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Politics and Corruption in Chilean Democracy

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ABSTRACT

This report examines the successful performance of Chile to control corruption. It discusses the importance of structural and institutional factors that have shaped Chilean political development and its political economy and then it analyses the mechanisms implemented to achieve such a goal.

KEYWORDS

Corruption, Anti-Corruption, Chile, Democracy

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ACRONYMS

CADP	Senior Civil Service Commission (Consejo para la Alta Dirección Pública)
CAE	Guaranteed Loan (Crédito con Aval del Estado)
CGR	Comptroller of the Republic
CS	Solidarity Loan (Crédito Solidario)
EGIS	Entidades de Gestión Inmobiliaria y Social
PDC	Christian Democratic Party (PDC)
PPD	Party for Democracy
PS	Socialist Party
RN	National Renovation (Party)
ROS	Report on the Observance of Standards and Codes
SADP	Sistema de Alta Dirección Pública
SPES	Senior Public Executive System
TC	Transparency Council
UDI	Independent Democratic Union
WGI	Worldwide Governance Indicators

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I. Introduction

According to the World Bank *Worldwide Governance Indicators (WGI)*, Chile has performed well in several areas considered essential for a stable democracy: voice and accountability, political stability, government effectiveness, regulatory quality, rule of law and control of corruption. Simultaneously, the support and satisfaction with democracy has increased steadily between 1996 and 2010 (see Table 1).

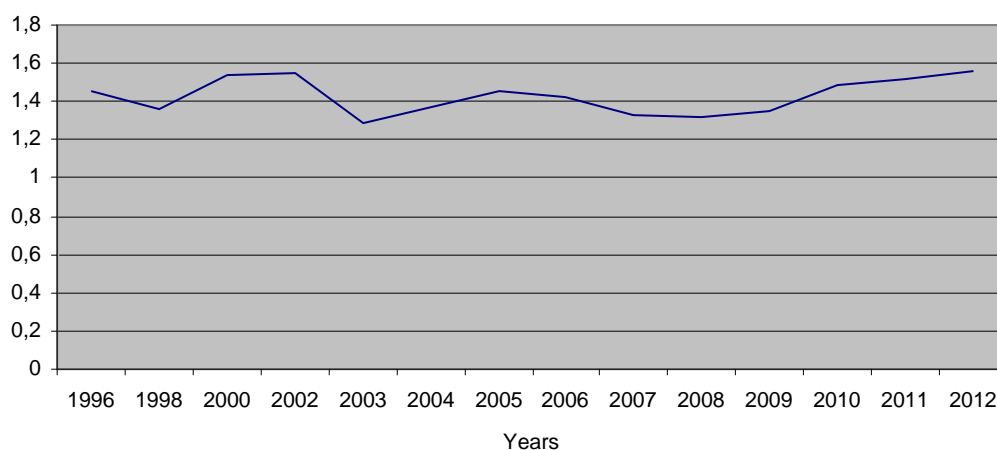
Table 1: Chile: support and satisfaction with democracy, 1996-2010 (in percentage)

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2008	2009	2010	Average 1996-2010
Support for democracy	54	61	53	57	45	50	51	57	59	56	46	51	59	63	54
Satisfaction with democracy	27	37	32	35	23	27	33	40	43	42	36	39	53	56	37

Source: Latinobarometro 1996-2010

Chile has consistently performed well in the control of corruption since 1996 according to the WGI. As Figure 1 shows, the country has a score of 1.5 on a scale from -2.5 to +2.5 for the period 1996-2012 and is located within the 10% of most effective countries by the World Bank. Furthermore, according to the three criteria of selection (see Trends Report, ANTICORRP 2013) the country qualifies as an over-performer in a global comparative analysis report.

Figure 1: Control of Corruption: governance score, 1996-2012



Source: World Bank

During the period studied (1996-2012) control of corruption was relatively stable. However, numerous public charges of corruption and scandals reported by the press created a climate of increasing public distrust toward authorities by the beginning of the 2000s and Chilean public opinion became very severe towards corruption in government. In fact, Table 2 indicates that between 2005 and 2011, perceived corruption slightly increased from 45 to 53 %.

Table 2: Perceptions of corruption in Chile

	Decreased	Stayed the same	Increased
GLOBAL	16%	27%	58%
Chile 2011	9%	39%	53%
Chile 2010	9%	39%	53%
Chile 2005	12%	31%	45%

Source: Global Corruption Barometer, 2005, 2010, 2011

After 2003, when several laws were enacted, control of corruption improved again until 2006. Then again, control of corruption went down until 2008, when the law on Access to Public Information and creation of the Transparency Council was enacted. Public awareness of corruption and prompt governmental response with several commissions at the presidential level and new enacted legislation can be credited with improving control of corruption (see Table 3).

Table 3: Presidential commission and main initiatives

Presidential period	Main initiatives
Eduardo Frei (1993-1999) National Commission on Public Ethics (1994)	<ul style="list-style-type: none"> • Law No. 19.653 on Administrative Probity (1999). • Reform of the Penal Code sanctioning influence trafficking, undue use of privileged information, conflict of interest, bribery and illicit enrichment (1999).
Ricardo Lagos (1999-2005) Political and Legislative Agreement to Modernize the State and Promote Transparency and Growth (2003)	<ul style="list-style-type: none"> • Law No. 19,882 (2003) creating the Senior Public Executive System (SPES) and the Senior Civil Service Commission. • Laws No. 19,884 and No. 19,885 establishing transparency and the public financing of electoral campaigns and political parties (2003).
Michelle Bachelet (2005-2009) Measures to Favour Probity and Efficiency in Public Management (2007)	<ul style="list-style-type: none"> • Whistle-Blowing Law (2007). • Law 20.285 on Access to Public Information (2008) and creation of the Transparency Council.

Table 4: Perceived government effectiveness in fighting corruption*

	Effective or very effective	Neither effective nor ineffective	Ineffective or very ineffective
GLOBAL 2011	31%	19%	50%
Chile 2011	38%	29%	33%
Chile 2010	38%	28%	33%

Chile 2006	20%	n.a.	54%
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* Percentage of people that think the government is effective in the fight against corruption
Source: Global Corruption Barometer, 2006, 2011

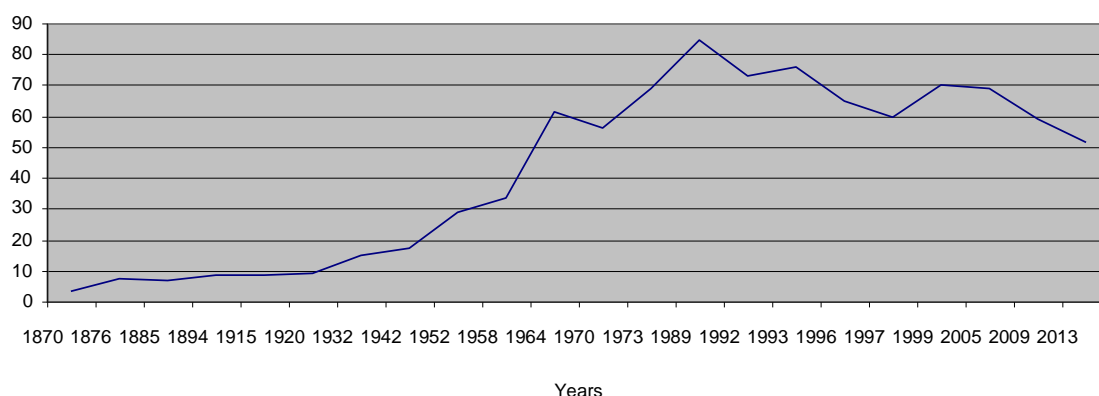
Chileans' confidence in government effectiveness in fighting corruption increased from 20 % considering it effective/very effective in 2006 to 38 % in 2011 (see Table 4). What are the factors that have made Chile successful in the control of corruption? Which are the main mechanisms and reforms that have contributed to the control corruption? What are the trends in the control of corruption and main challenges the country faces? This report will answer those questions.

II. Main Part

1. Power Distribution

Chile had an early experience with democratic institutions (Constitution of 1833 and Constitution of 1925) which gradually consolidated the country as a formal democracy: separation of powers, rule of law and regular and competitive elections. Despite reduced electoral participation, the country always kept elections as the mechanism to alternate power in government --except in 1927 and between 1973 and 1989. Electoral enfranchisement became enlarged at different times since the 1930s and a participatory democracy was achieved by the beginning of the 1970s as Figure 2 shows. Clearly, Chile was, as all democracies have been at some point in their development, an elitist democracy.

Figure 2: Voters as a percentage of the voting age population: 1870-2013



Source: Patricio Navia, "Participación electoral en Chile 1988-2001," *Revista de Ciencia Política* 24, no. 1 (2004), pp. 87, 92

According to anti-corruption research, competitive and participatory politics functions as a corruption deterrent while, along with rule of law, lends accountability and legitimacy to democracy (Johnston, 2002; Seligson 2002; Warren 2004). A highly competitive party system emerged in Chile in the 1930s and was able to mobilize and to channel increasing waves of participation. The system was institutionalized with a stable number of parties, low party fragmentation and low electoral volatility.

As Table 5 depicts, no individual party was able to win a majority of votes and constitute a majority government, unless it formed electoral coalition and then built a government coalition. As a consequence, all governments between 1938 and 1973 would be minority governments - controlling the executive, but never both the executive and legislative branches. Consequently, governments would need a stable party coalition to implement their programme and should develop skilful transactional abilities to negotiate with opposition parties in congress in order to pass legislation.

Table 5: Votes for parties in the Chamber of Deputies: 1937-1973 (by percentage)

Parties	1937	1941	1945	1949	1953	1957	1961	1965	1969	1973	Average 1937-1973
Conservative	21,3	17,2	23,6	22,7	14,4	17,6	14,3	5,3			17,05
Liberal	20,7	14,0	20,1	19,3	10,9	15,3	16,6	7,5			15,55
National*									20,0	21,3	20,65
Radical	18,7	23,0	19,9	27,7	15,6	22,1	21,4	13,3	13,0	3,7	17,84
Christian Democratic		3,4	2,6	3,9	2,9	9,4	15,9	43,6	29,8	29,1	15,62
Socialist	11,2	22,1	12,8	9,4	14,2	10,7	11,1	10,6	12,2	18,7	13,3
Communist	4,2	11,8	10,3				11,8	12,7	15,9	16,2	11,84
MAIN PARTIES	76,1	91,5	89,3	83	58	83	91,1	93	90,9	89	84,49
Others	14,5	2,8	5,3	10,2	32,7	19,8	3,8	9,2	9,1	11,0	11,62

*National Party is the fusion of Conservatives and Liberals in 1965
 Source: Ricardo Gamboa, "Reformulando reglas electorales: la cédula única y los pactps electorales en Chile (1958-1962), *Revista de Ciencia Política* 31 No.2 (2001), p.168

However, party competitiveness *per se* does not guarantee control of corruption, unless there is a strong opposition capable of holding governments accountable and a high degree of party cohesiveness and discipline within parties. In this respect, the ideological commitment that developed within the main five parties from the 1930s onwards provided cohesiveness and party discipline, minimizing deviating individual behaviour from its representatives.

Chile shows a historical trend towards wider electoral participation from the 1930s, giving citizens the opportunity, in theory, to punish corrupt politicians in elections. However, no study is available to prove this claim. On the contrary, evidence suggests that partisan elites were able to control the nomination and election of their own candidates in a closed proportional representation system.

In addition, they exerted control of elections until 1958 through ballots issued by each party which were first handed out to voters and then deposited in the booth, making vote buying a generalized practice. In fact, voters were given marked ballots in closed envelopes by party

bosses in advance. A rigged electoral system allowed partisan elites to manipulate a growing electorate from the top through clientelistic and corrupt networks. This scheme represented a form of particularistic manipulation restricting the exercise of free and secret universal voting diminishing the chances to control corrupt politicians. Along the years, several electoral reforms would be necessary to make elections more inclusive, but most importantly, it was the 1958 reform that guaranteed the electoral autonomy of citizens and restricted the space for political corruption.

Table 6: Chile: major electoral reforms, 1949-1970

1949	Confers women the right to vote in national elections
1958	Eliminates ballot issuing by political parties and replaces it with a unique official ballot system or “cedula única”.
1962	Compulsory electoral registration is required from citizens for all administrative acts or official documents they require from governmental agencies.
1970	Constitutional Reform confers 18 years-old the right to vote

The authoritarian experience that started in 1973 came to an end in 1989. The traditional, well institutionalized and competitive party system survived authoritarianism with the same historical parties in the national scenario: the Communist and the Socialist Party (PS) at the left, the Christian Democratic Party (PDC) at the centre and National Renovation (RN) at the centre-right of the political spectrum. However, two new parties appeared by the end of the 1980s: the Party for Democracy (PPD) a splinter group of the old-core Socialists headed by a renovated socialist leadership located at the centre-left and the Independent Democratic Union (UDI), strong supporter of the economic and political legacy of the authoritarian regime in the right.

The party spectrum showed a more moderate, centripetal rather than centrifugal competition, emphasizing centre-left and centre-right positions, meaning that Chilean party politics retained the traditional compromising and negotiating features which characterized it until 1973. The revalorization of democratic politics and the acceptance of private property and market economics across the party spectrum, with the exception of the Communist Party, made this possible.

Two strong electoral coalitions have been in place since 1989 which have recently alternated in government. A centre-left coalition *Concertación por la Democracia* (PS, PPD, PDC) remained in power for twenty-one years (1989-2010) and a centre-right coalition *Alianza por Chile* (RN, UDI) has recently taken power (2010-2014). A competitive multiparty system and a binominal electoral system, however, do not currently allow the formation of majority governments in Chile’s presidential democracy. Since none of the two coalitions can control

both chambers of congress, democratic governability has been maintained through protracted and complex negotiations between and within the two well-disciplined coalitions.

Incumbency in congress has also been very high. Around 80% of members of Congress from both coalitions have been re-elected periodically every four years (deputies) or eight years (senators) since 1993, giving political representatives of both coalitions and partisan elites tremendous stability and autonomy. In fact, new minority parties and/or independent candidates can only accede to power through electoral pacts with one of the two dominating coalitions, or very exceptionally on their own.

2. State autonomy from private interests

Partisan rearrangement post-1989 was preceded by the introduction of market economics by the authoritarian regime which had profound changes in the Chilean political economy. The privatization of the entrepreneurial State which developed since the 1930s implied that resources in Chilean society started to be allocated mainly through market forces in the context of an open and free competitive economy. The number of state enterprises which had gone from 64 in 1970 up to 498 under the government of the *Unidad Popular* in 1973, diminished to 25 by 1988. Likewise, the volume of export/imports in terms of the GDP which was of was of 19.6% in 1960 and 23.8 % in 1970 rose to 50% in 1988 (Lüders, 1988, p. 345 and 353). Public administration was revamped and reduced in size. While in 1925 the Chilean state employed 26,000 public servants, this number had increased up to 300,000 by 1973. At the end of the 1980s, employment in civil services and public enterprises had been cut down to 100,000 (Rehren, 2001: 148-149).

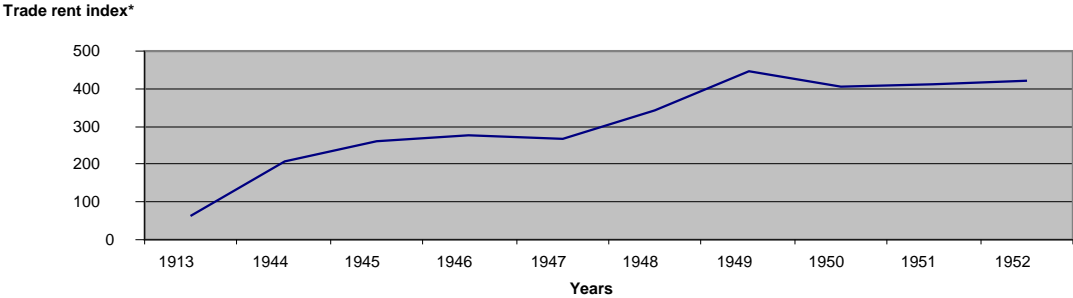
Liberalization of trade

Corruption has been associated with rent-seeking practices developed by an entrepreneurial state in the context of a protected economy. Rent-seeking unfolded through differentiated tariffs, subsidized interest rates, official exchange rates and export and import permits granted by the state to private business, creating structural opportunities for corruption. They produce rents for certain groups that have privileged access to political power because of family, bureaucratic or political linkages. They can extract rents because of these contacts at the expense of other business groups with which they compete or by transferring costs to society as a whole, avoiding open competition and gaining undue profits. Therefore, policy-induced rents can become a useful indicator of corruption (Krueger, 2002; Haber, 2002; Montinola, n.d.).

Tariff legislation is a source of rents in any economy and during the parliamentary republic of Chile (1891-1925) “monopolistic conditions provided substantial incentives for individual enterprise owners to bribe politicians” creating substantial rents (Montinola, n.d. p. 23). The entrepreneurial state that emerged in the 1930s as part of import-substitution industrialization

continued to guarantee Chilean business groups “trade rents” which doubled from 1944 until 1952, as Figure 3 shows. In a longer time span, trade rents increased 6.8 times from 1913 to 1952.

Figure 3: Trade rents, 1913-1952



Source: Gabriella R. Montinola, "The Efficient Secret Revisited: The Emergence of 'Clean' government in Chile," (non-published manuscript), p. 48. Rents are in constant pesos (Base: 1913=100). Trade rents are measured using the formula developed by Gallagher (1991, 89-90): Trade Rents= (Total Tariff Revenues/Total Values of Imports)*(Value Added of the Manufacturing Sector)

Trends in state shrinking and privatization would presumably make the state weaker and more open to influence by private interests. However, clean privatizations together with a more powerful regulatory role limited the influence of business in policy-making. As specified in Table 7, crucial regulatory institutions such as the Central Bank, Internal Revenue Service, Customs, the Treasury and the Heads of Banks and Financial Institutions are autonomous and the regulatory framework for the financial system is based on internationally accepted criteria. Also, an antitrust law safeguards competition and free markets and there is specific regulation in sectors of natural monopoly.

Table 7: Chile: standards and codes of fiscal transparency

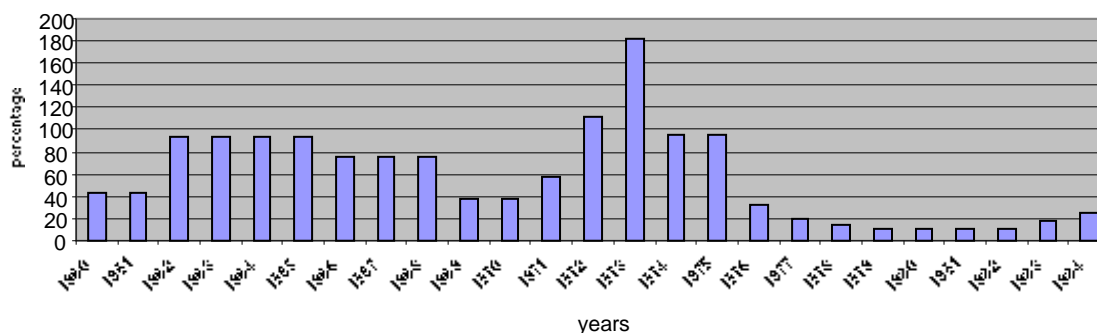
INSTITUTIONAL AUTONOMY
The Central Bank is an independent institution by law, autonomous in the management of monetary policy.
The Internal Revenue Service, Customs and the Treasury are each governed by law.
Tax and custom administration are legally protected from political influence in that they report to the Ministry of Finance, and not to congress.
The Comptroller General of the Republic (CGR) is an autonomous agency charged with carrying out external audit of the fiscal accounts. By the Constitution, the Comptroller is designated by the President via a Senate majority agreement and may not be removed until age 75, except upon judicial resolution.
The CGR verifies the legality of the administration's transactions, inspects the income and investment of treasury and municipal resources and develops auditing and internal control.
Government's participation in commercial banking is limited to Banco Estado with a market share of 12%. It is subject to all rules applicable to financial institutions. It is supervised by the Superintendent of Banks and Financial Institutions and it cannot lend to government or public enterprises.
REGULATORY FRAMEWORK
The regulatory framework for the financial system is based on internationally accepted criteria
There is a general antitrust law oriented toward safeguarding competition and free markets,

and specific regulation in sectors of natural monopoly.
A qualified majority of congress is needed to authorize the creation of new enterprises or expansion of their activity. The CGR and DIPRES report on and consolidate the execution of these budgets.
Tax Laws are relatively simple.
Reporting on tax activities is regular and compliance with tax laws is relatively high. Tax evasion was 24 % in 2001, before the Law on Fighting Tax Evasion came into effect.
TRANSPARENCY
Privatizations have been carried out transparently.
The public has access to comprehensive and timely fiscal reports.
Taxpayers have clear legal rights and arbitration procedures.
Court rulings and administrative interpretation of tax laws are accessible to the public on the website of the IRS.

Source: International Monetary Fund, Fiscal Affairs Department, "Chile: Report on the Observance of Standards and Codes (ROCS) Fiscal Transparency Module," (July 24, 2003)

The implementation of a free trade policy which drastically reduced tariffs across sectors in a few years since 1976 (see Figure 4) may be a structural condition conducive not only to a fair market competition, but also to reducing rent-seeking practices and the controlling of corruption.

Figure 4: Chile: annual average tariffs, 1960-1984



Source: Source: Rolf Lüders, "Veinticinco años de ingeniería social en Chile: un breve ensayo sobre la historia económica del periodo 1963-1988, *Cuadernos de Economía* 25, no. 76 (diciembre 1988), p. 351

3. Transparency in policy formulation and public spending

Since the 1925 presidential Constitution was enacted, the most important legislative initiatives have always resided in the executive branch. Areas such as the annual budget, especially setting the framework for revenues and spending levels, public finances and fiscal policies, personnel administration, structure of government and administrative reform are within the exclusive domain of the executive. Monetary policy is in the hands of an

autonomous Central Bank, where a Board of Directors, composed of economists, is appointed by the senate at the request of the president.

Executive policy making, with regard to the budget, has to be approved by congress within the deadlines of a pre-set schedule. Otherwise, the executive's original proposal will prevail. Congress can decrease the resources allocated to ministries and programs proposed by the executive, but can never eliminate the programmes therein included or create new budgetary item on its own affecting the level of public spending. In fact, Chile has a policy of maintaining a structural annual budgetary surplus of 1%, which although not legal or constitutional, is a common agreed protocol between congress and the executive. These yearly protocols have allowed the elimination of governmental deficits through the years or keep them at a very low level.

The principle of transparency (the right of citizens to require public information from the government) was written into the Constitution in the 2005 reform, in terms similar to those proposed by the National Commission on Public Ethics in 1994. Article 8th of the Constitution established that:

The performance of public functions compels all national authorities to give strict compliance to the principle of probity. *All the acts and resolutions of State institutions, as well as their justification and procedures to reach them are public.* Only a law passed by a qualified quorum [requiring 75% of approval] can establish the confidentiality or secrecy, but only when such publicity could affect the due fulfilment of the functions of government, the rights of individuals, national security or the national interest [my translation, emphasis mine] (República de Chile, Constitución Política de la República de Chile, 2005).

Transparency and access to public information

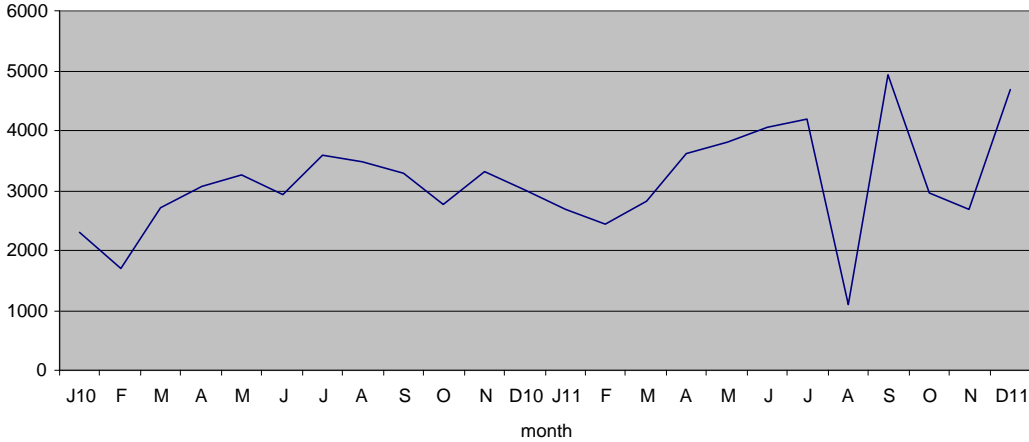
The statute on access to public information was approved by Congress in August 2008 and implemented in 2009. It defined two dimensions of transparency. The first is "passive transparency" and involves strengthening citizens' rights to demand information at different governmental levels. The second is, "active transparency", and required of all governmental ministries and agencies to open up their web sites with information regarding their organization, authorities, salaries, budgets of programmes and projects being allocated to private firms as well as all professional and technical personnel contracted on a temporary basis. Passive transparency requires public services to respond to citizens' requests within five days, imposing fines on civil servants not complying with established procedures. The statute created the Transparency Council (TC), an independent agency with a board of directors nominated by the Executive and approved by the Senate, which is in charge of monitoring transparency, regulating transparency practices and compelling public services to hand the information to citizens in case they deny it (Olavarría, no date).

During the first two years after the law was enacted (2010-2011), citizens made 100,000 requests for information to ministries, public services and municipal governments, whose monthly dynamics is presented in Figure 5. The number represents the raising interest and

awareness of citizens, who in the 2012 National Public Opinion Poll on Transparency, mentioned that the Law on Transparency had among several benefits the following three main ones: 1) providing information to citizens in order to know what the state does (48 %); helps controlling the actions of the state (42%) and helping to fight corruption within government (41%) (Consejo para la Transparencia, 2012, p. 49).

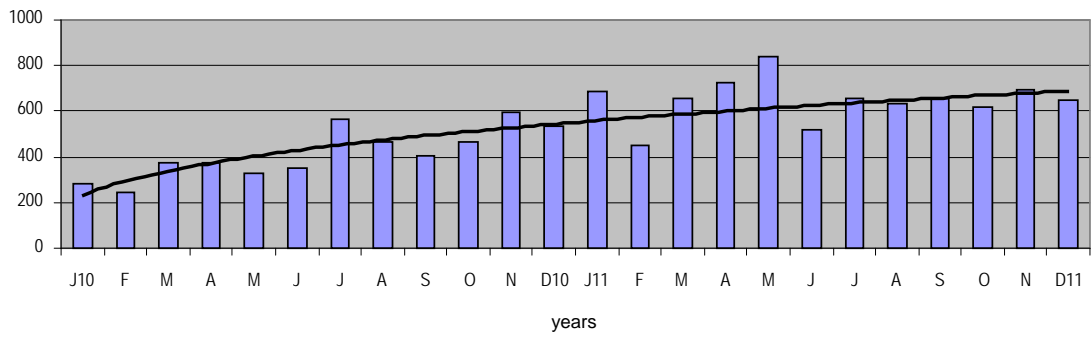
The TC also takes direct petitions of information regarding the law and instructs citizens on how to proceed with public services. The TC took 15,000 petitions of this sort in its first two years, as shown in Figure 6. But most importantly, the TC has to take a final resolution to conflicts between citizens and public services, in case the latter do not accede to the petition of information by groups or individual citizens (see Figure 7). Out of 2,923 cases taken to the TC between 2009-2011 (see Table 7), the TC decided to consider 1,605, that is 55% of them for resolution, rejecting only 37%. Of those 1,605 considered for resolution, the TC decided to accede partially to the demand in 27% of the cases and to totally accede in 55% of the cases. Only 18% of the demands for information were rejected. The data shows that the TC had a successful record regarding petitions from citizens and organized groups, placing a halt to the discretionary power of public services to hand out information.

Figure 5: Number of requests for information presented to all governmental institutions, 2010-2011



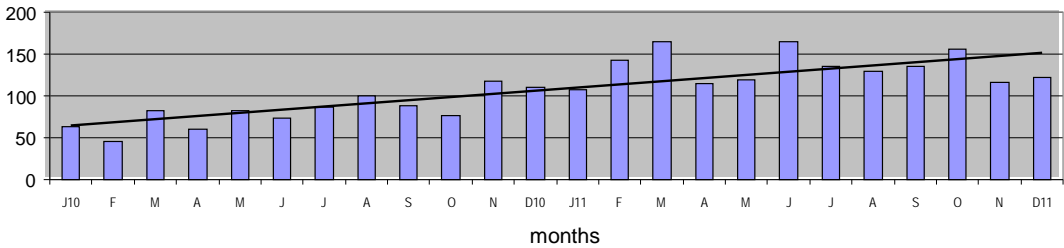
Source: Consejo para la Transparencia, "Reporte Estadístico, Diciembre 2011"

Figure 6: Number of monthly requests for general information requested to the Transparency Council, 2010-2011



Source: Consejo para la Transparencia, "Reporte Estadístico, Diciembre 2011"

Figure 7: Total number of cases received monthly by the Transparency Council for Resolution, 2010-2011



Source: Consejo para la Transparencia, "Reporte Estadístico, December 2011

Table 8: Cases taken by the Transparency Council and final decisions, 2009-2011

Year	Cases taken to the TC			Taken to adjudicate and final decision		
	Withdrawal	To adjudicate	Refused	Accedes partially	Accedes totally	Rejection
2009	10	146	119	37	80	29
2010	91	677	404	174	366	147
2011	136	782	564	221	449	112
Total	231	1605	1087	432	885	288

Source: Consejo para la Transparencia, Reporte Estadístico, December 2011

4. Professional public administration

Implementation of transparent and depoliticized mechanisms in the appointment of senior public officers

The establishment of the *Sistema de Alta Dirección Pública* (SADP) or Senior Public Executive System (SPES) and the creation of a Senior Civil Service Commission (*Consejo para la Alta Dirección Pública*, CADP) in 2003 started a systematic approach to the professionalization of high positions in public service, opening up new opportunities for professionals on the basis of merit and equal access. Figure 8 shows that the number of professionals and technical personnel hired in central government increased in 2002 and again in 2003, the year in which the SPES started.

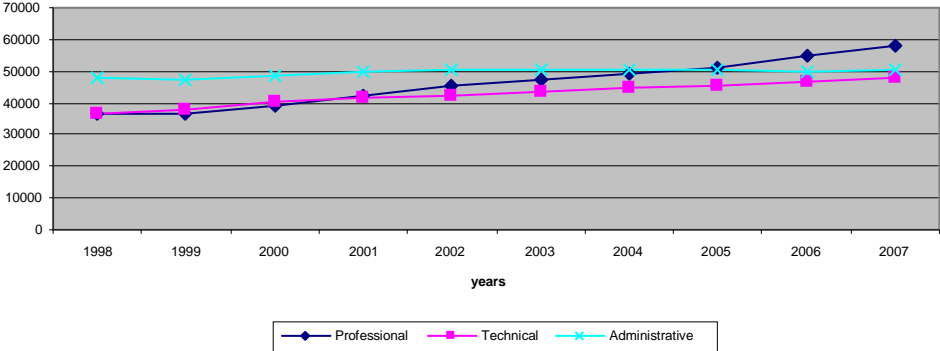
Several deficiencies of a technical and political nature plagued the system. First, ill-defined professional profiles in the public tendering of positions obscured the process. Second, the appointment of many interim authorities through non-competitive processes and the low number of services initially included in the scheme raised doubts about the political will of the government to carry out the initiative with transparency. Third, the exclusion of several agencies in charge of social programmes involving important budget allocations, continued to

operate on the basis of partisan and clientelistic networks in the recruitment of senior managers and grass-root workers.

The government’s strategy to hire partisan loyal advisors and experts on yearly honorarium basis rather than being permanently assimilated to regular ranks at top management levels in politically sensible ministries and agencies, distorted the initiative. Moreover, their salaries, duties and performance never became known. This practice constituted a permanent “revolving door” across the three administrations of the *Concertación*, whereby political loyalists moved in and out of ministries and agencies without being formal career public servants. In fact, Figure 9 shows that personnel in central government increased from 140,000 in 1998 up to 180,000 in 2008. Accounting for this increase were 40,000 functionaries hired on a yearly basis between the same years. However, the size of personnel for the same period remained constant with 80,000 civil servants. This practice acquired the characteristics of structural “selective political clientelism” and hampers transparency and ethical universalism.

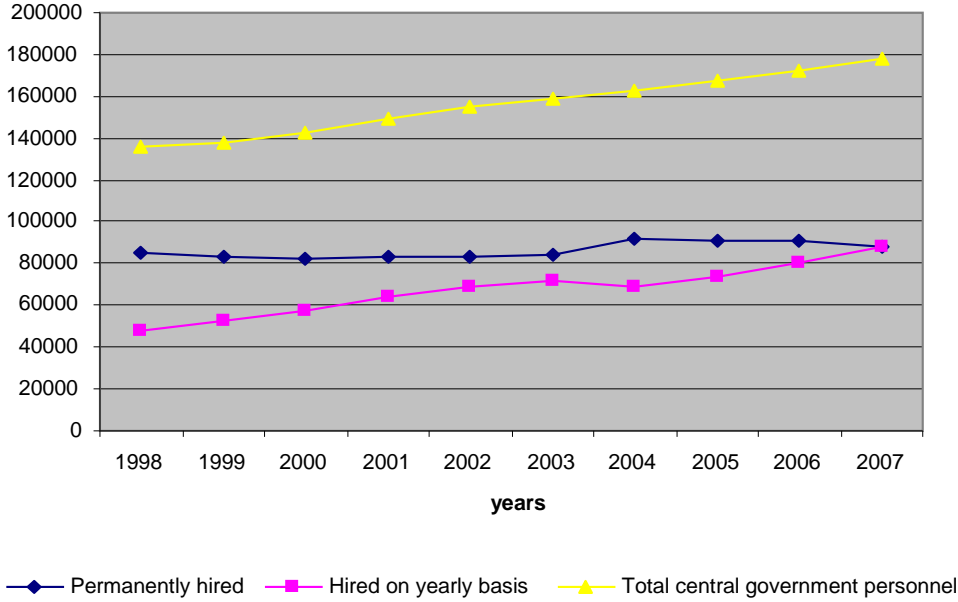
The gradual incorporation of services acquired momentum and almost all services became part of the system. The requirement that the Director of SPES reports to the Civil Service Commission on the state of personnel policies every semester and the obligation of Commission to report to the Senate in Congress on the same matters, has imprinted more transparency and made the Executive more accountable on personnel management. A new problem is haunting the recruitment of senior public executives. As Figure 10 shows, the number of positions published for competitions increased from 2006 to 2008, when there was a higher number of applicants, but from then on the number of applicants until 2012 has been below the positions opened to hire.

Figure 8: Personnel in central government, 1998-2007



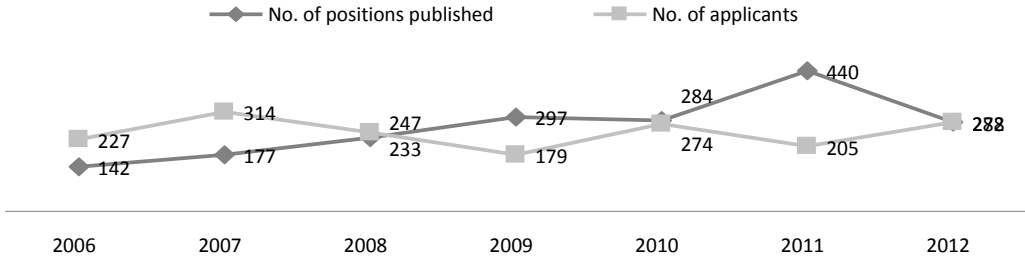
Source: Portales C. (2009). “Estudio sobre estatuto administrativo, remuneraciones y calificaciones en el personal del gobierno central de Chile,” in Consorcio para la Reforma del Estado, *Un mejor Estado para Chile*. Santiago: Andros, 2009

Figure 9: Chile: central government personnel, 1998-2007



Source: Ministerio de Hacienda, Dirección Nacional del Servicio Civil, *Balance de Gestión Integral 2012*, p. 8

Figure 10: Recruitment in the senior public executive system, 2006-2012



Source: Carlos Portales, "Estudio sobre estatuto administrativo, remuneraciones y calificaciones en el personal del gobierno central de Chile, Consorcio para la Reforma del Estado, Un mejor Estado para Chile, Santiago (2009), p. 362.

5. Allocation of public goods and services

The budgetary process

The allocation of resources to finance public goods and services is done through an annual budgetary process that is well-structured and professionally managed and it must be approved by Congress. A Budget Committee composed of 13 senators and 13 deputies examines the budget proposal and recommends the approval or modification of budgetary programmes to Congress which has constitutional limitations regarding increase and reallocation of expenditures between programmes or changing the economic assumptions for revenue forecasts used in the budget proposal (see Table 8).

Table 9: The Chilean budgetary process: constitutional, technical and transparency provisions

CONSTITUTIONAL AND TECHNICAL PROVISIONS OF THE BUDGETARY PROCESS (1)
Earmarking of taxes is prohibited by the constitution (Art. 20).
Some provisions which regulate modifications to the budget are part of each Annual Budget Law.
The structural balance rule is not based on legislation, but is a policy commitment of the administration.
All state procurement is subject to tender
Overall budget results have not differed significantly from the original estimates.
BUDGET TRANSPARENCY (2)
The budget documentation shows information for the main fiscal aggregates for four previous years to the budget and projections for three years following the budget.
The budget directorate (DIPRES) presents general government statistics in its public finance statistics yearbook (including municipalities) and publishes a monthly list of decrees on transfers from the contingency fund, reports on the state's external debt, and evaluations of programmes agreed by congress.
The public has access to comprehensive and timely fiscal reports.
THE ROLE OF CONGRESS(2)
Congress may only decrease expenditures for any programme the government proposes. It may not increase expenditures, and it may not reallocate expenditures between programmes.
The Congress cannot amend the economic assumptions or the revenue forecasts used in the budget proposal.
If the Congress does not approve a budget (either the original proposal from the government or one amended by Congress), by November 30, the original government proposal becomes law.

Source: (1) International Monetary Fund, Fiscal Affairs Department, "Chile: Report on the Observance of Standards and Codes (ROCS) Fiscal Transparency Module," (July 24, 2003); (2) OECD, "Budgeting in Chile", 25th Annual Meeting of Senior Budgeting Officials (Madrid, Spain, 9-10 June 2004)

Provisions like the unconstitutionality of earmarking taxes prevent corruption. Any group whose interest is to pass a tax in congress to favour them directly with a programme in the budget is ruled out. All revenues, whatever their sources become part of the national treasury and cannot be allocated to a predetermined programme. This prohibition also precludes the probability that representatives would satisfy specific interests through a tax scheme and thus garner potential support for re-election.

There is a constitutional exception at the regional and local levels where some activities at either level could be taxed for development purposes and the resources be spent by regional or local authorities only according to law. However, local government expenditures account in average for only 12.5% of total governmental expenditures from 1987 to 2007 (Horst, 2009, p. 215), making the Chilean budget a highly centralized one. Investment projects at the

sub-national level are financed by central ministries and centrally devised schemes like the Municipal Common Fund and the Regional Development Fund, whose resources are distributed favouring poorer municipalities and regions according to centrally calculated formulas, leaving practically little room for political manoeuvring to extract resources from the centre. In this respect, the centralization of finances and budgeting contributes apparently to limit corruption, leaving only space for petty corruption at the local level (Rehren, 1997).

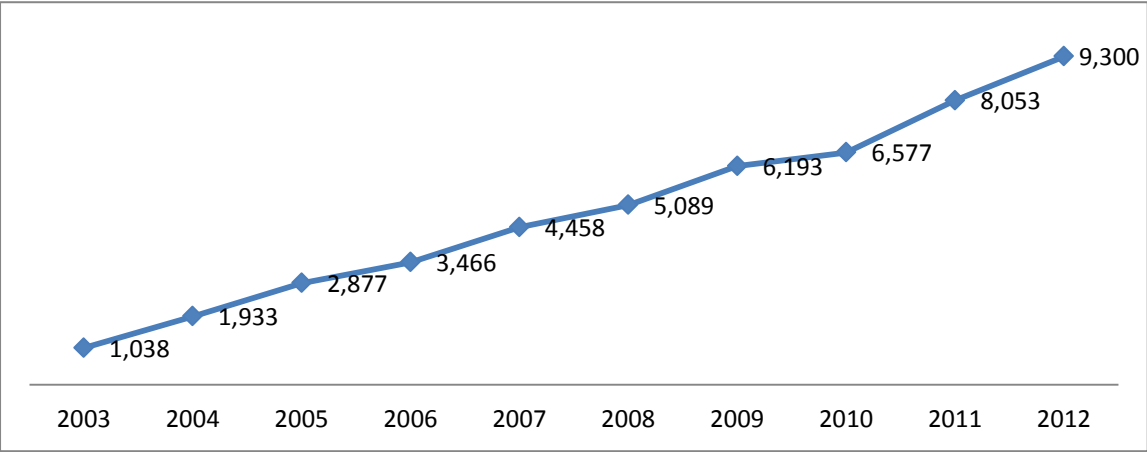
Government Procurement

Public tendering ensures that market mechanisms operate to guarantee the best prices for government procurement and equal opportunities for suppliers. The requirement that all state procurement is subject to tender also prevents corruption since this is an area of well-recognized irregularities. The creation of an agency denominated Directorate of Public Purchasing or *Chile Compra* was created within the Minister of Finance in 2003. It channels all procurement orders from all levels of government, including supplies for the armed forces, except purchases of arms systems. A centralized platform managed by the agency publishes all orders from public services in its web-page and sends the three first bids of registered and qualified suppliers back to the services that make the final decision of adjudication.

The system has ensured transparency by making previous records of all transactions in the public sector available to all potential suppliers. It also incorporates mechanisms that prevent conflict of interest between suppliers and public functionaries who might have professional or family connections related to the bid. From an economic perspective the system has allowed small and medium-size business to participate in the bids, to the extent that 43% of current transactions are adjudicated to them. Finally, an Autonomous Procurement Court composed of judges appointed by the Supreme Court solves conflicts between the services and firms in the case of technical or cost discrepancies (BID, 2008; Chile-Compra, *Cuenta Pública 2012*).

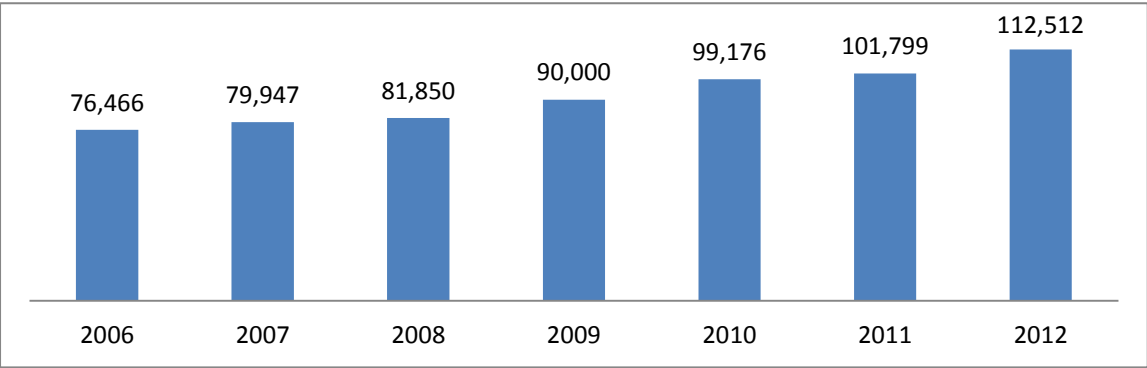
As Figure 11 shows, the mechanism has had a profound impact in the transactions between government and market, the volume of purchases from 2003 to 2012 increasing 9 times, that is from US\$1 billion up to US\$9 billion with an estimated savings of US\$326 million for the period. Likewise, the number of participants by year has increased annually, reaching a total of 111,500 firms by 2012 (see Figure 12), diversifying supply. A recent poll shows that 51% of participants in the system feel satisfied (Chile-Compra, *Cuenta Pública 2012*).

Figure 11: Governmental purchases through Chile-Compra, 2003-2012 (US\$ billions per year)



Source: Gobierno de Chile, Ministerio de Hacienda, Chile-Compra, *Cuenta Pública 2012*

Figure 12: No. of participants in Chile-Compra by year, 2006-2012



Source: Gobierno de Chile, Ministerio de Hacienda, Chile-Compra, *Cuenta Pública 2012*

Provision of public goods and services

As stated in Table 10, Chile has a unique system of private provision of traditional public services. A regulated private pension system implemented in 1979 requires each worker to decide in which pension fund to capitalize its monthly contributions, ensuring the government a minimum pension at the time of retirement. The system has eliminated opportunities for corruption whereby political or family contacts, as in the previous state-financed system, could influence irregularities like early retirement or undue benefits. Likewise, unemployment benefits provided by law are obtained within this same system, making irregular payments very difficult.

A regulated private health care system competes with a governmental scheme. Individual contributions are mandatory, although costs in the private system will require additional payments for better coverage. However, benefits differ widely in terms of quality and opportunity. Since the public health system is overcrowded, poorly managed and uses resources inefficiently, petty-corruption usually takes place in the negotiation of waiting time

of patients and priorities lists to obtain complex services, that in any case are delivered at a much lower cost.

The scheme to subsidize social housing projects has been outsourced by the Ministry of Housing. Intermediate bodies called “Real Estate and Social Institutions” (*Entidades de Gestión Inmobiliaria y Social*, EGIS) are in charge of promoting housing solutions at the community level for low-income families and obtaining the subsidies from the ministry. Families must have the required savings in the State Bank and comply with the prerequisites of the system. Families are enlisted regionally in a national roster according to a point scale devised by the ministry. In contrast to the provision of other social services, corruption in housing occurs as fraud by some EGIS operating at the municipal level.

Table 10: Private provision of traditional public services

<p>Pensions: a fully-funded pension system based on individual capital accounts, managed by private companies since 1980. Individuals are required to deposit in such accounts an amount equal to 10% of their wages.</p>
<p>Health care: Mandatory contribution of 7% of wages and pensions must be used to purchase health care insurance since 1981. People can either pay this contribution to a government health insurance financing scheme or to private health insurance companies.</p>
<p>Unemployment insurance: individual unemployment insurance accounts were established in 2002. Employers and employees are required to pay 1.6% and 0.6%, respectively, of wages into an individual account for each worker.</p>
<p>Social Housing: A Solidarity Fund for Social Housing operates since 2006 with subsidies to low-income families through intermediate real estate organizations charged with the organization of community families and the implementing of projects with construction firms.</p>
<p>Education:</p> <p>(1) A state financed Solidarity Loan (<i>Crédito Solidario</i>, CS) allows students enrolled in the 25 traditional universities (existing before 1980) to finance their studies. (2) A Government Guaranteed Loan (<i>Crédito con Aval del Estado</i>, CAE) is a joint venture of the government and private banks -- in worst terms than the CS-- but is available to all students in the university system since 2005.</p>

Source: OECD, “Budgeting in Chile,” 25th. Annual Meeting of Senior Budgeting Officials (Madrid, Spain, 9-10 June 2004)

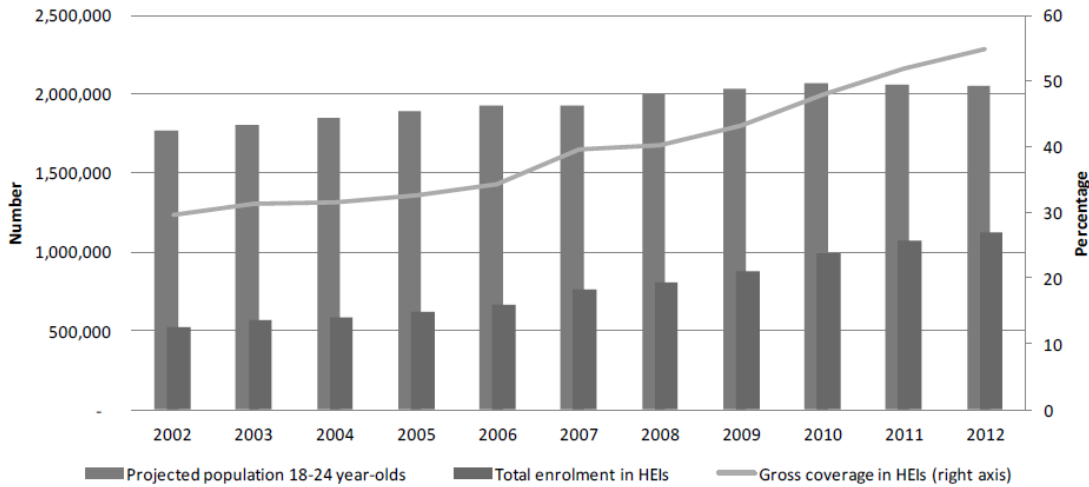
Finally, financing of education at the primary level and secondary level is either public, private or a joint effort between government and private educational institutions. The latter are authorized by the Ministry of Education and receive a subsidy from the government per student attendance. Corrupt behaviour has been detected at schools, ie, falsifying attendance lists required to obtain the subsidy, and have also been questioned because of focusing on profit maximizing strategies rather than investing returns in further education.

At the university level, since 1980, new private universities were allowed to operate as non-profit corporations in addition to the traditional state and publicly funded universities. The opening of this space increased the number of universities and the number of students in higher education. Entrance to the university system requires taking a national entrance

examination managed by the consortium of universities and applicants compete for admission according to performance. Scholarships for university students to finance their studies are available through the two systems outlined in Table 10. These are a state financed Solidarity Loan (*Crédito Solidario*) financing students enrolled in the 25 “traditional” universities (existing before 1980) and a Government Guaranteed Loan (*Crédito con Aval del Estado*), a joint venture of the government and private banks - in worst terms than the first one - but which is available to all students in the university system since 2005.

The number of students in higher education (technical, undergraduate and postgraduate) has reached around 50% of the population between 18-24 years old by 2012 (see Figure 12), with special growth at the undergraduate level (see Figure 13). Human development indicators point to the importance of education in improving human capital and the performance that a country has in the Human Development Index. Since higher levels of education at a societal level help to contain corruption, Chile’s good performance in the control of corruption might be partially explained by this factor. Hopefully, the underlined trends will keep the country in a good standing for the near future.

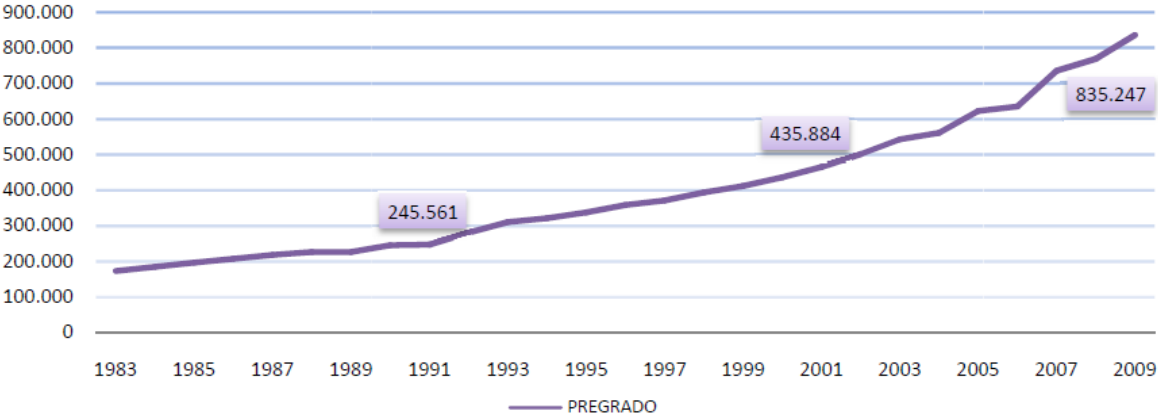
Figure 13: Evolution of enrolment and coverage in HEIs for projected 18-25 years-old, 2002-2012



Source: SIES, in DIVESUP/MINEDUC (2012), *Informe Nacional de Antecedentes. “El Aseguramiento de la Calidad de la Educación Superior en Chile”*, Comité de Coordinación. Sistema Nacional de Aseguramiento de la Calidad de la Educación Superior en Chile (SINAC-ES), August 2012, Santiago de Chile..

OECD, “Quality Education Assurance in Higher Education in Chile: Reviews of National Policies for Education” (November 2012), p.18

Figure 14: Evolution of university undergraduate student enrolment, 1983-2009



Source: Rodrigo Rolando, Juan Salamanca y Marcelo Aliaga, "Evolución Matrícula Educación Superior de Chile: 1990-2009," Ministerio de Educación (Junio 2010), p.4

Corrupt behaviour has unfortunately been a problem at some new private universities. They have been questioned because they have become profit maximizing corporations and operate parallel to the market through shadow corporations, deviating returns as profits. The National Accrediting Commission, an autonomous technical body within the Ministry of Education, has not accredited some private universities, impeding new incoming students from obtaining the Government Guaranteed Loan if they choose to study in them.

6. Separation of the public and the private

Public Probity

Regulating the relationships between public authorities and the private sector has become essential for Chilean democracy. Law No. 19.653 of Administrative Probity, approved by congress in December 1999 identified and sanctioned practices such as influence trafficking, undue use of privileged information, conflict of interest, bribery, incompatible negotiations and illicit enrichment.

Today all senior officers in public administration and members of congress must publicly declare their private activities and interests upon entering office. However, this requirement has been generally circumvented with vague statements before a public notary. Later, a required asset declaration was also evaded by registering property, shares and assets under the name of direct family members. Finally, it was required that such declaration be made public for ministries, undersecretaries, directors of independent agencies, chiefs of public services, members of congress, mayors, high-ranking military officers and members of the judiciary, including their immediate family members.

Within the legislature, congressmen who have direct interests, or are linked to those of immediate relatives, must refrain from participating in the discussion of bills in commissions, abstain from participating in discussions and voting on the floor or unduly exerting influence

upon public servants to favour those interests. Under this precept they can be subject to an investigation by an Ethical Committee and put them into jeopardy. Only three deputies have been compelled by their parties to resign under these circumstances.

To limit the *revolving door* practice, high ranking officials from regulatory agencies are impeded to take up positions in private institutions formerly subject to their regulation for six months after leaving office. Finally, the establishment of *whistle-blowing* procedures has allowed subordinates, who in good faith, denounce corrupt practices of their superiors and can take up their case to the Public Prosecutor, being protected from reprisals.

The “blind trust”: managing the assets of public authorities to avoid conflict of interest

The blind trust is an arrangement by which a person in a sensitive position protects himself from possible conflict of interest charges by placing his financial affairs in the hands of a fiduciary and giving up all right to know about or intervene in their handling. This proposal was included by the Commission on Public Ethics in 1994 and was approved by Congress before the election of Sebastián Piñera as President of Chile in 2010.

The blind trust, is supposed to guarantee the real independence of authorities by restricting their freedom to intervene in policies over any matter on which they could have a direct and legitimate private interest. However, many authorities holding up positions as ministers, undersecretaries, intendants, governors, heads of public services, and those who represent the government when doing business with private entities where they have personal interests have failed to do so.

The blind trust is a mechanism devised to solve an obscure relationship between politics and business in Chilean democracy. That is, the control of business influence in politics without discriminating against or excluding entrepreneurs from exerting political leadership, in light of their genuine contribution to society and the public interest.

Financing politics: low transparency in electoral campaigns and political parties

The historical dependence of Chilean political parties on the informal use of the resources of the state to finance politics favoured clientelism, patronage and disguised corruption (Valenzuela, 1997). Without exception all political parties used family linkages and practices such as *compadrazgo*, small favors (*gaucha chica*) and big favors (*gaucha grande*) as mechanisms of clientelistic networks reaching electoral districts. As a strategy of political competition, clientelism became a mechanism to distribute goods and services from the state.

The privatization of public enterprises in the 1980s reduced the resources at the disposal of parties, weakening clientelistic networks and forcing parties to search for new sources to finance political campaigns and activities. These included the introduction of business through disguised and non-regulated donations. So, while privatizations and market oriented

policies may have reduced the structure of opportunities for an old type of *elite-cartel corruption*, it opened alternatives for *market corruption* (Johnston, 2005).

In 2002 a poll conducted by the Chilean Center for Public Studies (Centro de Estudios Públicos) regarding campaign financing showed that 38 % of those interviewed thought that all parties had something to hide. Considering two preferences by interviewees, 62 % believed that the most important sources to finance electoral campaigns were still the central government and municipalities; 38 % believed that resources came from private donations in exchange for future favors; 23 % thought that funds came from the candidate himself and 48 % that resources came from donations of party sympathizers and militants (Centro de Estudios Públicos 2002).

Laws No. 19,884 and 19,885 regulating the financing of electoral campaigns were approved by Congress in 2003. They limited electoral expenses, introduced public funds to finance campaigns and required transparency in revenues and expenses of political parties and electoral campaigns. The statutes established a ceiling on campaign spending, permitted the reimbursement of campaign expenses to individual candidates, allowed donations from individuals and corporations to individual candidacies made directly through the Electoral Service and allocated public funds to parties based on previous voting performance. It also created monitoring procedures and limited the electoral intervention of government in electoral campaigns. In light of the implemented scheme, the Electoral Service increased its regulatory powers. It opened up a web site containing all itemized expenses incurred by candidates allowing citizens and scholars to peruse campaign finances.

The goal of public financing of electoral campaign and parties was to reduce the dependence of candidates from private donations which the law also allowed, but with a ceiling. This is a crucial issue when considering the public-private separation of power in democracy. However, recent analysis of campaign financing demonstrates that the financing of elections in Chile is predominantly private. As Table 11 shows, in the electoral campaigns of 2005-2006 and 2009-2010 –including presidential, senatorial and deputies— private donations accounted for 50 and 57 % of total expenditures. If we add to private donations the use of personal funds of candidates and loans from financial institutions, the total amount of funds from private origin rise up to 86 and 85 % for both elections.

Private non-disclosed donations accounted for 43 % of the costs of campaigns in 2009-2010 increasing from 37 % from the previous 2005-2006 election, constituting the main source of funding for Chilean elections at all levels. Private disclosed donations and small anonymous donations are marginal (13.7 %) and public reimbursement is only 16 %. When considering transparency, only 26 % of the funding is known: 16 % public and 10 % of private disclosed donations.

The number of donors financing the overall cost of US\$66 million for the 2009-2010 election is heavily concentrated in a few persons and firms. The number of donors increased from 69 up to 132 between the 2005-2006 and 2009-2010 presidential elections and in the case of senatorial elections they decreased from 4,655 to 3,947 donors and from 811 down to 642 in the election of deputies (Agostini, p. 3). Leaving aside the scant participation of public funds in electoral campaigns and out of an electoral body of nearly 8 million voters, it appears quite evident that a tiny minority finances elections, raising doubts on the public-private separation of power in Chilean democracy.

Table 11: Financing of electoral campaigns, 2009-10 and 2005-06

Source of Funds	2009-2010 (US\$ millions)	%	2005-2006 (US\$ millions)	%
Private Non-disclosed donations	28,586	43.3	21,860	36.5
Private disclosed donations	6,608	10.0	6,0	10.0
Small anonymous donations	2,410	3.7	2,162	3.6
TOTAL PRIVATE	37,604	57.0	30,020	50.1
Public reimbursement	10,590	16.0	8,182	13.6
Candidate's funds	5,904	9.0	2,046	3.4
Loans from financial institutions	11,852	18.9	19,632	32.8
Others	0,006	0.0	0,018	0.0
TOTAL FUNDING	65,950	100.0	59,888	100.0

*Includes all funds spent on the first and second run for presidential elections, elections of Senators, Deputies and transfer to political parties. Original sums are in Chilean pesos (1US\$=\$500Ch).

Source: Claudio A. Agostini, "Financiamiento de la Política en Chile: Campañas Electorales 2009-2010," (unpublished manuscript, 2012), p. 2

7. Accountability and rule of law

Accountability and the rule of law in Chile is not only guaranteed by the separation of powers, due process and constitutional checks placed upon the executive branch of government, but

also by the existence of an autonomous institution, considered a co-equal branch of government, the Comptroller General of the Republic (CGR).

Created in 1927 the functions of the CGR are to carry out external audits of the fiscal accounts and check the legality of the acts of the executive branch of government. The Comptroller is designated by the President via Senate majority agreement, and may not be removed until age 75, or by the President upon judicial resolution. The Comptroller determines his annual budget, and wage scales of his personnel with the approval of the President. Employees of CGR are hired, promoted and removed at the discretion of the Comptroller.

Table 12: Functions of the Comptroller General of the Republic

Verifies the legality of all the administrative actions of the executive branch.
Inspects the income and investment of treasury and municipality resources.
Develops auditing and internal controls within the administration
Sets the accounting standards for public administration

Source: International Monetary Fund, Fiscal Affairs Department, "Chile: Report on the Observance of Standards and Codes (ROCS) Fiscal Transparency Module," (July 24, 2003)

The CGR acts through an administrative and constitutionally sanctioned process labelled "*toma de razón*" or "due acknowledgement" decision, which is an ex-ante control of the legality and constitutionality of all the administrative acts of the Executive branch. These include Presidential Decrees, Presidential Decrees with Law Statute (previously authorized by Congress only on certain specific matters) and Presidential and Ministerial Resolutions. Within 15 days, the CGR must:

- 1) Sanction the act of the administration;
- 2) It can sanction with observations and in this case the administration must accept the interpretation and apply it;
- 3) It can reject the administrative act because of its illegality or unconstitutionality. In this case the President can insist through another decree, restricted to certain matters, or recur to the Constitutional Court;
- 4) Question the action without rejecting it and opening a space for a dialogue with the administration, instance in which the administration agrees to modify its original act or the CGR might change its initial stand (Rajevic and Garcés, 2009).

The "due acknowledgement" decision of CGR is not only a check upon the executive from a legal and constitutional basis, but helps to prevent ex-ante corrupt acts disguised as legal, keeping in mind that corruption is always carried out through administrative acts of government. Also the CGR can check accounts and expenditures ex-post and upon discovering illegal actions can recommend administrative actions against those involved or initiate a prosecution in the judiciary. CGR is an institution that enforces accountability of all

political and administrative authorities and constitutes an initial control upon potential corrupt acts of government.

Examining the record of CGR in performing its oversight functions upon the administrative acts of government might help to explain why corruption has remained under control in Chile. Table 13, shows that CGR during 2007 and 2008 rejected a significant number of the administrative acts of government. If we add to rejections the number of administrative acts withdrawn by the government because of potential rejection by CGR (data for 2005 and 2006), we can conclude that there is a real check upon government.

Finally, the CGR did a total of 3,701 auditing reports between 2009 and 2013 in the areas of infrastructure, administration and municipal affairs (CGR, www.contraloria.cl, Informes de Auditoría, 2013).

Table 13: Administrative acts: processed by CGR and resolution, 2005-2008*

Year	Sanctioned totally or with observations	Rejected	Withdrawn by government
2008	26,095	3,038	1,957
2007	22,196	1,119	859
2006	26,096	2,546	
2005	19,648	2,260	

*Includes only non-personnel matters
 Source: E. Rajevec and M. F. Cortes, "Control de legalidad y procedimiento de toma de razon", in Consorcio para la Reforma del Estado, Un major Estado para Chile: propuestas de modernizavion y refroma (2009), p. 619

III. Summary and Conclusions

There are five specific historical events that constitute landmarks in Chilean political development which have had a sequential impact in the control of corruption. Over the decades, they have had an aggregate structural impact that conditioned the political, economic and administrative context in which corruption can develop or be restrained. These landmarks help to explain why corruption has remained under control in Chile in recent decades and we must look at their evolution and change to ascertain future control of corruption.

These landmarks are:

- 1) The early appearance of the Comptroller General of the Republic in 1927;
- 2) The institutionalization of a party system since the 1930s;
- 3) The 1958 electoral reform that installed a unique official ballot system or "cedula única," eliminating the issuing of ballots by political parties;
- 4) Increasing electoral participation (1949, 1962, 1970); and
- 5) Implementation of market economics (1980s).

The CGR constitutes a unique institution introduced at a time of political turmoil (1925-1932) under the military government of General Carlos Ibañez who took power in 1927 by a military coup. Very early the CGR made governments accountable, even a non-democratic one, and subjected them from then on to controls of legality under the new presidential Constitution of 1925. All governments of the pseudo-parliamentary republic from 1891 to 1925 lacked this form of control. The CGR is also a sign of the modernization of the state and its bureaucracy a decade before the party system was institutionalized, becoming a cornerstone against corruption.

The next three constitute a natural trajectory of Chilean democracy. First, a stable and competitive party system insured competitive elections and alternation in power since 1932, although a centre-left coalition governed from 1938 to 1952 with very little electoral participation. It is hard to venture a hypothesis regarding control of corruption during this period in which a full-fledged entrepreneurial state developed. The electoral reform of 1958 introducing the unique official ballot was a blow against the discretionary power of partisan elites and subjected them to the will of the voters and not the other way around. This change ended with vote buying.

Increasing electoral participation is a characteristic of Chilean politics since the presidential and congressional elections of 1952, when women voted for the first time. The slogan of the independent candidate who won that election was “to sweep away with politicians” and its campaign symbol was a “broom” to clean up politics. Curiously enough, the winner was Carlos Ibañez, the same military president under whom the CGR was created. Corruption seems to have been a topic of discussion in the electoral campaign, but it disappeared later in the 1958, 1964 and 1970 elections when ideological and social issues became the centre of debates.

Finally, economic liberalization and market economics implemented under the authoritarian regime in the 1980s made deep structural transformations of the Chilean state. Structural opportunities for corruption were dismantled and privatization contributed to limit corruption. The sequence of events and the structural changes introduced from the 1950s to the 1990s work against corruption.

Market economics produced a new balance of power when Chile returned to democracy, forcing former politicians to share power with business and changing the context in which corruption takes place. Following the conceptual scheme proposed by Johnston (1997) Chilean politics could be characterized today as a mix of residual practices of “clientelistic and patronage” politics of the past, interacting with modern “interest group bidding” politics. As a consequence, current corruption in Chile displays components of former “elite cartel corruption” and elements of an emerging new “influence market corruption” (Johnston, 2005).

On the one hand, elite cartel corruption seems to be associated with forms of petty corruption, associated with clientelistic networks organized around agencies delivering social or community goods and services at the local level. On the other hand, influence market corruption seems to be associated with grand-corruption schemes involving linkages between high-ranking authorities in central government and business groups that deliver money for political campaigns or lobby for their interests. Corrupt schemes and networks develop around these two types of corruption, articulating political relationships between centre and periphery in a highly centralized polity.

An adverse climate of public opinion regarding corruption in political institutions has made the Chilean political elite very aware of the costs of further deterioration (see Table 14). In fact, voting abstention began to increase by the mid-1990s and a recent electoral reform introducing automatic registration has not been able to stop this trend (see Figure 2), something that will affect the control of corruption in the future. Therefore, the negotiations between government and the opposition to agree on a legislative package in January 2003 to curb corruption and the policies implemented thereafter definitely marked a turning point and commitment of the political class to control corruption.

Table 14: Perceptions of corruption for each of 11 institutions*

Institutions	2005	2011	Global 2011
Political Parties	4.2	4,0	3,8
Parliament/Legislature	3.8	3,7	3,6
Police	3.5	3,1	3,6
Business Private Sector	3.5	3,4	3,2
Media	3.0	2,7	2,9
Public Officials/Civil Servants	3.0*	3,6	3,5
Judiciary	4.1	3,6	3,3
NGO's	2.6	2,9	2,7
Religious Bodies	2.2	3,0	2,6
Military	3.0	2,8	2,8
Educational System	2.4	3,0	3,0

*To what extent do you perceive the following sectors in this country/territory to be affected by corruption? (1: not at all corrupt, 5: extremely corrupt)

Source: Global Corruption Barometer, 2005, 2011

What has made Chile so effective in curbing corruption? In the first place, competitive politics taking place in an institutionalized polity and a competitive party system. Independently of whether they are in government or the opposition, these two disciplined coalitions agreed to keep corruption under control. However, recent signs of party fragmentation and weakening party cohesiveness within the main parties might affect the capacity to control corruption.

Chile has also enjoyed a tradition of probity in public administration and state institutions, despite the clientelistic practices of the past and the absence of a formal civil service (Valenzuela, 1984). The Comptroller General of the Republic created in 1927 and its recent modernization has greatly contributed to control the acts of government, minimizing corruption. The recent adoption of a Senior Public Executive System in 2003 has reduced

the number of political appointees selected by the President of the Republic from nearly 3,000 to 300, increasing the degree of professionalization and political autonomy of a merit bureaucracy.

Finally, transparency in government and access to public information are great deterrents to corruption. The creation of the Council on Transparency and the politics of “active transparency”, whereby all information, resolutions and decrees upholding administrative decisions of public services are accessible to the public is crucial to control corruption.

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Project profile

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The fundamental purpose of ANTICORRP is to investigate and explain the factors that promote or hinder the development of effective anti-corruption policies and impartial government institutions. A central issue is how policy responses can be tailored to deal effectively with various forms of corruption. Through this approach ANTICORRP seeks to advance the knowledge on how corruption can be curbed in Europe and elsewhere. Special emphasis is laid on the agency of different state and non-state actors to contribute to building good governance.

Project acronym: ANTICORRP

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