

Competitive Stimulus: the Missing Factor in the Implementation of the Agenda

The Competitive Stimulus Agenda is a key factor to increase growth of the production capacity and thus create more employment. There is still much work to do in this matter: the goal aims at the implementation of 20 measures this year, and only six of them have been executed. Additionally, only 28% of the measures are still being studied.

The “*Doing Business 2012*” report of the World Bank and the International Finance Corporation (IFC), published a month ago, highlighted that Chile was ranked 39 out of 183 countries, obtaining the first place in Latin America and advancing 35 positions in the indicator which measures ease for starting a business, and 24 points in the indicator of access to credits, a key factor to support entrepreneurship.

This report measures the ease of doing business in the world’s different countries, based on 10 indicators: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency.

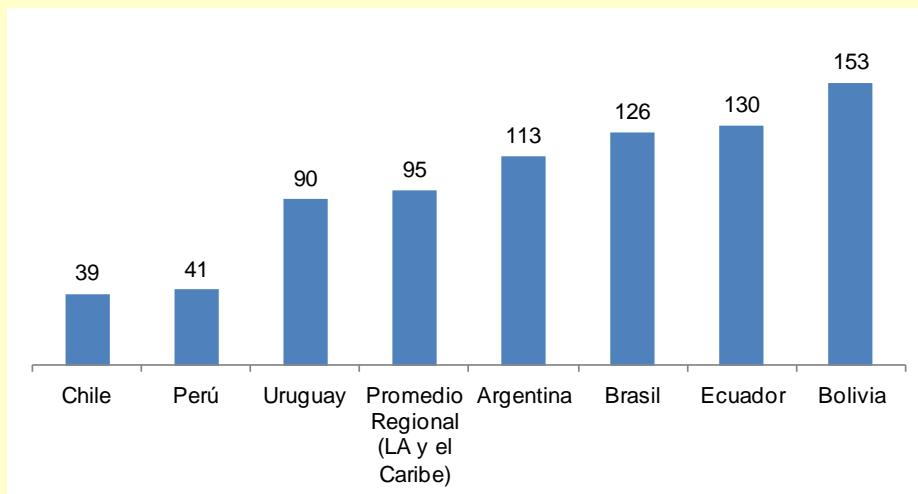
Chile advanced two positions in the total ranking from 2011 to 2012, that is, from place 41 to 39. Table 1 shows the evolution of the rate of progress for each indicator.

The results of this ranking are expected by investors and authorities to evaluate the countries’ rate of progress for ease of doing business and competitiveness. Chile is concerned about this matter, both at the private and public level, and therefore, on May 17th of the present year, the Government announced the “Competitive Stimulus” Working Agenda, a package of 50 actions aiming at fostering economic growth by eliminating obstacles, speeding up procedures

and improving the conditions to start businesses and innovating, in a scenario of free competition and equal opportunities.

Chart 1

RANKING OF *DOING BUSINESS* 2012



Source: Data Base "Doing Business 2012"

Table 1

SCORES OF CHILE IN *DOING BUSINESS* 2011-2012 BY INDICATORS

	2011	2012
Starting a business	62	27
Dealing with construction permits	87	90
Getting electricity	41	41
Registering property	46	53
Getting credit	75	48
Protecting investors	28	29
Paying taxes	42	45
Trading across borders	59	62
Enforcing contracts	66	67
Resolving insolvency	96	110

Source: Data Base "Doing Business 2012"

The list of measures aims at increasing the economy's general productivity, bearing in mind the goal of achieving development in

Chile in 2020. The selected reforms were the consequence of a consultation process to the most relevant productive and export sectors of the economy which, gathered in working groups formed by public sector and businessmen representatives, in addition to experts for each one of the areas, identified around 300 obstacles for the economic activity in the country today.

Table 2

50 MEASURES OF THE COMPETITIVE STIMULUS AGENDA

1	Chile pays: the State shall punctually pay
2	CORFO (Production Development Corporation) Reconversion Guarantee Fund
3	By-laws for medium and small businesses (PYME) 2.0
4	Better training: SENCE (National Service of Training and Employment)
5	Work accident insurance: premiums' review
6	Profits' reinvestment: more accessible stimulus
7	Securities' mobility: greater bank competition
8	Sea shore: efficient maritime concessions
9	Aquaculture: efficient concessions
10	National assets: better administration of fiscal patrimony
11	Construction: to facilitate permits
12	Roads mitigation measures with objective criteria
13	New exports: early VAT refund
14	Environment assessment: to avoid redundant requirements
15	Regionalization: to study contribution incentives for large-scale projects
16	Consumers alternative plans
17	Evaluation of the option of electricity traders starting to compete in distribution
18	More competition in maritime freight and passenger transportation inside Chile
19	More competition in aerial freight and passenger transportation inside Chile
20	Beacons and emergency lights: gradual cost reduction
21	Roads: 700K
22	Signs: to put them at international level
23	Extra port warehouses: more options
24	Customs procedures: more competition
25	Road transport: more modern technical standards
26	Multimodal carriers: new logistic procedure
27	Customs
28	Servicio Agrícola Ganadero (SAG, Agricultural and Livestock Service)
29	Labor Department
30	Ministry of Health sanitary permits
31	Instituto de Salud Pública (ISP, Public Health Institute)
32	Servicio Nacional de Pesca (SERNAPESCA, National Fishing Service)
33	Environment: adequate standards for agro-industrial sludge
34	Fondecap: promoting scientific research
35	Digitalization: more information by electronic means

36	Advanced electronic signature: promotion
37	Intellectual property: greater protection
38	InnovaChile 2.0: more responsive
39	CORFO: attracting high-technology Chilean companies
40	Software tax: eliminated
41	Service export: clarifying tax treatment
42	Personal data: greater protection
43	English language: more CORFO scholarships
44	Visas: making connection with the world easier
45	Touristic services: tax treatment review in hotels
46	Tourism in trailer homes: special tax is eliminated
47	Evaluation of working days' negotiated flexibility in agriculture sector
48	Evaluation of working days' negotiated flexibility in tourism sector
49	Promoting Chile abroad: an opportunity
50	Competitiveness Office: permanent productivity improvement

Source: <http://www.impulsocompetitivo.gob.cl/medidas/>

The President set May 2012 as the execution date for this Agenda, and charged its monitoring and stimulus to the Ministry of Economy, through a competitiveness office.

Since half of this term has passed by, and due to its key importance to the country, Libertad & Desarrollo collected the 50 measures' rate of progress. The information contained in this report is based on public information from the Congress, press statements, data from the government's web pages and consultation to official sources.

Rate of Progress of the 50 Measures

In order to get to know the rate of progress for each measure, the information was collected according to their progress degree, the execution by type of measure, and the progress made by the main responsible ministry. The data sources were varied, from press news, official communications, and consultations to the ministries involved and the experts of each area. Table 2 shows that 6 measures are already executed, 30 are in the implementation stage, and 14 are being studied. Concerning the measures being studied, 6 of them related to foreign trade, they were reincorporated and are now in negotiation sessions which end this month. Among them we can mention the liberalization of coasting trade and the extra port warehouses.

Table 3

RATE OF PROGRESS OF THE COMPETITIVE STIMULUS
AGENDA

Rate of Progress	Number of measures	%
Executed	6	12
Implementation stage	30	60
Being studied	14	28
TOTAL	50	100

Source: Libertad y Desarrollo

By **executed** measures we consider those where the bill was sent to the Congress or a change was introduced in a public service procedure or management.

The measures in the **implementation** stage are those where there is a course of action defined by the sectoral authorities, and where bills are being drawn up or the operative processes are being adjusted.

The measures **being studied** are those which are in the design stage. Among these, we can mention the evaluations being developed in technical working groups (formed according to an agreement adopted with the unions of Valparaíso in the month of July, and ending in November).

With regard to the type of measure (legal, regulatory or management), results indicate that the regulatory measures show the greatest delay (27% are still being studied), while the most advanced ones are those related to management issues (a fourth of them have been already executed).

Table 4

RATE OF PROGRESS OF THE COMPETITIVE STIMULUS
AGENDA
BY TYPE OF MEASURE

Type of measure	Executed %	Implementation %	Being studied %
Legal	4	75	21
Regulatory	13	60	27

Management	25	69	6
------------	----	----	---

Source: Libertad y Desarrollo

The **legal type of measures** is the one requiring the introduction of a bill in the Congress.

The **regulatory measures** imply changes within the public services, of procedures and proceedings.

Some of the measures can be executed in more than one way, that is, there can be a combination of them.

Table 5

RATE OF PROGRESS OF THE COMPETITIVE STIMULUS
AGENDA
BY MAIN RESPONSIBLE MINISTRY

Type of measure	Nr of measures	Executed Nr of measures	Nr in implementation stage	Nr being studied
Economy	14	4	10	0
Finance	9	1	5	3
Work	4	1	2	1
Transport	5	0	2	3

Source: Libertad y Desarrollo

The four ministries indicated in Table 5 embrace alone 32 initiatives of the Agenda; there are 15 ministries with projects involved in the Agenda.

Conclusion

There is still much work to do, but motivation from businessmen and workers is needed to further increase the productive capacity and thus create more employment. The Competitive Stimulus Agenda is a key factor to reach this objective, since the failures of Chile shown in the *“Doing Business”* report consider the obstacles that the Government is trying to overcome.

In view of the good initiative of this Agenda, 10 new measures are being considered for its implementation, during November, aiming

basically at guaranteeing the country's current growth rate in the medium and long-term, according to the statements of the Ministry of Economy, Pablo Longueira.

Before implementing new measures, it is necessary that the Government executes the 50 measures already established, which are the most relevant to generate credibility concerning the program to improve productivity.

The goal is to achieve a 40% progress of the Agenda before the end of this year, which means the implementation of a total of 20 measures, and there are only 6 initiatives which have been executed to date.

If we wish to maintain a 6% GDP growth per year until the end of the decade, we need to speed up investment and productivity.