Overview

Chile’s public administration may be the most professional and capable in Latin America. The government possesses a strong capacity to monitor public employment and resource use within its various ministries and to enforce centrally determined civil service policies. With this firm grounding in a "Weberian" civil service model, recent democratic governments have launched initiatives to reform and improve the efficiency, effectiveness, and transparency of Chile’s public administration. The Chilean case shows that "effective public institutions are not created out of a pure act of political goodwill, but by the accumulation of experience and capabilities over long periods" (Marcel 1999). It also shows a long sequential development - albeit punctuated by cyclical factors - culminating in the introduction of important reforms in the 1990s, in the style of New Public Management.

A professionalized public service began to develop early on in Chile's post-independence history. As the size of government has increased and its role has changed, this professionalism has been vital in maintaining good government. But there has been a political cycle of deterioration and remedial action. On two occasions - in the 1930s and the 1970s - following some decades of rapid expansion of government and an accompanying loss of discipline and control, strong, sometimes authoritarian, governments have labored to re-discipline the public administration. For the last few years, Chile’s public administration has been progressively exposed - more than any other country in the region - to performance-oriented reforms. These reforms represent a response to the rigidities that can result from effective controls, and strong democratic pressures for better government have fueled them.

Chile’s public administration was born in the context of the liberal, minimalist state that evolved soon after independence. Under an authoritarian form of civilian government, the administration was hierarchically organized, a financial-management system was introduced, and rules were established to professionalize the civil service. These modernizing measures came earlier and proved more effective and durable than in most other Latin American countries.

But the operating environment for the public administration deteriorated from the end of the nineteenth century. As Congress came to play a larger role, increasing patronage began to undermine the public administration. At the same time, a newly emerging middle class and a growing urban working class were demanding less minimalist government. The increase in public services was accompanied by an uncontrolled expansion of government agencies, employment, and spending. To regain control of the public administration, the government took a number of centralizing measures in the 1930s: strict civil service rules were introduced to limit patronage, strong hierarchical financial controls (such as centralization of tax collection and accounting in a Treasury) were established, and a strong Comptroller General with extensive ex-ante control powers was introduced.
From the late 1930s, the Chilean state took on a socially and economically more developmentalist role. Much of this carried out by creating a number of autonomous agencies (for planning, service delivery, infrastructure development, and so on) as legal "exceptions" made by the executive in order to avoid interference by the legislature. These new agencies became the dominant form of public agency in Chile. But their proliferation also contributed to growing problems in the public administration. Indeed, successive governments after the 1930s lacked the power to check the progressive loss of financial control, the proliferation of agencies, the loss of coherence and discipline in the public service, and the growth in patronage practices that accompanied the growth of the public sector. Still, governments were able to make some modest compensating gains through the improvement of the skills-base of public servants, rationalization of budget procedures, and improvement in the public administration's capacity for self-diagnosis.

From 1973 to 1990 Chile was governed by a military dictatorship, headed by General Augusto Pinochet. Chile had formerly enjoyed a long tradition of democratic politics, but the military seized power on September 11, 1973, shut down the legislature, and later banned all political parties and political activity. The new government sought to turn back the frontiers of the state, but as much as anything else it changed the way the state did business - from owner and service provider to regulator, and from centralized to decentralized service provider. To accomplish this, the authoritarian regime benefited from a professionalized civil service (which came under much pressure from the harsh fiscal adjustments of the mid-1970s and most of the 1980s). But to sustain the reforms, the government also had to deal with the severe public administration problems it inherited. It carried out a number of reforms to: centralize financial control within the executive and reduce the influence of interest groups; unify civil servant pay scales and strengthen meritocratic rules; and decentralize activities or devolve them to the private sector.

In 1986 the government formalized into law the distinction between policy-making ministries and autonomous agencies providing services, thus creating a system akin to Sweden’s and to some of the innovative elements of public administration introduced in the UK and New Zealand in the 1980s. These reforms led to a system characterized by the combination of a centralized, rigid control of resources (i.e. inputs) with decentralized implementation - budget execution, personnel management and procurement. Chile’s decentralized implementation, which is uncharacteristic of many developing countries, makes the public administration more dependent on the honesty and dedication of its civil servants. This reformed system was largely effective, but more in macro-economic control than in allocation of resources or delivery of services, because of its reliance on input controls.

On October 5, 1988 Chileans were asked in a plebiscite whether then President Pinochet should lead the country for another eight-year term. The victory of the "No" vote (54.7%) marked the start of Chile’s transition back to democracy. It led to free presidential elections in December 1989. Patricio Alwyn of the Christian Democratic
The Party (PDC) won the election, supported by a 17-party coalition. Since March 1990 Chile has been governed by a president and legislature chosen through free elections.

The new democratic government sought to devolve further public services to the private sector, improve the performance of regulatory agencies, and resuscitate some social services. It also came to realize the need for a more performance-oriented style of public administration to address the rigidities arising from hierarchical decision-making, the emphasis on input controls, and the ambiguity in public sector objectives. Characteristic of the analytical but pragmatic approach to reform typified by previous reform efforts, the government has gone about reform in a gradualist, step-by-step manner.

In December 1993, Eduardo Frei Ruiz-Tagle, son of the former president, was elected to succeed Patricio Aylwin. Like Aylwin, Frei was a member of the Christian Democratic Party, and the candidate of the center-left Concertación alliance. He triumphed with a remarkable 58% majority in a field of seven presidential candidates.

A participative form of strategic planning was introduced in 1993. In 1994, modernization agreements between the President and individual agencies were introduced. These were substantially fulfilled and are now being extended. In the same year, experiments in performance-based pay were introduced in some agencies, and covered all agencies by 1999. In 1995, budget-based performance indicators were introduced (covering 67 agencies and 291 indicators by 1996). At the end of 1996, agencies started producing annual performance reports and a system of evaluating public programs was introduced. These reforms have been accompanied by substantial increases in the resources applied to training.

In January 2000, Ricardo Lagos, of the Concertación alliance like Frei (but from the Socialist Party), was elected to succeed Frei as president. Lagos assumed office in March 2000 to begin a six-year term. His government announced its desire to modernize the public sector by creating "a State in service of the citizen."

The sequence of reforms

Civic virtue has long been a feature of Chilean public life. However, the Pinochet regime’s insistence on centralization and hierarchy was a reaction, probably well justified, to the indiscipline that followed on the developmentalist expansion of the state in the immediate previous decades.

The strong but cautious movement towards performance-oriented management in the 1990s was perhaps an inevitable reaction to the "excessively" Weberian approach of the Pinochet regime, but it was also driven by the expectations unleashed by democratization: Chile’s citizens, like none others in Latin America, have been vocal in demanding better government services.

Reformers' concerns
The concerns of the military dictatorship, headed by General Augusto Pinochet, were significantly ideological. The challenge was to change the way that the state did business - turning it from an owner and service provider to regulator, and from centralized to decentralized service provider.

The more recent concerns of the Lagos government are:

- **Restructuring the State’s administrative apparatus** to make it more flexible, efficient, and effective, including through the introduction of new information and communication technologies;
- **Redefining the functions and relations** between the President’s Secretariat, the Ministry of Planning and Cooperation, the budget department, and the Subsecretariat for Regional Development;
- **Reformulating mechanisms for citizen control and citizen participation**, with particular emphasis on transparency;
- **Deepening decentralization** and administrative deconcentration.

**Institutional starting points**

**Constitution/political system**

Chile’s current democratic system differs in several important respects from the system that operated prior to 1973. The Pinochet regime wrote a new constitution and decreed additional laws designed to restructure the democratic game. Subsequent elected governments have tried to rescind many of these changes, but their efforts have stalled in the Senate, where the government has been unable to muster the necessary two-thirds majority. The 1980 Constitution allowed the outgoing military regime to appoint nine senators, thereby giving the conservative opposition a effective veto against any proposal to reform the political system.

Chile’s 1925 Constitution created a six-year term for the executive, without the possibility of immediate reelection. The 1980 Constitution lengthened the presidential term to eight years. But after the victory of the "No" in the 1988 plebiscite, the government and opposition agreed to an exception: the first president elected after the dictatorship would serve only four years. In February 1994, at the end of Aylwin’s presidency, the Congress voted to amend the constitution to establish a six-year presidential term without the possibility of immediate reelection.

Prior to 1973, legislative power was vested in a bicameral National Congress composed of an upper house (the Senate), with 45 members, and a lower house (Chamber of Deputies), with 150 members. Senators were elected for eight-year terms and deputies for four years. The legislature was abolished after the 1973 coup and substantially redesigned before the Pinochet regime held elections for a new National Congress in December 1989.

The Chamber of Deputies now has 120 members elected from 60 voting districts. Two representatives are elected from each district. Deputies are elected from party lists to four-year terms and may be reelected. The 1980 Constitution called for a Senate with 26
elected members and nine appointed members. However, following the 1988 plebiscite the democratic opposition negotiated a constitutional amendment to increase in the number of directly elected senators from 26 to 38. Senators serve eight-year terms and can be reelected. Half of the elected Senate is renewed every four years.

The President of the Republic appoints two senators (one former minister and one rector of a public university); three are chosen by the Supreme Court (two former justices of the Court and one former Controller); and four are chosen by the National Security Council (one former Commander-in-Chief of the army, another from the navy, a third from the air force, and a former director of the national police). Until December 1997 all of these appointed senators were chosen while Pinochet was still president.

Chile is a unitary republic, divided into 13 regions. Each region is administered by an "intendent" appointed by the president. The intendent is the "natural and immediate agent of the President." He/she is responsible for the coordination and oversight of public services, and the maintenance of public order. The intendent serves only with the favor of the president and can be replaced at any time.

Each of Chile’s 13 regions is further subdivided into provinces. A governor, also appointed by the president, administers these 51 provinces. Governors take their instructions from the intendent, but serve only at the pleasure of the president.

Elected local government operates at the municipal level (comunas). There are over 300 municipalities in Chile. During the Pinochet regime, locally elected officials were removed and replaced by centrally appointed municipal leaders. In 1991 the Congress approved an amendment to replace these appointed officials with directly elected representatives. By law, local governments are composed of a municipal council (elected via proportional representation) and a mayor. Municipal authorities are elected to four-year terms. The number of council members varies, from six in smaller municipalities to ten in the larger ones. The law establishes that the council member who receives the most votes on the party list that receives the largest number of votes is elected mayor, provided that he or she obtains at least 35 percent of the total vote. If this requirement is not met, the municipal council selects the mayor from among its own number by a majority vote.

Municipalities have autonomy to administer their own finances. The sources of municipal finance include transfers from the regional government in which the municipality is located, local fines and fees, and the municipality’s participation in the Common Municipal Fund. This fund receives a percentage of monies (stipulated in law) from diverse revenue sources. The money collected is then distributed between Chile’s varied municipalities according criteria of size and equity.

It is the mayor’s responsibility to propose a communal plan, a budget, investment programs, and zoning plans to the municipal council for approval. The mayor also appoints delegates to remote areas of the community. The municipal council approves local ordinances and regulations and oversees the work of the mayor.
Structure of Government

The President appoints a cabinet of 19 ministers. These appointees do not require legislative approval and can be replaced at the pleasure of the President. The Controller General of the Republic is another presidential appointee, but the President’s choice requires the approval of the Senate. Once approved the Controller General cannot be removed, but he/she must retire at the age of seventy-five.

Box 1 Cabinet Ministries in Chile

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<th>Agriculture</th>
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<td>Defense</td>
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<td>Economy, Development, &amp; Reconstruction</td>
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<td>Energy</td>
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<td>Finance</td>
<td>Planning &amp; Cooperation</td>
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<td>Foreign Relations</td>
<td>Public Education</td>
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<td>Health</td>
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<td>Housing &amp; Urbanization</td>
<td>Secretary General of Government</td>
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<td>Interior</td>
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<td>Transportation &amp; Telecommunications</td>
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Central agencies and reform management

A Committee of Ministers for State Reform was created to lead the Lagos state reform program. The Committee includes representatives of the Ministry of Interior and Ministry of Finance. The Secretary General of Government chairs the Committee. It is supported by Consultative Committees, which look to build consensus with business leaders, civil servants, universities, and other actors directly involved or potentially affected by the reform program.

Reform activities

Reforms to the organizational structure of government

The 1986 legal distinction drawn between policy-making ministries and autonomous agencies providing services is very distinctive, placing Chile alongside Sweden in the use of legally defined autonomous agencies for service provision.

Cutting back the programs undertaken by government

The Pinochet government transferred a number of former state activities to the private sector. President Lagos has not pushed for further privatization, but has advocated means to foster greater competition between private and public entities for the delivery of key services where the government retains an important role in ensuring equity and a certain level of service delivery.
Chile has turned to private markets to enhance the efficiency with which a number of publicly financed goods are provided. The government has turned over substantial activities to the private sector in education, public health, housing and social security. In addition, the central government has fostered inter-jurisdictional competition as part of its strategy to employ competitive pressures wherever feasible by decentralizing substantial portions of the first three of these activities.

**Civil service and personnel reforms**

Following the 1973 coup, the military government made sharp cuts in public employment. Within 15 months after assuming power, employment in the Ministry of Housing and Urban Development was reduced by over 27,500 workers, or more than three-quarters of its 1973 level. During 17 years in power, the Pinochet government cut central government employment by firing employees, transferring certain central government functions to local governments, and by privatizing public enterprises.

The Pinochet government enjoyed both the authority and the capacity to discharge employees. There was no need to turn to voluntary departure programs to achieve significant retrenchment.

Since the return to democracy, Chile’s new civilian governments have not made significant personnel reductions a goal of reform. In fact, these presidents have sought to expand health and education services.

As part of the Pinochet government’s employment reduction strategy, salary improvements were delayed until employment reductions were achieved so as to reduce the fiscal cost of the increases, as well as the political cost of retrenchment. The government committed itself to improving salaries once cuts were carried out. Early on, the Pinochet government replaced public employee wage setting practices with a unified set of pay scales, the *Escala Unica de Remuneraciones* (EUR). Only when public employment approached levels low enough to satisfy the central government (after 1980) was the EUR adjusted upward sufficiently to raise public employee remuneration in both real terms and relative to the private sector.

While 1981 saw improvement in public sector wages, only after 1984 did the Government begin a sustained policy of lifting public employee salaries relative to their private sector counterparts. In 1985, with the recession behind it and public employment at acceptable levels, the government began a prolonged policy of increasing public sector wages under the EUR.

**Budget process changes**

The Pinochet government forced central government agencies to reduce their resource usage (personnel resources in particular), while keeping their mandates intact. The government annually reduced each Ministry’s available positions, and limited labor expenditures, overtime, and numbers of hours of contractor work. All of these
restrictions could be enforced by already existing and effective control mechanisms. The limits were effectively enforced by Chile’s well-functioning Controller’s Office.

The Controller’s Office continues to play a crucial role under Chile’s democratic governments. However, President Lagos seeks to use performance budgeting as a "carrot," as well as a "stick," with the possibility of additional resource allocations contingent upon high performance.

**E-government**

The Frei and Lagos governments have made a strong push to adopt electronic government. Chile has already launched on-line government procurement, and Lagos has promised the creation of a "Single Window" for citizens to access information about government services.

**Reform outcomes**

Chile’s public administration enjoyed a reputation for integrity and professionalism before the 1973 military coup. This public administration capacity has been an important foundation for subsequent reform initiatives.

The Pinochet government succeeded in privatizing many activities and cutting the number of public employees. The eventual success of the government’s pro-market economic policies also meant that subsequent elected presidents were more amenable to maintaining and extending the role of the private sector in certain areas where the government had a responsibility to ensure that services were/are delivered.

Under Presidents Frei and Lagos, Chile has clearly moved swiftly in the area of electronic government. It is too early, as yet, to judge the government’s efforts at performance-based budgeting. It should be noted, however, that Chile’s public sector possesses two characteristics that will be very important if the reform is to succeed: (i) a **strong rule-based public administration**, and (ii) **well-established and well-functioning audit institutions**.

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i See: [www.compraschile.cl](http://www.compraschile.cl)