



Comisión  
Nacional de  
**Evaluación y  
Productividad**

# EXECUTIVE SUMMARY

Review of Productivity Agendas:  
Twenty-One Recommendations

2016

## **Review of Productivity Agendas: Twenty-One Recommendations 2016**

### **Background**

The country faces several challenges to increasing the well-being of Chileans. Raising the living standards of the average citizen is only possible with a substantial productivity improvement. Our best economic performance occurred in the 1990s when productivity grew by over 2% per year, and average income doubled. However, since 2000 - despite the efforts of all governments - our growth comes almost exclusively from investment in physical and human capital, with a slight productivity improvement. While accumulating physical and human capital is essential, utilizing these resources, that is, their productivity is equally important.

Furthermore, productivity accelerates growth and directly affects equity by enabling workers to access better working conditions and promoting social mobility. The creation of the National Productivity Commission builds on this diagnosis, emerging from the Productivity, Innovation, and Growth Agenda of the Ministry of Economy.

To build on past efforts and learn from the experience in the design, formulation, and implementation of pro-productivity measures and policies, the National Productivity Commission (CNP) has decided to review the measures contained in the productivity agendas of the administrations of Presidents Lagos (2000-2006), Bachelet (2006-2010), and Piñera (2010-2014). The analysis has provided informative insights into the process but also reveals necessary measures that were either not implemented or only partially implemented and deserve to be reinvigorated as the CNP still considers them relevant. This report presents the conclusions regarding both dimensions.

### **The National Productivity Commission**

#### **Who Are We?**

The CNP is an institution composed of eight Counselors, a representative of the Ministry of Finance, one from the Ministry of Economy, Development, and Tourism, and one from the

Ministry of Labor, in addition to an Executive Secretariat. Its mission is to advise the President of the Republic on all matters aimed at increasing long-term economic growth and citizens' well-being through productivity gains. The Executive Secretariat is responsible for properly implementing the Commission's agreements and fulfilling its proposals.

Its key characteristics include:

- **It is Permanent:** The goal of its creation is for the CNP to become a permanent agency since the productivity challenge is ongoing and long-term.
- **It is Independent and Autonomous:** Although administratively dependent on the Ministry of Economy, the CNP is an independent and autonomous entity in its analysis, opinions, and proposals since its mission is to make recommendations directly to the President of the Republic.
- **It is Cross-cutting:** The Counselors are appointed on a personal basis and bring different perspectives and diverse professional experiences. The current Council includes individuals from the public and private sectors, businesses, unions, and academia.
- **It is Participatory:** The CNP includes opening spaces for citizen participation and opinion since productivity is a task for society.

### What Do We Believe in?

**Firstly**, productivity is central to the economy. More than the accumulation of capital or the increase in the workforce, productivity over time explains the rise in living standards and well-being.

Despite notable progress in the last 30 years, our level of productivity is less than half that of developed countries. This gap indicates our shortcomings but allows us to visualize what is achievable.

**Secondly**, Chilean productivity can once again surpass that of developed countries at the technological frontier. In the United States, for example, productivity grows by 1% per year, so in our country, it could grow by at least 1.5% annually.

Indeed, an advantage of a developing country as Chile is that it can increase based on the identification and adoption of technologies and best international practices, intelligent imitation, adaptation to the local reality, and rapid diffusion throughout the country's productive apparatus, therefore bridging the gap separating us from developed countries.

This intelligent, massive, and systematic imitation explains why Japan, after World War II, was able to grow much faster than the United States reaching its level in 1990. It explains why the "Asian tigers" have grown even faster than Japan since the 1950s and why China's growth rates in the last 30 years have even surpassed those of the "Asian tigers." Once the economy takes off, the further a country is from the global technological frontier, the greater the possible economic growth, skipping technology stages by adopting the latest generation.

Factors that have driven our development include better macroeconomic management, the maturation of previous liberalizing reforms, increased investment, the deepening of trade openness that increased competition and stimulated more excellent entrepreneurial drive, and higher labor participation and productivity, among others. These factors have enabled the massive introduction of cutting-edge practices and technologies that have transformed a significant part of the productive apparatus. Furthermore, Chile's good economic performance of the past 30 years is due to this along with the implemented reforms and reasonable policies.

Examples of this intelligent imitation include the introduction of drip irrigation (an Israeli invention that revolutionized our agricultural productivity), salmon aquaculture, and credit cards, which transformed our fishing production and the credit system, respectively.

However, being only halfway to the technological frontier means that we can continue to enjoy higher economic growth rates than developed countries as long as we make technological leaps toward best practices.

**Thirdly**, while our productivity can grow again at a rate above that of developed countries, we know this is not easy or automatic. In fact, after our golden decade in the 1990s, between 2000 and 2015, our productivity has been almost stagnant, which means that during this period, our productivity gap with developed countries has widened instead of narrowing.

Reducing this gap requires overcoming various obstacles, including:

- **Strategic impediments:** for example, the underutilization of our human capital potential due to a deficient education and training system, our high dependence on the export of few natural resources, or our limited efforts in research and innovation.
- **Microeconomic obstacles and market failures:** for example, problems of inadequate regulation or excessive and overlapping regulations, insufficiently competitive markets, or segmented markets, such as the pressing lack of long-term credit for SMEs, especially for new companies.
- **Institutional obstacles:** for example, the emphasis of the State on its regulatory and supervisory function at the expense of its other equally important function of promoting and **accelerating**.
- **Cultural obstacles:** for example, where family background and connections still weigh more than merit and effort, consumption over savings, settling for doing more of the same instead of demanding excellence and innovation and emphasizing rights more than responsibilities.
- **Macroeconomic obstacles:** for example, demand problems generated by the current global economic situation that inhibit GDP growth according to its potential.

Such obstacles suggest that there is still room for improvement in many areas. There is no single solution but rather the need for sustained and continuous effort framed within a strategy that includes specific measures and the design of long-term policies. The positive aspect of this is that each obstacle suggests a whole field of possible action to improve the country's productivity and the well-being of Chileans.

**Fourthly**, gains in productivity benefit the country as a whole. Unlike many policies where advancements for some mean losses for others, productivity policies allow everyone to win. For the worker, this can translate into better quality jobs and higher wages; for the consumer, it means better quality products at lower prices; for the entrepreneur, it means greater efficiency and profitability. Even for groups with a strong environmental consciousness, it should be good news because, at its core, productivity means doing more and doing it with fewer inputs.

**Fifthly**, there are no shortcuts or miraculous recipes. Permanently increasing productivity requires continuous and incremental improvement in multiple areas. Its effect is cumulative and fully appreciated in the medium and long term. Therefore, it is essential to start as soon as possible. Furthermore, given the multifaceted nature of the challenges at hand, addressing these issues should be prioritized and necessitate a collaborative effort among the public sector, workers, employers, and civil society. It is crucial to foster a collective approach that brings together the diverse stakeholders to work towards effective solutions and ensure the successful implementation of initiatives aimed at overcoming these challenges.

**Sixthly**, although increasing productivity only solves some of the needs of Chileans, the country needs to progress toward the well-being and equity it aspires to. We will only be able to achieve the standards of well-being and equity of developed countries if we reach the high productivity of their economic foundation.

### **What Have We Done?**

Since its creation in July 2015, and considering the initial organization of the institution, the CNP has been working on various topics:

- We have initiated the work requested by the government on mining productivity, which aims to propose recommendations to reverse the decline in mining productivity over the last 15 years.
- We have started a series of independent initiatives on topics such as hospital productivity, inclusion and greater labor participation of underrepresented groups

such as women and youth, and the frequent underemployment of individuals over 50 years old.

- We are working on an annual productivity report with measurement standards from the OECD.

### **Review of Productivity Agendas**

During 2016, we will prepare reports with recommendations on each of the topics above. This report provides an account of the first of these completed works by the CNP. It reviewed and analyzed the measures in the pro-productivity agendas promoted by the last three governments, which we have referred to as the "Agenda of Agendas."

The stagnation of productivity growth rates has been a concern for all governments. In the last three administrations, including the governments of Presidents Ricardo Lagos (2000-2006), Michelle Bachelet (2006-2010), Sebastián Piñera (2010-2014), and Bachelet again (2015-2018), agendas have been developed that list specific measures aimed at (re)boosting productivity under different names.

In an effort to build upon past efforts and learn from the experiences in designing, formulating, and implementing pro-productivity measures and policies, the CNP made a strategic decision to undertake a comprehensive review of these agendas as its primary task. The analysis conducted has been insightful, shedding light on the overall process while also identifying certain measures that were deemed necessary but either remained unimplemented or only partially implemented. These measures, however, still hold significant relevance and warrant reinvigoration, as determined by the Commission. This report encompasses the findings and conclusions regarding both aspects, providing valuable insights for future endeavors.

There are three key considerations to take into account.

Firstly, the analysis of measures in this report focuses on the agendas of the four administrations of Presidents Lagos (2000-2006), Bachelet (2006-2010), Piñera (2010-

2014), and Bachelet (2015-2018). However, the report primarily centers on the first three administrations, as the Productivity, Innovation, and Growth agenda of the Ministry of Economy is currently being implemented. Therefore, the aim of this report is to complement and enrich the existing agenda.

Secondly, it is important to note that the concern for productivity in each government extended beyond the creation of their respective agendas. These agendas typically included measures that emphasized transfers or resource allocation to support specific activities or sectors (such as innovation and pro-SME initiatives) and sought to improve management practices (such as procedural simplification and digitalization) and other institutional measures. However, broader, more comprehensive, and strategic long-term policies that significantly impact productivity were not extensively outlined in these agendas, despite significant efforts made by the respective governments in these areas.

For instance, the improvement of education quality has been a consistent concern for governments. However, the "Agendas" do not cover extensively this topic, despite its direct impact on productivity, as each of these critical issues represents an agenda in its own right. Therefore, the reviewed "Agendas" offer a limited representation of each government's efforts in the realm of productivity.

Thirdly, the reviewed "Agendas" primarily focus on public management measures, overlooking crucial aspects of productivity that depend on entities beyond the public sector. This includes the adoption of best practices and technologies, which primarily fall under the responsibility of companies, their executives, and their workers.

This report is divided into two parts. The first part revolves around formulating an agenda and identifying measures. Through this process, the need for a shared long-term vision and continuity of efforts between administrations becomes apparent. Based on the experiences gained, the CNP recommends a set of actions to ensure both the success and continuity of medium- and long-term productivity-related measures.



The second part of this report presents the outcomes of the inventory of measures found in the reviewed "Agendas." It identifies a set of specific actions that were either not fully implemented or only partially implemented. Despite the efforts made by the respective governments to execute these measures, they encountered challenges in overcoming inertia and resistance from interest groups, leading to their limited progress. However, the significance and relevance of these measures remain intact, which underscores the importance of revitalizing them with the support of the CNP. By endorsing these measures, the CNP aims to generate renewed momentum and consensus necessary for their successful implementation.

### **First Part: Structural Measures**

Public policy is a continuum that transcends particular governments, and it is worth acknowledging each government's work to advance the country's productivity. However, there are limitations concerning the design and implementation of measures that the CNP considers to reduce the expected impact on pro-productivity efforts, both in the short and long term. We will now refer to each of them and our proposals to drive a continuous productivity strategy.

#### **1. Lack of a shared, strategic, and long-term vision for productivity**

An evident aspect that emerges from the review of the "Agendas" is that, although they have different approaches, methodologies, and data collection processes, they tend to converge around the areas that most directly affect productivity and over which the State can exert influence.

Transversal topics of permanent concern include:

- Promotion of investment
- Promotion of competition
- Regulatory efficiency, simplification, and digitization of procedures
- Labor market and training
- Entrepreneurship, innovation, and technology
- Strengthening of SMEs

- Export development
- Institutional strengthening and modernization of the State

While there is general agreement on these topics, there needs to be a consensus on their relative priorities or the best way to address them. Each government has its vision when defining its emphases and preferences, as well as the best way to implement its policies (e.g., with horizontal or vertical policies, with macro or microeconomic orientations). However, the lack of a shared long-term vision and continuity hinders the effectiveness of efforts to enhance productivity.

To address this, we propose the development of a comprehensive and shared long-term vision for productivity that transcends individual governments. This vision should establish clear priorities, strategic objectives, and a roadmap for implementing measures across different areas that affect productivity. It should also consider other countries' best practices and successful experiences and involve the active participation of relevant stakeholders, including government agencies, workers' representatives, entrepreneurs, and civil society organizations.

By establishing a shared vision and long-term productivity strategy, we can ensure greater consistency and continuity in the implementation of measures and enhance coordination and collaboration among different actors, contributing to sustained improvements in productivity and the overall well-being of Chileans.

Significant achievements with some continuity between governments can be observed, such as the strengthening of entrepreneurship, the digitalization of services, and the development of e-government. However, a lack of a shared long-term strategy may hinder the continuity of efforts between administrations. The "Agendas" tend to be defined based on expected results within the government's term, neglecting long-term measures, so there are significant examples of discontinuity. One can mention the effort to promote productive agglomerations (clusters), which was interrupted due to a lack of shared vision. The inability to reach a reasonable and concerted mix of "horizontal" and "vertical" incentives has also resulted in

fluctuations in promotion policy. On the other hand, although there is consensus on the importance of regulatory simplification and coherence, there has yet to be much progress between administrations.

A shared long-term strategy is needed to prevent efforts between governments from dissipating, and many initiatives are abandoned or replaced, duplicating efforts and leading to a significant loss of information, experience, and knowledge.

## **2. Insufficiency of indicators, evaluations, and impact estimations**

A second aspect that affects the design and implementation of public policies and decision-making by the State relates to the insufficiency of indicators, evaluations, and impact estimations of policies. Although some programs have initial evaluation criteria (ex-ante), this must be done more systematically. Furthermore, it is still unclear whether evaluations, when they exist, are used to monitor the impact and make decisions regarding public policy. The policy impact analysis should include the budgetary cost for the government and the regulatory effects on citizens and businesses. These inputs for quality public policies are needed at various stages:

### **a. Pre-evaluation (ex-ante)**

It is implementing a regulatory impact analysis practice that anticipates whether a proposed measure will favor long-term productivity and its costs. This is especially relevant when dealing with bill projects, and applies to both the measure's efficiency and its expected effectiveness.

### **b. Post-evaluation and monitoring**

It is implementing a practice of analysis that estimates the impact of enforced measures and proposes corrections if necessary. Monitoring of implemented measures to determine the direction and intensity of their effect, especially when dealing with laws or regulations that usually require continuous improvements, is needed.

### **c. insufficiency of indicators**

An essential part of the country's productivity challenge is the need to generate indicators and statistics that quantify it, which applies to both the public and private

sectors and at the aggregate, sectoral, individual, and company levels. The available productivity measurements are aggregated and provide little focus on efforts and no size of the impacts of measures. The State must maximize its capacity to visualize the specific effects of its actions and consider the available evidence in the design of measures.

It is striking that the State generates, collects, and stores a vast amount of data at a high cost. However, its use could be more efficient. Too often, it cannot transform this data into relevant information for its actions. The State allocates significant resources to gather information usually already available in some of its administrative data repositories. The data generated or acquired at the expense of the national treasury remains inaccessible to other state agencies. Furthermore, when collected through surveys, they may be less informative than the administrative data already available.

The generation and availability of information from these databases are significant in the design and evaluation of public policies, which often rely on partial, unrepresentative, or outdated information. In this regard, good practices at the OECD level have resolved information synergy through protocols, safeguarding data confidentiality, and ensuring its proper use, leveraging "big data" techniques.

Alongside the insufficiency of data and its utilization, there is also a need for systematic measurements of public sector productivity or public enterprises. This insufficiency of indicators affects the focus of state modernization efforts and limits a pro-productivity culture within the government. As the literature states, "What is not measured is not managed." Simply measuring indicators may generate improvements in our productivity.

### **3. Regulatory Review**

A common theme in all the "Agendas" is regulatory updating in specific sectors. Sometimes, they focus on an aggregate level proposing regulatory review, while in others, they target permitting elimination and simplifying procedures. This area is strategic as it directly affects

productive sectors, particularly investment (project approval/rejection), SMEs (permits), and the tradeable sector (exports and imports).

There is consensus that the country has a regulatory coherence problem with excess laws, duplicated permits, overly burdensome regulations, overlapping norms, and gaps in other areas that lead to inconsistent interpretations. Awareness must be raised regarding the absence of rules, poor laws, and excessive regulation, which can negatively impact productivity. In each of the reviewed "Agendas," there are partial efforts in this regard. Still, judging by the results and the opinion of three former ministers (one from each government considered), this area has yet to be substantial progress, and its improvement would have significant positive impacts on productivity.

Another aspect is the necessary but prolonged adaptation of regulations to the changes experienced by businesses, especially in the field of technology and information. The current dynamics in this matter cause delays in investment development that is necessary for the country, ultimately hindering the original objectives sought with the existing legislation, such as the approval of projects that effectively protect aspects such as the environment, health, safety, etc. There is also a public management problem that affects the permit acquisition processes for investment projects relevant to the country. Government officials must avoid assuming any degree of administrative responsibility, resulting in excessive safeguards. A cultural change is required among government officials to foster collaboration.

The regulatory review should be addressed through a long-term, continuously implemented strategy that allows for progressive and systematic advancement. A global perspective is necessary to avoid overlaps and sometimes contradictory regulations among instances and regulators. This approach would enable a different approach to ministries and services on which multiple permits and procedures depend. Thus, it will help create the necessary environment in the public sector for services to collaborate with developing and implementing proposals.

In this sense, the measure currently being developed in the Productivity, Innovation, and Growth Agenda to implement a specialized unit that supervises, evaluates, and coordinates regulatory policies, fostering regulatory coherence and consistency across different regulations while reducing unnecessary ones, is noteworthy.

#### **4. Productivity Culture**

Productivity is a national issue that involves the public and private sectors, and it depends on each entity assessing how to improve its activities. It is necessary to promote a culture of productivity within the State and the country on an ongoing basis to strengthen its proposals. There needs to be an awareness that every Chilean is part of this effort and will also benefit from it.

The challenge in this aspect is not minor, as it aims to internalize the concept of productivity in citizenship to the point of generating a change in people's attitudes towards it. This implies not only communication efforts but also capacity-building and the creation of incentives and leadership.

We highlight the designation of 2016 as the "Year of Productivity" and the opportunity it represents to spread awareness about the challenge and the importance of the topic. The efforts should focus on bringing the concept of productivity closer to people, highlighting the benefits that productivity brings to well-being.

#### **Recommendations for Structural Measures:**

1. Agree on a long-term, national pro-productivity strategy that sets guidelines and directions to follow in areas that affect productivity.
2. Present a bill establishing that government laws and programs, during their approval stage, include an anticipatory evaluation (ex-ante) of the potential effects on productivity. This evaluation should define indicators and a baseline to verify and assess the project's impact once implemented (ex-post).

3. Centralize the coordination of the monitoring, evaluating, and measuring critical pro-productivity measures in an independent agency.
4. Expedite the implementation of a "Protocol" for using public data by different ministries and government services. This protocol should facilitate sharing of available information for impact measurements, evaluation, and policy design. Additionally, we recommend legislating that data obtained with public resources be public while safeguarding the confidentiality of the information and personal data by applicable laws. This will help foster more informed debates on public policies and enhance research in our study centers.
5. Instruct state services to identify and report key indicators that allow for evaluating the impact on productivity and their evolution over time through mechanisms of active transparency. By taking advantage of technological advancements, these indicators should be made public in real-time and systematically. This measure can initially be implemented with critical services and processes and then extended as a practice throughout the State.
6. Systematize a sectoral regulatory review process that allows for updating regulations based on their effectiveness and efficiency in critical sectors of the economy. This regulatory review process should be accompanied by parallel efforts to simplify procedures.
7. Establish a citizen participation process that enables individuals to identify neighborhood, company, or country-level productivity issues, along with concrete solutions.

## **Part Two: Specific Measures**

All the pro-productivity agendas reviewed included a list of specific measures implemented by their respective governments. However, despite the attempts to carry them out, there is a subset of steps whose implementation still needs to be completed. This document gathers those measures whose content is still relevant, and their implementation would improve productivity.

We appreciate that some of the identified issues in this document are being addressed in the current administration. For the cases where work is in progress, the recommendation is to promote the measure and accelerate its implementation process.

### Recommendations for Specific Measures:

#### **1. Improve the Corporate Governance Regime of State-owned Companies and those in which the State participates.**

The State owns or holds shares in a significant number of companies that cover vital sectors for the country, such as port infrastructure, sanitation companies, urban and interurban transportation, and services in productive sectors such as mining and agriculture, among others. These companies are regulated by dense legislation in which laws each leading company creates prevail over general norms.

An advancement in the corporate governance of Public Enterprises has been the creation of the Public Enterprises System (SEP) through a CORFO Committee to ensure efficient and transparent management of the administered companies. However, the SEP has institutional design restrictions and does not have independent members outside the Executive Power, among other limitations.

#### Recommendations:

- Align the new regulation with international standards, especially the OECD Guidelines on Corporate Governance for State-Owned Enterprises (2015). These guidelines aim to apply to public enterprises, analogously, the rules designed for private companies.
- This implies, among other things, the creation of a decentralized, professional, and specialized service (Higher Council of Public Enterprises) composed of members appointed not only by the executive but also by independent individuals. This would strengthen the companies' corporate governance, increase transparency, and improve their management and supervision quality. To achieve greater independence, the



boards of directors of public companies should not be composed of ministers or representatives of business associations.

## **2. Streamline the process of managing state-owned assets by the Ministry of National Assets.**

Managing state-owned assets necessary for project development (concessions and transfers) can be slow and complex. This is mainly due to the need for more technical criteria to determine the commercial value of assets and the need for objective criteria for defining land to be tendered.

The State owns 50% of the continental territory, reaching up to 80% in the northern regions. Many of these lands can potentially develop productive real estate, tourism, or conservation projects, for example, the renewable energy projects in the north part of the country, in areas with high solar energy generation potential. Thus, proper management of state-owned land can significantly boost entrepreneurship and provide employment and investment for the country's regions. At the same time, poor administration and economic harm to the State can hinder regional and national economic development.

It is important to note that the jurisdiction of the Ministry of National Assets is limited to the acquisition, administration, and disposal of State or public assets. We emphasize that this authority is independent of the applicant's obligation to obtain all permits or licenses necessary for project development under relevant legislation to be granted by the competent bodies. In this regard, permits or authorizations from other agencies should not condition concession and transfer processes.

### Recommendations:

- Promote the prioritization of the impact on investment and product development in the Ministry of National Assets management.
- Improve the procedures for determining the commercial value of lands established by the Special Commission for Disposal to ensure that they are expeditious and based

on technical, objective, and transparent criteria. For example, set as a principle that said value is determined based on the assessment of three independent experts.

- Monitor the modifications currently being introduced by the Ministry of National Assets to the Special Commission for Disposal regarding its composition, functioning, and compliance with established deadlines for the frequency of its sessions.

### **3. Streamline the review process for granting permits by the General Water Directorate (DGA).**

Hydropower projects, reservoirs, aqueducts, and tailings dams require special authorization from the DGA (major works permit). Once approved, the DGA must grant final endorsement of the project, a process that takes an average of 3 to 5 years.

We highlight that in 2015, Decree MOP No. 50 was issued, which advanced in establishing and clarifying the quality requirements that projects must meet for their admissibility. Additionally, the current administration temporarily injected resources to increase the staff responsible for the reception of works to reduce the time involved in the review process.

Recommendation:

- Authorize independent accredited reviewers appointed by the DGA to conduct a pre-evaluation of projects at the applicant's expense to permanently reduce the time involved in the review process.

### **4. Definition of criteria for the location of industries and obtaining industrial qualification permits.**

There is regulatory incoherence, duplication, and differences regarding the industrial qualification permit. This permit is regulated through the Urban Planning and Construction Ordinance (OGUC) issued by the Ministry of Housing and Urbanism, which establishes that the respective Regional Health Authority must classify industrial or warehousing establishments as: dangerous, polluting, irritating, or harmless categories with unclear definitions.

Furthermore, the qualification constitutes a sectoral environmental pronouncement within the Environmental Impact Assessment System (SEIA). The industry's definition and classification by the Ordinance categories are inconsistent with applicable environmental regulations, resulting in a normative conflict that affects the development of large projects that must undergo SEIA.

Recommendations:

- Exempt projects subject to the SEIA from the industrial qualification pronouncement referred to in the Ordinance to avoid duplication of assessments.
- For cases of establishments not subject to the SEIA, unify the criteria for a qualification that the Health authorities must provide with applicable environmental regulations.
- Implement these measures in both cases through a definitive legal solution.

**5. Streamline and improve the process of granting health authorizations and unify the criteria for health inspections by the Regional Health Authority (SEREMI de Salud).**

The granting of health permits for the manufacture, use, disposal, storage, and labeling of food, as well as other health permits, could be faster and simpler. The times involved and the lack of information that SMEs have regarding the requirements and procedures to obtain the required permits affect the development of their business activities, as they are necessary to obtain a commercial license. There is also discretion and a lack of objective criteria on the part of the Regional Health Authorities in the inspections they carry out to grant permits, which generates uncertainty, particularly for SMEs.

Recommendations:

- Standardize the criteria the Regional Health Authorities use for granting health permits and in their inspection activities through regulations issued by the Ministry of Health.

- Publish the standards and pronouncements of the Regional Health Authorities when evaluating the requirements for granting health permits to unify criteria and establish precedents that applicants can rely on.
- Expedite the implementation of the "Empresa Escritorio" (Business Desktop) initiative, which aims to integrate information, procedures, and services for SMEs on a single platform, including information on health permits.

## **6. Promote adaptability in employment contracts for students.**

The standard working hours outlined in the Labor Code, applicable to most workers, including part-time workers, do not meet the requirements of students, contributing to low labor participation among young people. Students require flexible hourly schedules, in particular, that allow for discontinuous working hours within the same day and variable hours per week to align their work requirements with their academic programs. Only a quarter of young students between 15 and 24 also work.

Recommendation:

- Allow student employment contracts to be based on hourly wages, with discontinuous daily working hours and variable weekly schedules, as long as they do not exceed 30 hours per week.

## **7. Improve Migration and Foreigners legislation, incorporating measures to attract knowledge and human capital.**

Currently, the main regulatory instrument on migration is Decree Law 1,094 of 1975. This regulatory framework constitutes the oldest migration legislation in South America, maintaining a protectionist and cautious approach. Chile has not been a traditional destination for significant migratory flows since reaching a historical peak of 4.1% foreign population in the 1907 census, with figures progressively declining to a minimum of 0.75% in the 1982 measurement. Since the return to democracy, migration has become increasingly important. Censuses from 1992 onwards have shown significant increases, reaching 2% in 2012.

Some weaknesses of the current legislation include the lack of guiding principles, insufficient migrant categories, weak institutional framework, deficiencies in the revalidation of technical and professional degrees, limitations of the Labor Code for foreign workers in companies, and a lack of incentives to attract specialized knowledge and human capital.

Recommendation:

- Update the legislation on migration and foreigners to attract immigrants of qualified human capital and cultural diversity to benefit Chilean entrepreneurship and innovation.
- Establish the characteristics that the Migration Policy must meet by introducing incentives for the attraction of knowledge and advanced human capital, defining new visas and migration categories, facilitating the recognition of technical and professional degrees, eliminating the limitation of the Labor Code for hiring foreigners, and relaxing the restriction of being a citizen to enter the State Administration.

### **8. Update the Telework modality.**

Law No. 19,759 introduced the explicit and specific recognition of telework in national legislation. Article 22 acknowledges the concept of working from one's own home or a freely chosen location, only establishing that personnel engaged in this form of employment are exempt from the limitation of working hours. Similarly, workers contracted to provide their services primarily outside the company's premises, using information technology or telecommunications, are also exempt from the limitation of working hours.

However, telework has yet to have the expected application. The current discussion is that the regulation only acknowledges that this modality is exempt from the limitation of ordinary working hours without addressing aspects such as contract types, working hours, hygiene issues, prevention of risks, and occupational accidents, among others.

Recommendation:

- Promote the telework modality by clarifying the aspects that currently limit its implementation in a manner consistent with the characteristics of this type of employment.

## **9. Adapt the regulation to new technologies.**

Technological advances, both in the past and present, have continuously improved people's quality of life. Adapting to these advances often requires changes that may be challenging in the short term but are necessary for the medium and long time.

As technology advances, existing regulations must capitalize on the opportunities it offers fully. In many situations, laws are designed concerning the technology at their implementation. One example is the requirement for field workers or those on the move to sign an attendance logbook at the employer's office. Previously, this method of attendance was crucial for verifying hours worked, and physically signing a book was considered the only option. With today's new technologies, the same process could be done via mobile phones. This would not only result in fewer commuting hours as workers could start their day by directly visiting clients and then going to the office, but it would also improve the quality of life for workers, which is undoubtedly a well-being improvement.

It is necessary to analyze the impact of new technologies on labor, environmental, and tax regulations in Chile and how they could be adapted to facilitate the possibilities of these new technologies to improve workers' productivity and quality of life.

Recommendation:

- Converge towards international best practices with OECD standards to adopt regulations based on the continuous advances of new technologies.

## **10. Modernize the Notarial and Registry System.**

Different sectors have proposed introducing modifications to the notarial and registry system to increase its dynamism and efficiency and reduce associated costs and processing times without compromising the legal security that inspired its regulation.

Recommendations:

- Increase coverage and competition in the notarial system by incorporating new notaries and establishing quotas and requirements for accessing notarial positions.
- Expand and popularize the use of technology for the modernization and efficiency of services provided by registrars and notaries.
- Review the list of documents and actions that require notarized signatures or notarial presence to reduce them.
- Implement the "Folio Real" system for the organization and complete the legal history of each real estate property in a single instrument. This system would allow the arrangement of property titles according to the property, facilitating the study of their background, in contrast to the current "personal folio" system that only locates them based on the transfers made on said real estate.

## **11. Promote the use of advanced electronic signatures and document digitization.**

Even though technological advancements have reduced the costs associated with advanced electronic signature certification, their use has yet to be widespread. Furthermore, since Law No. 19,799 regulates this matter from 2002 on electronic documents and electronic signatures, its content must correspond to current technological advancements.

Among the main benefits of this tool are increased security and certainty regarding who and when a document was signed, low probability of document or signature alteration or falsification, lower costs (notary, paper, storage, bureaucracy, transportation, time), and it functions at any time of the day and immediately.

Recommendations:

- Establish that in cases where a regulation requires signatures to be authorized by a notary, this requirement can be considered fulfilled when documented with an electronic document signed with an advanced electronic signature and time stamp.
- Authorize the subscription of promissory notes and letters through advanced electronic signatures without losing the document's executive value.
- Allow electronically signed documents to be admissible in all types of proceedings, both contentious and non-contentious, whether in judicial or administrative settings and grant electronic documents signed with electronic signatures the same evidentiary value as those on paper.
- We value the creation of the Digital Agenda 2020 and precisely support the implementation of measures to promote the widespread use of electronic signatures to provide legal certainty regarding the validity of acts and contracts concluded through digital means.

**12. Promote the use of digital media to facilitate publications required by law.**

The Acts must be published in newspapers of national, regional, or local circulation (printed media) to meet legal requirements. This legislation prevents the public from benefiting from the development of the internet and other electronic communication media, which allow for time and cost savings.

Recommendation:

- The legal mandate should publish certain acts in specific newspapers or periodicals of national, regional, or local circulation and electronic media.

**13. Promote the Export of Services.**

Decree-Law No. 825 of 1974 on Sales and Services Tax establishes that income from services to individuals without domicile or residence in Chile will be exempt from Value Added Tax, provided that the National Customs Service qualifies such services as exports.



The National Customs Service, through Exempt Resolution No. 2511 of 2007, establishes the requirements that services must meet to be classified as exports, stating that these services must be performed in Chile and provided to individuals without domicile or residence in the country, thereby excluding services that are provided abroad from the definition. A public-private working group led by the Ministry of Finance is developing proposals that include these issues.

Recommendations:

- Expand the definition of export to include services rendered by Chileans abroad, assimilating them to services provided in the country so that they are eligible for VAT refunds on exports.
- In general, evaluate measures that aim to equalize the tax treatment of service exports with that of goods exports.

#### **14. Promote competition in the national maritime transport market.**

Maritime, river, or lake transport of passengers and cargo between different points of the national territory (maritime cabotage) is reserved for vessels under the national flag. Consequently, while international shipment by sea has increased from 20 to 63 million tons in the last 25 years, domestic cargo has only increased from 8 to 14 million tons.

This legal protection prevents competition from foreign providers, resulting in higher costs for domestic cargo transportation.

Recommendations:

- Remove the legal restriction that prohibits cabotage by foreign vessels.
- Equalize the tax treatment for foreign vessels compared to national vessels.