

Republic of Chile

(República de Chile)



Capital: Santiago

Inhabitants: 16.598.070 (2006)

Area: 756.950 km²

1. Introduction



Chile is a democratic and unitary state with a strong presidential tradition. It has a surface area of 756 thousand Km² and a population of 16.26 million inhabitants, 86.7% of which live in the cities. The GDP per capita is US\$ 10.874 (2004). The capital, Santiago, has 6.2 million inhabitants. The rest of the country is divided into regions and municipalities.

Since the middle of the XIX century, Chile has been a centralist state. In 1891, following a short civil war, the Law of the Autonomous Commune was promulgated, which was quite advanced for the period, although in 1925 the Constitution saw local administration recentralized once again. In the eighties the military regime began to implement a policy of decentralization by transferring the administration of health, basic and middle education and the management of poverty prevention programs over to the municipal authorities. Local public spending rose from 3.1% of government spending to over 10% towards the end of the decade. Those mayors

designated directly by the government, however, enjoyed total autonomy. In 1990 Chile saw a return to democracy. In 1992 the first democratic elections for mayors and councilors were held. In 1993, 13 regional governments were created. Then, following a slowdown in Chile's economic growth from 1998 onwards, the process of decentralization came to a halt. The government currently channels about 13.2% of its total spending in to the municipalities and less than 1.8% in to the regional governments (FMI and National Finance and Accounting Office, 2005). The three different levels of government control over 85% of government resources. Two thirds of the areas that fall under municipal authority are shared with central government, which determines their politics and levels of financing.

2. Territorial organization, regional government and municipalities

The Constitutional Organic Law of Municipalities (Law No. 18.695) defines Chile's municipal regime. The municipalities are defined within the law as "local administrations", and granted the autonomy to manage their assets and areas that fall under their authority. They have the power to create local by-laws, but



they do not have the means to create taxes, rates or to borrow money. The democratic election of mayors and councilors (1992), the creation of regional governments (1993), the increase in authority and the additional resources allocated to the municipalities have been the most important reforms with regard to territorial administration, all which have been made this decade.

Regions (Regional government)	Municipality (Communal administration)
15 Regions, including the Metropolitan Region of Santiago (capital) led by a designated executive officer	345 municipalities with mayors and councilors elected every four years

Regional governments¹ are led by an executive officer (intendente) chosen by central government with a Regional Council, which is elected indirectly –by the municipal councils of each region- which stands as a legislative body.

The 39 municipalities that fall within the country's capital and other urban settlements do not have specific administrative systems, which means that there is little coordination between them. There is currently no national legislation in place that supports and stimulates inter-municipal cooperation. The municipalities are more like associations in that they have no legal powers that allow them to assume more collective levels of authority in order to achieve economies of scale and become more effective entities. The size of the national, regional and municipal governments is equivalent to 20% of GDP. In absolute terms, municipal public spending has grown hand in hand with the

economy. In proportional terms, this has not matched economic growth. In spite of the initial importance of the decentralization process, municipal spending rose from 10.5% in 1990 to 12.9% in 2004, with these figures leveling out in recent years

	1996	2000	2004
General government spending	17.9	20.9	18.6
Municipal spending	2.3	2.8	2.4
Municipal expenditure over general government spending	12.8	13.4	12.9

3. Local democracy: municipalities and local organizations

Participation of national parties in local elections

Municipal elections are held at different times to the other elections. Comprehensive lists from the two big political forces are put forward: The Concertación of Parties for Democracy² (centre left) and the Alliance for Chile³ (centre right). The small Communist Party, with fewer alliances, also puts forward independent candidates in some of the communes, but stands little chance of election, given the polarization between the two big electoral powers.

Mayors and councilors can stay in office for a period of four years and can be reelected any number of times thereafter. The list of candidates that run for mayor is different to the list of candidates running for the

¹ The effectiveness of regional government is debatable since its administration relies entirely on central government and its resources are directly transferred from the National Budget.

² Made up of the Christian Democrat parties, Socialist Party for Democracy and the Radical Social Democratic Party.

³ Formed by the Independent Democratic Union Party (UDI) and National Renewal (RN) Party.



position of councilor

Role of the Mayor, Municipal Council and type of Administration

The mayor is completely in charge of municipal administration, receives an income, has a full-time commitment to the job and presides over the Municipal Council. The councilors make up the legislative body, they are not civil servants, and receive an allowance from the council meetings, which they attend at least four times a month.

Plans, budgets and municipal rulings are approved of or amended by the Council, which does not have the power to propose new spending plans.

Every municipality must have a Development Plan that has to be produced in collaboration with local citizens. The plan should cover a period of four years.

The municipality also designs –in collaboration with the inhabitants– the Communal Regulation Plan, which organizes urban areas. The extent of civil input in the various plans, however, is limited by the regional and national plans, with which they must be compatible.

Social organization and civil participation

There are various mechanisms in place for citizen consultation and although most of

them are not binding, the mayor and the Municipal Council respect civil opinion where appropriate. Authorities cannot be revoked, nor can municipal rulings made by popular initiative.

Local Committees and other community organizations operate within the local areas. Each of the local committees is elected democratically, by the inhabitants of the Local Unit (Unidad Vecinal), a subdivision of the commune and an area (the equivalent to a borough) that is determined by law.

The community organizations operate under the protection of the Law on Local Committees and Community Organizations (Law No. 19,418). The Local Committees do have legal status and are recognized by the municipalities, to whom they would direct any requests or projects. Unfortunately, levels of participation in local elections and local organizations are diminishing. Inflexible public politics have tended to limit public participation in the development and financing of plans and projects.

4. Relationship between central, regional and municipal government

Table 1: National Map of Associations and Social Capital

64.703 organizations linked to the municipalities (77.6 % of total social, union and syndicate organizations)	Type of Organization	Total number and percentage	
	Community organizations (Neighborhood committees, centers for mothers, sports clubs, cultural centers, clubs for the elderly)	32.624	39.1
	Educational organizations. (Parent and career centers, student organizations)	8.462	10.2
	Housing organizations. (Road surface committees, family and friend organizations, drinking water committees)	7.742	9.3
	Other local organizations. (Water associations, firemen, local development coordinators)	4.121	4.9
	Health organizations. (Preventative health groups)	1.308	1.6
	Other Organizations. (Organic, Rotary, Lion Clubs, voluntary)	10.446	12.5

Source: United Nations Program for Development, PNUD.



The main problem affecting the Chilean municipalities is their *excessive dependence on the national government and central institutions to carry out municipal tasks*. There is also considerable *bias within the different sectors of national politics*: every ministry establishes its policies then assigns tasks to the municipalities without taking into account the limits on resources and personnel they may have. Political distortion in the different sectors has a negative effect on the integrated vision and focus of local development projects in the different territories.

Municipal dependence on central government

The Undersecretary for Regional and Administrative Development (SUBDERE) is the national entity in charge of overseeing issues relating to local and regional governments. SUBDERE is responsible for the development of programs that work to promote the municipalities using national and international resources (BID, World Bank).

SUBDERE also manages the regional development fund FNDR, and other resources that the municipalities require for local development projects or improvements in management. The municipal laws are established by the national government and not by public initiative. Parliament remains fairly unreceptive to municipal requests because of the potential political threat that a mayor, who enjoys strong public support, might pose to parliamentary members.

Systems of control

The entity SUBDERE also manages resource transfers and gathers information and data on these operations: the national system of information on municipalities, SINIM (www.sinim.cl).

The nation maintains control through the Republic's National Finance and Accounts, which is in turn supported by a system of regional accounting offices and by the municipalities' own internal units of control. The National Electoral Tribunal is the body responsible for the dismissal of mayors from office, if proven that they have seriously neglected responsibilities or in the event that they have been reported by the National Finance and Accounts Office or tried by the tribunals.

The Municipal Unit of Control, technically presided over by the National Finance and Accounts Office operates independently in every municipality⁴. There are also democratic control mechanisms in place: such as the control the Municipal Council has over the executive, or that held by the people be it via elections or public complaints bureaus. According to international indicators, the level of corruption in Chile's public administration bodies is relatively low. The press also plays a role in exposing irregularities, which may then be taken up by either the finance offices or judicial powers.

Roles of municipal association and defense of local government

The networks of municipal associations, both national, regional and territorial, work to protect the autonomy of the municipalities. The associations provide local authorities with support when their autonomy is threatened. The municipalities can also consult with the National Finance and Accounts Office or the Constitutional Tribunal if they want to check the validity of central government actions and if there is any doubt on the legality of a law.

The national trade union body is the Chilean Association of Municipalities, ACHM, founded in 1993, which nearly all municipalities are members of.

⁴ The National Finance and Accounts Office carries out direct and preventative control checks on a regular basis or intervenes when irregularities arise.



Membership is voluntary and decided on by the Municipal Council and made effective by a payment, which is an amount proportional to the municipal budget.

The ACHM is self-financing – has an annual budget of over one million dollars and provides representation and training services as well as technical and legal assistance. There are also 15 regional municipal associations that operate on a similar basis to the ACHM on a regional scale. There are a further fifty municipal and associations with varying themes and territories.

The main tool used for the solution of intergovernmental conflicts is direct dialogue held between the associations and the corresponding level of government. The ACHM works with the Ministry of the Interior and the regional associations and governments.

6. Local responsibilities

According to the Constitutional Organic Law of Municipalities, the municipal governments have six exclusive functions and thirteen areas of responsibility that are shared with other government levels, like

the provision of education, health, sanitation, territorial organization, local works, support for sport, culture and the environment, among others. In Chile, the basic services like water, sewer systems and electricity have been privatized. The main areas of municipal authority are set out in the box below.

Effectiveness of Chilean municipalities

Although the efficiency and effectiveness of the municipalities is often questionable, studies and statistical information reveal positive results with regard to the quantity and quality of tasks carried out by the municipalities: For example:

- The PNUD points to the high human development indicators in Chile, with high levels of literacy (95.7%), good life expectancy (77.9 years), high standards of urbanization (92% of the population have improved sanitation) and a strong income per capita (US 10.274) (PNUD). Most of these achievements can be attributed to the work of the municipal networks.
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	Codes of territorial authority	Social responsibilities
Exclusive municipal responsibilities	<i>Communal development plan</i> <i>Regulatory plans</i> <i>Public transport and traffic</i> <i>Regulation of building and urban development</i> <i>Street cleaning and maintenance</i>	<i>Promotion of communal development (relationship between communal, voluntary and other similar organizations)</i>
Responsibilities shared with central government	<i>Urbanization, urban and rural highway administration</i> <i>Social housing and public health infrastructure</i> <i>Economic promotion</i> <i>Public transport and traffic regulation</i> <i>Risk prevention and emergency aid in the event of a catastrophe</i>	<i>Cultural, basic and middle education</i> <i>Primary healthcare and environment</i> <i>Social and legal assistance</i> <i>Employment training and Promotion</i> <i>Public safety</i> <i>Equal gender opportunities</i> <i>Activities of communal interest</i>



Poverty levels in Chile have fallen from 38% in 1989 to 18% in 2002, due in part to specific subsidies allocated by the municipalities that are used to maintain communal and national registers of poor families. This is a more efficient method of ensuring that the subsidies reach their destination.

- The streamlining of civil participation on a local level, via work relations and the support of a network of 65 thousand communities, social and cultural organizations.

6. Municipal finances

One of the main problems for Chile's municipalities is the *insufficient level of financing, despite an increase in their areas of responsibility*, exacerbated by the amount of tasks that the national government continually assigns them with, alongside an increase in civil demands. Even though the municipalities receive 13% of government resources, they have to finance 54% of personnel employed by the state and fulfill a wide range of tasks. Municipal income comes partly from their own resources and in part from government transfers. Their main source of income is from land taxes, real estate, commercial patenting from businesses and driving permits.

The creation or variation of taxes is made exclusively by central government. The municipalities do not have the power to create taxes and they are not allowed to borrow money without special authorization from central government. Finances are well managed within most of the municipalities, despite the fact that the health services and education suffer financial shortfalls.

Table 2: Origin of municipal income and transfers

(in thousands of pesos from 2004)

Type of income	% with FCM*	Amount without FCM*	% without FCM*	
Land tax	7.34	403.702	18.52	1
Driving permits	2.21	104.134	4.77	
Municipal patents	7.53	252.033	11.57	
Sanitation rights	2.16	47.080	2.16	
Various rights	3.74	93.601	4.30	
Fines and interest	1.43	31.161	1.43	
Other Income	6.70	146.114	6.70	
Common Municipal Fund *	18.33	-----	-----	2
Transfers	3.67	79.958	3.67	
Contributions from Ministry of Education	33.29	725.502	33.29	
Other income for education	5.56	121.219	5.56	
Ministry of health and others for health	8.00	174.494	8.00	
Total income	100.0	2.178.968	100.0	
The Common Municipal Fund is made up of contributions from the municipalities' own resources. In the first column you can see the structure of municipal income including the FCM. For greater clarity on how they generate income, the two other columns remove the FCM, and redistribute them to back their original income source.				
Source: SINIM, SUBDERE. Creation: own				
1. About 50% of municipal resources come from their own resources, that is to say they are of local origin				
2. About 50% of municipal resources come from central transfers				



Common Municipal Fund and Central Government Transfers

The common municipal fund, FCM, is the mechanism used for making compensatory transfers between the different municipalities, which are derived in part from the municipality's own resources. The municipalities transfer a certain amount of their revenue received from land taxes, commercial patenting and driving permits over to the FCM.

The larger municipalities –like Santiago, Providencia, Vitacura, Las Condes and Viña del Mar –transfer proportionally larger proportions of their resources over to the FCM. The fund distributes its resources amongst those municipalities that have smaller incomes. For some municipalities this represents more than 90% of their total cash income. Administration of the fund is carried out by SUBDERE. Other important transfers come from the National Regional Development Fund, FNDR, linked to the National Bank of Projects. The FNDR is used mainly for investment projects and is administrated by SUBDERE itself.

The Ministries of Health and Education finance the municipalities' primary health, basic and middle education sectors, which attend to the needs of 50% of all users. Transfers of resources from the government, however, are insufficient and the municipalities have to make their own contributions in order to sustain these services.

Other ministries and public departments also provide the municipalities with an income from the so-called Competitive Project Funds. The National Social Investment Fund, FOSIS, which is dependent on the Ministry of Planning, also provides financing for social investment and poverty reduction programs. One negative aspect of the competitive funds is their excessive proliferation. It is estimated that there are over 200 competitive funds in the different sectors. This has a negative

effect on the medium to smaller-sized municipalities because, due to a limited work force and the complex nature of the competition design, they are unable to submit projects that meet with the specified criteria.

The Chilean municipal system does not throw up issues that affect the fiscal equilibrium since they are unable to secure credit lines. Nevertheless, the larger municipalities can obtain credit lines via a system of concessions and leasing, once approval by the central government has been given.

Civil service careers and municipal personnel

The Municipalities employ over 185 thousand people –including health and education employees- that equals 54% of personnel employed in the public service sector, excluding the armed forces and the national police force. Chile has a centralized municipal civil service careers office.

Every municipality puts forward a civil servant workforce, but this has to be approved of by the National Undersecretary for Regional and Administrative Development. Some of the more senior responsibilities are carried out exclusively by the Mayor. There are also personnel working on contracts (with similar salaries and tasks to the rest of the workforce but with a salary renewed on an annual basis) or on a fee basis, that is to say they are contracted for projects and tasks for a limited period of time.

Municipal personnel are chosen via a selection process –with the exception of the more senior posts-which are not always objective or impartial. Promotion depends on a formal annual performance review, but this method is not always reliable. Given the limitations of the different systems in place for the management of personnel, a law is



currently under review, that would give the municipalities total authority over the management of personnel and give them the independence to set up their own operative structures.

Municipal personnel currently operate under the Administrative Statute of Municipal Civil Servants; healthcare workers depend on the Statute for Primary Health Care; Staff in the education sector operate under the Statute for Education. In summary, there are three different bodies of personnel management that work for the municipalities.

7. Conclusions: Chile, a limited decentralization

Chile is a country where public management, the economy and power are highly concentrated. The rules and institutional culture allow for this concentration of power amongst executive authorities at all levels: The President of the Republic, regional executive officers (**intendentes**) or mayors. Participative practices, political transparency and the dissemination of information are limited.

In recent years, the transfer of authority and the allocation of resources has come to a standstill. Legal limitations have prevented public/private associations from linking up with local players and impeded the municipalities from obtaining credit lines, all of which play an important role if their economies are to develop. Nonetheless, the municipality does provide the largest participative space for civil meetings and grass roots organizations. Local development processes could be made better by improving the relationship between public politics and players within the community and private sectors.

Municipal reform, proposed by the Chilean Association of Municipalities

During the 2005 presidential campaign, the Chilean Association of Municipalities proposed a municipal reform for local development, which was taken on board by all the candidates including the current president, Michelle Bachelet.

The basic goal of the ACHM is to transform the communal administrations in to effective local governments, by increasing their scope of authority over local economic development. It aims to encourage the municipalities to collaborate with each other and with the private sector- to promote local development and generate new methods of participation and improve transparency.

It has also proposed that the government increases its spending on the municipalities from a current 13% to 30%, over an agreed period of time, which would help to improve the coverage, quality, and financial status of the health and education services.

Lastly, the association is calling for the creation of a national training and consultancy system to be set up, which would be made available to a large number of municipalities.

Final note: Recent negotiations between the ACHM and the national government, President Michelle Bachelet have resulted in a sharp increase in resources to the municipal education sector and the implementation of a municipal training scheme. (May 21, 2007).

Mario Rosales