



# Balance: The First Six Months of Sebastián Piñera's Government

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Six months have passed since Sebastián Piñera became President of the Republic of Chile; therefore it is important to analyze the management of the President and his cabinet in view of the tasks considered a priority.

In the present document, Libertad y Desarrollo (LyD) submits a legislative balance of the projects introduced and approved at the Congress of the present government compared with other administrations in their first 6 months, and also a review of the good and bad decisions regarding the seven key factors established by the President on last May 21<sup>st</sup>.

### **Projects Introduced by the Executive to the Parliament**

These projects are mostly related to issues regarding the country's reconstruction after the earthquake of last February 27<sup>th</sup> (8 projects) and the social area (7 projects). The other ones concern international agreements (6), Transantiago<sup>i</sup> (3), work (3), delinquency (2), environment (2), economics (2), democracy and political system (2), telecommunication (2), education (1), and culture and others (2).

Likewise, most of the approved projects refer to the reconstruction (7). The remaining ones concern: social issues (4), work (3), energy (1) and education (1).

The former shows that the government has been successful in obtaining approvals for the priority projects, that is, reconstruction and social agenda. It is only a quantitative analysis, but it somehow reflects these priorities.

Table Nº1

### COMPARED LEGISLATIVE BALANCE OF THE GOVERNMENT'S FIRST SIX MONTHS

President	Introduced projects	Approved projects	Legislative effectiveness
P. Aylwin	66	14	21%
E. Frei	69	2	3%
R: Lagos	23	1	4%
M. Bachelet	37	6	16%
S. Piñera	44	16	34%

Source: Self-elaboration

### Analysis of the Progress Concerning the Seven Key Factors Set Forth by the Government of Sebastián Piñera

In order to analyze how President Piñera has governed along the first six months of his administration, Libertad y Desarrollo based its evaluation on the so called 7 key factors which the President outlined as a priority. These were analyzed with the aim of pointing out good decisions, weaknesses and pending issues in each one of them.

#### Key Factor 1: To Recover the Economic Growth Capacity

The macroeconomic program of President Piñera promised to give back to the Chilean economy the necessary force to grow at high rates and in a sustained manner. Specifically, to achieve a 6% average growth for the period 2010-2014.

A few months have passed since the new administration took chair and it is possible to observe a new takeoff of the economy in spite of last February's earthquake: between February and June, the Chilean economy grows at an annualized rate of 70% above that of the same number of months immediately before. Between October 2009 and February 2010, the economy grew in annualized terms from -2.1% to -0.5%, that is, an improvement of 1.6 percentage points, while between February and June 2010, it grew from -0.5% to 2.2%, that is, an increase of 2.7 percentage points.

This last performance, with growth figures of June's Imacec (6.8% in twelve months), achieves a new plateau of quarterly mobile growth, this time at levels between 6 and 6.5% for the next 12 months. This result places the Chilean economy in the orbit of the growth rates established in the

program, and what is worthy of special mention is that when something similar occurred 5 years ago, this period came along with a strong growth in the creation of employments, a fact that has already begun to materialize in the labor figures.

A reasonable doubt today is if these growth rates are sustainable in the mid-term or if they are only a rebound common to every economic cycle, this time at a higher rate than that of the previous months, as was already analyzed. Specifically, and as the government program itself states it, the key is whether a real turn has started or not, one that encourages the spirit of undertaking and innovation in the country, something ignored in the last governments of the Concertación.

The ministries of Finance and Economy have set forth a series of initiatives tending to improve the business environment and foster undertaking, as in several other sectoral ministries. Nevertheless, there are certain signs which are not collaborating with the objective of laying solid foundations to keep a sustained dynamism in the Chilean economy, such as the introduction of a new royalty law project and the President's decision to interfere in an investment already authorized by the environmental constituted authority following the necessary technical analysis.

### **Key Factor 2: To Boost Employment Creation**

The program of President Piñera considered the challenging goal of creating, for the period 2010-2014, "a million new and good employments" (200 thousand per year).

The new survey of the INE (the National Statistical Institute) makes it difficult to interpret the figures, but it is possible to notice that there is a positive pattern of strong employment creation which is also shown by the figures of Universidad de Chile for Greater Santiago, a survey which has not changed its methodology. This should confirm that there is something very interesting happening in this front and, if it continues this way, it would ensure the fulfillment of the goal of 200 thousand new employments for this year.

In fact, the INE's figures show that in the period May-July 2010, in relation to the same period of the previous year, 325 thousand employments were being generated. For the period April-June 2010, and also in relation to the previous year, this figure increases to 612 thousand employments, that is, a net improvement of 287 thousand employments. The figures of Universidad de Chile for Greater Santiago also account for a strong improvement, since by March 2010, and in relation to last year, 57 thousand employments were created. By June, that figure increases to 152 thousand, that is, an

incremental performance of 95 thousand employments, almost half of the annual goal in just one quarter.

Therefore, the unemployment rate has significantly decreased, which means that by the end of the last period available and in relation to the previous year, both surveys demonstrate a drop of 3 percentage points or slightly more. However, an interesting point is that the decrease of the unemployment level, with regard to the previous year, had not been seen in the survey of Universidad de Chile since December 1991, almost in the middle of the golden period of the Chilean economy – between 1986 and 1997-, with a 7.6% average growth of the GDP, work contributing with 2.5 points. This is certainly good news for those who are searching for an employment opportunity.

The adjustments to the minimum wage deserve special attention, adjusted a few months ago above and beyond the advisable value, due to the bad experience previous to the Asian crisis and which is considered by many the great responsible, together with the rigidity of the labor legislation, of the substantial increase achieved in the unemployment rates. This year's adjustment, 4.2%, was excessive due to the levels already achieved by the minimum wage and the priority given to employability.

### **Key Factor 3: Quality Education**

It is difficult to evaluate outcomes in education in such a short term, since the results of good policies are only visible after several years. However, certain elements can be evaluated in a short-term scenario.

An important achievement was the fulfillment of the goal which allowed 1,250,000 children to return to the schools that were damaged after the earthquake, which demonstrates management capacity. Along these lines, it is also worth mentioning the publication of explicit and measurable goals for evaluating the performance of the Ministry of Education (MINEDUC) by the end of this year, and downsizing of the personnel who was not performing any function.

The Growth Report, elaborated for the World Bank by a commission integrated by 2 Nobel Laureates in Economics and 19 political leaders of different countries, points out that it is not advisable to measure the education progress only in terms of school construction and registration increases, without taking quality into account. Lately, Chile has only showed improvements in infrastructure and registration, but none in quality. This is the challenge.

In July, the Expert Panel for Quality Education was summoned, and it delivered proposals to strengthen the teaching profession. The MINEDUC

is working on them and certain proposals contain flexibility steps that will help to achieve the quality goals.

Scholarships for the good teaching students were announced and a proposal to change the teaching career was made, which will allow withdrawing from the classrooms those teachers who do not meet the necessary quality standards.

Moreover, as a result of an agreement in 2007, the projects for guaranteeing a quality education are being encouraged, in the same way as the modification of the preferential school subsidy, which creates a new segment for the poorest, increases the subsidy for the priority ones and gives more flexibility to the use of resources by the schools. These announcements are going in the right direction, just like the implementation of the excellence secondary schools which should start operating in 2011.

### **Key Factor 4: Fight against Delinquency**

An area where you can actually feel the “change of hands” is citizen security. Both the campaign and the Government’s program contained three main goals: to end with the impunity feeling, to guarantee order and to reduce people’s fears. In this way, successful results were obtained in difficult situations such as the Young Combatant’s Day, together with the greatest drug seizures.

On May 21<sup>st</sup>, these proposals were deepened, based on a strategic alliance of police and citizenship; the urgency to the law project which creates the new Ministry of Interior and Public Security; the prevention and rehabilitation measures (programs “Healthy Life” and “New Life” aimed at young criminals, and the execution of the plan “District at Peace” in 100 critical districts that concentrate the highest rates of crime and fear); in penitentiary matters, the aim is put at promoting special labor statutes for prisoners, a system which already operates successfully in the private prisons; measures for crime control and pursuit; regarding the institutions, the dispatch of a law project was announced which creates special district attorney’s offices for high complexity investigations such as drug trafficking, organized crime and corruption; and the law project to increase in 10,000 the number of policemen (Carabineros) and in 1,000 the number of criminal investigation officers (Policía de Investigaciones), in a period of 4 years.

Additionally, a new equipment investment was announced for policemen and criminal investigation officers; the extension of the Plan Cuadrante to new communes (so that no commune with more than 25,000 inhabitants is left out of this program); the simplification of accusations, a massive provision plan of lights and monitoring cameras in those streets, corners and squares where it is known that drug is sold or consumed; and the

implementation of an intelligent penal pursuit system, including a unique criminal information system with geographical reference; protection for crime victims; and regarding the respect owed to policemen and criminal investigation officers, the Executive proposed a law project which increases the penalties in case of mistreat in word and in deed.

The former has shown some results already. The government's anti-delinquency package contains 22 very specific measures, distributed in six different areas, among which we may highlight the pilot plan for the Bellavista quarter of Santiago, where arrests were reduced between the first and the fourth intervention (approximately a month) from 36.1% to 2.4%. This is supported by new figures accounting for a substantial decrease in the percentage of persons who are very afraid, from 17.8% to 13.3% (Adimark) and the victimization also decreased from 37.5% to 36.5%; and the highest increase in the positive evaluation by the citizens concentrates in the present government, with a 9.5% increase. What is worth noting is that in this period no substantial legal change has occurred, demonstrating that with the existing laws – including a better management of resources and the commitment of the authorities involved – it is possible to fight this calamity in a better way.

Nevertheless, a pending issue is the institutional framework concerning the citizen security whose law project has still not come to light. Another pending matter is to discuss certain proposals of doubtful effectiveness and efficiency, such as the so called "Defensoría de las Víctimas" (Victim's Representation or ombudsman), conceived as another state organism.

### **Key Factor 5: Better Health for all Chileans**

Although health spending has progressively increased for decades (doubling it between 1990 and 2009 as percentage of the GDP), there are still many problems. Long waiting lists for health attention, lack of infrastructure and professionals, among others, presented a worrying scenario. To this we must add the emergency and the need for reconstruction derived from the earthquake and the management inefficiencies which were even greater than expected.

In relation to the emergency, the government was able to act pretty quickly by establishing measures that have been able to recover 90% of the damaged beds, operating rooms and hospitals' availability. The shortage of infrastructure, which could be evidenced even before the earthquake, moved the government to propose within its project in the pipeline, six new hospitals to be licensed in the period 2010-2014, and maybe others that are being studied could join the list. However, it was not audacious enough to incorporate clinical management.

In turn, the present administration came across a hospital debt over 200 thousand million Chilean pesos, detected administrative inefficiencies in CENABAST (Supply Centre for the Ministry of Health) and other departments, and discovered a deplorable computing system. This led to concentrate efforts in organizing and making expenses clear, increasing control and restructuring services to improve their operation. Although it is still early to observe results, these measures are certainly going in the right direction, and they allow anticipating that one of the great contributions of the government will be its management focus.

Moreover, the present administration has also achieved a significant reduction in the waiting lists of Plan AUGE (Regime of Explicit Health Guarantees), announcing that they could be completely eliminated in less than a year. The willingness shown to strengthen the public-private alliance will play an important role, leaving out the ideological prejudices and focalizing on the sick, while duly fulfilling the increasing health requirements of the population.

Finally, it is worth emphasizing that in the first months of the present administration an Expert Commission was formed with the aim of proposing changes in the infrastructure, management and incentives to upgrade the health system, which could arrive at the Congress at the beginning of 2011. This will allow analyzing a series of issues which will improve the health system's operation and optimize its financing.

### **Key Factor 6: Poverty Uprooting**

In spite of the earthquake and the poverty figures of 2009, which were higher than expected, the Ministry of Planning and Cooperation (**MIDEPLAN**), has confirmed the goal of uprooting extreme poverty by 2014.

In relation to the earthquake, the coordinating management of MIDEPLAN was positive: 80,000 equipped emergency houses were delivered and the extent of the emergency was quickly assessed through the EFU survey (Encuesta Familiar Única de Emergencia) which determined the needs of the victims. Additionally, the post-earthquake Ficha Social (social targeting measurement) was applied in a short time in the disaster area.

Likewise, it started working in substantial changes of the institution. A law project was designed to create the Ministry of Social Development. Furthermore, the Ministries Committee was established to line up and coordinate the government's social policy. 298 government programs were also evaluated. In the same way, commissions were created to study the CASEN survey and the Ficha de Protección Social. Finally, MIDEPLAN has succeeded in reducing the administrative spending by half and the idea is

to disseminate this resolution to the related programs. These organisms are working to reduce the administrative spending to 30%.

One of the pending issues is to inform how the Ethical Family Income will be introduced; this is the great social instrument of Piñera's campaign which has not been revealed yet.

Also in social matters, the speeding up of the definite social housing for the victims of the earthquake is still a debt, since the response has not been as quick as in other areas, such as infrastructure repairs or the reestablishment of the education activities, which is understandable from the technical point of view, but it is not coming up to the expectations.

### **Key Factor 7: To Improve Democracy**

The so called "improvement of democracy" is the last challenge set forth by Sebastián Piñera in his speech of May 21<sup>st</sup>. Through the "democratic agenda", the President seeks to increase – with two sets of measures- the participation and transparency of the democratic process.

First, it was sought to give the voting possibility to Chileans who live abroad and maintain a certain link with our country, and an alternative note was introduced to the law project that materializes the automatic registration and voluntary voting. There is a second set of measures which includes the citizens' initiative law, the refinement of the interest and equity statement and the communal consultations.

With the Law of Automatic Registration and Voluntary Voting the idea is to increase the vote registration records by nearly four million voters and the voluntary voting would seek to add "competition" to politics. Although it is not a direct way of increasing participation, the aim is to leave the voting convocation in the hands of politicians. In this way, the candidates shall have to convince their electorate to vote, making the process more dynamic and participative.

Moreover, the President has signed the project which proposes to change the date of the presidential election to the third Sunday of November and, if a second round is needed, it would be four Sundays afterwards.

Together with the voting participation, it is sought to increase the citizens' participation through the communal consultations, so organized neighbors may ask for a plebiscite. The project of constitutional change of the citizens' initiative law is more questionable; this project will enable the citizens, with 0.1% of signatures, to present law projects, an idea that could raise false expectations and which must be evaluated in terms of its real contribution.



Finally, the project which pretends to refine the interests' statement was signed, with the commitment to amend the political parties' law. In closing, the primary elections project – where Libertad y Desarrollo participated- is currently at the Congress for discussion.

### **Summing up**

Last May 21<sup>st</sup>, and based on his government program, President Sebastián Piñera communicated the 7 key factors which will be the seal of his administration.

With regard to growth and employment, in spite of the difficulties derived from the earthquake, an outstanding progress can be observed. However, it is important to pay attention to certain signs that could put at risk the economy's favorable outcomes.

In relation to the goal of quality education, even if it is too soon to make an exhaustive analysis, there have been made announcements in the right direction. Nevertheless, there are still many problems in the health area. The government should put special attention here.

The area which shows a change in the government management is delinquency; successful results have been obtained in this matter.

Concerning the objective of uprooting poverty, the work undertaken by MIDEPLAN, especially in overcoming the emergency after last February's earthquake, may be qualified as successful.

The last key factor, "To improve the quality of democracy", evidences progresses that must be analyzed in depth.

The analysis includes a summary of the projects presented by the Executive and its approval, compared with previous administrations. In this matter, the present government has been highly effective, especially in the initiatives related to the country's reconstruction.

In short, the progress seen until now shows a different style in the way of governing, where the premises are the sense of urgency and the focus is placed on management. There is certainly a long way ahead.

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<sup>i</sup> Public transport system of the city of Santiago.