While all citizens – including members of ethnic minorities – are entitled to these rights and guarantees, some ethnicities are not constitutionally recognized as separate population groups. Indigenous ethnic groups are not constitutionally recognized. Active anti-discrimination legislation in the form of affirmative action laws (quotas for minorities in schools, or for women in parliament or in government) does not exist.

Rule of law

Legal certainty
Score: 8

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 relative to government activity, including the Office of the General Comptroller (Contraloría General de la República) and the monitoring functions of the Chamber of Deputies (Cámara de Diputados). Government actions are moderately predictable, and conform largely to limitations and restrictions imposed by law.

Judicial review
Score: 8

The courts' independence has been consolidated since the return to democracy in 1990, but military courts still often participate in court cases involving military personnel and terrorists.

Appointment of justices
Score: 9

Members of the Supreme Court and the Constitutional Court are appointed collaboratively by the executive and the Senate.

Corruption prevention
Score: 6

Corruption is relatively widespread at the local government level, but is more unusual (albeit on the rise) at the general government level and in state-owned enterprises.

II. Policy-specific performance

A Economy

Economy

Economic policy
Score: 9

Chile has an advanced macroeconomic and financial policy regime in place. This is rule-based and combines a floating exchange rate, inflation targeting, 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 markets and the private sector, complemented by active government regulation and policies aimed at limiting noncompetitive market conditions, extending social protection, and 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 (but now declining) level of growth, and poverty rates have fallen substantially in the last several decades. However, major structural weaknesses can be observed that preclude higher growth rates and a faster poverty reduction. These include excessive regulation in labor markets (alongside generally weak trade unions), a lack of efficiency in government and state enterprises, excessive restrictions on firm entry and exit, very low-quality primary and public education, and the inability to effectively control rising crime rates.

Labor market

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 creates disincentives to formal-sector employment. Minimum wages are high relative to average wages (in comparison to other OECD countries) and are therefore likely to contribute to overall and youth unemployment, as well as the level of economic activity taking place in the informal sector. Chile has a relatively high level of structural unemployment (8%, according to central bank studies) and informal economic activity is a relatively high proportion of the whole compared to the OECD average (though it is the lowest such level in Latin America). Despite diminishing productivity, comparatively high wage levels have been established, with wage increases running ahead of inflation. That said, 70% to 80% of salary earners work in a low-wage sector. 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 or enforcement to the prevalence of informality. As a result of excessively rigid labor laws and regulations, job turnover is relatively high.

Enterprises

Enterprise policy
Score: 5

The Chilean government is aware of the need to foster innovation, and has developed certain instruments aimed at supporting economic activity, but often fails in the implementation of its policies. Highly bureaucratic procedures retard success.

R&D expenditure as a share of GDP is very low in Chile compared to other OECD countries, and is largely undertaken by the government rather than the private sector. A number of reforms aimed at boosting R&D spending have been put in place, in the form of earmarked taxation (a royalty tax on mining), higher government expenditure, and stronger tax incentives for private R&D spending. Nevertheless, results have been disappointing to date, in part because of bureaucratic hurdles to the approval of private and public projects. The macroeconomic regime is very supportive of private investment, enabling significant international competitiveness due to the flexible

exchange rate, low inflation, the presence of a fiscal rule, low barriers to foreign trade or capital flows, and low sovereign risk premiums. World-class financial regulation has led to a deep and diversified financial system and capital markets that allow private firms access to a wide variety of external financing sources (equity, bonds, bank loans). Chile's generally market-friendly economic regime implies that an overall level playing field has been established regarding entrepreneurship and private investment. However, red tape and excessive regulation of business openings and closings remain in place, inhibiting the creative destruction of firms, and hence reducing the scope for further gains in efficiency and competitiveness. Labor-market rigidities and bureaucratic environmental impact assessments inhibit and delay private investment projects.

Taxes

Tax policy
Score: 7

Chile has a moderately complex tax system. The corporate income tax rate, at 17% , is less than half of the highest marginal personal income tax rate. 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. Certainly there is tax avoidance in Chile, probably at higher levels than the OECD average, due to informality. Yet efforts to ensure tax compliance have been generally successful. Moreover, Chile has probably 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, as it is embedded within a fiscal rule that has allowed a reduction of net government debt to negative levels over the last two decades.

Taxation of labor is very efficient in comparison to other OECD countries, because most social benefit payments are close to being actuarially fair and are borne by both employers and employees. This implies a low share of free-rider losses that cause unemployment or informality. In general terms, Chile's tax system adds to the country's competitive position with respect to world trade and investment flows.

However, it is a very different question to ask whether Chile's tax system and actual revenue collection is sufficient to finance a welfare state equivalent to, say, 50% of GDP. Here, the only reasonable way to assess the issue 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. In fact, this question can be answered positively.

Budgets

Budget policy
Score: 10

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 a rule 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 world financial crisis.

B Social affairs

Health care

Health policy
Score: 7

For 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 a 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. The quality and efficiency of public health-care provision (government clinics and hospitals)

varies widely.

Social inclusion

Social inclusion
policy
Score: 4

Compared to the OECD average, Chile has a high degree of income and wealth concentration, low social mobility, and more generally, low levels of social inclusion and cohesion as well. However, government policies geared toward reducing poverty, promoting mobility, and improving social cohesion and inclusion are growing more common and broadening their approach. A rising share of GDP is being directed toward conventional social expenditure programs (e.g., public education, public health, public pensions, crime prevention) and nonconventional social programs (e.g., youth programs, gender equality programs, child care, private land purchase by the government for distribution to ethnic communities, other support programs for ethnic minorities, support to single-mother households), as well as toward direct transfers to the poor, with mixed results. Gini coefficients for income distribution are higher for pre-transfer than for post-transfer measures of income, indicating that transfer payments are reaching the poor. Part of the programs' lack of effectiveness could be due to their distorting effects on incentives to work and save. No explicit affirmative-action programs benefiting women or ethnic minorities are in place. However, means-testing of social benefits (access to public health benefits, public pension subsidies, public housing, etc.) is widespread.

Families

Family policy
Score: 6

The Bachelet government made substantial efforts to establish broad coverage for preschool education. This gives Chilean mothers more opportunity to work, while leaving their children in nurseries and kindergartens. Chilean family policies evidently fail to fully respect the rights of fathers, as women still more often win custody of children after divorce. Recent surveys show that more than 50% of children born in Chile are unwanted. As these children are concentrated to a large extent among young single-mother households and the poor, this high rate perpetuates poverty. It reflects a lack of widespread and effective family planning programs.

Pensions

Pension policy
Score: 8

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 their children, 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. Some point to the fact that many pensions are so low that elderly individuals have to be supported by their children and other family members. Others argue that both public and private pension systems are fiscally sustainable (like those of Norway, the best-funded system among all OECD countries), and are thus providing both intergenerational and intragenerational equity across income groups.

Integration

Integration policy
Score: 4

The state does not develop specific integration policies, as the phenomenon of immigration has not to date been considered a pressing issue. Among the reasons for this might be the fact that poorer immigrants tend to arrive from other Latin American countries, and thus share the same language and to a certain degree the same cultural background. Comprising about 1.4% of the population, the number of immigrants living in Chile is still quite low. In general, few restrictions exist for highly skilled immigrants, who find it relatively easy to obtain permission to work, without high bureaucratic barriers. It is worth noting that the relationship between emigration and immigration is changing. While in the past Chile showed higher rates of emigration than immigration, this balance is now shifting thanks to the country's economic development and political stability. It is thus likely that migration policy will become more important in the future.

C Security

External security

External security
policy
Score: 8

Chile's armed forces are large and well-equipped enough to dissuade potential external aggressors (including neighboring countries). The armed forces effectively safeguard the country's national interest (which is defined fully by civil society as represented by the government). Institutional reforms concerning the operational structure of the Ministry of National Defense and the Ministry of Foreign Affairs have been implemented very slowly and ineffectively since the end of the military regime in 1989. Furthermore, the allocation of funds to the military sector is not completely transparent.

Internal security

Internal security
policy
Score: 7

Internal security policy is moderately effective. While organized crime is not apparent to the average citizen, there are some disturbing trends: selective ethnic-based acts of terrorism, rising drug trafficking (and related crimes), and a very sharp and systematic increase in common crime trends, ranging from petty crime to murder. Private security services are widespread in wealthy urban districts. Chile has an extremely high number of people in prison, especially among the younger age cohorts. Crime prevention measures are not well developed.

The two last governments each launched anti-crime programs, focusing more on detection and repression than on prevention. These had very mixed results. Crime repression programs such as the "Plan Cuadrante" and the strong increase in the numbers of police officers have significantly reduced crime rates. However, penal code reform and its implementation over the last eight years have significantly raised the efficiency of crime detection and criminal prosecution.

D Resources

Environment

Environmental
policy
Score: 5

Chile has environmental legislation and regulations in place that operate haphazardly and bureaucratically in practice. Beginning in 2010, the country will introduce a modern system of environmental

institutions. For example, the former National Commission for Environmental Issues (Comisión Nacional del Medio Ambiente) will be transformed into a ministry. However, Chile's environmental policy is basically designed to comply with standards required by international markets, and thus does not necessarily focus on aspects such as ecological sustainability. Chile's environmental policy-making process is also exposed to domestic political pressure from private sector interests (mining, power generation, industry, fishing, forestry and agriculture), which often block the protection and preservation of ecosystems and attempts to preserve environmental quality.

Research and innovation

Research and
innovation policy
Score: 4

R&D expenditure as a share of GDP is very low in Chile compared to other OECD countries, and most this expenditure is undertaken by the government rather than the private sector. Significant reforms have been put in place aimed at raising R&D funding, including earmarked taxation (a royalty tax on mining), higher government expenditure, and the improvement of tax incentives for private R&D. However, results have to date been disappointing, in large part because of bureaucratic hurdles to the approval of private and public projects. Universities are not well-equipped to perform applied research that can be transferred easily to industrial settings.

Education

Education policy
Score: 4

Chile's school and educational 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. The government has not achieved its aim of closing the educational gap that exists between the private and public educational systems. The intended educational reform completely failed due to ideological differences between the government's coalition and the opposition. Reform failures in this area can also be attributed to teachers' boards' extreme opposition to private education institutions. High-quality education is accessible only to those who can pay for it themselves.

Aside from the top university programs, Chile's educational system fails in terms of educating and training people to acquire the knowledge and skills required for a quantum leap in development and growth. This hampers labor productivity growth and efforts to diminish poverty rates. The weak performance results from failures in past and

current education policies, and a strong teachers' lobby that has effectively opposed necessary reforms to school curriculum, school management and attempts to link teacher pay to teaching productivity. In addition, well-intended but perverse social policies that provide substantial childbearing incentives to young, poor and single mothers create substantial disincentives for education in this population.

Management Index

I. Executive Capacity

A Steering capability

Strategic capacity

Strategic planning
Score: 9

The president holds the power to ask for and ensure the production of 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, or Segpres), have considerable influence in strategic planning processes. Meetings between strategic planning staff and the head of government are held frequently.

Strategic planning, planning of policy and regulatory reforms, budget planning, and ex ante evaluation of government policies and public investment programs are carried out by specialized units and departments inside the various ministries. While there is no explicit multiyear budget planning process in place in Chile, this takes place implicitly due to the fiscal rule that links (by law) overall government expenditure to forward-looking estimates of long-term government revenue, based growth trends and copper price projections. These forecasts are provided in a transparent way by specialized budgetary commissions comprised of academic and private-sector experts (mostly professional economists).

Scholarly advice
Score: 8

Non-governmental organizations and academic experts 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 the task of proposing policy reforms in specific reform areas (education reform, pension reform, social and wage policies, minimum wage policy, fiscal rule reform, etc.) have been very influential 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. Experts (economists in particular) are very influential in drafting reform proposals submitted to the president or to ministers. As a profession, economists in particular are highly influential in the preparation of government programs and policy reform proposals, and in the execution of government policies.

Inter-ministerial coordination

GO expertise
Score: 9

The president's advisory ministry (Segpres) has at its 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: 9

The government office has the ability to return items. Given the dominance of the president in Chile's system, 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.

Line ministries
Score: 9

The government office 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: 9

A political committee consisting of the president, the minister of the interior, the ministers of Segpres and the minister of communication and press (Ministerio Secretaría General de Gobierno, Segegob), the minister of finance and the minister of justice holds weekly meetings. This committee was designed to ensure the representation of all parties participating in the Concertación coalition, which held power until 2010. Cabinet committee meetings (including all ministers) are held monthly. In both committees, the majority of issues are reviewed and scheduled before the actual meeting itself. Ministries do not participate equally in the preparation of cabinet meetings.

Senior ministry officials
Score: 8

Full cabinet meetings, and thus senior officials themselves, have not played a central role in core government decision-making. However, ministries are normally involved in the preparation of cabinet meetings. Depending on the ministry, officials can be involved deeply or relatively less so in the preparation of these meetings.

Line ministry civil servants
Score: 8

As with senior ministry officials, line ministry civil servants have not played a central role in core government decision-making, but – depending on the ministry – can be more or less involved in

preparing cabinet meetings.

Informal coordination
procedures
Score: 8

Informal coordination plays an important role in settling issues so that the cabinet can focus on strategic policy debates. Existing informal mechanisms could be characterized as “formal informality.”

RIA

RIA application
Score: 8

All new law proposals must be accompanied by a report summarizing the expected 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. Economic and social-impact assessments are provided by ad hoc commissions that prepare draft policy reform proposals in specific policy areas, and which are appointed by the president or by line ministers. Environmental impact assessments are performed for most large public investment programs (as well as private investment programs).

Needs analysis
Score: 5

Given the informal and non-institutionalized character of the instruments applied for regulatory impact assessment, reports tend not to specify the purpose of or need for proposed regulations.

Alternative options
Score: 5

Regulatory impact assessment (RIA) reports do not tend to analyze alternative options.

Societal consultation

Negotiating public
support
Score: 7

Frequent consultations with civil society groups and stakeholder organizations take place. Online surveys have been implemented to consult the opinion of the non-institutionalized public. Segpres is primarily responsible for initiating and monitoring consultations. Depending on the issue, sectoral institutions are involved as well. The ad hoc commissions represent another means of societal consultation, as they include representatives of interest groups and other stakeholders.

Policy communication

Coherent
communication
Score: 8

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. This pattern applies to the governments of the last two years.

B Policy implementation

Effective 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 awful in less rigidly monitored areas (i.e., implementation of some sectoral reforms such as Transantiago, the Santiago transport system).

Ministerial
compliance
Score: 9

The president's office performs annual evaluations of ministers' policies. In a commission consisting of Segpres and the government's budgetary units, ministers have to present their sectoral priorities, and if necessary, arrangements are made to ensure alignment with the overall government agenda.

Monitoring line
ministries
Score: 8
Monitoring agencies
Score: 8

The president monitors his or her ministers' policies constantly. Budget allocation serves as a strong instrument of control.

To an increasing extent, high positions in government agencies are filled through the government's civil service department (Alta Dirección Pública), based on candidates' technical capacity and experience. Therefore, they do not depend on political appointments. 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 Segpres. In addition, the Ministry of Finance's Budget Office monitors decentralized agencies and public enterprises from a budgetary perspective very tightly and effectively.

Task funding
Score: 6

Chile's central government exercises strong control over municipal budgets, accounting for a large proportion of local revenue. However, the assignment of new duties at the municipal level does not necessarily imply the corresponding allocation of adequate funds. Municipal programs are monitored relatively closely by the central government, although spending overruns can be observed that result in local government debt.

Constitutional
discretion
Score: 5

Local governments legally enjoy a considerable degree of autonomy concerning mandates and tasks that do not touch on constitutional issues, and which are executable 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 level, regional governments enjoy a high degree of budget autonomy. At the regional level, the governors' (indendantes) autonomy is limited by their simultaneous function as

representatives of the national government and heads of the regional advisory councils.

National standards
Score: 3

Due to the different financing structures at the 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 the 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.

C Institutional learning

Adaptability

Domestic
adaptability
Score: 5

Chile's state modernization process is still underway. In general, the Bachelet government tended to attribute more importance to fiscal-political constraints than to making changes or adaptations entailing additional expenditure, such as budget augmentations for a certain ministry or department.

International
coordination
Score: 7

The government actively participates in the international coordination of joint reform initiatives as often as possible. Chile participates actively in Latin America's regional forums, meetings and institutions. However, while the country is a member of all important international organizations, Chile's governments have been mostly either passive or irrelevant (in part due to the country's small size) in shaping international cooperation and policy agreements. One possible exception is Chile's relatively active role in international U.N.-sponsored peacekeeping operations.

Organizational reform capacity

Self-monitoring
Score: 6

Ministries have 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 already existing institutional arrangements.

Institutional reform
Score: 6

Improvements in strategic capacity have been made by changing institutional arrangements (for example, with the reform of the Budget Office, Dirección del Presupuesto), but these efforts generally

encounter very substantial bureaucratic resistance.

II. Executive accountability

D Citizens

Knowledge of government policy

Policy knowledge
Score: 4

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, as was seen with the issues of education and pension reform. Yet a large share of population is excluded from this exposure and discussion due to its low levels of education, limited understanding of in-depth analysis, and/or lack of exposure to media other than television. In addition, the oligopolistic structures of the media in Chile distort the political options offered to citizens. Disinformation and manipulations hinder public policy discussions.

E Legislature

Legislative accountability

Obtaining
documents
Score: 8

Parliamentary committees or individual deputies can request documents, which must be delivered by the government within legally defined time limits. Those deadlines are generally met by the government's office, but there are de facto limitations in the exercise of control, as the party or coalition with a majority in a certain topic 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 (Ley 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. The effectiveness of this new instrument of parliamentary control depends on the quality and quantity of information otherwise accessible to the parliament.

Summoning experts
Score: 9

Parliamentary committees may summon any civil servant to interview him or her as a subject-area expert. Private experts can also be

invited, but in fact the parliament 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 parliamentarians in their law-making, representative, diplomatic and oversight tasks.

Task area
coincidence
Score: 7

The oversight role of the Chilean legislature lies mainly with the Chamber of Deputies and its 23 committees. These coincide in part with the 22 line ministries, but there are various exceptions in which a single committee is responsible for the area 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 system, and thus ministers are not directly accountable to the Chilean congress. Therefore, the degree of control exercised by the congressional committees is naturally rather weak.

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 parliament and the president. The parliament has the right to challenge the constitutionality of the comptroller's work.

Ombuds office
Score: 3

Parliament does not have a formal ombuds office. However, the parliament and its members listen informally (but not systematically) to concerns expressed by citizens and public advocacy groups, inviting them to parliamentary hearings.

F Intermediary organizations

Media

Media reporting
Score: 4

Although locally produced news programs are generally of high quality and draw large audiences, particularly through radio, newspapers and especially the main public TV stations report tabloid news, and employ bold headlines and techniques of strong popular and entertainment 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.

Parties and interest associations

Party competence
Score: 7

As the president is the most powerful figure in the Chilean political system, presidential elections are of higher importance than parliamentary elections. Presidential candidates present electoral programs rather than the parties. The programs of candidates in the December 2009 election, Eduardo Frei and Sebastian Piñera, generally offered coherent presentations of their political ideas, with plausible discussions of how they would seek to realize those ideas. The program of Jorge Arrate provided in-depth analysis of the current challenges facing Chilean society and politics, but his concrete policy suggestions were less coherent. The program of the fourth candidate, Marco Enriquez Ominami, did not show the same coherence as the other three, appearing rather as a collage of occasionally contradictory ideas.

Association
competence
(business)
Score: 4

Proposals by economic interest groups are not necessarily and not always short-sighted or unsustainable, but tend to be partial and largely guided by their narrow interests. Exceptions to this rule of thumb do occur.

Association
competence
(others)
Score: 6

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.

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