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Achieving Balance in Decentralization: A Case Study of Education Decentralization in Chile

TARYN ROUNDS PARRY*
University of Georgia, Athens, U.S.A.

Summary. — Decentralization has been a popular strategy for improving public service delivery, yet it has often failed to live up to its promise. Successful implementation requires the central government to develop new roles which are supportive of decentralization because local institutions generally lack the technical ability and the funds necessary to perform their new functions. Education decentralization in Chile resulted in an appropriate balance of responsibilities between the central government and local institutions. Decentralization had a mixed impact, however, on education quality. Improved monitoring and consistent financial support from the central government is needed to improve equity and raise the quality of education. © 1997 Elsevier Science Ltd. All rights reserved

Key words — decentralization, privatization, education, education finance, bureaucracy

1. INTRODUCTION

Decentralization and privatization of government services have been popular strategies for remedying the problems of governance in both developed and developing countries. The benefits of decentralization in broad terms include greater responsiveness to citizens, improved decision making based on more accurate information and better knowledge of local conditions, and improved efficiency in service delivery — especially when the provision of services is transferred to the private sector (Rondinelli, 1981). Despite these theoretical benefits, decentralization in reality has not fulfilled these expectations (Rondinelli and Nellis, 1986; Bray, 1985; Tanzi, 1995). The so-called failure of decentralization policies, however, has led not to a rejection of the theory, but to greater emphasis on the need to consider the conditions which are necessary for successful implementation of decentralization.

Chile has been recognized for creating innovative social programs that effectively combat poverty (Castañeda, 1992). Decentralization and privatization of the provision of primary health care and education are among these innovative reforms. In the field of education recent efforts to decentralize education curriculum decisions to the school level are only the last of a series of decentralization reforms. The purpose of this article is to document the process of decentralization of education in Chile and to describe the resulting balance of responsibilities between the central government and local institutions. Section 2 reviews the conditions necessary for successful implementation of decentralization policies. Section 3 describes in detail the steps taken in implementing Chile's version of an education voucher system — one of the most unusual education systems in the world. This description confirms some of the generalizations concerning decentralization noted in section 2. In particular, the central government needs to develop its role as supporter of the decentralization process. Section 4 describes how Chile has achieved balance in decentralization by devolving some responsibilities in the provision of education while at the same time expanding financial support and monitoring by the central government. This analysis also determines some measures that could strengthen the impact of decentralization on education quality and equity.

2. IMPLEMENTATION OF DECENTRALIZATION

Rondinelli (1981, 1989) describes four approaches to decentralization: deconcentration, delegation, devolution, and privatization. Deconcentration shifts work loads from a ministry's centrally located offices to staff or offices outside the national capital. Employees are still employees of the central government, however, and generally have little discretion in implementing policies. Delegation is the transfer of

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authority from the central government bureaucracy to some other public sector authority such as public corporations, regional development agencies, or special function agencies. Devolution is the "true" form of decentralization in which subnational levels of government are given complete authority for specific public services which were previously provided by the central government. In other words, not only is the workload turned over to lower levels of government, but they are also given authority to make their own decisions. The last approach to decentralization is privatization which gives responsibility to private organizations such as nonprofit or voluntary organizations, trade associations, professional groups, religious organizations, cooperatives, or business firms to carry out functions which were previously performed by the public sector.

Decentralization policies can also be differentiated according to the type of authority being devolved. Administrative decentralization would describe deconcentration while expenditure decentralization refers to the transfer of responsibility for provision of goods and services to local governments or other authorities. Generally, the financial support is supplied by the central government through block grants which tend to equalize revenue across regions. Alternatively, financial support may be provided via revenue decentralization. This refers to a situation where local governments or organizations are given greater freedom to specify tax rates and bases, and to develop other types of revenue instruments. The more commonly used term, fiscal decentralization includes elements of both revenue and expenditure decentralization. Finally, political decentralization refers to giving citizens a greater voice in decision making either through the participation of private voluntary organizations (PVOs), local organizations or other citizen groups or by democratizing — allowing local elections rather than appointment of officials by the central government. The decentralization strategies of various countries may manifest some or all of these forms of decentralization.

These typologies of decentralization are relevant to Chile because not one, but all of them are evident in the process of decentralization of education. As described in detail below, decentralization of education began with deconcentration of education administration and evolved to include devolution, delegation, and privatization of education production. Devolution and privatization of education involved primarily expenditure decentralization combined with central government transfers to finance education along with limited revenue decentralization. Although it was never the original intent of the central government, fiscal decentralization was eventually followed by political decentralization.

Regardless of which approach is taken, decentralization is about building institutional capacity which is defined as the ability to set goals, anticipate needs, make informed decisions, and attract and manage resources in order to meet those goals (Honadle, 1980; Van Sant *et al.*, 1987; Rondinelli, McCullough and Johnson, 1989). The conditions for the successful implementation of decentralization are based on the need to promote and support institutional capacity. These conditions depend on political, cultural, psychological, organizational and financial factors (Rondinelli, McCullough and Johnson, 1989) as discussed below.

One of the most important conditions for building institutional capacity is the development of financial and human resources. This last criteria has been one point where decentralization has often failed in developing countries — local governments simply lack the resources needed to carry out the transferred functions. "The inadequacy of financial resources and the inability to allocate and expand them effectively were noted in evaluations of decentralization in nearly every developing country" (Rondinelli and Nellis, 1986, p. 17). Therefore, the central government must give the decentralized institutions access to sources of revenue either through transfers or by giving them new legal sources of revenue, and this may require the central government to relinquish some sources of revenue that it previously enjoyed. In addition to financial resources, the personnel in the decentralized institution must have or develop the necessary skills and knowledge to perform their services well.

On one hand, successful decentralization depends on the willingness of the central government to turnover the power to make important decisions to the decentralized institution. Otherwise, decisions will not benefit from the knowledge held at regional and local level institutions and efficiency and effectiveness will not improve.

> A strong obstacle to implementing decentralized planning and administration proposals in East African countries has been the continuing resistance of central government bureaucrats — in both the national ministries and local administrative units — to "decision-making from below" (Rondinelli, 1981, p. 140).

Often decentralization fails because of lack of political will to relinquish decision-making authority to lower levels of government.

On the other hand, evidence suggests that the central government must not disappear with decentralization; instead it must accept a new role as supporter and promoter of decentralization by aiding lower levels of government in developing capacity to provide decentralized services (Tendler and Freedheim, 1994; Leonard, 1982). Successful decentralization requires the creation of "vertical linkages" or mechanisms by which the central government continues to control and support the decentralized entity (Schmidt, 1992; Leonard, 1982). Control linkages include the use of

regulations and monitoring. Support linkages can be financial assistance, technical and personnel assistance, or other services provided by the central government. Strong administrative and technical capacity within central government agencies and ministries are necessary to assist field agencies or lower levels of government in performing decentralized functions (Rondinelli, McCullough and Johnson, 1989). "Thus, paradoxically, effective decentralization usually involves the strengthening of selected central government agencies and their reorientation into more supportive roles" (Schmidt, 1992). Successful decentralization requires achieving a balance between the responsibilities of the central government and the functions given to local institutions.

Decentralization also depends on matching organizational characteristics with decentralized functions. Responsibility to provide goods and services should be transferred to the local administrative units having the capacity to fulfill those responsibilities. Because different local institutions have different comparative advantages (Uphoff, 1986; Cochrane, 1984), decentralization is more likely to succeed if its implementation takes these differences into consideration. Second, the most effective level of government for providing a good or service depends on the characteristics of the good or service in question and on the situational context. This means that devolution may not always be the best course of action. Economies of scale in the production of the good and widespread externalities mean some goods are better provided by higher levels of government. Similarly, while local governments can contribute to available resources, it may not be appropriate for equity or adequacy reasons to expect lower levels of government in developing countries to completely finance decentralized services. Third, the duties of each level of government and each institution involved in decentralization need to be clearly specified.

Decentralization requires laws, regulations and directives that clearly outline the relationships among different levels of government and administration, the allocation of functions among organization units, the roles and duties of officials at each level and of cooperative and private organizations, and their limitations and constraints (Rondinelli, McCullough and Johnson, 1989, p. 77).

Developing institutional capacity in decentralized institutions and changing the central government from one which emphasizes primarily control linkages into one which provides the necessary support linkages requires a gradual process. It requires not only the development of new institutions, but also a change in the attitudes and behavior of those in both the central and decentralized organizations. Hence, decentralization must be viewed as an incremental process of capacity building at all levels of government (Rondinelli and Nellis, 1986). The description of education decentralization in the following sections demonstrates that the experience in Chile supports these generalizations.

3. DECENTRALIZATION AS AN INCREMENTAL PROCESS

In the early 1980s the government of Chile implemented reforms which both devolved decision making to local governments and encouraged increased participation of the private sector in producing education. The resulting system of education is in essence an education voucher system. The purpose of this section is to describe this decentralization process to provide a better understanding of how one country initiated and succeeded in achieving a decentralized education system. Although implementation of the final stage of decentralization was very rapid, it was in fact the culmination of a gradual process that permitted development of many of the conditions necessary for success. Decentralization evolved over a 10-year period moving from stages of centralization, to regional deconcentration, to devolution to the municipal governments combined with delegation to municipal corporations and a large degree of privatization of education.

(a) *Antecedents*

In 1842 Chile was the first Latin American country to establish a system of public education. Public education expanded rapidly so that by 1974 Chile had achieved remarkable education statistics for a developing country: high enrollment ratios, high enrollment in secondary education, and participation rates of girls equal to boys (Schiefelbein and Farrell, 1982, p. 27). Throughout this period, public education was provided through a highly centralized bureaucracy, and "this central control was evident in three spheres: finance, administration, and the determination of education policies" (Latorre *et al.*, 1991, p. 25).

With respect to finance, the central government raised all revenues, and determined the Ministry of Education's share of the budget. The Ministry of Education made all decisions regarding education inputs including personnel, materials, and infrastructure. All teachers were public employees whose salaries were determined by the central government. The Ministry of Education exhibited bureaucratic features including central control, formalism, impersonality, and bureaucratic rules and regulations. It stipulated all job attributes and described in detail how every function at every level was to be executed. The Ministry of Education also determined the goals, plans, programs, methodologies, and didactic materials for education (Núñez, 1990, p. 180). The result of

this centralized management was a highly uniform system of education with no adaptations for local characteristics (Hevia, 1982, p. 5).

Reforms during the 1960s and early 1970s attempted to promote greater participation in decision making in the education sector. Rather than modernizing and dismantling the large bureaucracy within the Ministry of Education, however, these new councils and organizations were added to an already overextended bureaucracy. The Ministry of Education did not have the technical capacity to manage the rapid growth of the education system along with the demand that it incorporate greater participation. By 1973 execution of policies had slowed to a crawl, and the system of education was said to have been "in a state of administrative crisis" (Hevia, 1982, p. 9).

The military coup led by General Augusto Pinochet in September 1973 had an immediate and lasting impact on the education system. The President's Declaration of Principles given in March 1974 stated his determination to build a "new nation and new institutionality with correct values and traditions" (Pinochet, 1974). In terms of education this meant a dramatic reversal of the democratizing trends which were then just unfolding. The teacher's union was dissolved and teachers having leftist or Marxist views were purged from the system (PIIE, 1984, pp. 63, 156). A system of national supervision was created not only to control school quality, but to supervise normative teachings (Hevia, 1982, p. 15). The military was given direct control of school principals in the Santiago metropolitan area to enforce regulations that included elaborate lists of materials, texts, and books that schools were permitted to use, and prohibited the use of any other materials (PIIE, 1984, p. 64).

(b) *Deconcentration*

The priorities of the military government were reducing the size of government, privatization, and decentralization (Pinochet, 1974). "Regionalization," the first step in the decentralization process,[1] began with the Statute of Government and Internal Administration of the State (Decree Law 573 of 1974) which divided the country into 13 regions and created new regional governments headed by *Intendentes* who were chosen by the President of Chile. This law also divided the country into 40 provinces, and divided the provinces into *comunas* (municipalities) headed by governors and mayors who, like the *Intendentes*, were appointed by the President.[2] In other words, regionalization was originally a means of centralizing control over all levels of government.

The policies implemented immediately after the military coup were most concerned with establishing "national security" and "correct values," but as these objectives were met, other concerns came to the forefront. One of these concerns was deconcentration of administration in education as well as in other services (McGinn and Street, 1986). For each ministry regional offices called Regional Ministry Secretariats (SEREMIs) were created to assume responsibilities for administrative functions of the central government (Latorre *et al.*, 1991, p. 27). The new regional governments were created with the intent that they would respond more efficiently to the diverse geographic and climatic conditions within Chile. In addition, regionalization of education was promoted as a means to decongest the administrative process and improve the flow of information (Núñez, 1991, p. 13).

The regional offices of the Ministry of Education (Regional Secretariats of Education) assumed responsibility for administration of public schools, leaving the Ministry free to concentrate on providing supervision and support for educational programs. Regionalization of education led to some regional adjustments to the start and end of the school year and the length of the school day, but until 1980, decentralization of education was primarily delegation of functions rather than a turnover of real decision-making power. Regionalization, however, helped to change the attitudes within the central government toward that of interdependence and cooperation between levels of government. Furthermore, the gradual extension of regional deconcentration to the more radical forms of decentralization reduced the resistance and tension that most likely would have resulted if decentralization of education had begun with devolution and privatization.

The precursor to the more dramatic reforms in 1980 was another round of deconcentration, but this time to the provincial level. The Provincial Services of Education (later called departments) were created in 1979. In his Presidential Directives on Education in March 1979, however, Pinochet called for "the need to decentralize responsibility, grant a greater degree of participation to the community, and to rationalize the use of public resources" (Pinochet, 1979). While the concept of privatization was absent in the earlier versions of decentralization, the Directives also stated Pinochet's intent to stimulate private provision of education as an alternative to expanding public education.

The reforms implemented in 1980 contained the following principal components: (i) the administration of schools was devolved to municipalities (municipalization), (ii) teachers became private sector employees, (iii) school finance was based on the number of students attending the school, (iv) public and private schools would compete for students on an equal basis, and (v) schools were given greater flexibility in curriculum decisions (Jofré, 1988, p. 215). The overall aims were to achieve greater efficiency in the use of educational resources, and to augment the quality of education by providing "correct incentives."[3] The competition for funds was expected to

improve the quality of education by providing incentives for the schools to perform well and keep children attending school. Second, devolution was presented as a means to bring community-level decisions to the community. Promoting local-level problem solving would reduce the inefficiency of transmitting decisions through a slow, bureaucratic hierarchy which were based on little knowledge of the reality at the local level. This was expected to rationalize decision making and to facilitate the responsiveness of education to the diverse characteristics of each municipality (Arriagada, Matulic and Trucco, 1979, p. 55).

Since the 1950s Chile had had a tradition of public financial support of private education, but by the 1970s this support had declined to cover only a small portion of school expenses and was leading to private school closures. Aware of the closures, the value of the subvention to private schools was twice raised by the military government before the reforms in 1980 (ODEPLAN, 1981, pp. 21–22). Second, choice of public schools had always been possible in Chile since schools were not funded by local governments. Therefore, the reforms described below did not introduce either the concept of public support for private schools or the concept of school choice. The basic elements of an education voucher system were already a part of Chile's education system.

(c) *Devolution*

The process of devolution which is referred to as "municipalization" began in early 1980 with policies for "strengthening the role of the mayor and improving municipalities as organisms of participation, and mobilization of the community and its services" (Pinochet, 1980, cited in Latorre, 1991, p. 28). The first step toward municipalization was to grant municipalities new local sources of revenue and further autonomy in spending them.[4] Autonomy in raising revenue is limited, however, since the tax rates they apply must fall within a narrow range set by the law. In addition, a transfer mechanism called the Municipal Common Fund (FCM) was created to diminish the great inequality of resources between the municipalities. The second step was to strengthen municipal governments by completely restructuring municipal staffs to include more professional and technical staff; and to authorize a new pay scale for municipal employees which provided higher salaries to professional and technical staff (Castañeda, 1992, p. 202). The third step in municipalization was to transfer responsibility for providing pre-primary, primary and secondary education to municipalities.[5]

Under the new arrangements the municipalities had complete control of education expenditures while the central government continued to finance these activities through transfers based on the average cost of providing them. The central government intended for the resources mobilized at the local level to supplement the central government finance and therefore, improve the quality of the services by increasing the overall level of expenditures and by better matching expenditures with local demand. In reality, however, most municipalities contribute very little on top of the central government transfer; however, large extremes in the municipal education expenditures contribute to greater inequality in the system. Furthermore, municipal governments were not necessarily responsive to local demand since mayors and council members were appointed from above, not elected by the people (until 1992 when the first local elections were held).

Another reform, which went hand in hand with promoting private initiative in education and competition for student attendance, released schools from the rigid structure of the national curriculum. Decree Law 4.002 of 1981 both simplified the national curriculum and permitted flexibility for schools to adapt the national curriculum to better match local needs (PIIE, 1984, p. 99). Education objectives are stated in two forms: general objectives, which relate to all aspects of child development, and minimum objectives which are primarily cognitive in nature. The 1992 minimum objectives are presented in Table 1. The minimum school day is five hours, but principals can add up to one hour per day so that the school week can vary between 25 and 30 hours. While the basic curriculum (minimum objectives) must be covered by all schools, principals and technical directors could add an hour per week of a required subject, eliminate an elective such as French, or trade foreign language for a more appropriate elective such as manual skills or computer skills. However, although schools and municipalities were given leeway to influence education policies and adjust the curriculum, Pinochet's emphasis on "correct values" and strong-handed means of dealing with teachers and personnel in the education system retarded any true experimentation.

Not until 1990 did democratization encourage principals and teachers to develop their own educational objectives and curriculum. This will no doubt be a very gradual process since principals and teachers have long been told what to do, and under the Pinochet regime, feared punishment for not following rules. While schools currently tend to adhere to the national curriculum despite freedom to change, some schools are beginning to use this flexibility to bring more variation to education (Rounds, 1994).

Decree Law 1-3.063 of 1980 governed the transfer of the operation of pre-primary, primary, and secondary schools to municipalities, and gave all property and equipment owned by the Ministry of Education to the municipalities free for 99 years.[6] The central government gave municipalities incentive to accept the administration of schools by promising to pay 5% of total municipal wages and salaries (the

Table 1. *Minimum objectives for basic education*

Area of study	Subject offered	Grades 1–4	Minimum time	Grades 5 & 6	Minimum time	Grades 7 & 8	Minimum time
Languages	Language & Communication	X	22%	X	14%	X	14%
	English			X		X	
Mathematics	Arithmetic	X	20%	X	14%	X	14%
Sciences	Natural Social & Cultural Sciences	X		X	16%		
	Natural Science					X	8%
	Social Science					X	8%
	Technology			X		X	
Arts	Art	X		X		X	
Physical Education	Physical Education	X		X		X	
Orientation	Orientation			X		X	
Religion	Religion	X		X		X	6%
Total Obligations	Required Subjects	6	90%	9	85%	10	80%
Margin of Flexibility	Nonrequired Subjects		10%		15%		20%

Source: Ministry of Education, *Revista de Educacion* (Santiago), March 1992.

largest part of their budget) if they did so in 1980, 4% in 1981, and 3% in 1982. Therefore, the transfer of schools occurred very rapidly (Castañeda, 1986, p. 11). A strong criticism of this policy is that it gave municipalities incentive to accept these new responsibilities before they had sufficient institutional capacity, and may have led to lower quality education in some municipalities (Latorre *et al.*, 1991).

These monetary incentives were expensive for the central government,[7] and by 1982 the central government had to suspend transference of schools due to a financial crisis created by an economic recession (Castañeda, 1992, pp. 6, 19). At this time over 250 municipalities (out of 325) had accepted responsibility for operating 5,724 pre-primary, primary, and secondary schools (about 84% of all public schools) (PIIE, 1984, p. 132). The rest of the schools were transferred in the last quarter of 1986 (Jofré, 1988, p. 221).

(d) *Delegation*

To administer their new responsibilities for the provision of education, the municipalities created either Departments of Municipal Education or delegated these responsibilities to a Municipal Corporation which administered both decentralized education and primary health care functions. Corporations were a popular choice among the larger cities including most of the municipalities in the Santiago Metropolitan Region (Campbell, 1990, chapter V, p. 12). The corporations, which are private, nonprofit entities, permit public services to be executed under private administrative law. In the early 1980s corporations were encouraged by the government as a means of bringing private sector management skills to the administration of the new municipal responsibilities (Campbell, 1990).

Corporations are considered to be more efficient than municipal departments because they operate under fewer constraints and requirements. In 1988, however, the Controller General and Supreme Court ruled corporations as "not constitutionally desirable" since they could be used to circumvent constitutional limitations on municipal activities. After this no new corporations could be created, but those already in existence continued to operate. In 1990 there were 271 municipal departments of education, and 54 corporations, and the majority of corporations were located in the Santiago area (MIDEPLAN, 1991, p. 92). Currently, the central government is pushing to dismantle corporations, and place their administrative activities within municipal departments of education and health.

(e) *Privatization*

Before 1980 the state had a strong role in education as regulator, financier, and provider of education, but after privatization the state was primarily the financier while the market became the regulator of quality and the private sector's role as provider was expanded significantly (Latorre *et al.*, 1991). The privatization policies were based on neoliberal economic theory which emphasized the achievement of efficiency and quality through the incentives provided by the "invisible hand" of the market (Magandza and Egaña, 1985). After the implementation of these reforms teachers "would be forced to compete and to be efficient if they wanted to keep their jobs and improve

their salary" (Jofré, 1988, p. 217). The reformers felt that by subjecting the education sector to private market conditions, the quality of education would improve significantly. Traditionalists, however, wanted to preserve education as a central government function, and teachers, needless to say, strongly resisted the new measures (Jofré, 1988). The following reforms would not have been possible without the strong support of the military dictatorship.

Privatization consisted of two key elements: public finance of privately owned schools, and the transfer of teachers from the public employee system to the private sector. Prior to municipalization all public school teachers were public employees, paid according to the public sector pay scale (*escala unica*) and promoted according to the teacher career scale (*carrera docente*). When schools were transferred to the municipalities, Decree 2.200 of 1980 stated that the new status of all teachers would be private, and that the labor code for the private sector now governed their employment.[8] Since public school teachers lost their status and protections as public sector employees, they were all paid their full severance pay.[9] This part of the reform was expensive because the central government had to pay severance pay to approximately 67,000 teachers (Castañeda, 1986, p. 11).

The Law of Subventions (Decree Law 3.476 of 1980) defined how both public and private schools were to be financed. This law created a type of education voucher system by providing a per-student payment or voucher. In 1987 this payment became a unit called the *Unidad de Subvencion Escolar* (USE) that was the same amount for (free) private schools as well as public (municipal) schools. This policy was expected to encourage entrepreneurs to create tuition-free private schools to compete with the public schools. The amount of the voucher payment was originally based on the average per-student expenditure of the Ministry of Education increased by 10% in real terms (Schiefelbein, 1991a, p. 6). At first, the subvention was tied to the Consumer Price Index, but in 1982 it was adjusted to match public sector wage increases rather than inflation. Subsequent laws have made some changes to this financing mechanism.[10] Section 4 below reviews these changes and describes the education system as it currently operates.

4. ACHIEVING BALANCE IN DECENTRALIZATION

As noted in part one, lack of finance and other support for decentralized institutions were the primary factors contributing to failure of decentralization policies in other countries. Chile managed to avoid these fatal mistakes by finding a more appropriate balance of responsibilities between the levels of government as shown in Table 2. Using the metaphor of a seesaw, the central government did not jump off one end and leave the municipalities to fall to the ground under the burden of providing education services. Instead, the seesaw was balanced by the central government moving from a position where it dominated all decisions in education to a position where both levels of government have specific responsibilities.

Many of the vertical linkages were already in place before the education reforms in 1980, but rather than permitting this assistance to wither away under devolution, these support linkages were expanded and strengthened. The Ministry of Education was successful in changing its role from providing primarily control linkages to providing support linkages to both the local governments and private schools. The central government remained responsible for financing education by providing the per-student subsidy for education finance, as well as several other in-kind transfers and special programs that provide support to those schools with greater needs or greater initiative. Although some control linkages — regulation and monitoring — were necessary to prevent misuse of funds (overestimating student attendance, for example), the Ministry also provided support linkages such as supervisory visits to schools to promote higher quality education.

While the central government did maintain some safety regulations and minimum standards, the majority of decisions regarding the operation of schools were devolved to the local governments and to private schools. Municipal governments (or corporations in some cases) and private school owners had complete freedom concerning what teachers and other staff to hire, how many to hire, what salary to pay, what daily schedule to use, what courses to offer (once meeting the minimum standards), what class size (up to a maximum of 45), what dress codes to have (most schools have them), what school activities to hold, and what repairs or other expenditures to make. Previously, all such decisions were made by the central government. The evidence shows that municipalities have been successful in developing the institutional capacity necessary to manage the operation of schools effectively, and some claim that devolution has had a positive impact on responsiveness of municipalities to the needs and demands of their citizens (Espinola, 1991; Campbell, 1990). For example, at least one municipality has surveyed parents in order to learn what is important to them for their child's education (Parry, 1996a).

The reforms in 1980 also succeeded in promoting a large degree of privatization in education. During 1979–88 the number of public primary schools diminished by over 2,000 schools while the number of private subsidized schools increased by more than one thousand (PIIE, 1989). This is a large change in education provision since there are less than 8,500 primary schools in Chile. In 1990, the division of enrollment between private subsidized and public schools

Table 2. *Functions by level of government*

Level of Government	Governing Body	Responsibilities
Central	Ministry of Education	Sets general educational policy, regulates teacher employment and remuneration, and determines curriculum and educational standards. Finances public and private subsidized school operation expenditures; provides some in-kind inputs and special programs; finances capital expenditures for municipal schools only.
Regional	Regional Ministry Secretariats	Adapt education policies to regional circumstances and guide the educational process toward fulfilling human resource needs for regional development; Screen applications for capital finance projects.
Provincial	Provincial Departments	Improve the quality of teaching through supervision of teaching methods; enforce education standards and regulations through inspections of schools.
Municipal	Municipal Education Departments or Municipal Corporations	Administer and maintain schools according to the Ministry of Education standards; determine all municipal school expenditures, hire (or fire) teachers and staff.*
Schools	Principals	Provide education according to the Ministry of Education guidelines and the national curriculum.

*The *sostenedors* or owners of private subsidized schools must also fulfill these functions.

was 35.86% for private and 64.14% for public (MINEDUC, 1990). Furthermore, since school funding is attached to student attendance, there is a significant amount of competition between schools to attract students. Parents "shop around" for schools, and some even send their children to schools in other municipalities. About half the students in the public schools in wealthier municipalities come from other municipalities (Parry, 1996b; Rounds, 1994).

Successful implementation of decentralization, however, does not necessarily mean success in terms of results. Few if any researchers have conducted a thorough evaluation of the education reforms, but given the evidence thus far, neither devolution nor privatization resulted in improvements in education quality. Most agree that education quality measured by national average achievement test scores has remained about the same (Schiefelbein, 1991b; Espinola, 1991). The reforms appear to have a negative impact on equity in education. The performance of students in rural areas and students from low-income families has declined while the performance of students from higher socioeconomic levels has improved over time (Schiefelbein, 1991b). Evidence also shows that schools have become selective so that low-income or otherwise disadvantaged students do not have equal access to attend better schools (Parry, 1996b). In terms of privatization, Rodríguez (1988) claims private schools have superior achievement test scores after controlling for socioeconomic level, but Parry (1994) finds that private schools only perform better when they enroll students with good socioeconomic backgrounds while public schools outperform private schools when both enroll disadvantaged children. Finally, some evidence suggests that schools react to competition in unexpected ways that may diminish the quality of education. Schools want to please parents and students and they do this by inflating grades and spending scarce resources on noneducational activities (Espinola, 1991; Parry, 1996a).

The remainder of this section describes in detail the support linkages provided by the central government to assist the devolution of education. Given the mixed evaluations of the results of Chile's decentralization reforms, some recommendations are given for strengthening central government support linkages in order to improve the overall impact of decentralization on education quality and equity.

(a) *Education finance*

(i) *Subventions*[11]

The principal source of school finance, the per pupil subvention (Unidad de Subvencion Escolar or USE), is a transfer from the central government given to both public and private schools on an equal basis. Both types of schools must also adhere to the same government standards and regulations. The recipient of the USE is the *sostenedor* (literally means supplier) who assumes the responsibility for maintaining an "educational establishment" according to the conditions established by the Law of Subventions. In the case of municipal schools, the *sostenedor* is the municipal department of education or the municipal corporation; in the case of private schools the *sostene-*

dor may be an individual, an institution (called a "society"), or a church (mainly Catholic).

The per-pupil subvention is a base subsidy (USE) weighted according to the grade level of students attending the school; according to whether it is primary, secondary, handicapped, or a vocational school; and according to whether it is a day or evening (adult) school. While the weights were intended to reflect variations in the cost of providing education, they are not based on a careful study of schooling costs. The 1992 weights are shown in Table 3. Second, a 1974 law requires all transfers to be adjusted according to a specified "zone assignment" which is intended to benefit high cost or otherwise disadvantaged areas of the country (Castañeda, 1992, p. 22).[12] Third, in 1987 a "rural factor" was added to the subvention formula. This factor is included in the formula only if the school has less than 85 students, and there are no other schools of the same type within five kilometers of the school or where geographical conditions prevent access to another school.[13]

Until recently each school received a monthly subvention based on the average attendance in the previous month, but in order to even out fluctuations, the monthly subvention is currently based on the average attendance for the previous three months.[14] The average monthly attendance (AMA) is calculated by taking the sum of attendance for the month and dividing by the number of school days. A school's monthly subvention equals:

(AMA) × (USE) × (student weight) × (zone weight) × (rural weight)

The *sostenedors* receive a payment for every month of the year, and the payment during summer months is based on the average attendance for the previous nine months. As described below, private subsidized schools are currently permitted to charge fees, but the subvention the school receives is reduced accordingly.

(ii) *In-kind transfers*

Food, preventive health care, and textbook programs are transfers in kind from the central government to both municipal and private schools. Four textbooks (Spanish, mathematics, natural science, and social science) are provided for every child enrolled in school. This system does not function perfectly, however, because school enrollments change during the year. Some schools which have declining enrollments may get too many textbooks while other schools with increasing enrollments do not receive a sufficient amount. Another problem with this system is that it limits choice to one textbook. This means schools that want to use a different textbook than the state provided one are penalized. A voucher for textbooks issued by the central government to the schools would eliminate this problem.

In the case of the school food program (called PAE), the food is delivered directly to the school by private contracting companies. The amount of food each school receives depends on a survey of the height and weight of the children in the school. Food is provided only for children which are undernourished and the number and type of meals the school receives are in proportion to need. Three different types of meals are provided (breakfast, lunch, or a snack); and it is up to the principals and teachers to decide which children receive what meals so that if one child is absent, another can be chosen to receive the meal that day. It is also up to the school to decide whether to participate in the program; and in order to participate the school must have a kitchen and a dining area for the children. The food program also pays for the employees who prepare the food so their

Table 3. *Weights on per-pupil subsidies, by type of student and year*

Categories	Weights 1980*	Weights 1989†	Weights 1992‡
Pre-primary	0.880	0.909	0.909
Primary Education, Grades 1–6	1.000	1.000	1.000
Primary Education, Grades 7–8	1.077	1.107	1.107
Primary Education, Adults	0.308	0.316	0.474
Secondary Education	1.210	1.245	1.245
Secondary Education, Adults	0.365	0.375	0.563
Special Students (Mentally or Physically Handicapped)	2.250	2.312	3.000
Vocational-Agriculture	1.210	1.245	1.970
Vocational-Industrial	1.210	1.245	1.480
Vocational-Commercial	1.210	1.245	1.300
Boarding School (Meals)	—	—	0.125

*Calculated from Briones *et al.* (1983), p. 216. Source: 1980 Law of Subventions (D.L. 3.476 of 1980).
†From MIDEPLAN (1991), p. 299. Source: 1989 Law of Subventions (D.F.L. 2 of 1989).
‡Source: New Law of Subventions 1992 (D.L. 19.138 of 1992 which modifies D.F.L. 2 of 1989).

salaries are not an added burden for the school. The Ministry of Health provides preventive health care programs to both municipal and private subsidized schools.

(iii) *Capital expenditures*

Capital expenditures for municipal schools are primarily financed through the FNDR (National Fund for Regional Development). This fund is supported by a loan from the Interamerican Development Bank and is targeted to regions on need-based criteria. The municipalities develop proposals for new schools, new health centers or other investments and compete with other municipalities within their region for the funding. Beginning in 1992 the Ministry of Education increased education capital investment, principally financed through a World Bank loan. All central government capital expenditures for education (from either the FNDR or Ministry of Education) are for municipal schools only.

The regional representative (SEREMI) of the Ministry of Education plays an important role in determining FNDR capital outlays for education. First, he (or she) provides input to the FNDR regarding investment priorities of the region. Second he screens municipal applications for establishing new schools to ensure they meet all Ministry of Education requirements and then plays an advocacy role to help obtain finance for the municipalities in the region.

The central government education subvention (voucher) system was designed to cover operating costs, not capital expenditures. It was thought that this would expand the municipal government expenditures for capital improvements through their own revenue sources and expand private sector share of education finance through private donations of capital and property to the private subsidized schools. Some private schools finance their own capital facilities from revenue obtained from small fees, parental donations, and donations from businesses or church congregations, but most either depend on bank loans or rent their buildings.

(iv) *Special programs*

In addition to the subvention, the central government Ministry of Education also provides additional support through special programs. The Program for School Improvement provides funding to schools submitting the best proposals for improving their school. Both public and private schools are eligible to submit proposals for new educational programs. Most of these programs focus on improving language and reading skills, and most included building a new library or new equipment. The Program of 900 Schools (P900) provides both additional resources and technical supervision which is targeted to approximately one thousand (public and private) schools with the lowest scores on the SIMCE exam. Most of the participating schools are public (municipal) schools.

In addition to these special programs, the central government provides deficit financing on an arbitrary basis to municipalities which have "deficits" (spending greater than revenues) in education finance. This funding is only for public schools so it creates even greater inequality in finances between the public and private sectors. Furthermore, this discretionary financing responds to political pressures, encourages inefficiency, and discourages local resource mobilization since municipalities realize they are helped rather than penalized for not keeping expenditures within their budget.

For municipalities to carry out the functions of education they require a stable source of financing. Although municipalities receive the subvention regularly each month, and the amount received has been made more stable by using a three-month average of attendance, the design of the financial linkages can be further improved. The central government should strive to make the per-student subsidy more stable in real terms by tying it more closely to the Consumer Price Index. Because the USE has not been regularly adjusted for inflation, its real value fell continually throughout the 1980s and led to deficits in education finance. Second, the central government should discontinue the deficit financing because this clouds the transparency of education financing mechanisms. The deficit problem could probably be corrected by increasing or adjusting the "rural factor" in the subvention formula. The better solution, however, would be to finance rural schools on an all together different basis — since these schools face virtually no competition, financing them on a per-student basis makes no real sense.

(v) *Local resource mobilization*

As mentioned in part one, decentralization is more successful when local access to resources is expanded. In Chile, the municipalities make direct education expenditures which are financed by their non-earmarked revenues including the property tax, a transfer called the *Fondo Comun Municipal* (FCM), motor vehicle registration fees, business registration fees, and a variety of other small taxes, fines, and fees. The municipal expenditures have been used for capital investment and school repairs, to pay teachers salaries, to cover school deficits in general, to buy technical equipment for the schools, and to offer special services such as providing shoes or eye glasses for the poorest students.

Originally, private schools receiving the subvention were not permitted to charge fees. Recently this rule was lifted by a new law in 1990, but it requires any revenue received by publicly supported schools in the form of tuition or parental donations to be "taxed"

by reducing the subsidy by a minimum of 40%. The maximum a school is permitted to charge is 2.5 times the subsidy per student for each category of student. For schools electing to charge fees, the subsidy per student they receive will equal 40% of the difference between the maximum charge permitted and the fee charged (1989 Law of Subventions). In addition, schools which charge fees cannot participate in the school meal program (PAE) or receive textbooks from the central government.

Last, both private-subsidized and municipal schools are permitted to raise funds through their Parent Centers. These funds can be raised in a variety of ways including voluntary dues at meetings which parents can refuse to pay (this is not shared financing under which schools can force parents to pay fees), and fund-raising activities such as raffles, student contests, and fairs. In addition, schools can raise support by organizing the parents to give volunteer help in painting or repairing the school building or property. Schools must report school income from the following sources: fees (except voluntary parent center fees), parental donations, parent center events, and donations from businesses or other organizations.

(b) *Regulation and monitoring linkages*[15]

(i) *Regulations*

To qualify for the subvention all schools must abide by the same rules which include keeping daily attendance records, adopting the national curriculum and official education plans; a maximum class size of 45; adequate and safe infrastructure; and qualified teachers.[16] Schools must make five types of annual reports and one monthly report. The monthly report must contain attendance records for the entire month for each type of student and the amount of all fees or income collected that month. The annual reports include the following: annual authorization request to receive the subvention; declaration of the number of students enrolled by level and number of classes by level; declaration of the normal school activities completed during the previous year; declaration indicating the suitability of the teachers (all new teachers must have a degree in education), and a declaration of all the income the school expects to collect during the year (MINEDUC, 1990, p. 2).

Some of the more specific restrictions on subsidized-schools (municipal and private) include infrastructure requirements on playground space per student enrolled, classroom space, stairways, functioning toilets and washrooms, and other safety requirements. If activities are offered after school, they must be supervised, and if a school wants to participate in the school meal program, it must have facilities to prepare the food, and a dining room for the children. Municipal schools face some requirements which private schools do not have. For example, every municipal school (at least in the Santiago area) must offer a "differential" class which is for children diagnosed with special learning problems such as dyslexia, but who are not severely handicapped, and every municipal school offers the school food program. Private subsidized schools are not required to offer a differential class, nor are they required to participate in the school food program. Consequently, many private subsidized schools do not provide these services.

According to the Ministry of Education regulations, subsidized schools (public and private) are expected to accept all students who apply, and hence, they are restricted from using entrance exams or other means of selecting students. If demand is greater than available space, they are expected to take students on a first come first serve basis. Schools are also restricted from expelling students during the year. These expectations are not strictly enforced, however, so that schools can and do use methods to select students (Parry, 1996b).

To promote participation and to give parents an opportunity to learn about the school their children attend, all schools are required to have a Parent Center which meets monthly. Only a group of delegates attend these meetings, however, and the content of the discussion is typically how parents can raise money or otherwise contribute to the school. Parent subcenters meet each month and provide information on student performance, and school activities, and sometimes they include a short "school for parents" or discussion relevant to the parents' interests. All parents are expected to attend the subcenter meetings, and usually the meetings are organized by the student grade level (i.e., first grade meets one month, second grade another month, etc.). According to the schools it is usually mothers who attend the meetings, and attendance is highest for parents of young children (first and second grade). There does not appear to be any specific information which schools are required to provide to parents.

School administrators often complain that the regulations accompanying the per-student subsidy are onerous to comply with, but at the same time, the Ministry of Education may not be giving enough attention to some problems. For example, student selection is not monitored by the Ministry, although schools (public and private) use interviews, minimum grades and entrance exams to choose students (Parry, 1996b). The use of selection has negative consequences in terms of equity, and therefore, the Ministry of Education should adopt stronger policies concerning selection of students. To promote greater equity, the amount of selection could be limited. For example, perhaps popular schools could be required to enroll a very small percentage of badly performing students. Second, the Ministry of Education could work harder to identify poor quality schools and either force these

schools to improve (by working with the P900 program, for example) or close them down.

(ii) *Supervision*

The 40 provincial departments have the responsibility of supervising municipal and private subsidized schools and ensuring that schools abide by the regulations described above. The provincial departments hire both supervisors and inspectors which make periodic visits to both types of schools. Inspectors visit the schools at irregular intervals, usually three to four times per year, without informing schools of the visit ahead of time. The inspectors see that building codes are upheld, and that the attendance books and other administrative details are kept correctly. All problems are noted on a form, which the director of the school must sign before the inspector leaves. For each infraction the school must pay a fine which is quite steep.[17] Very few schools have a clean record in this area with the most common problems being failure to record attendance, inaccurate attendance records, failure of the teacher to sign in, and infrastructure in poor condition. In addition, the more problems which are found, the more often the inspector visits to give the school strong incentive to improve. In the case of municipal schools, the corporation or municipality receives the fine, and in the case of private schools, the owner receives the fine.

While the schools' relationship with inspectors is adversarial, their relationship with supervisors is of a collaborative nature. The supervisors visit the schools periodically to offer technical assistance and ensure that the director is informed of new policies or changes in programs. The supervisory visits are less frequent than the inspector visits, and the director is notified ahead of time. A director can also call and request a visit if he needs help dealing with a certain issue. While the supervisors may offer advice or assistance to the schools, it is up to the director whether he/she accepts it. Supervisors do not have a very good reputation for being well trained in the areas of school management and pedagogy. Furthermore, provincial departments are seriously understaffed: with only 375 supervisors for over 8,400 primary (grades 1–8) schools the provincial departments cannot provide systematic support, and the support which is available is given unequally. Provincial supervisors can only reach 10–15% of the establishments under their supervision annually (Latorre *et al.*, 1991, p. 65) so many schools, especially in rural areas, do not receive regular supervision.

(iii) *National testing*

Chile is unique in Latin America in using standardized achievement tests to monitor educational performance.[18] To provide information on school performance, the Ministry of Education administers national standard tests to fourth grade and eighth grade students in both mathematics and Spanish.[19] The exams represent the knowledge all students are expected to know at their respective grade level. Schools receive a printout of the percentage of correct answers by their students, whether they are above or below satisfactory levels, the average score of schools with similar characteristics, and the national average score. Schools are expected to use the results to learn where they are deficient, and to use them as a benchmark to learn whether their students are improving. The test scores are not officially disseminated to the public although some newspapers print them. Schools with high scores are discouraged from using them as publicity for the school, but many do use them this way.

In sum, the nonmonetary support linkages from the central government to the public and private schools could be improved in several ways. First, the number of supervisors needs to be increased while at the same time their qualifications need to be enhanced. Improving the role of supervisors could potentially raise the quality of education in the country. Second, students take the SIMCE exam only once so that it is not possible to know if they improve over time. More frequent examinations make it possible to track the progress of individual students and evaluate whether education quality has improved. Furthermore, every parent should be able to obtain their child's score on the exam to enable them to assess the intellectual progress of their child. Parents' decisions about schools are based on impressionistic evidence rather than accurate information. Therefore, the central government could improve the quality of education by giving parents some guidance in terms of how to select schools and by providing greater access to information concerning the quality of schools in their area. Schools should be required to make information concerning school inputs and outputs available to the public, and the Ministry should also monitor the information provided by schools or municipalities to parents to prevent "false advertising."

4. CONCLUSION

The development of Chile's unique system of education began with deconcentration of administration of education from officials in the central government ministries to regional secretariats, and eventually led to deconcentration to provincial departments of education. This approach to decentralization was the least dramatic of the options available, but in the area of education was successful in achieving some regional variation in education. The successful implementation of deconcentration policies permitted those involved to adopt a more receptive attitude toward decentralization and enhanced the acceptability of devolution of education responsibilities to the local level of government. In addition, since school choice and public

support of private education were already institutionalized features of Chile's education system, the reforms merely extended these features by promoting competition between public and private schools by tying funding to student attendance. Therefore, although Chile's reforms appear dramatic, they were built on a supportive foundation.

The success of education reforms in Chile can also be attributed to the development of effective vertical linkages to aid the decentralization of education. During the implementation of these reforms the central government adopted new roles which stressed assistance in addition to control. It became responsible for providing school funds on a per-student basis, giving support in-kind such as school food and textbooks, supplying technical support to rural schools or to schools with greater need, funding school improvements proposed by the schools (on a competitive basis), giving national achievement tests, and supervising schools on a regular basis. Some control linkages remain important such as regulating and monitoring school practices, facilities and attendance records. On the negative side, however, the implementation of devolution and privatization policies has not had the expected positive impact on education quality while it had a negative effect on equity in education. The provision of education in Chile could be further improved by strengthening and clarifying vertical support linkages. More stable financing, stronger enforcement of regulations, and increased availability of information concerning school inputs and student performance could improve the operation of decentralized education provision in Chile.

NOTES

1. Decree Law 573 of 1974 divided the country into regions, provinces, and *comunas* (municipalities) and created SEREMIs — Regional Ministerial Secretariats. Decree Law 575 of 1974 provided administrative reform by restructuring the Ministries and assigning responsibilities to the new regional governments. Before this law the administrative divisions were provinces and *comunas* with provincial governors appointed by the president and mayors elected by popular vote (Castañeda, 1992, p. 200).

2. Decree Law 1289 of January 1976, known as the New Law of Municipalities and Communal Administration, specified that mayors would be chosen by the President of Chile, and it also created Community Development Councils (CODECOs), whose members represent various community interests, but until recently were appointed and not elected. The Municipal Constitution Law (D.L. 18.685 of 1986) later permitted the Regional Development Councils (CODEREs) to choose the mayor in all but 16 *comunas* in which the President still hand-selected the mayors. In 1992 members of municipal councils were elected in the first municipal election in 20 years; the representative with the most votes from the winning party would be mayor.

3. See Arriagada, Matulic and Trucco (1979, p. 55); Fernandez (1980, p. 74); ODEPLAN (1981).

4. The Municipal Revenue Act of 1980 (Decree Law 3.063 of 1979) created the new sources of municipal revenue and the Municipal Common Fund (FCM).

Decree Law 3.000 of 1979 established procedures which gave municipalities more flexibility in budgetary and financial matters by modifying the rigid centralized regime of budget authority. Municipal budgets were removed from the Central Government Budget Law and *Intendentes* were given increased authority over municipal budgets. It was not, however, until 1988 (well after education decentralization) that municipal councils (CODECOs) were given authority to approve municipal budgets.

5. Provision of primary health care was also transferred to municipalities.

6. Public vocational high schools were transferred to private, nonprofit institutions which received financing based on previous operation costs. All property and equipment were transferred free of cost to the new private entities (Castañeda, 1986).

7. Real government expenditures for education rose by 6% during 1979–80, by 20% during 1980–81, and by 20% during 1981–82 (Castañeda, 1992, p. 19).

8. Although the rhetoric emphasized the economic gains from decentralization and privatization, an obvious political gain was the minimalization of the influence of teachers — a group traditionally supportive of socialism and opposed to the Pinochet dictatorship. Not only were teachers forced to become private sector employees, but they could only form a union within a given school, not at the national level. Recently teachers have regained much of the influence they lost during the Pinochet era. For example, the Teachers Statute of 1992 guarantees a minimum salary and better working conditions.

9. Article 4 of Decree Law 1-3.069 of 1980 governs the transfer of teachers to the private sector. The law is ambiguous, however, because it also states that teachers who had been in the public sector had two options: to be paid and promoted according to the public sector terms or to negotiate

their salaries and promotions (ODEPLAN, 1981, pp. 24–25; Castañeda, 1986, p. 11).

10. The Law of Subventions was further revised in 1987, 1989 and 1992.

11. This entire section is summarized from the 1989 Law of Subventions and a 1990 document from the Ministry of Education (MINEDUC) which summarizes the law. Some of the adjustments made by the New Law of Subventions in 1992 are also included.

12. The zone assignment is based on the distance between the province and the central region of the country.

13. For schools which meet this conditionality, the weight is based on the number of students attending the school. If the school has less than 11 students, the weight equals two, or in other words, the base USE is doubled. The weight decreases gradually as the number of students increases to equal 1.05 for schools with 84 students.

14. During the winter many schools have lower attendance. While average attendance in spring or fall is 92% of total enrollment, in winter the average attendance for some schools was around 80% of total enrollment. Hence, while costs remained stable, the subvention payments were not as predictable.

15. The information for this section comes primarily from interviews with personnel in the provincial departments, the municipal corporations, and municipal and private subsidized schools in the Santiago area. Some details are from documents of the Ministry of Education.

16. Originally private schools were not allowed to charge fees, but since 1990 private schools have been permitted to opt for shared financing as described above.

17. One principal estimated the fines to be about 80,000 pesos or about $US 225 in 1992.

18. National testing began in 1968 and ended in 1971; was resumed during 1981–84; and the current Sistema de Medicion de la Calidad de la Educacion (SIMCE) program was initiated in 1988.

19. The test is given to fourth graders in even years and to eighth graders in odd years — this means a student either takes the exam in the fourth grade or in the eighth grade, but not both, so it is not possible to look at improvement from fourth to eighth grade for a cohort of students. Tests are also given for social science and natural science, but most schools only take the math and/or Spanish exams.

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