5th ANNUAL CABRI SEMINAR
Session: Capital Budgeting Systems
THE CHILEAN EXPERIENCE

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Content of this Presentation

- Brief Chilean context
- Why is it so important to have a National Investment System (NIS)?
- The influence of politics on final project decisions
- Description of the Chilean NIS: strategic planning and budgeting for public investment
- Processes for appraisal of investment projects (ex-ante)
- The institutional arrangements for effectively monitoring the implementation of investment projects
- Building capacity to appraise projects

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CHILE: BASIC COUNTRY INDICATORS

- Chile: Located southwestern coast of South America stretching 4,300 km from the Atacama desert in the north to the Antarctic South Pole in the south.
- Chile's territory is divided into thirteen regions. These are further divided into 51 provinces and 345 municipalities. Santiago is home to 6 million (40.1% total population, 16.3 Mill) and the country's political and economic center.
- Total land area: 756,626 km²
- Boundaries: Peru; Bolivia and Argentina

- 2007 GDP (Current US$) 164 Billion
- 2007 GDP/capita (Current US$): 9,876.0
- 2003-7 Annual GDP average growth: 5.0%
- 2007 Inflation: 7.1%
- Exports goods & services (% of GDP): 41.8%
- Life expectancy at birth: 78 years
- Literacy rate: 95.7%
- Percent Population under poverty line: 13.7%

Source: World Development Indicators database, April 2006
## SECTORS PARTICIPATING IN THE CHILEAN N.I.S

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<th>Forestry and agriculture</th>
<th>Fishery</th>
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Why is it so important to have a National Investment System (NIS)?
A Water Reservoir

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In Chile: The Integrated Bank of Projects D-Base has a capacity of handling 15,000 new projects/year. The total number of projects revolving in the Base is 500,000 approx. (i.e. ideas, profiles, pre-feasibility and feasibility studies). There are 3,000 public officials involved at different levels in project formulation and appraisal.

The Chilean National Investment System is like a giant sieve, it filters the best projects and allows them to compete for the resources in our annual budget. Most investment projects need one or two years to be mature, i.e. ready to be financed.

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The “adequate” influence of politics on final project decisions

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IN THE N.I.S, PROJECTS HAVE TO FOLLOW THE NATURAL DEVELOPMENT CYCLE TO BE APPROVED

- The NIS mimics the classical categories of the Project Life Cycle*; i.e. Concept or identification, Definition or preparation, Pre-feasibility, Feasibility and financing, Approval, Detailed design, Implementation: Investment and Operations, Ex-post evaluation

- The Pre-Investment stage, where the Planning Ministry is the responsible agency, considers the first categories up to approval. The Ex-post evaluation is also part of the responsibilities of the Planning Ministry

- The Investment stage, where the Finance Ministry is the responsible agency, it starts with detailed design and it ends with implementation

- The Operation phase, where the Ministry sponsoring the project is the responsible agency, it finishes de cycle with the operation of the project

* Note: Glenn P. Jenkins, Project Appraisal Manual
NIS LIFE CYCLE OF A PROJECT

IDEA

TECHNOCRATIC & POLITICAL PROCESS

BUILD LEGAL FIREWALLS

Pre-Investment Stage

PROFILE

FEASIBILITY

TECHNOCRATIC PROCESS

Pre-Investment Stage

Responsibility of the Planning Ministry

PRE-FEASIBILITY

BUILD LEGAL FIREWALLS

DETAILED DESIGN

Operation Stage

TECHNOCRATIC PROCESS

Investment Stage

Responsibility of the Finance Ministry

PROJECT EXECUTION

RESPONSIBILITY OF THE SPONSORING MINISTRY

OPERATION

EVALUATION OF RESULTS

Responsibility of the Planning Ministry