

Decentralizing and Strengthening our Municipalities

Municipalities are the State's first face before the citizens. However, there is a great gap between people's expectations in them and their real capacities. The progress made in the ambitious government agenda seeks to shorten this distance, but more has to be done in areas such as citizen security, transport, housing, city road construction and investment, and national assets.

Municipal elections will be held in our country on next October 28th. It is not only a historical milestone, since a new system of automatic registration and voluntary vote will enter into force, meaning that 13.4 million Chileans will become potential voters; they have also put the importance of local governments in the public agenda, from the perspective of the State's role in several areas. As a matter of fact, it should not be forgotten that they are the State's first face before the citizens; therefore, local governments are perceived as key organisms by the community in complex areas such as citizen security or education, in routine and simple matters such as garbage disposal or resolving a series of administrative permits.

However, the increasing importance of municipalities –and the perception of this importance by the community according to several opinion surveys– is not accompanied with the legal powers and a budget frame in harmony with it. In other words, it seems that there are too many expectations from the community regarding the real possibilities of municipalities to fulfill the need for local public assets. Likewise, this goes together with limitations from the management and accountability perspective, and the capacity of municipalities to attract excellence professionals to administrate them.

In this respect, the government has displayed a very interesting agenda for local government improvement and modernization, following the logic of promoting decentralization in general and strengthening municipalities in particular. This agenda points in the right direction, but it can be improved.

Regulation and Budget Aspects

According to the regulatory framework, municipalities are defined as autonomous public corporations, with legal status and equity capital, whose purpose is to fulfill the needs of local communities, and also to ensure their participation in the economic, social and cultural progress of the respective unit.ⁱ Consequently, they are state-decentralized entities from the territorial and performance point of view.

The main roles of municipalities concern the elaboration and approval of the communal development plan; the master plan; community development; cleaning, garbage collection and landscaping; in turn, they have very limited powers in areas such as transport and citizen security. However, local governments have responsibilities, directly or with other public organisms, in the scope of education and culture, health, environment protection, employment stimulus, training, tourism, sports, social housing and sanitary infrastructure.

The mayors, as public authorities elected for 4 years, have specific powers such as administering financial resources, municipal assets and public-use national assets, convoking and taking the chair of the municipal, economic and social community council, and submit local management matters to plebiscite. In turn, within their responsibility, they have to deliver a public account to the Municipal Council, which contains the balance of the budget execution and the balance sheet, compliance with the communal development plan, objectives fulfilled, contracts concluded with other institutions, and modifications to the municipal assets.

On the other hand, the powers of councilmen, who are also public authorities elected for 4 years, include monitoring the plans' fulfillment, municipal investment programs, budget execution, approving municipal involvement in associations or corporations, recommending priorities in the drawing up and execution of projects and goals, reports to the organisms receiving funds or subsidies from the municipality, and supervising and approving the compliance with the communal development plan.

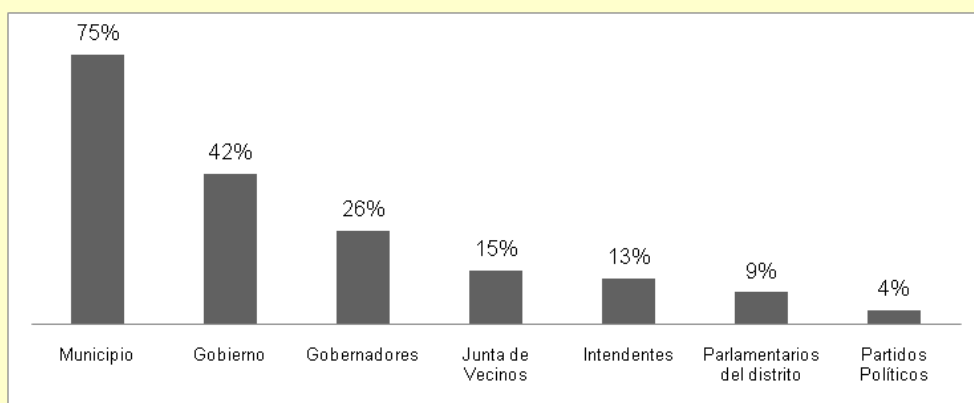
However, and reviewing the technical literature, local governments are essential in the light of a democratic development with bottom up characteristics.ⁱⁱ In this perspective, Wallace Oates' point of view is followed, who states that allocating financial resources to the generation of differentiable goods according to each community is better accomplished by decentralized governments, which are constituted closer to the electorate's demands.ⁱⁱⁱ

If we consider the responsibilities mentioned above, municipalities have acquired a relevant status within the national political system. They play a role in areas which have a direct impact on the daily lives of the localities' inhabitants; therefore, the nomination of electoral preferences should

operate with a stimulus' logic different from that of other elections such as the parliamentary or presidential ones.^{iv} At the same time, opinion surveys ratify the status of the municipality as “the sphere of solution for people’s local problems”.

Chart 1

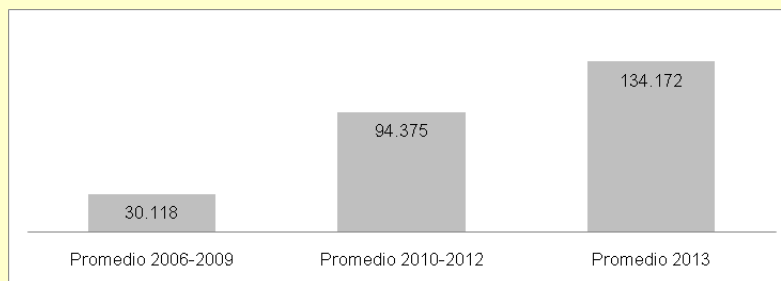
FROM THE FOLLOWING INSTITUTIONS OR PEOPLE, IN YOUR OPINION, WHICH ONES HAVE THE GREATEST CAPACITY TODAY TO SOLVE THE LOCAL PROBLEMS AFFECTING YOU?



Source: Prepared by L&D based on data from the survey *Encuesta Auditoría de la Democracia*. CIEPLAN, IDEA International, Libertad & Desarrollo, UNDP, ProyectAmérica and Centro de Estudios Públicos (CEP).

Chart 2

BUDGET IN LOCAL MUNICIPAL INVESTMENT
(CLP\$ MILLIONS 2013)



Source: DIPRES, 2012.

From the budget perspective, the efforts in this scope have been significant. Investment on local governments increases more than 4 times in 2013 compared with the average of 2006-2009, which is mainly financed

by offsetting of real estate tax exemptions (CLP\$40 billions) and the reimbursable funds program for the development of the cities (CL\$21 billions).

The Executive's Agenda Concerning Municipal Strengthening

Although municipalities have been strengthened in the last years, there is still much progress to be made. Consequently, the Executive has set forth an ambitious agenda of municipal improvement, both from the perspective of management and administration measures, and legal reforms.

Among the main measures is the creation of the Stimulus Fund for the Improvement of Municipal Management, the implementation of *ChileAtiende*, a multiservice public network program, which allows municipalities to rely on an online payment portal that gathers more than 2,000 public services and benefits. The importance of these measures is that they are positive, since they reward good management and reduce formalities by using new technologies, increasing efficiency and improving the quality of services, focusing on the service to the citizens.

Regarding the delivery of funds, the enactment of Law Nr 20,462 is being provided for, which makes an extraordinary allocation of CLP\$22,300 billions for 2013 to the Municipal Common Fund (*Fondo Común Municipal*), and offsets lower revenues to the communes affected by the earthquake and seaquake of February 27th, 2010; the creation of offsetting for real estate tax exemptions, compensating municipalities for the exemptions on these municipal real estate taxes that benefit them, which in the 2013 Budget Law amounts to CLP\$ 40,213.772 billions. It also provides for an advance program of real estate tax collection for the municipalities that certify financial stability through a risk classification system, and the increase of the per capita allocation in municipal primary health care, which has grown up to the point of being practically financed, paying an historical debt with the municipalities. This goes in the line of increasing financial resources to the regions, although the need for a more participative and flexible fiscal decentralization, in addition to their involvement in the important decisions, are pending challenges.

From the point of view of transparency and citizen participation, the bill is the most visible factor, which allows strengthening the municipalities' probity, transparency and professional capacity, and creates the system of *Alta Dirección Pública*^y (*ADP*, in Spanish - Bulletin Nr 8210-06), in addition to the bill that facilitates plebiscites and regulates referendums (Bulletin Nr 7308-06), which is at the mixed commission as a matter of great urgency. These measures aim at strengthening the municipal sector and the institutional framework, both of municipal human resources and plebiscites, concerning the mayor's priority issues.

Other relevant measures to be considered are the approval of Law Nr 20,527, which allows the associations of municipalities to have legal status, the homologation of municipal official's base salaries with those of the centralized administration, the stimulus for voluntary retirement of municipal officials. These measures generate more competition and flexibility in municipal facilities, thus making the option of belonging to local governments more attractive and not totally focusing on central government officials.

In brief, it is an ambitious agenda, which could be complemented with decentralization improvement in citizen security and urbanism matters, especially in cities with only one commune, in addition to continue in the line of training human capital in the local governments, and greater participation and autonomy concerning financial resources, so that municipalities can reduce the gap between the existing capacities and the delivered services, fulfilling the needs of the citizens, who consider them the main institution for solving their problems.

Conclusions

Municipalities are the State's first face before the citizens. However, there is a great gap between people's expectations in them and the real capacities of our country's local governments in terms of their human, financial and legal resources. The progress made in the ambitious government agenda seeks to shorten this distance, which should be welcomed; nevertheless, more has to be done in citizen security, transport, housing, city road construction and investment, and national assets, since all these areas are still highly centralized. This is especially true when the city has a single commune. However, no reform can neglect the need to incorporate higher levels of transparency and accountability, which are essential to have local governments leveled with a developed country.

In brief...

MUNICIPAL STRENGTHENING AGENDA:

- Creation of the Stimulus Fund for the Improvement of Municipal Management.
- Implementation of *ChileAtiende*, a multiservice public network program.
- The enactment of Law Nr 20,462 is being provided for, which makes an extraordinary allocation to the Municipal Common Fund, and offsets lower revenues to the communes affected by the earthquake and seaquake of February 27th, 2010.
- Creation of offsetting for real estate tax exemptions.
- Advance program of real estate tax collection for the municipalities that certify financial stability through a risk classification system and the increase of the per capita allocation in municipal primary health care.
- The bill which allows strengthening the municipalities' probity, transparency and professional capacity, and creates the system of *Alta Dirección Pública (ADP)*.
- Bill that facilitates plebiscites and regulates referendums.

ⁱ Law Nr 18,695, *Orgánica Constitucional de Municipalidades*.

ⁱⁱ Mardones, Rodrigo. "Descentralización y transición en Chile". In *Revista de Ciencia Política*, Volume 26, Nr 1, 2006

ⁱⁱⁱ Oates, Wallace E. *Fiscal Federalism*. New York: Harcourt Brace Jovanovich, 1972.

^{iv} Morales, Mauricio and Navia, Patricio. "Representación, instituciones y participación". In Morales, M. Navia, P. (Editors) *Democracia Municipal en Chile, 1992-2012*. Ediciones UDP, 2012.

^v The ADP is an independent commission that competitively selects government services' officials (T. Note).