



Board of Executive Directors
For consideration
On or after 11 December 2015

PR-4368
25 November 2015
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Public
Simultaneous Disclosure

To: The Executive Directors
From: The Secretary
Subject: Chile. Proposal for a loan for the “Chile’s Integrity and Transparency Agenda Support Program”

Basic Information: Loan type Programmatic Policy-Based Loan (PBP)
Borrower Republic of Chile
Amount up to US\$130,000,000
Source Ordinary Capital

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Remarks: This operation is the first loan in a programmatic series of two consecutive single-tranche operations, technically related to one another but independently financed as programmatic policy based loans, in accordance with document CS-3633-1, “Policy-based Loans: Guidelines for Preparation and Implementation. New version”.

As established in document GN-1838-1, “Criteria and norms for Board and Management relations”, dated 1 July 1994, policy-lending operations are considered by the Board of Executive Directors by Standard Procedure.

Reference: GN-1838-1(7/94), DR-398-17(1/15), CS-3633-1(6/14), GN-2200-13(4/05), CS-4095(9/15), PR-2927(3/05), PR-2929(4/05), PR-2967(9/05), DE-30/00, PR-3654-2(2/11), DE-235/10, PR-3708(6/11), DE-51/11, PR-4204(10/14), DE-135/14

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

CHILE

CHILE'S INTEGRITY AND TRANSPARENCY AGENDA SUPPORT PROGRAM

(CH-L1110)

LOAN PROPOSAL

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This document is being released to the public and distributed to the Bank's Board of Executive Directors simultaneously. This document has not been approved by the Board. Should the Board approve the document with amendments, a revised version will be made available to the public, thus superseding and replacing the original version.

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1. [Policy letter](#)
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3. [Results matrix](#)

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1. [Economic analysis](#)
2. [Monitoring and evaluation plan](#)
3. [Main legislative milestones in public governance in Chile](#)
4. [References on the various effects of corruption](#)
5. [Safeguard policy filter report](#)

ABBREVIATIONS

CGR	Contraloría General de la República [Comptroller General of the Republic]
ChileCompra	Sistema de Información de Compras y Contrataciones de la Administración Pública [Government Procurement Information System]
DIPRES	Dirección de Presupuestos del Ministerio de Hacienda [Budget Department of the Ministry of Finance]
DNSC	Dirección Nacional del Servicio Civil [National Civil Service Department]
GDP	Gross domestic product
MOP	Ministry of Public Works
OC	Ordinary Capital
OECD	Organization for Economic Cooperation and Development
PBL	Policy-based loan
SADP	Sistema de Alta Dirección Pública [Public Sector Senior Management System]
SEGPRES	Secretaría General de la Presidencia [General Secretariat of the Office of the President]
SERVEL	Servicio Electoral [Electoral Service]

PROJECT SUMMARY

CHILE CHILE'S INTEGRITY AND TRANSPARENCY AGENDA SUPPORT PROGRAM (CH-L1110)

Financial Terms and Conditions				
Borrower: Republic of Chile			Flexible Financing Facility^(a)	
			Amortization period:	12.2 years
Executing agency: Ministry of Finance			Original WAL:	11.70 years ^(b)
			Disbursement period:	1 year
Source	Amount	%	Grace period: 11.2 years	
IDB (OC):	US\$130 million	100	Inspection and supervision fee: ^(c)	
			Interest rate: LIBOR-based	
Total	US\$130 million	100	Credit fee: ^(c)	
			Approval currency: U.S. dollars from the Bank's Ordinary Capital (OC)	
Project at a Glance				
Project objective/description:				
<p>The main objective of this program is to support Chile's Integrity and Transparency Agenda, which calls for a series of policy measures to ensure integrity and transparency in the operation of the public and private sectors and to promote similar conduct among the citizenry.</p> <p>This is the first of two consecutive operations that are technically linked but separately financed as programmatic policy-based loans.</p>				
Special contractual conditions precedent to release of the single tranche of the loan:				
<p>The release of the single tranche will be subject to fulfillment of the policy reform conditions described in the policy matrix (Annex II), the policy letter, and the other conditions established in the loan contract (paragraph 3.3).</p>				
Exceptions to Bank policies: None				
Project qualifies as:^(d)				
SV	<input type="checkbox"/>	PE	<input type="checkbox"/>	CC
	<input type="checkbox"/>		<input type="checkbox"/>	CI
				<input type="checkbox"/>

^(a) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency and interest rate conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

^(b) The original weighted average life (WAL) and the grace period of the loan may be shorter, depending on the effective signature date of the loan contract

^(c) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable policies.

^(d) SV (Small and Vulnerable Countries), PE (Poverty Reduction and Equity Enhancement), CC (Climate Change, Sustainable Energy, and Environmental Sustainability), CI (Regional Cooperation and Integration).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

- 1.1 In 2013, per capita income in Chile stood at US\$15,800, among the highest in Latin America. From 2010 to 2013, annual growth averaged 5.3%, while unemployment declined to 5.9% in 2013, a historic low, and inflation remained near the 3% annual target, in a solid macroeconomic, political, and institutional context. Since 2014, against a less favorable international backdrop, economic activity has slackened and GDP growth is projected at 2% in 2014 and 2015. This means that Chile is at a critical phase in its development, marked by economic slowdown and lack of sustained increases in competitiveness and productivity levels.
- 1.2 In terms of the institutional capacity of State, the country has been a pioneer in the coordination of its public management modernization process, creating a solid democratic and institutional framework. Since the 1990s, the country has been pursuing second generation reforms.¹ Far-reaching judicial reforms have been instituted, making justice administration institutions independent and justice officials impartial in resolving disputes arising in society.² Moreover, integrity and transparency principles have been gradually incorporated into the public administration, developing the legal framework for integrity in public service,³ transparency and access to information,⁴ and punishment of corruption.⁵ For its part, the Office of the Comptroller General (CGR)⁶ is becoming a relevant actor, from its sphere of action, in the fight against corruption. Public institutions have also been strengthened, while preserving their integrity, in areas such as public

¹ For further information, see [Instituciones y desarrollo: reformas de segunda generación en América Latina \[Institutions and Development: Second-generation Reforms in Latin America\]](#), by Pedro Talavera and Marianela Armijo.

² This reform entailed substantive changes with immediate and direct impacts on justice officials were organized, amended the work procedures of prosecutorial agencies and jurisdictional bodies, and led to the creation of new public entities (Attorney General's Office and Public Criminal Defender's Office). It ensured transparency by establishing an oral public procedure where the parties appear before the Attorney General's Office, the judge responsible for procedural safeguards, or the judge of oral criminal proceedings courts, directly, without intermediaries.

³ Basic Constitutional Law 18.575, on the General Bases for State Administration (1986); Law 19.653 on Integrity (1999), Law 20.088, making mandatory the sworn declaration of assets by authorities serving in a public office established by law (2006).

⁴ Law 19.884, on Transparency and Limits on and Control of Electoral Expenditure (2003), Constitutional Reform of 2005; Presidential Directive 008 (2006), establishing the principle of "active transparency" and ordering the Public Services to publish on their websites their procurement, payroll, and funds transfers to corporations, the legislation and regulations applicable to the service, and the records and resolutions of the respective service; and Law 20.285, on Transparency in Public Service and Access to Government Information (2008), establishing the procedures for guaranteeing the right of access to information and creating the Council for Transparency for oversight of compliance with that law.

⁵ Law 19.645, amending the Code of Penal Procedure (1999).

⁶ In the context of the project "Shared Use of Information to Improve the Fight against Corruption in Chile" (ATN/AA-12324-CH), the CGR, Attorney General's Office, and State Defense Council have joined efforts to run the [Chile's anti-corruption portal](#). For its part, to improve accountability to the citizenry regarding public investment expenditure, by strengthening societal oversight, transparency, and the quality of information on public works, the CGR executed a project for social oversight of works of the Office of the Comptroller General (GEO-CGR portal), which compiles, stores, and publishes georeferenced information on public resources allocated for the execution of works nationwide (ATN/FI-13873-CH).

procurement with the Government Procurement Information System (ChileCompra),⁷ the civil service with the creation of the Public Sector Senior Management System (SADP),⁸ and quality control in public management.⁹ See [main legislative milestones in public governance in Chile](#).

- 1.3 The above-mentioned initiatives constitute the core of Chile's public governance system and are important elements in preventing not only corruption but also losses associated with inefficiencies or failures of the systems and processes on which the State is run. Moreover, these initiatives account for Chile's high scores in different rankings measuring efficiency, effectiveness, and transparency in public management. According to the World Economic Forum indicators, Chile has maintained high levels of transparency in government policymaking,¹⁰ reflected as improvements in the areas of ethics and prevention of corruption.¹¹ The World Bank's governance and anti-corruption indicators rank the country above the average for Latin America and the Caribbean¹² and alongside the average for the other Organization for Economic Cooperation and Development (OECD) member countries.
- 1.4 Despite this progress, since late 2014, an effective and swift response by the justice system has brought a series of corruption cases to light, primarily characterized by a pernicious relationship between money and politics. These cases, now under judicial investigation, include possible influence-peddling, tax fraud, and illegal political financing. This has undermined public confidence in the country's institutions and representatives¹³ and has highlighted institutional failures to regulate and prevent conflict of interest.
- 1.5 In this context, the government created a presidential advisory council on conflicts of interest, influence-peddling, and corruption.¹⁴ In April 2015, this council delivered a report to the President that contained a set of proposals to advance the anti-corruption agenda by improving regulations, building and adapting institutional capacities, and reviewing the operation of essential government areas so as to strengthen modernization processes in line with the

⁷ Law 19.886, Bases for Administrative Contracts for Supplies and Services (2003).

⁸ Law 19.882, regulating the new personnel policy for the civil servants indicated therein (2003).

⁹ Law 19.553, making an allocation for modernization and other benefits (1998).

¹⁰ Chile has maintained an average score of 4.9 on a scale of 1 to 7 (2006-2014), comparable to the average score of 4.8 of the high-income OECD member countries for the same period.

¹¹ Chile's ranking rose from 4.3 in 2006-2007 to 4.8 in 2013-2014, on a scale of 1 to 7, positioning it above the 4.6 average in 2013-2014 for the high-income OECD member countries.

¹² According to the World Bank's Worldwide Governance Indicators, in 2013, in control of corruption, Chile scored 1.52, compared with a 0.11 regional average for Latin America and the Caribbean. In government effectiveness, Chile scored 1.25, whereas the region as a whole scored 0.17. These indicators reflect perceptions of the degree to which public power is exercised for private gain, as well as undue influence ("capture") on the State by select minorities and private interests. The scale for these indicators ranges from -2.5 (weak governance) to 2.5 (strong governance).

¹³ This crisis of credibility is reflected in the August 2015 survey of the Centro de Estudios Públicos [Public Studies Center], which reports that 55% of Chileans have little or no confidence in political activity, primarily due to corruption.

¹⁴ This council was created by [SEGPRES Decree 002 of 11 March 2015](#).

principles of integrity and transparency.¹⁵ On that basis, and as a first step, the government announced its commitment to 21 draft laws¹⁶ and 14 administrative measures comprising the Integrity and Transparency Agenda. This is a broad set of measures intended to improve anti-corruption laws and make transparency a centerpiece of the relationship between politics and business. Another aim is to achieve stricter observance of the integrity and transparency principles defined by law to prevent irregular practices in interactions between the public and private sectors (e.g., in government jobs, public procurements, and concessions). It further seeks to promote conduct consistent with these principles among the general public. These measures will help address and implement the various recommendations made by the advisory council, as well as those proposed by research centers, legislators, political parties, and civil society, also incorporating measures now included in the existing government program.¹⁷

- 1.6 The foregoing makes evident that the strength of Chile's public management and democratic governance system lies in its institutional capacity to react to the challenges of corruption¹⁸ and to propose decisive and sweeping reforms, seeking consensus for their implementation. This response is consistent with the priority policy areas for strengthening governance and mitigating corruption risks as recommended by the OECD.¹⁹ It also reflects efforts under way by countries in the region to base their public policy design and implementation on criteria of government effectiveness, efficiency, and transparency.²⁰
- 1.7 The government's response is consistent with the identified institutional challenges that it proposes to address (paragraphs 1.4 and 1.5) and that are proposed for Bank support: (i) gaps in the legal and institutional framework; and (ii) need to ensure integrity and transparency in the management of public resources and the professionalization of public management, as well as promoting similar conduct among the various societal actors (civil servants, private sector, and citizens). Therefore, the Bank's support through this program

¹⁵ The main thematic areas of that report include: (i) prevention of corruption; (ii) regulation of conflicts of interest; (iii) political financing to strengthen democracy; (iv) confidence in the markets; and (v) integrity, ethics, and citizen rights. See [full report of the council](#).

¹⁶ The government has prioritized 18 legislative measures for 2015-2016: (i) in the business arena, legislation on the oversight of securities and insurance markets, conflicts of interest, speculation on changes in land use, and transparency of market agents; (ii) in the public realm, legislation on civic education, classification of crimes, professionalization of the civil service (senior government officials and civil servants), management of municipal personnel, concessions, declaration of interest and assets, and strengthening of the Attorney General's Office; and (iii) in the political arena, strengthening of the Electoral Service and six measures on the political party system, including financing. Legislation on the protection of personal data and the creation of the Office of the Ombudsman (constitutional reform and basic law) is pending. The eight pieces of legislation supported by this program are included in this set of measures.

¹⁷ Integrity and Transparency Agenda of the New Majority (government coalition), proposed by the New Majority to the Presidential Advisory Council (2015).

¹⁸ The literature indicates that political corruption negatively impacts economic development, income distribution, legitimacy of the political system, and the viability of the rule of law, among other aspects. See [references on the various effects of corruption](#).

¹⁹ <http://www.oecd.org/cleangovbiz/Integrity-Forum-Summary-2015.pdf>.

²⁰ *Improving Lives through Better Government: Promoting Effective, Efficient, and Open Governments in Latin America and the Caribbean*. Technical Note, Inter-American Development Bank, 2014.

is provided in the context of the broader integrity and transparency agenda being advanced by the government, which also includes the reform of the political party finance law. Given progress to date, this program proposes support for eight legislative and three administrative measures that are relevant and pertinent in terms of the challenges described below.

- 1.8 Some of the noteworthy weaknesses of the legal and institutional framework for integrity and transparency are as follows: (i) the existing mechanism for declaration of interest and assets by authorities and civil servants subject to the law on general bases has various deficiencies with regard to the scope and effectiveness of these declarations as oversight tools;²¹ (ii) acts of corruption and inducement between private individuals are not duly criminalized, and, in the realm of public office, the penalties are insufficient,²² and (iii) the Electoral Service (SERVEL) lacks adequate basic legislation that would enable it, through its management, control, and oversight efforts, to prevent conflicts of interest and ensure transparency in electoral activity and due regulation of public financing of political parties.²³
- 1.9 Some of the noteworthy challenges involved in ensuring integrity and transparency in the management of public resources and the professionalization of public management, and in promoting citizen integrity and transparency, are as follows: (i) the civil service has not been consolidated as a professional and merit-based system, since there are weaknesses in the SADP's merit-based recruitment and selection system for senior-level government positions, especially as concerns limits on discretionary authority in provisional appointments and in separations from service (especially at times of change of administration),²⁴ and a limited supply of civil service posts filled through merit-based competitions, especially contract employees (the primary modality of

²¹ According to the OECD's report *Government at a Glance 2015*, the level of disclosure and public access to declarations of assets in Chile is lower in the executive branch than the OECD country average. Based on data compiled in 2014 through the OECD survey on control of conflicts of interest in the executive branch and whistleblower protection, Chile received a score of 35, comparable with the OECD country average of 44 (scale of 0 to 100, where 100 is the highest level of disclosure and public access).

²² At present, the Code of Penal Procedure: (i) in its Article 247 bis, mentions the use of privileged information for public employees, and does not include private parties; (ii) regulates influence-peddling for public employees only; and (iii) refers to the crime of inducement only in the cases where a benefit is requested or accepted to exercise influence over another public official (Article 248 bis, second paragraph), also excluding private parties. Public employee means anyone who occupies a public position or office, whether in central government or in semi-fiscal, municipal, or autonomous enterprises, or entities created by the State or subordinate to it, even if not appointed by the head of the Republic or not receiving State remuneration" (Article 260 of the Code of Penal Procedure).

²³ The Report of the Council (2015), on page 79, indicates that although elections in Chile have been organized with a high level of professionalism and legitimacy, they have not been supported by institutional capacities for oversight, prosecution, and punishment of noncompliance with the legislation and regulations on innovations in the area of parties, elections, voter registration, and financing, such as the automatic registration and voluntary voting law.

²⁴ Separations from service that occurred in the first three months of the administration following a change of coalition (nearly 50% in 2010 and 2014) and excessive use of temporary and provisional definitions for senior-level government positions have created a sense of urgency for reforms in this area, following two failed reform attempts (Sector Note: Public Management, IDB, 2014).

incorporation into the civil service);²⁵ (ii) the public procurement system is characterized by both high levels of fragmentation and differentiated legal frameworks governing contracting in relevant areas, such as public works, among others, as well as the fact that municipal governments are not required to use framework agreements, all of which exacerbate risks of corruption;²⁶ (iii) the law on concessions is not adequately regulating the rapid growth in this type of activity with respect to aspects related to the institutional framework of the Ministry of Public Works (MOP), which has responsibility for implementing the concessions system; (iv) limited supervision and regulation of securities markets, which hinders the detection and effective prosecution of financial crimes, enabling cases involving conflicts of interest to arise;²⁷ and (v) limited education on civic values in the school system as a long-term prevention factor.²⁸

- 1.10 **The Bank's experience in the country and in the sector.** For over a decade, the Bank has monitored and collaborated closely to strengthen public management in Chile. This has included support for several of the above-mentioned advances in transparency and access to information, which are being taken up again in the Integrity and Transparency Agenda for further strengthening and consolidation. Several of the policy measures set out in the Integrity and Transparency Agenda that are part of this operation are closely linked to the Bank's public resource management portfolio in the country, in specific areas such as civil service and procurement systems, among others. The Bank's contribution to the reforms has also been built around its ongoing policy and technical dialogue with the country, including technical assistance, advisory services, and seminars on public ethics, integrity and transparency, open government, and improvements to the civil service, among others.
- 1.11 The Bank has targeted its financial support towards strategic areas where it has added value through its knowledge and technical capacity. This support has been provided as loans for judicial reforms to enhance the efficiency and quality of resource management within the judiciary (1666/OC-CH); to strengthen the institutional capacity of the judiciary in developing medium- and long-term judicial

²⁵ Sixty percent of public officials at the central level work for the State as contractors (one-year temporary contracts, which may be renewed). According to preliminary data from the 2013 *Barómetro de la Gestión de Personas*, approximately 50% of position openings for contractors were filled through open, transparent, and merit-based processes, at the initiative of the authorities of some of the institutions. The other half were filled on a discretionary basis, without a competitive process. Source: *Diagnóstico del Servicio Civil en América Latina y el Caribe: Chile* [Diagnostic Assessment of the Civil Service in Latin America and the Caribbean: Chile] (IDB, 2014).

²⁶ These risks are discussed in the Report of the Council (2015). Consistent therewith, Transparency International estimates that the costs of corruption in public procurement account for some 20% to 25% of the contract amount in other countries of the world. This is relevant for the countries of Latin America and the Caribbean, since public procurement represents approximately 10% to 15% of GDP on average (*Handbook on Curbing Corruption in Public Procurement*, Transparency International, 2006).

²⁷ The Report of the Council (2015) indicates that gaps have been identified in the oversight capacities of the authorities with competence in this area, as well as few plea bargaining mechanisms and whistleblower protection programs, which, according to the OECD report *Governance at a Glance* (2015), are good practices in 88% of the OECD member countries for the reporting of fraudulent and corrupt practices, which contributes to the effective detection and prosecution of financial crimes.

²⁸ For example, in 1998, civic education was eliminated from the curriculum and new learning objectives were established that were incorporated into other subjects, such as history, geography, and social sciences, in primary school curricula through to the last year of secondary school.

- policies (2497/OC-CH); support for legislative efforts and citizen access to the work of legislators by strengthening the Library of the National Congress (1625/OC-CH); strengthening partnerships between the State and civil society (1291/OC-CH); external control to improve management systems of the CGR, as well as its operational efficiency and effectiveness (1391/OC-CH); modernization and professionalization of civil service management (1622/OC-CH); legal defense through institutional modernization of the State Defense Council (2538/OC-CH, in execution); and improvements in the effectiveness and efficiency of the Public Services (3298/OC-CH, in execution).
- 1.12 Support has also been provided for this process as technical assistance and analysis through technical cooperation operations for strengthening the CGR in the areas of information transparency and improved internal processes and systems to promote results-based management (ATN/FI-13873-CH and ATN/OC-11993-CH); support for the Council for Transparency (ATN/FG-12440-CH); shared and transparent use of information on reports and investigations for the fight against corruption (ATN/AA-12324-CH); strengthening transparency and management in the use of educational resources (ATN/AA-14685-CH); greater effectiveness and efficiency in the delivery of citizen services through improved governance functions (ATN/AA-14686-CH); performance evaluation of senior officials and civil servants (ATN/JF-11991-CH); and strengthening citizen services management (CH-T1159, in preparation).
- 1.13 This operation incorporates lessons and good practices learned from the Bank's support to this sector in Chile and the region, including the following: (i) the importance of gradual implementation of medium- and long-term reforms, and of their political feasibility, such as professionalization of public management; and (ii) the importance of strengthening the technical capacities and the legal mandate of the entities responsible for these reforms. The operation also recognizes the lessons learned by the Bank in the design of policy-based loans, including: (i) proper sequencing of the reforms should take into account the capacities of the institutions involved and define a logic for progressive implementation of reforms, combining legislative advances with improved technical capacities; (ii) to improve their effectiveness, the planned reforms should reflect the interests and capacities of the entities that are to implement them; and (iii) adequate coordination between the various entities participating in the design of the reforms.
- 1.14 **Strategic alignment.** This operation is aligned with the public management priority area of the Bank's Country Strategy with Chile for the 2014-2018 period (document GN-2785), specifically as it pertains to strengthening standards and practices of transparency and probity in public management (paragraph 3.12). The program will contribute to the objective of strengthening the capacity of the State, by promoting institutional transparency (paragraph 3.4) of the Report on the Ninth General Increase in the Resources of the Inter-American Development Bank (document AB-2764), in line with the [Sector Strategy: Institutions for Growth and Social Welfare](#) (document GN-2587-2) on combating corruption and promoting transparency (paragraph 5.49).

B. Objectives, components, and cost

- 1.15 The main objective of this program is to support the Integrity and Transparency Agenda, which calls for a series of policy measures to ensure integrity and transparency in the operation of the public and private sectors and to promote similar conduct among the citizenry. This first operation has three components, as described below.
- 1.16 **Component I. Macroeconomic stability.** The objective of this component is to maintain a macroeconomic context consistent with the program objectives as indicated in the policy matrix (Annex II).
- 1.17 **Component II. Strengthening the legal and institutional framework for integrity and transparency.** The objective of this component is to strengthen the institutional and legal framework in line with the principles of administrative integrity²⁹ and transparency,³⁰ and the right of access to public information³¹ as defined by law. To that end, the following are proposed as policy actions of the first operation: (i) strengthen integrity in public management, through the law on integrity in public service, which, *inter alia*, will expand and strengthen the system for declaring interest and assets, and through draft legislation to prevent and punish conflicts of interest, which will modify the system of disqualifications and conflicts of interest for serving in public office; (ii) incorporate in national legislation, for the first time, the crime of corruption between private individuals in draft legislation that defines and punishes the crime of corruption between private individuals, and also increases the punishments associated with crimes of corruption and inducement in the exercise of public office, amending the Code of Penal Procedure accordingly; and (iii) strengthen the institutions responsible for administering electoral activities, based on basic constitutional legislation to strengthen the administrative and oversight functions of the Electoral Service (SERVEL), such as, *inter alia*, the functions of overseeing accountability, conducting and ordering audits of annual statements of public accounts, and obtaining access to charts of accounts and documents for oversight of the financial situation of entities subject to oversight. On an indicative basis, the second operation is expected to help lock in these measures through regulations implementing the laws associated with this first operation, once they have been enacted and draft legislation containing a new code of penal procedure has been submitted to Congress.
- 1.18 **Component III. Ensuring integrity and transparency in the management of public resources and activities to further professionalize public management, and promoting ethical behavior among the different actors in**

²⁹ Under Article 2 of Law 19.653, on Integrity, which adds a Title III to Law 18.575, the principle of administrative integrity consists of “irreproachable official conduct, and an honest and loyal fulfillment of the functions or office, with the public interest preeminent over private interest.”

³⁰ Under Article 5.A of Law 19.653, on Integrity, the principle of transparency consists of permitting and promoting knowledge of the procedures, content, and bases of decisions taken; and under Article 4 of Law 20.285, on Government Transparency and Access to Government Information, it consists of respecting and determining the disclosure of government records, resolutions, procedures, and documents, as well as the bases thereof, and of providing access to that information to anyone, by the means and procedures established for such purpose by law.

³¹ As regulated by Law 20.285, on Government Transparency and Access to Government Information.

society. The objective of this component is to ensure integrity and transparency in the management of public resources, in activities to further professionalize public management, and in private business, and to promote similar conduct among the citizenry. To this end, the following are proposed as policy actions of the first operation:

- a. Fine-tune the Public Sector Senior Management System (SADP) and strengthen the National Civil Service Department (DNSC), based on draft legislation that would: (i) with regard to the SADP, among other things, expand the inclusion of new Public Services and posts,³² and the corresponding modalities; improve governance and strengthen the system's merit and professionalism guarantees; and effectively link performance management for public sector senior management with the government's strategic objectives, and establish objective terms of separation; and (ii) with regard to the DNSC, grant it additional functions and powers authorizing it to issue directives to the Public Services on human resources management and development.
- b. Increase the dissemination and transparency of invitations to compete and application and/or selection processes through a standard official notice by the Ministry of Finance containing a directive for mandatory use of the DNSC "Government Jobs" portal (www.empleospublicos.cl) for all types of employment contracts, promoting in turn equal access to them.
- c. Define standards of conduct for ethical and transparent fulfillment by public employees of their functions based on the general guidelines that the Ministry of Finance will issue through a standard official notice that will guide the preparation of codes of ethics at the different Public Services.
- d. Strengthen integrity and transparency requirements in public procurements by reviewing and improving the rules and regulations governing public procurement,³³ as well as those on public information under new transparency requirements, such as the publication of criteria and weightings assigned to evaluate bidders, the composition of the evaluation committee, and the receipt and classification of bids, among other activities.
- e. Strengthen the Ministry of Public Works (MOP) as the institution responsible for enforcing the Law on Concessions, through draft legislation to create a Concessions Office within the MOP, in order to mitigate risks of undue influence.
- f. Create a new institutional framework for the entity in charge of supervising the securities and insurance markets, transforming the existing Superintendency into a Commission, and introducing improvements to give it greater regulatory capacity, establishing plea bargaining systems and whistleblower protection programs, and extending the benefit of legal defense to all officials of regulatory agencies, by sending a proposal to Congress to

³² For example, the national director and second-tier heads of department of the National Health Fund, the national director and division chief of the Public Works Office, and the deputy directors of the Housing and Metropolitan Urban Planning Service, among others, all key entities in public resource execution.

³³ Supreme Decree No. 250, of 2004, approving the Regulations Implementing Law 19.886, on Administrative Contracts for Supplies and Services.

replace legislation introduced previously to create the Securities and Insurance Commission.

- g. Establish the requirement to prepare a civic education plan for all primary and secondary schools recognized by the State, promoting the formation of civic values, through corresponding draft legislation.³⁴ On an indicative basis, the second operation is expected to help lock in these measures through regulations implementing the laws associated with this first operation, once they have been enacted and published in the Official Gazette; through the definition and review of procedures for new provisions of law, and other administrative measures, such as the preparation and publication of codes of ethics at all Public Services; and through legislation amending Law 19.886, to expand coverage of the procurement system for entities involved in procurement, as well as types of contracts.

C. Key results indicators

- 1.19 To measure impact, the program will use the synthetic control indicators proposed for program evaluation ([monitoring and evaluation plan](#)). To measure the results of the policy and reform actions included in the program, the [results matrix](#) will be used. These results will be monitored and evaluated by mutual agreement with the borrower.
- 1.20 The estimated impact of the program will be determined by the difference between the trajectory of the synthetic control indicators in Chile for 2015-2019 and the trajectory of the counterfactual indicators, the “Chile built” based on the methodology noted in paragraph 3.4. Since Chile has high standards in terms of all indicators to be used, the expected impact is that the country will succeed in maintaining, if not bettering, the indicator levels relative to the counterfactual. The key results indicators are: (i) the percentage of authorities and public officials with an obligation to make and update expanded declarations of interest and assets who in fact submit them; (ii) the number of Public Services that must provide posts through the SADP, and number of first- and second-tier posts that must be provided through the SADP; (iii) the percentage of awards published in accordance with new integrity and transparency standards of the total number of bidding processes subject to mandatory publication of the awards; and (iv) the percentage of primary and secondary schools that have a civic education plan.
- 1.21 **Economic analysis.** An [economic analysis](#) was prepared for the program, premised on the fact that policy measures designed to strengthen integrity and transparency, such as those proposed by Chile, are key factors in preventing and controlling corruption³⁵ in both the public and private spheres, and how this appears to be a decisive factor in strengthening efficiency in the use of public

³⁴ Education is a key factor of both citizenship and democratic development. Civic education is where an equilibrium is established between the values and competencies of individuals, as well as cooperation and conflict practices that characterize their collective actions and the institutions acting as intermediaries between the individual and the State (Cox, 2012).

³⁵ The literature shows how transparency and access to information not only strengthen citizen participation but can also highlight institutional and regulatory vulnerabilities in both the public and the private sector, many of which are frequently windows of opportunity for corrupt practices. Baena, Paloma and Vieyra, Juan Cruz, *Access to Information and Targeted Transparency Policies*. Technical Note 321, Inter-American Development Bank, 2011.

resources, and to build public confidence in the country's leaders. Specifically, the study provides empirical evidence of the impacts that corruption has, at both the macroeconomic and microeconomic levels, on the main policy areas identified by the program.

- 1.22 This study indicates, first, that increased corruption erodes the legitimacy of democracies, undermining the public's trust in their regimes and breaking down the interpersonal trust that underpins relationships in civil society.³⁶ Secondly, it has been demonstrated that the existence of corruption in public entities entails a surcharge on the procurements made by those institutions and that those prices are correlated with the government structure.³⁷ Moreover, the lack of transparency in general and specifically in the contracting process has an adverse impact in the form of political patronage, excessive tenure in political power, inefficiency, and corruption.³⁸ Third, there is empirical evidence of a negative correlation between corruption and civil service wages among countries.³⁹ Recent evidence suggests that higher wages attract more capable candidates, which increases rates of hire and helps offset some of the negative characteristics associated with the municipal environment and distance.⁴⁰

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 This operation is structured as a programmatic policy-based loan (PBL) that calls for two individual and consecutive operations, in accordance with Policy-based Loans: Guidelines for Preparation and Implementation (document CS-3633-1)⁴¹ and in the guidelines and instructions established in the New Lending Framework: Assessment Report and Recommendations (document GN-2200-13). The rationale for this programmatic modality is: (i) the need to provide the necessary timeframes for implementing complex reforms that require medium-term actions; (ii) the different timeframes for the implementation of each one; (iii) the importance of evaluating progress and adjusting the reforms based on the knowledge gained; and (iv) the support and continuity of policy dialogue in the country.

³⁶ Seligson, M. (2006): *The Measurement and Impact of Corruption Victimization: Survey Evidence from Latin America*, *World Development*, Vol. 34, No. 2, 381-404, 2006.

³⁷ Bandiera, O., Prat, A, and Valletti, T. (2009): *Active and Passive Waste in Government Spending: Evidence from a Policy Experiment*. *American Economic Review*, 99(4): 1278-1308. Di Tella, R, and Schargrodsky, E. (2003): *The Role of Wages and Auditing during a Crackdown on Corruption in the City of Buenos Aires*. *Journal of Law and Economics*, University of Chicago Press, Vol. 46(1), 269-92, April.

³⁸ Bragança, A., Ferraz, C., and Rios, J. (2015): *Political Dynasties and the Quality of Government*, Working Paper.

³⁹ Van Rijckeghem, C., and Weder, B. (1997): *Corruption and the Rate of Temptation: Do Low Wages in the Civil Services Cause Corruption?* IMF Working Paper. Van Rijckeghem, C., and Weder, B.: *Bureaucratic Corruption and the Rate of Temptation: Do Wages in the Civil Service Affect Corruption, and By How Much?*, *Journal of Development Economics*, 65 (2001): 307-31.

⁴⁰ Dal Bó, E., Finan, F., and Rossi, M. (2013): *Strengthening State Capabilities: The Role of Financial Incentives in the Call to Public Service*, *The Quarterly Journal of Economics*, Oxford University Press, Vol. 128(3), 1169-1218.

⁴¹ This instrument consists of a series of single tranche operations, each with its own loan contract.

- 2.2 This operation will be financed under Flexible Financing Facility in U.S. dollars from the Bank's Ordinary Capital (OC). The loan modality was selected in response to the Chilean government's interest in obtaining support from the Bank to promote sector policy reforms and institutional changes in furtherance of the Integrity and Transparency Agenda in the short and medium term. The Chilean government's resolve to implement the reform agenda, the country's long history of implementing structural reforms, the consensus (within the government) as to the objectives of the Integrity and Transparency Agenda, and the process under way to prepare the proposal, including definition of the roles of the key parties concerned in the decision-making and policy implementation process, constitute a solid foundation for achieving the expected results.⁴²
- 2.3 The loan amount is US\$130 million, to be drawn from the Bank's Ordinary Capital. The loan proceeds will be disbursed in a single tranche, which is justified by the country's financial requirements to maintain a stable macroeconomic framework. The amount and date of the second operation will be agreed upon with the government, taking account of progress made in reaching the triggers and the Bank's programming exercise with the country. The second operation is expected to contribute to consolidation of the measures included in this operation (see Annex II) and to gradual and sustained expansion of the Integrity and Transparency Agenda. The Chilean government has gross financing requirements on the order of US\$8 billion for fiscal year 2016, to be covered with market and multilateral financing. This operation represents approximately 1.6% of that figure.

B. Environmental and social safeguard risks

- 2.4 Based on Directive B.13 of the Environment and Safeguards Compliance Policy (document GN-2208-20 and policy OP-703), this operation does not require classification.

C. Fiduciary risks

- 2.5 The proposed financing instrument provides unrestricted funds for budget support provided there is a responsible fiscal policy framework in place. Therefore, there is no significant fiduciary risk because the executing agency has the necessary financial management tools and control systems.

D. Other risks

- 2.6 Looking ahead to the operation's disbursement period, the political context appears favorable to the program, and the high cross-cutting political relevance of the operation contributes to the sustainability of the reforms implemented in the framework of the Integrity and Transparency Agenda. Consensus now exists among all stakeholders associated with the Integrity and Transparency Agenda as to the need for its implementation. As mentioned, integrity and transparency are at the heart of the Government Program for 2014-2018.

⁴² Studies of the development effectiveness of financing indicate that reform programs may be effective when the country itself identifies with them and when these measures are designed to reflect the country's implementation capacity. In its 1999 evaluation, the Bank's Office of Evaluation and Oversight concluded, "in general that if the government is committed to a reform program and if it can be carried out within the mandate of that government, sector loans can be highly effective in facilitating the reform process and supporting the countries' economic development."

- 2.7 Without prejudice to the foregoing, most of the operation's risks have been determined to be medium-level risks associated with public management and governance. The main risks identified are related to possible resistance to the changes on the part of the political system and other organizations, and to delays in implementing some measures. Accordingly, technical assistance and support activities for public sector senior management are planned to minimize these risks, to be financed with transactional resources.⁴³ These activities would be performed primarily by hiring experts on topics that facilitate dialogue on understanding the Integrity and Transparency Agenda and conducting workshops and seminars for its dissemination, knowledge management, and consensus-building around its contents. Representatives of civil society, including the academic community and think tanks, as well as political stakeholders from National Congress and the political parties, among others, would participate in these events.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The borrower is the Republic of Chile, and the executing agency is the Ministry of Finance of Chile. For the purposes of this operation, the executing agency will act through its Budget Department (DIPRES).
- 3.2 The executing agency will have the following responsibilities, to be carried out based on information coordinated with the General Secretariat of the Office of the President (SEGPRES): (i) provide evidence of fulfillment of the policy commitments, as well as any other program-related evidence needed by the Bank for approval of the respective disbursement; and (ii) once the program disbursements have been ensured, gather information for the performance indicators that will be used to evaluate the program results. SEGPRES, as the ministry responsible for, *inter alia*, interministerial coordination and implementation of the Integrity and Transparency Agenda, will coordinate with the Ministry of Finance and others responsible for the policy measures in fulfillment of the above-mentioned responsibilities.
- 3.3 **Special contractual conditions precedent to release of the single tranche of the loan:** The release of the single tranche will be subject to fulfillment of the policy reform conditions described in the policy matrix (Annex II), the policy letter, and the other conditions established in the loan contract.

B. Summary of arrangements for monitoring results

- 3.4 **Monitoring.** A [monitoring and evaluation plan](#) was prepared to monitor and evaluate program results. The instruments comprising this plan are the: (i) policy matrix (Annex II); (ii) [means of verification matrix](#); and (iii) [results matrix](#). These establish the key parameters for monitoring and evaluation of the program results. The Bank will monitor their implementation from the Country Office and the Institutional Capacity of State Division. The executing agency will have

⁴³ The Chilean government has also asked the Bank to consider a nonreimbursable technical-cooperation operation to expand these activities and specify the policy measures for a second operation.

responsibility for monitoring the results of the operation, in coordination with SEGPRES, in order to keep the Bank duly informed.

- 3.5 **Evaluation.** As indicated in the [monitoring and evaluation plan](#), program results will be measured based on administrative data, results and qualitative evaluation, and specific studies that are available and accessible by the public. In addition to the regular measurements that are part of the monitoring plan, a program impact evaluation is planned, using the synthetic controls methodology developed by Abadie and Gardeazabal (2003) to define Chile's hypothetical trajectory without the program, based on a series of proposed indicators: (i) corruption control indicator; (ii) government effectiveness indicator; (iii) voice and accountability indicator, which are three of the World Bank's worldwide governance indicators; (iv) transparency in government policymaking indicator; (v) ethical behavior of firms indicator; and (vi) government efficiency indicator, the last three of which are from the World Economic Forum's Global Competitiveness Index. Given the nature of the interventions, which have relatively long maturity periods, the impact evaluation will be conducted no earlier than 2019.

IV. POLICY LETTER

- 4.1 The IDB has agreed with the Government of Chile on the policy commitments to be supported through this program, included in the policy matrix (Annex II), the [means of verification matrix](#), and the [results matrix](#). The [policy letter](#) reaffirms the government's commitment to all objectives and actions envisaged as part of the programmatic loan operation.

Development Effectiveness Matrix			
Summary			
I. Strategic Alignment			
1. IDB Strategic Development Objectives	Not Aligned		
Lending Program			
Regional Development Goals			
Bank Output Contribution (as defined in Results Framework of IDB-9)			
2. Country Strategy Development Objectives	Aligned		
Country Strategy Results Matrix	GN-2785	Strengthen public management to prepare the state for growing citizen demands	
Country Program Results Matrix	GN-2805	The intervention is not included in the 2015 Operational Program.	
Relevance of this project to country development challenges (If not aligned to country strategy or country program)			
II. Development Outcomes - Evaluability	Evaluable	Weight	Maximum Score
	8.0		10
3. Evidence-based Assessment & Solution	9.4	33.33%	10
3.1 Program Diagnosis	2.4		
3.2 Proposed Interventions or Solutions	4.0		
3.3 Results Matrix Quality	3.0		
4. Ex ante Economic Analysis	6.0	33.33%	10
4.1 The program has an ERR/NPV, a Cost-Effectiveness Analysis or a General Economic Analysis	2.0		
4.2 Identified and Quantified Benefits	2.0		
4.3 Identified and Quantified Costs	0.0		
4.4 Reasonable Assumptions	2.0		
4.5 Sensitivity Analysis	0.0		
5. Monitoring and Evaluation	8.6	33.33%	10
5.1 Monitoring Mechanisms	1.5		
5.2 Evaluation Plan	7.1		
III. Risks & Mitigation Monitoring Matrix			
Overall risks rate = magnitude of risks*likelihood	Medium		
Identified risks have been rated for magnitude and likelihood	Yes		
Mitigation measures have been identified for major risks	Yes		
Mitigation measures have indicators for tracking their implementation	Yes		
Environmental & social risk classification	B.13		
IV. IDB's Role - Additionality			
The project relies on the use of country systems			
Fiduciary (VPC/FMP Criteria)			
Non-Fiduciary			
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:			
Gender Equality			
Labor			
Environment			
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	ATN/FI-13873-CH, ATN/OC-11993-CH), ATN/FG-12440-CH); ATN/AA-12324-CH, ATN/AA-14685-CH), ATN/AA-14686-CH), ATN/JF-11991-CH.	
The ex-post impact evaluation of the project will produce evidence to close knowledge gaps in the sector that were identified in the project document and/or in the evaluation plan	Yes	The Program's impact evaluation will compare the evolution of six transparency and government effectiveness indicators for Chile. For each of the indicators, a group of "synthetic" control is constructed following the methodology of Abadie and Gardeazabal (2003). This will reconstruct the indicator prior to the program and use that estimate to calculate what would have been the trajectory of the indicator for Chile in the absence of the program.	

In order to drive forward the probity and transparency agenda, the government has built a legislative and technical agenda, to which this project would contribute through two components: (i) strengthening the legal and institutional framework and the rights to access public information; and (ii) ensuring public resource management integrity and transparency promoting honest behaviors among the different actors of society. The document includes ample empirical evidence on the importance of having robust legal frameworks in achieving higher transparency levels. The documentation reviews the extensive literature indicating that corruption negatively affects economic development, income distribution, the legitimacy of the political system and the viability of the rule of law, among others.

The results matrix has a clear vertical logic. The legislative measures included in the Policy Matrix (products) should lead to an increase in the number and proportion of staff that provide declarations of assets and interests; to a deepening in the professionalization of Public Management; a reduction of discretion in public procurement (direct contracts); and to the introduction of civic education in the school curriculum. This set of results should be reflected in the long term (impact) in the maintenance (or improvement) of six major indicators measuring corruption perceptions.

The general economic analysis presents a detailed analysis of the relationship between corruption, growth, civil service and regulatory standards. However, this analysis is not based on a formal model, nor it presents a discussion of the possible costs associated with the policy measures or a sensitivity analysis for them. The package includes a complete monitoring and evaluation plan. An innovative impact evaluation is proposed using a synthetic control method.

POLICY MATRIX

Objective	Policy actions (Programmatic I)	Indicative actions (Programmatic II)
Component I - Macroeconomic stability		
1. To maintain a macroeconomic environment conducive to fiscal sustainability	1.1 The borrower's macroeconomic context is consistent with the program objectives.	The borrower's macroeconomic context is consistent with the program objectives.
Component II – Strengthening the legal and institutional framework for integrity and transparency		
2. To strengthen the legal and institutional framework in line with the principles of administrative integrity and transparency and the right of access to public information, as defined by law.	2.1 Strengthen integrity in public management through the Law on Integrity in Public Service, which, <i>inter alia</i> , will expand and strengthen the system for declaring interest and assets.	Regulations implementing the “Law on Integrity in Public Service,” once it has been enacted and published in the Official Gazette.
	2.2 Strengthening integrity in public management through draft legislation to prevent and punish conflicts of interest, which will modify the system of disqualifications and conflicts of interest for serving in public office.	Regulations implementing the “Law Preventing and Punishing Conflicts of Interest and Amending Rules on Disqualifications and Conflicts of Interest for Serving in Public Office,” once it has been enacted and published in the Official Gazette.
	2.3 Incorporate in national legislation, for the first time, the crime of corruption between private individuals in draft legislation that defines and punishes the crime of corruption between private individuals, and also increases the punishments associated with crimes of corruption and inducement in the exercise of public office, amending the Code of Penal Procedure accordingly.	Draft legislation for a new Code of Penal Procedure, integrating and incorporating amendments thereto since its enactment, submitted to the National Congress.
	2.4 Strengthen the institutions responsible for administering electoral activities, based on draft legislation for strengthening of and transparency in democracy, which among other provisions would amend Law No. 18.556, the Basic Constitutional Law on the Electoral Registration System and Electoral Service to strengthen the administrative and oversight functions of the Electoral Service (SERVEL), such as, <i>inter alia</i> , the functions of overseeing accountability, conducting and ordering audits of annual statements of public accounts, and obtaining access to charts of accounts and documents for oversight of the financial situation of entities subject to oversight.	Regulations implementing the “Law on the Strengthening of and Transparency in Democracy,” once it has been enacted and published in the Official Gazette; and procedural review based on its new provisions.

Objective	Policy actions (Programmatic I)	Indicative actions (Programmatic II)
Component III – Ensuring integrity and transparency in the management of public resources and activities to further professionalize public management, and promoting ethical behavior among the different actors in society		
3. To ensure integrity and transparency in the management of public resources, in activities to further professionalize public management, and in private business, and to promote similar conduct among the citizenry.	3.1 Fine-tune the Public Sector Senior Management System (SADP) based on draft legislation that proposes measures, <i>inter alia</i> , such as: expanding the inclusion of new Public Services and posts, and the corresponding modalities; improving governance and strengthening the system’s merit and professionalism guarantees; and effectively linking performance management for public sector senior management with the government’s strategic objectives, and establishing objective terms of separation.	Regulations implementing the “Law Improving the Public Sector Senior Management System (SADP) and Strengthening the National Civil Service Department (DNSC),” once it has been enacted and published in the Official Gazette; and procedural review of its new provisions.
	3.2 Strengthen the National Civil Service Department (DNSC), based on draft legislation that would grant it additional functions and powers authorizing it to issue directives to the Public Services on human resources management and development.	Regulations implementing the “Law Improving the Public Sector Senior Management System (SADP) and Strengthening the National Civil Service Department (DNSC),” once it has been enacted and published in the Official Gazette; and definition of procedures for implementing the oversight functions of human resource management and development assigned to the DNSC under the Law.
	3.3 Increase the dissemination and transparency of invitations to compete and application and/or selection processes through a standard official notice by the Ministry of Finance containing a directive for mandatory use of the DNSC “Government Jobs” portal (www.empleospublicos.cl) for all types of employment contracts, promoting in turn equal access to them.	In the framework of the new powers to be granted by the “Law Improving the Public Sector Senior Management System (SADP) and Strengthening the National Civil Service Department (DNSC),” once it has been enacted and published in the Official Gazette, a standard official communication from the Ministry of Finance instructing mandatory use of the DNSC single window for public employees to enter the public service (senior government officials, primary and secondary school principals, and other central government officials).
	3.4 Define standards of conduct for ethical and transparent fulfillment by public employees of their functions based on the general guidelines that the Ministry of Finance will issue through a standard official notice that will guide the preparation of codes of ethics at the different Public Services.	Preparation of codes of ethics in Public Services, in accordance with the general guidelines issued by the Ministry of Finance.

Objective	Policy actions (Programmatic I)	Indicative actions (Programmatic II)
	<p>3.5 Strengthen integrity and transparency requirements in public procurements by amending the Regulations Implementing Law No. 19.886, Law on Administrative Contracts for Supplies and Services, including by reviewing and improving the rules and regulations governing public procurement as well as those on public information under new transparency requirements, such as the publication of criteria and weightings assigned to evaluate bidders, the composition of the evaluation committee, and the receipt and classification of bids, among other activities.</p>	<p>Draft legislation amending Law No. 19.886 to expand coverage of the public procurement system in terms of entities and procurement modalities subject to the system.</p>
	<p>3.6 Strengthen the Ministry of Public Works (MOP) as the institution responsible for enforcing the Law on Concessions, through draft legislation to create a Concessions Office within the MOP, in order to mitigate risks of undue influence.</p>	<p>Regulations implementing the “Law Creating the Concessions Office for Public Works,” once it has been enacted and published in the Official Gazette; and definition of procedures for implementing the organization and operation of the new Concessions Office for Public Works created by this Law.</p>
	<p>3.7 Create a new institutional framework for the entity in charge of supervising the securities and insurance markets, transforming the existing Superintendency into a Commission, and introducing improvements to give it greater regulatory capacity, establishing plea bargaining systems and whistleblower protection programs, and extending the benefit of legal defense to all officials of regulatory agencies, by sending a proposal to Congress to replace legislation introduced previously to create the Securities and Insurance Commission.</p>	<p>Regulations implementing the “Law Creating the Securities and Insurance Commission,” once it has been enacted and published in the Official Gazette.</p>
	<p>3.8 Establish the requirement to prepare a civic education plan for all primary and secondary schools recognized by the State, promoting the formation of civic values, through corresponding draft legislation.</p>	<p>Regulations implementing the “Law Creating the Civic Education Plan for All Schools Recognized by the State,” once it has been enacted and published in the Official Gazette; and implementation of the following measures, among others: (i) signed agreements for collaboration between the Ministry of Education and institutions of higher education for implementation of a teacher training program on civic education; and (ii) re-establishment of a mandatory civics course in the 3rd and 4th years of secondary school.</p>

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/___

Chile. Loan ___/OC-CH to the Republic of Chile
Chile's Integrity and Transparency Agenda
Support Program

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Chile, as Borrower, for the purpose of granting it a financing to cooperate in the execution of the Chile's Integrity and Transparency Agenda Support Program. Such financing will be for an amount of up to US\$130,000,000 from the Ordinary Capital resources of the Bank, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ___ _____ 20__)

LEG/SGO/CSC/IDBDOCS: 39905335
Pipeline No.: CH-L1110