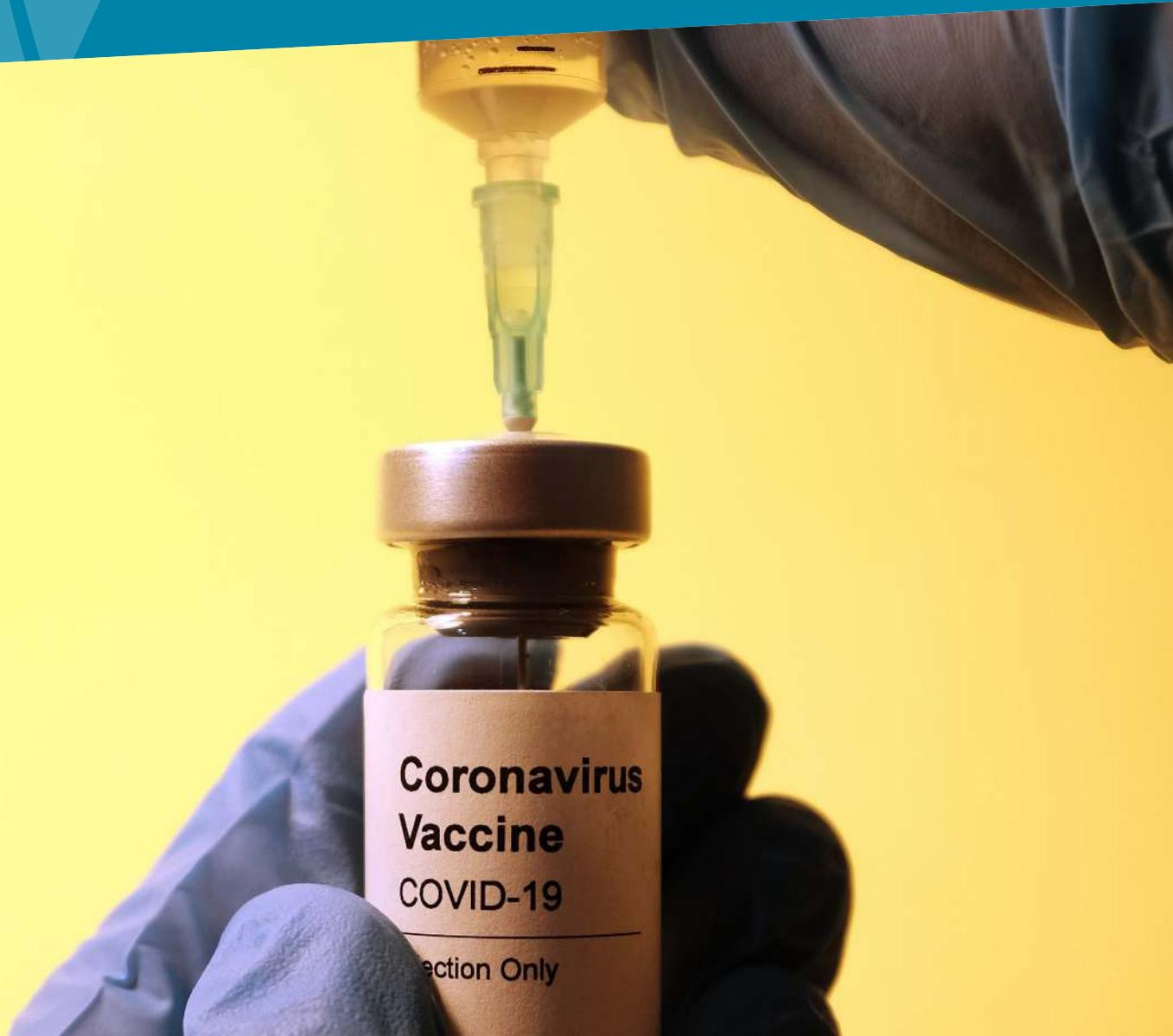


The Institutional Response to COVID-19 in Chile:

Improving the Transparency, Quality and Impact of Public Spending

By Manuel Henríquez & Paula Díaz,
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In 2021, the International Budget Partnership published an assessment of 120 countries' management of COVID relief, which found that too many governments were using the excuse of urgency to avoid being as transparent, accountable or inclusive as they could be. These shortcuts and limitations, however, are neither necessary nor inevitable. IBP's report showcased notable instances in which governments acted swiftly to put in place adequate transparency around their policy responses, where accountability institutions — such as legislatures and supreme audit institutions (SAIs) — stepped up to provide effective oversight, and civil society organizations contributed information on the needs of the most vulnerable. In a series of briefs, we have taken a more in-depth look at these good practices — delving into government objectives in implementing the practices, the impacts achieved, and lessons that can be drawn from these practices for their replication in other countries. The main goal of these briefs is to provide governments with information on good practices in fiscal openness and accountability that they can incorporate into their own policies, to be implemented during periods of crisis and beyond.

This brief documents the case of Chile's Ministerial Advisory Commission on Public Expenditure, which was established in early 2020 by the Ministry of Finance, just before the COVID-19 pandemic hit. This commission was able to quickly redirect its work program to focus on the transparency and accountability of COVID-19 public spending.

The objective of the brief is to show how an initiative of this nature can help governments raise standards in the areas of transparency, participation and accountability, particularly during emergencies such as the COVID-19 pandemic. The brief describes the commission and how it redirected its efforts to promote better practices concerning public resources allocated to the COVID-19 response. It also looks at the government's response to these efforts and discusses the main lessons that can be learned from the initiative.

On January 13, 2020, the Chilean Minister of Finance, Ignacio Briones, announced the *Improved Public Spending Agenda*, a plan to assure Chile's citizens that their taxes were being spent on initiatives that are properly monitored. With this intention, and based on *Decree N° 11 of the Ministry of Finance*, on February 18, 2020, the government created the Ministerial Advisory Commission to Improve Transparency, Quality, and the Impact of Public Expenditure (known as the Public Expenditure Commission). The commission would have a duration of one year and be composed equally of eight women and eight men, to work ad honorem, in their personal capacities, without compromising any institutions, organizations or entities they participate in.

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The main objective of the Public Expenditure Commission was to support and advise the Ministry of Finance on the design and implementation of an agenda to modernize the budget and public spending systems, with the aim of improving transparency, effectiveness and efficiency, and to increase the impact of the use of public resources. More specifically, the commission was to:

- a. Advise the Ministry of Finance in the evaluation of the budget process, including its four fundamental stages and the powers assigned by law to the main institutional players involved in each stage, as well as the procedures associated with each stage
- b. Advise and support the Ministry of Finance in the design and implementation of an agenda to modernize the budget and public spending systems
- c. Suggest the design of mechanisms and platforms to allow the control, evaluation and monitoring of the use of public resources so as to contribute to the transparency and accessibility of relevant information on public spending
- d. Advise the Ministry of Finance on the establishment of measures and activities that allow for the evaluation of the quality of public spending and investment, the impact of public policies and programs and their efficiency and effectiveness, also allowing for the development of proposals for the best uses of public resources, among other goals.

Two subcommissions of the Public Expenditure Commission were created: a subcommission for Better Public Spending, which had the mission of reviewing the necessary reforms to increase the efficiency and transparency of public spending, and a subcommission for Citizen Spending, which had the mission of proposing tools and mechanisms to allow citizens to be involved in the budget process.

From the beginning, the work of the Public Expenditure Commission involved bringing the opinions and perceptions of citizens to the forefront. One of its first

tasks was to administer a *citizen survey* (Comisión de Gasto Público, April 2020), which sought to identify the highest-priority interests of Chileans in knowing more about how public resources are spent, as well as what their perceptions are of the difficulties, limitations and complexities currently impacting access to public information. In addition, within the framework of this advisory process, public hearings were held with relevant civil society actors, and the results were synthesized in *a report* that gathered all the contributions made by participating organizations (Comisión de Gasto Público, August 2020).

Repositioning the commission in light of COVID-19

A few days after the commission was established, the first cases of COVID-19 in Chile were reported. Based on the evolution of infections in the country, the government decided to publicly announce an Emergency Economic Plan as a response to the serious consequences the pandemic was projected to have on economic activity, jobs and the public health-care network.

Within this framework, the Public Expenditure Commission, through the subcommittee for Better Public Spending, made the decision to reprioritize its work. According to the *minutes* of a subcommittee meeting held on March 27, “notwithstanding advancements that should be made in the writing and drafting of proposals that must be prepared to achieve the predefined objectives, the work will be reprioritized and will shift its focus to the objective of facilitating the reallocation of public resources due to the COVID-19 emergency” (Comisión de Gasto Público, March 2020).

One of the commission’s first acts was to develop a robust proposal containing recommendations to guide policy on transparency and accountability associated with the projected significant increase in public spending to meet needs arising from the spread of the virus and from measures involving strict lockdowns, mandatory quarantines and travel restrictions. On April 23, 2020, the commission published *Recommendations on Transparency of Information and Auditing of Public Spending in the Context of the COVID-19 Health Crisis in Chile*, which establishes a set of proposals to improve the standards of transparency and accountability for executed spending during the emergency, drawing on international standards defined by organizations such as Transparency International and the Global Initiative for Fiscal Transparency (GIFT, August 2020). This proposal was innovative in the context of the emergency, since it preceded international publications related to the matter, such as *Fiscal Data for Emergency Response: Guide for COVID-19* (GIFT, August 2020) and *Keeping the Receipts: Transparency, Accountability, and Legitimacy in Emergency Responses* (IMF, May 2020).

The recommendations in the commission's proposal emphasized the need for the administration to carry out the following:

- a. Provide information to the public regarding which public and/or private institutions have received, are receiving or will receive public resources in the context of measures deployed in response to the crisis and to report on the duties vested in those institutions, the implementation period and the conditions required for proper use of the resources
- b. Make detailed information publicly available regarding the origin, use and distribution of these public resources, in open data format
- c. Generate a comprehensive public audit plan that prevents the misuse of resources in the context of emergency measures.

The commission's report also included a guide to implementing the recommendations for increased transparency and accountability concerning emergency funds, including information on the data sets to be used.

Implementing the commission's recommendations

Based on the recommendations issued by the Public Expenditure Commission to the Ministry of Finance, the latter began to work on a portal through the ministerial office for reporting associated with emergency measures. The resulting portal, called *Finance Report*, contains, among other items:

- A summary of the measures implemented throughout the pandemic, with the general figures for the amount disbursed, the beneficiaries and the last date benefits were provided
- The measures intended to provide support to families affected by the pandemic, with the budgeted resources and information on the monitoring of the measures' implementation
- The measures intended to provide support to small and medium-sized companies, as well as workers affected by the pandemic, with information on the monitoring of their implementation
- Progress reports on the implementation of the measures financed by the Temporary Emergency Fund (TEF)-COVID
- Regional reports with key figures provided at each subnational level and information on the beneficiaries served by each measure.

The Finance Report has gradually improved over time and, as of today, each reported measure related to addressing the emergency contains the following data: the status of legislative proceedings for the measure; the total amount disbursed from the provided resources as of the reporting cut-off date; the total number of benefits provided as of the reporting cut-off date; the total number of beneficiaries as of the reporting cut-off date; and the monthly development of the amounts provided to the beneficiaries as of the reporting cut-off date.

All this information is presented in a user-friendly way, with the website designed to facilitate navigation. But despite these efforts to achieve transparency and accountability, some gaps remain with respect to the recommendations issued by the Public Expenditure Commission.

The Fiscal Expenditure Observatory, a civil society organization working on fiscal transparency and efficiency, has conducted analysis on the level of compliance with the commission's recommendations. Based on the standards recommended by the Public Expenditure Commission, among the portal's shortcomings are the absence of:

- Disaggregated data to monitor budget reallocation during the health emergency and transparency in the criteria applied for reallocation
- Anonymous statistics on the characteristics of the recipients who benefited from the employment protection measures, tax measures and direct transfers
- Anonymous statistics on the main characteristics of legal entities or companies that benefited from tax benefit measures or preferential access to credit with government guaranty, as well as the variables associated with the benefits
- Detailed reporting on the uses and sources of funds used to finance expenses during the pandemic
- Transparency and accountability in the data on the results obtained from the measures applied to the health emergency.

Lessons learned from Chile

The Chilean experience with the Public Expenditure Commission first being established and then being adapted to focus on pandemic-related public finance shows that transparency and accountability concerning how public resources are allocated can be improved even in the context of a large-scale emergency, such as the COVID-19 pandemic. The government, by democratizing and expanding its decision-making practices (in this case through the Public Expenditure Commission and its collaboration with civil society and academia), improved its ability to address challenges that arose in the context of a global crisis that demanded increased resources from the government under unusual circumstances.

The fact that the Public Expenditure Commission, with a transparency and accountability mandate, had already been established and could simply be adapted to focus on COVID-19 related financing was clearly a bonus. Additionally, as with any initiative, much effort was required on the part of political and other actors at the start of the process, both to establish the Public Expenditure Commission and to

adhere to its recommendations. Thus, the existence of political will — a strong belief in the benefits of transparency, accountability and citizen participation when it comes to making the best use of public resources — should not be underemphasized as a factor enabling the effectiveness of this initiative.

Finally, this case highlights that for public financial transparency to be effective, the legal and administrative framework must allow for data disclosure. In fact, the main challenge for the government to effectively address the commission's recommendations on transparency chiefly concerned difficulties in accessing certain information. For example, information on the beneficiaries of tax measures, which in Chile is administered by the Internal Revenue Service, is difficult to access due to financial secrecy regulations. Likewise, data on credit access programs directed at small and medium-sized enterprises, which are mediated by private and state banks, is also difficult to access due to financial data protection regulations. These types of regulations clearly undermine transparency efforts.



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