Public and private trade promotion of offshore services in Chile: bad governance of good policies?

Nanno Mulder - Osvaldo Marinao
Chile is 4\textsuperscript{th} largest exporter of modern services in Latin America, after Brazil, Argentina and Costa Rica.
Governance of policies to promote global services

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Papers will be presented at annual REDLAS conference, véase http://conferenciaredlas2017.blogspot.com
(21-22 September in Costa Rica)
Central question:

What has been the governance of Chile’s policies in the context of the stagnation of its world market share?

(preliminary results!)
Outline

A. Methodology: governance of public policies
B. Council of global services (2006-2010)
C. Committee of services exports (2015 >)
D. Governance “performance” over time
A. Governance of policies: Devlin & Moguilansky (2010)

1. Adopt a proactive national strategic vision in the medium and long term
2. Public-private partnership and the search for consensus for the future strategy
3. Conditions for effective implementation of the strategy:
   a. Ensure leadership of the ministries / agencies in charge
   b. Financial resources and human capabilities
   c. Medium-long-term culture (think-tank, prospective analysis, ...)
   d. Each area should have an agency in charge of its implementation
   e. Civil service not politicized with professionalism and technical capacity
   f. Monitoring and evaluation of instruments and their coordination
   g. The effectiveness of the instruments depends on their management
B. Council of global services (2006-2010)
(from 2007 to end)
Organization of the Council

Strategic Council
- President

Executive secretariat

Advisory Committee
- International alliances and studies

Committees:
- Human capital Committee
- International promotion committee
- Local industry development committee
- Infrastructure and regulation committee
Public private alliances to work on different areas

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From 2007 to end-2010, the Council met 17 times
Goals 2006 to 2010

**Overall goal**
Convert Chile into a leading Global Services Platform creating a new export sector by 2010.

**Concrete goals**
Export at least US $ 1,000 million in global services, thus ensuring close to 35,000 jobs.
In 2010 Chile was considered as one of the most competitive locations in the region, with an operation of more than 60 global service centers in the country.
Technical Committee Public Private Export Services
Structure and members

Executive body
Ministry of Finance

President of the Committee
Employer association

PUBLIC SECTOR REPRESENTATIVES

- Ministry of Finance
- Ministry of Economy
- Chilean Development Agency, Ministry of Trade
- Trade promotion, ProChile
- Internal Revenue Service, SII
- National Customs Service, Aduanas
- Foreign Investment promotion agency InvestChile
- Central Bank of Chile
- Training and Employment agency SENCE
- National Institute of Intellectual Property, INAPI
- Image Foundation of Chile, FICH
- National Council for Culture and the Arts

PRIVATE SECTOR REPRESENTATIVES

- Employer association SOFOFA
- Chamber of Commerce of Santiago, CCS
- Association of engineers, AIC
- Association of architects, AOA
- Association of Technology Companies, CHILETEC
Operating principles

Monthly, bi-monthly meetings or when the situation warrants.

List of topics proposed by the executive secretariat for the discussion of members.

Matrix with progress tracking measures.

Agreements are taken by simple majority of attendees.

Minutes with the agreements of each session are published semi-annually on the web.
Functioning

Creation of five working groups
1. Customs facilitation
2. Tax matters
3. Statistics and indicators
4. Human capital
5. Promotion and dissemination
Progress on implementation of decisions

**Total: 52 measures**
**Implemented: 55% (29) – Under study: 45% (23)**

1. Strengthening institutions
2. Customs and tax facilitation
3. Expansion of tax benefits
4. Improve the information available on the sector
5. Strengthen human capital competencies and capacities
6. Financing, identification of gaps and creation of support instruments and banking products
7. Increase the potential of Chile to export services and motivate Chilean companies to sell abroad
Do Committees comply principles of good governance?

1. Medium term vision:
   - Old council: policy goals for 4 years, but discontinued afterwards
   - New committee: annual goals, IDB loan should give continuity

2. Public-private partnership:
   - Old council: yes, but few private actors (large firms), Ministry of Education
   - New committee: broader membership, with business associations (no MoE)

3. Ensure leadership of the ministries / agencies in charge
   - Old council: led by Chilean Development Agency CORFO
   - New committee: led by Min of Finance (more power, but continuity ???) and SOFOFA
• Financial resources and human capabilities
  ▪ Old council: dedicated team of specialists in CORFO
  ▪ New committee: small team in Ministry of Finance, no specialists
• Medium-long-term culture (think-tank, prospective analysis, ...)
  ▪ Old council: medium term plan yes, no think tank
  ▪ New committee: no plans, no think tank, yes prospective studies, additional push through Pacific Alliance
• Each area should have an agency in charge of its implementation
  ▪ Old council: less clear division of labor
  ▪ New committee: clearly assigned responsibilities except for human capital
• Civil service not politicized with professionalism and technical capacity
  ▪ Old council: specialists in CORFO, but fell victim to political cycle
  ▪ New committee: led by Finance Ministry. Future through IBD loan
• Monitoring and evaluation of instruments and their coordination
  ▪ Old council: yes, evaluation in 2010
  ▪ New committee: tracking of implementation of measures, no MT goals
• The effectiveness of the instruments depends on their management
  ▪ Old council: few PP institutions, clear medium term goals
  ▪ New committee: incremental approach by broader membership