Case Study on the Management of Chile’s Social Security Reform

A Client-Focused, Public-Private System with the Support of IT Solutions

December, 2009
Poverty Reduction and Economic Management Unit
Latin America and the Caribbean
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WEIGHTS MEASURES
Metric System

Vice President: Pamela Cox
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Acronyms

AFP  Pension Funds Administrators
APSV  Old Age Complementary Social Security Contribution
APSI  Disability Complementary Social Security Contribution
BBVA  BBVA Group
CAPRI  Center for Social Security Services
DIPRES  Budget Office, Ministry of Finance
IDB  Inter-American Development Bank
INP  Institute for Normalization of Pensions
IPS  Institute of Social Security
ISL  Occupational Safety Institute
IT  Information Technology
MIDEPLAN  Ministry of Planning
PBSV  Old Age Basic Solidarity Pensions
PBSI  Disability Basic Solidarity Pensions
PEU  Project Execution Unit
SERCOTEC  Service of Technical Cooperation
SSPS  Undersecretariat of Social Security
SUSESO  Superintendency of Occupational Safety
Acknowledgements

The World Bank team was led by Fernando Rojas, Lead Public Sector Specialist (LCSPS, task team leader). The core team included Mariano Lafuente, Public Sector Analyst (LCSPS, co-task team leader) and Daniela Felcman, Consultant (LCSPS). The report, primarily drafted by the core team, includes technical inputs from Henry Forero, Senior Information Officer (CITPO), and LCSPS consultants Steve Webb, Alfredo del Carril, Jose Antonio Caracci and Magdalena Cuevas. The team benefited from guidance received from peer reviewers: Professor Kenneth Apfel (School of Public Policy, University of Maryland and former Commissioner of the Social Security Administration in the United States), Deepak Bhatia, Lead E-Government Specialist (CITPO) and Rafael Rofman, Lead Social Protection Specialist (LCSHS). The report also incorporates comments from Professor Steven Kelman (Kennedy School of Government, Harvard University) and was edited by Jonathan Cavanagh.

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The World Bank team anxiously sought personal guidance from E. Boeninger, one of the most prominent architects of Chile’s recent institutional development. His books provided the team with abundant contextual information about the particularities of Chile’s political arrangements, including his emphasis on persuasion and consensus building. Unfortunately, he died after a long fight against cancer by the time this report was being prepared. We selected this quotation out of many other inspirational ones reported in the media immediately following his death: “... en el mundo de las políticas públicas, la influencia se obtiene por la calidad y oportunidad de las propuestas, y no por las jinetas de quien las promueve.” (Quoted by Jorge Rosenblut, in La Tercera, September 15, 2009, Page 2; in English that might read: “... In the public policy arena, influence is achieved by the quality and timeliness of proposals, not by the jockeying of the person proposing them.”).

The team would like to take this opportunity to thank formally all relevant government officials as well as to thank the Chileans for their generous hospitality. The team was privileged to visit their country and learn about state policies with regard to social security and their implementation.
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**Introduction**

This report focuses on Chile’s state modernization agenda by analyzing the public management features of the Chilean social security reform (both old age and disability benefits) enacted in March 2008. For the purpose of this case study, reform management covers the entire policy cycle, that is to say, all necessary actions from policymaking to the first phase of policy implementation, which will be analyzed in greater depth. The report also explores the potential for replicating these factors in other public policy areas in Chile and in other countries. Success of implementation will be measured as the timely and accurate delivery of the benefits pursued by the reform. In addition, the report will assess whether the implementation of the pension reform, analyzed as an independent phase of the entire public policy cycle, added value for the client by improving the quality of service.

Law 20.255, published on March 17, 2008, established the reform of Chile’s social security system. Michelle Bachelet had taken office as President of Chile in March 2006, after making social security reform the linchpin of her campaign. While in the past social security had been limited to those in a position to finance their own pensions (the contribution principle), Bachelet’s government had set itself the goal of achieving universal coverage, including all needy resident Chilean nationals when they reached retirement age or complied with the disability criteria.

The principal measures adopted, as summarized in Table 1 (see page 6), included the creation of a Solidarity Pillar (Pilar Solidario) providing benefits to the population over 65 years of age complying with residency criteria and in the three lowest income quintiles. Benefits would be provided both to those individuals that did not receive any kind of pension and to those who did but whose pension was below a specific threshold. In addition, the Pillar included disability pensions for the population under 65 years of age who complied with the disability criteria.

Although the law envisaged staggering the delivery of those benefits over several stages, focusing first on the neediest and then gradually expanding coverage, it did establish that benefits had to start being delivered to seniors in the lowest two quintiles — some 621,000 people — as of the first day the law entered into force, on July 1, 2008, less than four months after its adoption. An additional risk, on top of those associated with an already complicated implementation process, was the implementation team’s innovative approach: citizens would not be asked to provide information that the State already possessed. One of the main factors that made this approach possible was the integration of the databases available to the State, which already contained the information needed to determine the eligibility of citizens to receive the Solidarity Pillar benefits of social security reform. The burden of proof of eligibility, therefore, would lie with the State.

The reform implementation’s focus on the client-citizen, no longer beneficiaries, translated into information technology solutions tailored to the end-user and built on the robust existing databases with client information; a strongly decentralized strategy to reach potential beneficiaries from the informal sector; centralized command and control, which ensured high quality standards of attention to the public in all service channels; and, a proactive and innovative communications campaign aimed at reaching all potential clients and reducing requests from non-eligible citizens. All these actions were achieved at a relatively low cost and over a short period of time. What public management lessons can be drawn from this reform? To what extent can these management factors that made the pension reform a success be replicated in other public policy areas in Chile and in other countries?

The report is divided into five chapters. Chapters 1 to 4 cover the pension reform, using at the outset a case study methodology to illustrate the challenges faced by the government team when it began planning implementation of the reform. Chapter 2 describes how the implementers solved those challenges in the four months between the publication of the law and its entering into force and the innovative management approaches they took regarding each of the areas identified as crucial for achieving their goal of delivering high quality services on time. Chapter 3 documents the results obtained during the first phase of implementation, from July 1, 2008 to June 30, 2009. Chapter 4 offers some conclusions on the approach taken by the government team; assesses the public value created by the reform’s implementation; and analyzes the factors described in the previous chapters in light of other international experiences. Finally, chapter 5 focuses on how, if possible, the public management factors that made the pension reform successful might be replicated in other public policy areas. At the request of the Budget Office of the Ministry of Finance (DIPRES), the team focused its analysis mainly on two such areas: (i) early childhood development services; and (ii) worker’s compensation.

Although the report touches on areas such as pensions, education, health and social protection, and provides an introductory section related to the expected benefits of the pension policy, the analysis focuses exclusively on change management and general public management aspects of potential reforms in these areas. This report does not attempt to analyze the substance of the policy or technical aspects related to other fields of public sector management.

The report includes two annexes. Annex I lists the policymakers, implementers and technical experts interviewed during the preparation of this document. Annex II provides information on specific reforms of the health sector in the United States that could be of interest because of their similar use of innovative information technology solutions to achieve excellence in the delivery of public services.
### Table 1. Main Features of the Pension Reform

<table>
<thead>
<tr>
<th></th>
<th>Eligibility Criteria (other than Chilean nationality and residency in Chile)</th>
<th>Benefit received</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Receiving other pension benefits</td>
<td>Age</td>
</tr>
<tr>
<td>PBSV</td>
<td>Solidarity-based Basic Old Age Pension (Pensión Básica Solidaria de Vejez)</td>
<td>No</td>
</tr>
<tr>
<td>PBSI</td>
<td>Solidarity-based Basic Disability Pension (Pensión Básica Solidaria de Invalidez)</td>
<td>No</td>
</tr>
<tr>
<td>APSV</td>
<td>Solidarity-based Old Age Social Security Contribution (Aporte Previsional Solidario de Vejez)</td>
<td>Yes, but below CL$70,000 by July 1, 2008</td>
</tr>
<tr>
<td>APSI</td>
<td>Solidarity-based Disability Social Security Contribution (Aporte Previsional Solidario de Invalidez)</td>
<td>Yes, but below CL$60,000 by July 1, 2008</td>
</tr>
</tbody>
</table>
1. The Implementation of Chile’s Social Security Reform: A Case Study

Law 20.255 was published on March 17, 2008, establishing the reform of Chile’s social security system. The principal measures adopted included the creation of a Solidarity Pillar (Pilar Solidario) providing benefits to the Chilean population over 65 years of age in the three lowest income quintiles and to those between 18 and 65 who complied with the disability criteria. Although the law envisaged staggering the delivery of those benefits over several stages, focusing first on the neediest and then gradually expanding coverage, it did establish that seniors in the lowest two quintiles—some 621,000 people—were eligible to apply for the benefits as of the first day the law entered into force, on July 1, 2008.

Implementation of the reform posed a considerable challenge on several counts. First, the Government had to identify, attract and grant the applications of about 133,000 new beneficiaries of the Solidarity Pillar. Second, as with any reform introducing new benefits, there was the challenge of handling the increase in new applications, be they from real beneficiaries or from persons not meeting the requirements, who would, nevertheless, capture part of the attention channels and need to be informed, guided, and then appropriately referred. In this respect, the law required that about 488,000 people already collecting so-called welfare pensions be converted automatically into recipients of the new basic solidarity-based pensions, but they did not have to appear in person to apply for them. Given that the publicity would not be so specific, the government had to make sure those beneficiaries did not capture part of the demand by asking for a benefit they had automatically been signed up for. Fourth, it was important to avoid fraud and making payments in error, which could discredit the reform and the administration. Finally, the eligibility criteria established in the law involved several agencies and therefore required considerable interagency cooperation on an unprecedented scale for the institutions responsible for implementing the reform.

Box 1. The Challenge of Implementing the Social Security Reform, in Numbers

There were 621,000 total estimated basic solidarity pension beneficiaries for Phase 1, of whom:

- 488,000 welfare pension beneficiaries, to be converted automatically, needed to be informed not to apply for the benefits to avoid a collapse in the available channels; and

- 133,000 new beneficiaries needed to be identified, informed, encouraged to apply and attended to.

106 days were allowed to plan implementation, from publication of the law until the day it entered into force.

These and other challenges were exacerbated by the fact that very little time was allowed between the publication of the law and its entry into force and by increasing citizen demand for high quality products. The difficulties in the implementation of “Transantiago”, the urban transport system in Santiago in 2007, with its memories of long lines of users complaining of poor quality and dysfunctional service, severely narrowed the government’s room for maneuver.

Aware of these risks, the Government began planning implementation in January 2007, before the law had been passed, with a project financed by the Inter-American Development Bank (IDB). Coordinated by the Office of the Chief of Staff at the Ministry of Labor and Social Security, the project had financed several studies and, as established in the project document, had entrusted the development of all necessary technological solutions to the enterprise that had developed the Pension Standardization Institute’s (INP) systems. However, in January 2008, after the law had been passed and within months of the reform’s entry into force, it was felt that not enough progress had been made.

At that point, the President decided to change the implementation team and appointed a new Undersecretary of Social Security and as the person responsible for implementing the reform. The new Undersecretary, a public sector manager known for his creativity in the social and economic spheres of government, but lacking technical expertise in the area of social security, formed the nucleus of his team with one expert in retail aspects of microfinance for low income sectors in Latin America, and one expert...
on information technology solutions. They, with support from the Budget Office (DIPRES), were to lead the team charged with finalizing the implementation plan for the reform.

The new managers encountered a very negative environment. Apart from the challenges posed by the reform in general, they inherited a demoralized team. Although political support by the President and the Budget Director, and budgetary support was provided, there was a sense of political vacuum caused by fear of being associated with yet another government failure, which would impair the chances of interagency coordination. Finally, the new management had taken the decision to terminate the contract with the systems enterprise, after comparing the services offered with those deemed to be necessary. That decision meant abandoning the previous technological solution and rethinking how to proceed. One of the leaders of the new implementation team framed his challenge as “project recovery”, by which he meant the management team had to regain full control of the project and partially change its scope at the time of implementation.

After all the political capital invested by the President in a reform that would replace the system established during the last military regime; after all the efforts of a committee of renowned experts to prepare a proposal and the work of an inter-ministerial committee to craft the law; and after the success of political negotiations to achieve unanimous adoption in Congress, all eyes were on implementation. With less than four months to go before the law would enter into force, the managers of the implementation were thinking of the steps they needed to take to mitigate risks and deliver the services accurately and on schedule.

Design and Adoption of the Reform

Both the crafting of the social security reform and the handling of the bill presented to Congress had been extraordinary. Michelle Bachelet had taken office as President of Chile in March 2006, after making social security reform the linchpin of her campaign. Since the government of President Lagos, the government had applied strict rules of fiscal responsibility establishing a structural surplus of 1 percent of GDP each year. Some of these reserves were later earmarked by the Fiscal Responsibility Law approved during Bachelet’s administration to finance the Solidarity Pillar of the social security reform. A period of high copper prices had also helped to accumulate a large amount of reserves. In that respect, the financing of the reform’s benefits was not a major concern during discussions between the Legislative and Executive Branches and among the Ministry of Finance, the Ministry of Labor and the other public sector agencies involved in the pensions system.

Although reform of the Chilean social security system had been mooted already in the governments of President Ricardo Lagos (2000-2006) and President Eduardo Frei (1994-2000), in both those presidential terms it remained just an initiative and had never been a government priority program, as it was overshadowed by other reforms deemed more important at that time.

One of the first steps taken by President Bachelet, after taking office, to boost the reform of social security was to establish a high-level technical council, the Advisory Council for Social Security Reform. This body’s mandate was to draft proposed adjustments to the Pensions System adopted in 1980 during the dictatorship of Pinochet that would prevent the shortfalls that could affect the current and future generations of workers when they retire. The 15 members of the Council led by a former Budget Office Director, represented the entire political spectrum – including technical staff close to the Workers’ Confederation (Central Única de Trabajadores) and one former minister in Pinochet’s government. They had been chosen by the President because of their unquestionable technical qualifications and because of their readiness to engage in dialogue. After six weeks of hearings with civil society organizations, business organizations, representatives of the financial sector, research institutes, international organizations and experts, and before the three-month deadline imposed by the President, the Council managed to finalize its proposal. By so doing, the Advisory Council strengthened the message that the reform was urgent and set a precedent for compliance with the technical and political deadlines needed to achieve it.

The proposal prepared by the Advisory Council was reviewed by a Committee of Ministers established by the President. That Committee, which included the Minister of Finance, the Minister of Labor and the Budget Director (who also acted as technical secretary), analyzed the report from both a technical and political standpoint. DIPRES set the technical agenda and presented issues to the political team for them to decide on. Those issues were related to implementation and also to very specific cases that the Advisory Council had not resolved in its proposal. The technical team behind the Committee was in charge of drafting the law and leading the negotiations with parliamentarians as well as with the Comptroller General’s Office for clearance of the regulations. After four months of intense work, the bill was finally submitted to Parliament in December 2006.
The process by which the reform was crafted, described above, helped generate the technical-political consensus needed to ensure a prompt and unanimous passage of the bill in Congress. During legislative proceedings, which lasted a little more than one year, the Executive Branch actively participated in parliamentary debate, explaining aspects of the law to Congress. Led by the Ministers of Finance and Labor, it participated in consensus-building and in the political negotiations to achieve the adoption of the law.13

The Pension Fund Administrators (AFP) strongly opposed some sections of the law that regulated the industry and finally were successful in resisting opening the industry to new players, such as local commercial banks. However, they were in favor of the Solidarity Pillar and also with the general spirit of the reform, which even strengthened the private pensions system, without radically altering the status quo.14 In essence, the reform meant that the industry established during a military government and historically criticized by several political sectors was now legitimized under a democratic government. With strong political backing, Law Nº 20.255 on Social Security was adopted unanimously in January and published in the Official Gazette on March 17, 2008, less than four months before the legal deadline for starting delivery of the Solidarity Pillar benefits to more than 600,000 people.15

**The Implementation Plan – First Steps**

Foreseeing how little time there would be between adoption of the law and the effective date for delivering the benefits, the Government began planning implementation of the reform parallel to the process of achieving Congressional approval. In part, that was also due to the expectation that parliamentary debate would be relatively calm as a result of the technical and political consensus reached on most of the issues by the time the bill had been sent to Congress, thanks to the work of the Council and the Committee of Ministers. In January 2007 the Ministry of Labor negotiated funding from the IDB, aimed at ”strengthening the pension information and management systems”16. The project execution unit (PEU) was located in the Ministry of Labor and the Minister’s chief of staff and right-hand man was appointed its director.

The project financed by the IDB was designed to be flexible and characterized by the management team’s preliminary sense of the channels and mechanisms deemed helpful for planning implementation of the reform. The activity with the largest budget appropriation was the physical remodeling and fitting out of 50 INP offices into CAPRIs (Centers for Social Security Services), distributed throughout the country, which would hopefully attract demand from beneficiaries as of July 1, 2008. The idea was also to invest funds in institutional change at the INP, including activities designed to redo its corporate image and retrain some of its human resources. Likewise, the project envisaged the design of a communications strategy for the reform and financed numerous studies to help plan implementation. Finally, with respect to information technology systems, it was established that a particular large IT firm would be responsible for the design and development of adaptations to the systems for managing and paying the solidarity pensions. The project document argued that the work previously done for the INP by this firm would guarantee the success and timely start-up of the systems needed to implement the reform.

The PEU team began planning implementation in March 2007. Initially, it made use of a project preparation facility, an extremely flexible instrument as regards procurement policy, since it permitted direct hiring and was used to hire consultants to revamp INP processes and to prepare technical designs for the systems. The latter involved installing one system in the short term (by the July 2008 deadline) and another in the long term. Once the IDB project was approved, in July 2007, work also began on the remodeling of the CAPRIs and on design of the communications campaign.

The PEU team also moved ahead with systems and database-related tasks deemed to be necessary to identify beneficiaries and to implement the eligibility system, the specifications for which had first to be defined in the law. The team managed to obtain first versions of the AFP, INP, SUSESOL and MIDEPLAN databases and a partial version of the Civil Registry database of persons over 65 years of age, although this was not accomplished in time for them to be reviewed. Nor was there time to develop protocols for the dispatch of information for the institutions handling that information. Another decision taken was to store the data centrally, rather than opt for online integration, which in the short term would have been more complex. By the end of 2007, almost all the technical designs had been completed, including the payments system and the model for attending to the public at the CAPRIs. The only module still being developed, partly because the law had not yet been promulgated and the necessary specifications were therefore not yet available, was the short-term data model for establishing the eligibility of beneficiaries. It was the most urgent module of them all because it constituted the nucleus of the reform and it was, at the same time, the most complex one, given that it required integration of the information available in the databases of several different agencies or institutions. In preparing this module, they were planning to use the company that had already adapted the payments module that they themselves managed.
Progress had also been made on planning which channels would receive the requests by beneficiaries. The PEU team was analyzing the possibility of creating a network of public and private institutions (including municipalities and AFPs) that would lend basic support to the CAPRIs in the period following the law’s entry into force. Those institutions would focus on the first three layers of attention to the public – information, guidance and referral – while the CAPRIs would be the only agencies that could, in addition, receive the application and actually grant the benefits.

Change of command

Although by the end of 2007, the PEU had made headway, as planned, with implementation of the activities envisaged in the project, the President considered a new management team would be needed to ensure that the administration would comply with the tight deadline for launching the reform. President Bachelet appointed a new manager to head the Undersecretariat of Social Security (SSPS) on January 11, 2008 and charged him with implementing the reform. She also asked the ministries and DIPRES to be at his disposal for any services he might require.

The new SSPS manager was an experienced and innovative public sector manager who had already directed the successful implementation of policies geared to vast segments of the population that were relatively unorganized or poorly represented, such as the Chile Solidario program or the SERCOTEC programs for small and medium-sized enterprises. His job now was to endow SSPS with the political strength required to coordinate the reform with all the players involved and meet the established deadlines. Implicitly, his arrival sidelined the PEU coordinator – who was to continue in his post until May of 2008 – but it also signaled a quest for a stronger institutional base for implementing reform. Even though, logically, the SSPS would have been the appropriate agency in which to house the PEU and to lead implementation of the reform from the start, its institutional and technical weakness in early 2007, as well as other political factors, led to the choice of a different institutional option, which eventually would have to be changed, namely that of a Project Execution Unit.

A few weeks later, in February 2008, there was another major change in the government’s implementation plan. The new Undersecretary recommended not signing the contract with the firm identified in the IDB loan to finish the eligibility, attention and concession modules by July 1, 2008. In management’s view, the level of technical complexity for what needed to be done to launch the reform was relatively straightforward and it was not immediately related to the sub-products and the timing that the company had proposed.

Thus, the new government team changed course with regard to that charted up to that time in respect of technological solutions: it ceased working with a firm with which the INP had worked for over 10 years. That raised serious questions as to the feasibility of complying with the President’s request. Once Law 20.255 had finally been promulgated, establishing a period of less than four months for the reform to take effect, the relatively new SSPS management team enjoyed strong political and budgetary support but they felt that now all eyes would turn to implementation and that they therefore faced an enormous challenge.

Figure 1. From Policy Design to Implementation: Timeline of Chile’s Pension Reform
2. A New Approach: Focusing on the Citizen as Customer

The first change of direction imposed by the new SSPS management team was to pay greater attention to demand. The citizen as customer, rather than the beneficiary, would now be at the center of the reform. This new approach was mainly expressed in an additional risk, on top of those of an already complicated implementation process: citizens would not be asked to provide information that the State already possessed. The databases available to the State already contained the information needed to determine the eligibility of citizens to receive the Solidarity Pillar benefits of the social security reform. The burden of proof of eligibility, therefore, would lie with the State.

The focus on the client in terms of channels would be translated into setting up counters to attend to the public (centros de atención) in places already frequented by the customers pertaining to the lowest two income quintiles, most of whom were women, and it meant associating with organizations that catered to the same customers. The CAPRIs would no longer be positioned as practically the sole channel for applications for benefits (demand). Instead, a capillary strategy was devised, whereby there would be a substantial increase in the number of channels to facilitate access to service delivery. The obvious candidates were the municipalities, which already were responsible for granting subsidies and benefits to the population living in their jurisdictions, based on the social protection and civil registry records to be found throughout the country. This strategy, aimed at expanding channels from the 50 CAPRIs to close to 1,000 potential application reception counters would improve service and reduce customer waiting times.

The idea was, in addition, to ensure that these new features of the reform were accompanied by strict customer care standards. In order for all this to materialize, the plan envisaged bringing regulations and circulars into line with the implementation strategy and taking full advantage of the technological solutions available. It was assumed that all these measures, while requiring greater effort on the government’s part, would generate public value, boost the government’s credibility by providing quality public service and prompt payment of benefits, and trigger the feeling that the reform was a success.

The plan posed an enormous challenge for an under-secretariat such as the SSPS with its staff of 18 professionals and 4 technicians. To work out how to put it into practice, four multidisciplinary and inter-institutional teams were formed. First, an information technology team would be responsible for all processes and technological solutions needed to accomplish the ambitious goals set by the SSPS manager. A second team would focus on the communications campaign of the reform, which went beyond the Solidarity Pillar and was a key factor for informing the population and altering its expectations of benefits and of ways to access the service. Third, a special commission would ensure the setting up of the channels to attend to the public that would attract applications. Finally, a regulatory standards team, comprising mainly attorneys from DIPRES, the Superintendency of Pensions and INP, along with some IT engineers and implementers, was to work on the regulations and circulars that would have to be issued prior to the reform. As part of the institutional effort, a few senior IT consultants and other local consultants were hired using resources from the IDB loan, which allowed for assigning competitive salaries that would ensure the attraction and retention of personnel with the right skills for the job.

Standards of Attention to the Public

Customer care standards imposed by the implementing team were to be set forth in a manual to be followed by all. Although these requirements were not in the law and would put even more pressure on the various teams, especially the technological solutions team, they were very much in line with the style and type of implementation intended and they were to have a huge impact on the way implementation of the reform was perceived by both media and citizens.

The objective was to achieve quality customer care. Old age pension customers had to bring along just their RUT or I.D. Appropriate IT solutions would then elicit all the information on the citizen that the State and the private AFPs already possessed and, at the same time, ensure that the system was not misused.

Waiting times were not to exceed 20 minutes and no more than five minutes were to elapse once attention began. In that lapse of time, applicants had to be told if they were eligible or not. If they were, they would have to sign the application. If they were not, the agent had to explain why they were not eligible and direct them to the appropriate agency (civil registry office, municipalities, and so on). This information was to be printed out and handed to the applicant. If they were eligible, they were to receive the first
payment in 28 days. The system was also subject to customer care standards (see Box 2).

### Box 2. Main Standards of Attention to the Public (minimum or maximum levels)

<table>
<thead>
<tr>
<th>Standard</th>
<th>Minimum/Maximum Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waiting time from arriving to the office and being called</td>
<td>Less than 20 minutes</td>
</tr>
<tr>
<td>Attention time (from being called to leaving the office)</td>
<td>Less than 5 minutes</td>
</tr>
<tr>
<td>Response time of central server</td>
<td>Less than 0.2 seconds</td>
</tr>
<tr>
<td>Complaints of operators of system’s response time</td>
<td>Less than 0.8 percent</td>
</tr>
<tr>
<td>Counters permanently connected to the system</td>
<td>Over 90 percent</td>
</tr>
</tbody>
</table>

Source: SSPS

The team made every effort to ensure strict compliance with those standards in the first few days, so as to be able to show quality customer care early on and thereby forge the perception of successful implementation of the reform.

**Channels for attending to the public**

The new strategy pursued by the implementation team reflected lessons learned from the PEU team’s plan. The previous management team had foreseen that pensions would be paid out principally through the INP’s 140 offices, of which 50 were CAPRIs, distributed over almost all parts of the country, and it referred to the municipalities as second-tier players for initial orientation and referral. Once it was promulgated in March 2008, the law opened up the possibility of using additional channels, other than the INP’s offices, to attend to applicants and receive requests for benefits, thereby extending the range of possibilities of potential channels. 19

Adopting a retail approach, in which both products and customers were clearly defined, the management team fostered a capillary strategy, that is to say, a strategy of developing as many channels as possible to tap demand. The choice of channels was not, however, based on the idea that the customers would go to where the product was located (CAPRIs or third parties20). It was based, rather, on the goal of having the channels adapt to customers’ pre-existing behavioral habits and usual routes. Neither the INP nor its CAPRIs paid or allocated any kind of benefit or subsidy. Most of the 133,000 beneficiaries of the new Solidarity Pillar were registered with their municipality for other subsidies. The minority that were not registered, because they received a relatively low pension but not low enough to qualify for subsidies, were also reached by the team thanks to the databases. The 488,000 beneficiaries of the welfare pensions and those receiving a low pension and thus eligible for the old age social security contribution also collected their pay from the BBVA bank, as they had always done. The capillary strategy was, in addition, associated with the search for alternative channels to the INP, whose employees were expected to go on strike when the law entered into force.

**The Role of the Municipalities**

The municipalities were obviously ideal candidates for forging strong cooperation. They were located all over the country and their responsibilities within the social protection system had been increasing in previous years. Municipalities were the focal point for individual targeting and for delivering products to recipients of the welfare pensions —soon to be replaced by the Solidarity Pillar pensions — as well as water and electricity subsidies and other items. In addition, they were responsible for the instrument that defined the eligibility criteria related to income level — the social protection fact sheet (*ficha de protección social*), in coordination with the Ministry of Planning and Cooperation (MIDEPLAN). Thus, the role of municipalities to identify and inform the 133,000 new beneficiaries that complied with the requirement of belonging to the 40 percent of the population with the lowest income, having scores below 11,734 points, was crucial. In summary, their role in the roll-out of the solidarity pillar would be similar to the role they had in other social protection interventions, including also the program Chile Solidario

The reform team estimated that 80 percent of the old age pension customers to be served in the first stage of the reform, which covered persons of over 65 years of age in the two poorest quintiles, went by a municipal town hall. For the previous team, the municipalities had been regarded as supplementary channels for referring the public and were not therefore envisaged as protagonists, as they were under the new management’s leadership.
In attempting to make the municipalities the principal channel for attention to the public, the reform managers faced three main challenges: legal, political and logistical. Some argued that, from a legal standpoint, the solidarity pillar did not fall within the sphere of competence of the municipalities, as it involved benefits awarded directly by central government, which should therefore be channeled through central government agencies. However, the law allowed INP to enter into agreements with public or private institutions to decentralize the services. By virtue of individual agreements with each of the over three hundred municipalities, they would be authorized to act as channels. That overcame the legal obstacle to being able to share customers.

As for the political challenge, some mayors were reluctant to accept the possibility of being seen as the public face of a potential failed reform, as they were the principal interface with the public. It was clear, however, that the initial reluctance to serve as channels was circumscribed to the problems expected to occur during implementation and the additional work load it would presumably bring. From a fiscal point of view, unlike the frequent transfers of services without a budget appropriation or only partial funding, in this case central government would allocate benefits to the members of their municipalities at no cost to the municipal budget, creating a clear political incentive for the mayors’ constituencies. So, what the SSPS had to do was to ensure that the implementation process was credible. Little by little, the municipalities proceeded to sign the agreements and the SSPS took care to ensure that it forged credibility by meeting its commitments to the first municipalities to sign on. The equipment promised arrived on the date it was scheduled to arrive and, in addition to being used to determine customer eligibility, would remain in the municipality’s possession. The importance of municipal social workers, who also worked with the same customers, was emphasized.

In this way, more and more municipalities signed on, totaling over 300 before the law entered into force.

Finally, there were some logistical challenges in incorporating so many points of attention to the public all over Chile in such a short period of time. It had been established, during the negotiation of the agreements, that the municipalities would only receive the application for benefits and inform their clients whether they were eligible or not. The actual awarding of benefits would be left to the INP. To ensure that the municipalities worked efficiently, the important thing was to decide how the information would be transmitted from the municipalities to the INP. For that reason, they were given a computer with good Internet connection facilities. Some municipalities would also receive units for mobile attention to the public, based on the high level of demand expected in some areas, according to geographic information gathered from the social protection fact sheet. As regards training of the personnel who would be dealing with the public, more than 600 municipal employees —approximately two from each of the 345 municipalities — were invited to attend a two-day training course in a hotel in Santiago. The event, which was attended by several ministers, the Director of DIPRES, the SSPS Undersecretary and other implementers, served as training for the employees but mainly as an incentive and motivation for them to sense the importance of their task.21

The challenge of fraud — usually high in this kind of programs in other countries, especially when allocation of benefits is decentralized to the local level — was mitigated due to the existence of clean and reliable databases managed centrally. The fact that the central government had the information for every individual under a unique identification number allowed the implementation managers to operate in a decentralized way.

Strategic partnerships and other channels for attending to the public
In addition to the municipalities and, obviously, the INP, the capillary strategy included other potential channels for attending to the public, namely the offices of the AFPS and of the Civil Registry, the branch offices of the BBVA, and other mobile offices. All in all, they totaled almost 1,000 potential points of attention to the public (141 offices of the INP including 50 CAPRIs, over 300 municipalities, 500 Civil Registry offices, 70 AFP offices, and 14 mobile counters managed by INP), as compared with the 141 INP offices envisaged in the earlier plan.

The SSPS took care to train staff at all points of attention to the public, including those in the AFP offices, even though it was assumed that they would not be required to play a key role because the first phase of the reform was to cover the lower-income population, which, for the most part, did not receive an AFP pension. Likewise, civil registry personnel were trained, too, even though they were not expected to have a heavy work load, given that customers were not used to visiting their offices on a regular basis.

The INP, expected to be the main channel for attending to the public together with municipalities, also presented some challenges for the reform managers. It was known that most of its personnel — an agency with 3,000 employees — would go on strike on the day the law entered into force, calling for a wage increase to compensate the extra workload. In addition, it was necessary to work
against the clock to train personnel for a different kind of attention to the public and alter previously planned training schemes. Finally, and most importantly, the law contemplated institutional changes for INP, including a change of name to Social Security Institute (IPS). Regarding this point, the management team took a key decision, namely to postpone the institutional changes to the INP contemplated in the law until after the reform had entered into force, so that they could focus on awarding benefits without additional complications.22

Other institutional changes, which were directly related to the main objective of awarding benefits accurately and on a timely fashion, were introduced. For example, personnel from INP assigned to the front line of attention to the public were trained not only on how to use the system but also on dialogue techniques to be used with the customers. In addition, characteristics of the IT system such as that the management team could see which computers were connected and the number of requests received by computer enforced a change in INP’s institutional mindset and culture.

As regards non-face-to-face channels, the SSPS contacted almost all the 488,000 customers receiving welfare pensions in advance, through letters and phone calls, and informed them that there was nothing they needed to do and that their welfare pensions would be automatically converted into the new Solidarity pensions. When they could not be located, the person closest to them was given the message. This way, the management team was containing demand and avoiding a collapse of the available channels.

Finally, care was also taken to arrange for alternative channels in case there were system outages during reception of applications. The contingencies team at the SSPS trained over 1,000 university students in social work, sociology and other faculties to present themselves as volunteers at the INP centers and other points of attention to the public. In addition to written forms that would be received at INP offices, in the hypothetical case of having long lines of people reaching the streets the customers would be able to fill in the forms with assistance from students, who would receive the applications and send them for data entry at INP offices. This way, clients would not need to present themselves at points of attention a second time.

The communications campaign
Given the need to avoid the dreaded scenario of congestion and large numbers of people appearing who were not eligible for the benefits, the communications campaign was clearly of vital importance. The government had to lower expectations and inform and educate the public in the months prior to the law’s entry into force in order to contain demand (i.e. to ensure that those who were not eligible did not show up at the counters).

The management team had to alter the strategy it inherited, which had only taken an emotional approach designed to make a big impact on the media – as opposed to informative campaigns, which provide specific information on who is eligible, where to go, when, and what is needed to receive the benefit. The team complemented this previous work with a more selective, informative and more operations-oriented communication strategy. It was necessary to tell people who should ask for the benefit, when to go and what to bring, but at the same time keep the emotional message of the reform for impact purposes. One of the key features was communicating the score needed in the social protection fact sheet, which was an eligibility criterion harder to remember than age or residency in the case of the old age pensions.

A major decision regarding the communications campaign was to leave out the Child Allowance program23, which, although it was part of the law, would only start being awarded a year later and which, if it was announced at that point, would have generated a huge number of requests for information.

Selectivity in the campaign applied not just to the contents of the information provided but also to the choice of media. It was decided to use municipal and regional radios, which, because they were the most numerous, involved more work. However, they were the media listened to by Solidarity Pillar customers, according to marketing studies requested by SSPS24. The management team and INP personnel gave almost daily interviews on municipal radio programs which, having very little advertising, attached great importance to this campaign. Some radio stations even transmitted the information in indigenous languages, such as Mapugungun (Mapuche language).

The second in command at SSPS had employed communication strategies in his work with microfinance institutions for low-income sectors and played a key role in articulating the communication campaign, contributing a number of creative private sector ideas. Atypical channels of communication, such as public health offices, which customers went to at least three times a year according
to the available data, and women’s associations, such as PRODEMU and NAM\textsuperscript{25}, which represented an important percentage of the beneficiaries, were also important because they were already familiar venues for the customers. This way, strategic partnerships were consolidated with organizations that shared the same customers.

The campaign was tailored to type of customer, not product. The management team met with several groups and associations of pensioners and adults over 65 years of age along the country’s municipalities to explain the reform. Finally, conversation techniques were developed and used to re-train the entire staff. After this very extensive campaign, spontaneous knowledge of the reform went from 5 percent of the population in December 2007 to 81 percent in August 2008.\textsuperscript{26}

Tailoring IT Solutions to the End User
The Social Security Data Information System

As mentioned earlier, the new management decided against signing the contract with the relatively large firm originally identified to complete the eligibility, concession and payment modules, as, in its view, the level of technical complexity for what needed to be done to launch the reform was relatively straightforward and in no way related to the sub-products and the timing that the company had proposed. That decision was risky, inasmuch as this particular firm had been an INP provider for years and operated its databases. The urgency of the situation called for swift decisions and a quick start to the task of preparing the Social Security Data Information System (SIDP).

Under the technical leadership of experienced engineers\textsuperscript{27}, the first decisions were taken on how to structure the system. One of the key concepts used in the design of the system was that the SPSS had opted to develop a technological platform where it would be up to the State, and not to the person applying for benefits, to compile the social security background information needed to validate each beneficiary’s data. The applicant would only be required to show a valid citizen’s I.D (cédula de identidad), or an I.D and the certificate that proved disability in the case of the disability pensions.

Another fundamental principle in the architecture of the system, following on from the previous determination, was that the system’s own database should contain all the information required to substantiate the eligibility decision. The Solidarity-based Pension System thus had to have a centralized database encompassing each person’s entire social security record, so that it would be possible to verify fulfillment of all the legal requirements for access to benefits. That in turn demanded data sharing on a huge scale.

Bearing in mind the time allotted and the products needed, as well as the business model of focusing efforts on the client-citizen’s experience, the SSPS decided to split the work. The management team used a software factory methodology and hired local IT firms with experience of the Chilean public sector. The SIDP work was divided into three modules which required different expertise: eligibility, which focused on databases; attention to the public and awarding of the benefits, software development; and payment. Each IT firm would be hired to develop one specific module – based on their capacity and previous expertise. In addition, it was decided to maintain the previous team’s strategy: over the short term a “swift development” strategy would be employed, in order for the reform to start operating on schedule. Since the nature of the problem was such that the technical specifications would be generated in the process of defining the regulations, the providers would have to use a methodology based on prototypes. Over the longer term, a new system would be created that would incorporate all the services delivered by the IPS, along with functional improvements, controls, and more robust security.

P&M was to be the company charged with developing the eligibility module, the key product in the new management’s concept. P&M had to ensure that by integrating large databases it would be possible to determine whether or not a client was eligible. The only thing the customer could be asked for was his RUT (tax identification number). That implied an enormous improvement in service standards and much greater interoperability, and required the existence of an interoperability and communications platform, which Chile was developing. \textsuperscript{28}

Visión, a company that had already worked with the Planning Ministry (MIDEPLAN) on social protection fact sheets and on the Chile Solidario program, would be responsible for developing the attention to the public and awarding of the benefit module. Finally, the firm SYNAPSIS was left in charge of the payment module because the enterprise was already executing payment of INP pensions through the BBVA banking network and it was therefore very easy to adapt the system to include the new beneficiaries.
To meet the desired goal, the companies had to start work as a matter of urgency, which was quite a challenge given the time it took the State to process the contracts. These “niches” firms would have very specific tasks, with technical criteria spelled out by the SSPS. The functional specifications given to the providers considered both what had been defined earlier, in 2007, in the PEU, and the demands on the model incorporated by the new SSPS management. This increase in the expected level of precision of the service increased the pace of implementation, which, thanks to the use of prototypes, allowed the government to develop an effective solution for the short term at a much lower cost. Thus, of the approximately US$4.5 million estimated with the previous approach only 18 percent was actually spent.

One of the principal technical criteria impressed upon the companies by the reform managers was the need to assemble the modules via the web, so as to allow the use of multiple channels and thereby avoid certain problems that were expected to arise, particularly the strike by INP employees scheduled for the first day the reform entered into force. The systems were to use PHP format with an Oracle database.

The eligibility module
The principal issue that had to be solved to set up the SIDP had mainly to do with the eligibility module. This module, aimed at integrating huge databases pertaining to different agencies, benefited from the fact that Law 20.255 already contained certain specifications in the way it was designed that lent themselves to standardization of the parameters and design of the IT systems needed for effective implementation of the reform. This was achieved by inserting into the law a simple and short list of the requirements that interested persons had to meet in order to become beneficiaries. Thanks to the clarity and straightforwardness of this list of prerequisites, those who subsequently developed the data management systems were able to significantly shorten the time needed to design the IT systems’ processes.

![Figure 2. SIDP’s Business Model](image)

Obviously, in order to implement those designs, the SSPS team needed to elicit the information from the agencies that managed the databases containing the information needed to establish eligibility. When it created the SIDP, Law 20.255 granted the IPS broad
powers to demand from both public and private agencies in the area of social security the data it needed to perform its functions. These powers were crucial to enforce inter-agency cooperation.\textsuperscript{31}

**Figure 3. Eligibility Module – Decision Flow for determining Solidarity Pillar Eligibility**

For their part, the law and regulations\textsuperscript{32} established a minimum of interrelationships among different public institutions in order to make the data management system efficient. Interfaces had to be devised to bring together and logically inter-relate the following information from several institutions: (i) The Civil Registry and Identification Service: information regarding dates of birth and death, national I.D. number and nationalities of the potential beneficiaries of the solidarity-based pensions system; (ii) Ministry of Planning: information contained in the Integrated System of Social Information prepared on the basis of the Social Protection Fact Sheet; (iii)
Social Security Institute (formerly INP): information regarding the contributors and pensioners of any of the 16 social security regimes of the former Social Security Funds (Cajas de Previsión) and former Social Security Service (Servicio de Seguro Social), welfare pensions (pensiones asistenciales), special pensions and the pension amounts; (iv) Pension Fund Administrators: list of members, pensioners, pension amounts, types of pension, number of years of contribution; (v) Insurance Companies list of pensioners and life annuity amounts; (vi) Employers’ Mutual Benefit Funds (Mutualidades de Empleadores) and the Occupational Safety Institute (Instituto de Seguridad Laboral): information on members and pensioners needed to calculate the amount of possible benefits; (vii) The National Defense Social Security Directorate and the Chilean Police Force’s Social Security Directorate (Dirección de Previsión de Carabineros de Chile): information on members and pensioners; (viii) Ministry of the Interior: information available regarding special government pensions (pensiones de gracia); (ix) Chile’s Investigative Police and the Ministry of Foreign Affairs: to confirm compliance with residence requirements.

Although the PEU had compiled some initial versions of these databases, some of them were incomplete and no protocols had been established to update the information on a regular basis. So, in order to obtain the information from public institutions, the SSPS relied heavily on the authority of President Bachelet and of DIPRES. The fact that the law required confidentiality and secrecy in administrative handling of the information fed into the system was also a key factor in achieving interagency cooperation in the public sector. It even proved possible to lift tax secrecy restrictions that might have limited the flow of information to the system. 33

As for the AFPs, the existence of the law and of regulations supporting the handing over of this information would enable the Superintendency of the AFPs to coordinate the process. Unexpectedly, it turned out that the AFP data were more incomplete and more difficult to use than those of public agencies. Given that the rules did not force the AFPs to keep certain information and that AFPs do not regard those who are not actively contributing as clients, many of their records for pensioners were either nonexistent or not yet computerized.

Once it was up and running, the Social Security Data Information System (SIDP) facilitated the key operations of the solidarity-based pensions system: determining the subsidies to be granted through the solidarity-based pensions system, evaluating the program’s expenditure flows and budgetary programming, estimating the implicit fiscal commitment derived from the solidarity-based pensions system, and conducting studies of the effectiveness of the Solidarity Pillar and its financial sustainability.

Attention to the public and awarding of the benefits module

The attention to the public and awarding of benefit module includes a database with the status of the requests for benefits included under Law 20.255, which can be classified as awarded, in progress or rejected. It also includes applications that support the response to queries and awarding of benefits, which were used across the network in the different channels for attention to the public. Front office functions are also located on this module, which allows awarding the benefits under the interoperability platform, from the request for benefits until payment. The module is also in charge of applying rules for revising, suspending and terminating benefits. Finally, it distributes the payroll data to the payment module.

Command Control

In-house IT solutions were also used to build robust control mechanisms to ensure high standards of attention to the public. The SSPS was to establish a command control panel connected on line to all the channels and points of attention to the public throughout the country.34 The command control panel –also called the war room –included tools for controlling remotely what was going on with routers, monitoring communication networks, connections and databases. Using touch screens, this rather unusual system in public administration – but in no way cutting edge technology – could also produce live reports of what happened with each application fed into it: how long it took to attend to the customer, which points of attention to the public were operating and which were not, which computers were connected, the time it took to receive a reply back from the servers, and the performance of each municipality and each counter, among other data updated by the second. This would make it possible to detect bottlenecks and to ask for reinforcements if demand became overwhelming.

This command control panel also monitored connection speed and the telephone lines hired from providers for each point of attention to the public. Each flow in the process was carefully watched and each complaint of over-saturation monitored (for example, if it was discovered that firms had reduced the range of services they were hired to provide, they were fined). Guaranteeing
contractors’ transmission standards through strict on line IT oversight was the necessary counterpart to the standards of attention that citizens had been promised. In short, the command control panel would create a perception of unity and control and would provide a means of maintaining strong centralized oversight of a highly decentralized operation.

Contingency plans
Given the risks involved, the management team decided to prepare more than one contingency plan. Alternative systems were created for each of the modules: eligibility, attention to the public and awarding benefits and payment. In the case of the payment system, the plan was to repeat the payment of the previous month, and reconcile any issues with following payments. Two firms programmed additional versions of the eligibility module. Finally, as mentioned in the subsection on strategic partnerships, groups of students who had been trained to fill in the forms and submit them for data entry represented a third alternative in case the previous plans failed.

Forging the legal framework
Another main challenge for the implementation team was drafting and adopting the regulations needed to implement Law 20.255. A multidisciplinary team comprising a mix of lawyers and economists from DIPRES, the Superintendency of Pensions and the INP would be responsible for this task. The conformation of this team, coordinated by DIPRES, had been stable throughout the reform, which greatly facilitated work during the final months of planning.

The team interacted closely with the operational leaders of the implementing team, listening to their demands and conceptually working out the regulations that matched the needs of the business model. The priorities and sequence in which the regulations were produced were set by the implementing team, following the deadlines established by law. The legal team also worked in close coordination with the Comptroller General’s Office in charge of providing clearance for all legal documents drawn up by the Executive branch. That expedited the process and ensured that the regulations would be adopted on time.

The legal team’s flexibility and pragmatism in drafting the regulations, together with a proactive and engaging approach with the Comptroller General’s Office, were key to making sure that regulations would allow managers to face the implementation challenges with fewer restrictions. However, it also meant giving up a certain amount of power and control and increasing the risk of unpredicted modifications to the policy by some of the actors, such as the Superintendency of Pensions, in charge of producing the circulars, that is to say, lower level legal documents which would more directly affect implementation. Despite all this, the regulations drafted resulted in simple and pragmatic instruments that accompanied the development of the business model in time and form. Supreme Decree 23 “Regulations of the Solidarity Pensions System”, regulating awarding, maintaining, suspending and terminating old age and disability pensions and supplements to pensions was adopted on May 19, 2008. It was followed in early June by Supreme Decrees 18 and 28, regulating the physician teams which would assess disability of potential clients and the procedure to determine lower-income groups using the social protection fact sheet, respectively.

On the night of June 30, 2008, the team was finally ready to implement the reform. Although really close to the deadline, the regulations needed for the first phase of the reform were in place and clearly defined the roles and responsibilities of the different agencies and institutions involved. The communications campaign had informed most clients and the population in general, so as to contain demand from both people receiving welfare pensions and potential but ineligible clients. All databases and systems to confirm eligibility without asking clients themselves for information (other than their RUT) were ready to operate, and two contingency plans had been prepared in case they failed. Alternative channels to the INP were also ready. The municipalities and the other institutions acting as channels as part of the capillarity strategy had the systems needed to receive the clients and that their staff had been properly trained to ensure that standards of attention would be met. The strong central command system would allow the management team to monitor the different channels, the staff and the providers. Thus, any failures in the different processes and systems would not come as a surprise, which would enable them to identify the issues and take the necessary measures to solve them quickly. The crucial moment had arrived.
3. Implementation: Results of the Reform’s First Phase (July 1, 2008 – June 30, 2009)

On July 1, 2008, the day the law entered into force, all measures described in the previous chapter were tested against reality. The results as of June 30, 2009, detailed below, indicate that the communications campaign, the capillarity strategy to cover demand, the IT systems developed for ensuring quality standards, and the coordinated actions by the legal team in putting together the regulations to implement Law 20.255, seem to have contributed to a successful implementation of the pension reform in its first year.

Communications campaign
The number of clients for the first phase of the reform was very close to the government’s estimates. About 133,448 new clients were assigned a solidarity pension (both old age and disability), who, if added to the existing approximately 488,629 welfare pension beneficiaries whose pensions were converted to PBSV, total about 622,077 beneficiaries (versus 621,000 as estimated by the press on July 1, 2008). The government’s estimate, aligned with calendar year 2008 and not to the first year of the reform (July 2008-June 2009), was 600,250, also close to the 576,547 basic solidarity pensions assigned as of December 31, 2008 (source SSPS).

Graph 1. Universe of Eligible Clients for Phase 1 (July 1, 2008 to June 30, 2009) as estimated in June 2008 versus Pensions Assigned

In addition, the fact that over 89 percent of the applicants were eligible for the benefits shows that the messages relayed during the communications campaign were successfully delivered, and that the messages were clear enough to: (i) lower expectations of potential but not yet eligible clients; and (ii) to ensure that beneficiaries of the welfare pensions would not increase demand and collapse the channels available for attention to the public (see graph 2).
At the same time, the clients’ response was massive but not chaotic. About 54 percent of the PBSV and APSV clients requested their benefits during the first two months, and a steady number requested them over the following months (see Graph 3). As expected, the majority of the clients were women (68 percent of solidarity pensions assigned).
Channels

During the INP workers’ strike, which in the end lasted only one day probably due to the strong mitigation measures in place, municipalities covered almost all the expected demand; the remainder was channeled through paper forms, and, to a far lesser extent, through the civil registry. After INP offices re-opened, municipalities still continued to cover an important portion of the clients, showing the importance of the new team’s approach. Approximately 33 percent of the new requests for benefits were submitted at municipalities, a level that remained constant across all regions. Although the management team estimated that AFPs would cover about 20 percent of the demand – basically receiving requests from those who were their clients, too – they finally covered a very small segment of the eligible population during this first stage of the reform (see graph 4). Given that the following phases of the reform will incorporate population from the third quintile, and that most of them have some kind of private pension, the role of AFPs is expected to grow over time.

Graph 4. Total Solidarity Pensions Requests, by Channel (July 1, 2008 – June 30, 2009)

Source: SSPS

While old age solidarity pensions were quickly assigned thanks to the databases, there was some delay in assigning disability solidarity pensions. As managed by the Superintendency of Pensions, there were too few Physicians’ Commissions to assess the beneficiaries’ disabilities. This was clearly an area where the government’s calculations of the demand’s size were not accurate and where no standards of attention to the public were consistently applied or controlled. While over 64,000 applications were presented during the year under review, only a total of 20,315 had been assigned as of June 2009. Even if some of the applications were probably turned down because the customers did not meet the disability criteria, the fact that only 1 in 3 applications was assigned the benefits shows a high number of pending requests and flags this area as one with high potential for improvement. This is especially the case considering that 24,000 requests were presented during the first two months of the implementation of the reform, in July and August of 2008. Besides these delays, customer satisfaction levels for those clients applying for disability pensions were still high, slightly above 75 percent (see graph 8 in page 25).
Customer satisfaction surveys indicate that all channels for attending to the public performed well, with an overall satisfaction level of 86 percent. INP offices ranked first, with 87 percent of net satisfaction, followed by municipalities. The performance of the AFPs was less impressive but still satisfactory (see Graph 5).

Graph 5. Overall Customer Satisfaction*, by Channel

<table>
<thead>
<tr>
<th>Channel</th>
<th>Overall Satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>86%</td>
</tr>
<tr>
<td>INP</td>
<td>87%</td>
</tr>
<tr>
<td>Municipalities</td>
<td>85%</td>
</tr>
<tr>
<td>AFP</td>
<td>78%</td>
</tr>
</tbody>
</table>

*Scale from 1 (very unsatisfied) to 7 (very satisfied), overall satisfaction level accounts for scores of 6 and 7. Number of cases: 3,260 (INP 1,946; Municipalities 1,131 and AFP 183).
Source: Informe Satisfacción Procesos de Atención a Clientes para la Reforma Previsional, IPSOS (March-May 2009)

IT Solutions and Standards of Attention to the Public
The system was able to receive and process over 3,000 daily requests across all of Chile for the first month with no major disruption of services. Old age Solidarity Pensions and Contributions, applying to about 85 percent of the total number of new clients, were approved during the time period promised by the government and the first payments were disbursed on time, with those clients who requested the benefit in July receiving their first payment, retroactive to July 1 2008, by early September. Disbursements show a relatively strong increase from July to September, stabilizing at the same level until the second phase of the reform was implemented in July 2009 (see Graph 6). The same pace was not true of disability solidarity pensions, which applied to about 15 percent of new customers, which took a considerably longer time based on information gathered during interviews.

The three modules worked well according to anecdotal evidence from interviewees, and the Web-based technology made it possible to continue providing services even during the brief INP strike. However, some of the technological features were not that relevant during implementation. For example, although geographic information systems allowed for better management of human resources by reinforcing offices with a higher density of eligible clients ex-ante, mobile offices did not cover a relevant portion of the demand according to interviewees (requests channeled exclusively by mobile offices are not available, data is aggregated under INP’s figures).
In terms of attention to public standards, analysis of the results obtained during the first year of implementation presents some challenges. The fact that the innovative citizen as a customer approach did not include a centralized complaints reception office means that alternative ways have to be found to measure the government’s compliance with customer service standards. Customer satisfaction surveys prepared by a private firm at the request of the SSPS, and complaints presented to the Customer Service Department of the Superintendency of Pensions – which include questions and complaints related not just to the solidarity pillar but also to all other pensions provided by AFPs and the INP – will be the second-best sources used to assess the government’s performance in this area.

Customer satisfaction surveys and anecdotal evidence shared during interviews seem to indicate a strong compliance level with standards of attention to the public. Surveys carried out by private firms indicate that the level of client satisfaction related to waiting time, which is the process with the greatest impact on overall satisfaction, has been high. Lower satisfaction levels are reported with respect to the waiting-time prior to reaching a customer representative, while much higher net satisfaction levels are recorded with regard to the wait-time during which a customer’s requests are being processed. The latter depended heavily on the IT solutions applied and was under more direct control of the reform’s managers (see Graph 7).
While satisfaction indices are, overall, high, satisfaction levels per product vary. Clients of disability basic solidarity pensions (PBSI), with some delays because demand exceeded the capacity of the physician commissions managed by the Superintendency of Pensions, tend to be less satisfied than clients of old age basic solidarity pensions (PBSV) (see Graph 8).

*Scale from 1 (very unsatisfied) to 7 (very satisfied), overall satisfaction level accounts for scores of 6 and 7. Number of cases: 3,260 (INP 1,946; Municipalities 1,131 and AFP 183).

Source: Informe Satisfacción Procesos de Atención a Clientes para la Reforma Previsional, IPSOS (March-May 2009)
As mentioned above, the lack of a single office to receive claims related to the solidarity pillar of the reform makes a more comprehensive analysis of client satisfaction difficult. The fact that clients initially found to be non-eligible were asked to follow up with the specific agency or agencies that dealt with the criteria not met in their particular case complicates the tracking of these statistics, and makes the much broader Customer Service Department at the Superintendency of Pensions the only alternative.

The increase in the average number of questions/complaints per month at the Superintendency of Pensions – in charge of supervising the INP and AFPs – almost doubled, from 5,900 in 2007 to 10,400 per month for July-December 2008. Construing this increase as complaints directly related to the reform would be misleading for two main reasons. First, the Superintendency receives queries and complaints related not only to the solidarity pillar, but also to services provided by AFPs and other aspects of the reform, but does not classify the information according those categories. Second, although, according to anecdotal evidence, most questions would be channeled through the INP and AFPs, which would leave complaints to the Superintendency as some kind of an appeals mechanism, the Superintendency does not make any distinction between questions and complaints received.


Anecdotal evidence by the Superintendency of Pensions Customer Service Department suggests that due to the supervisory role of the Superintendency, most of the calls are in fact complaints, and that this increase is directly related to the reform. Government officials from the Superintendency’s Customer Service Department estimate that about 10 percent of their queries or complaints on a daily basis as of July 2009 were complaints related to the solidarity pillar of the reform. Most of these complaints are received from the President’s office, as many citizens write directly to President Bachelet. The reason for the remaining portion of the higher number of queries is unknown, but it may have been an increase in calls related to delays in assigning normal pensions – also handled by the INP – as well as disability basic solidarity pensions, both of which take a considerable amount of time. These additional complaints could be the result of the higher standards set for delivery of basic solidarity pensions. Regardless of the reason, this challenge remains and needs to be solved in subsequent phases of the reform.

Finally, no revisions had to be made to regulations issued for implementation of the reform and no disruptions were caused by legal issues during the first year of the reform.
4. Case Study Conclusions

Two Phases of the Reform Program: Two Types of Results
This section discusses the factors that have made this reform, during its first year of implementation, a success, as measured primarily by outputs and proxy indices of citizen-client satisfaction. Chapter 5 of this report will explore the potential for adjustment and replication of lessons learned from the pension reform to reforms of a similar scope.

This case study analyzes the management of the Chilean pension reform initiated by the enactment of a law in March 2008, barely three months after congressional approval. As mentioned in the introduction, for the purpose of this case study, reform management covers the entire policy cycle, that is to say, all necessary actions from policymaking to the first phase of policy implementation. Though those actions may have not been explicitly connected from the beginning, in retrospect it is possible to infer the strategic path pursued by policymakers and policy implementers or executors.

The standard against which management of the Chilean pension reform will be judged is twofold: (i) higher policy objectives were achieved, and (ii) when a given policy objective was not fully achieved, it was due to risk-factors that were either unpredictable or at any rate beyond the control of policymakers and implementers. As has already been mentioned, the explicit objective of Chile’s policy reform was to extend pension coverage to every Chilean resident meeting age and economic capacity requirements (and disability criteria in the case of disability pensions). This meant the inclusion of low-income Chilean residents not previously covered by the pension system. Additionally, some new benefits were added for those already covered by the pension system.

However, judging Chile’s recent pension reform solely on the basis of coverage-and-benefits criteria would be to understate its significance. Somewhere along the reform path, but particularly in the critical months between the enactment of the law and effective delivery of new services, the President and reform managers identified a new objective. This new objective consisted of quality service for the client-citizen. New service delivery technologies were put to work to ensure quality of service that would fully satisfy the client, particularly the citizens who had just become eligible for pension benefits. Client satisfaction became the key measurement of this additional value of the reform program.

As reported in the results section, both those objectives appear to have been met. Pursuant to the law and the government’s stated commitment, reform was immediately implemented; new services and/or services to new clients began to be effectively delivered on July 1 2008 and appear to have been running smoothly ever since. Altogether, the reform has so far produced most of the expected results in terms of service delivery as well as substantial political and professional credit for the reform’s architects. The apparent success of the reform so far is widely recognized throughout the country and even in the international media. Indeed, the dramatic upturn of President Bachelet’s approval ratings in year 2009 are generally associated not only with management of the economic and financial crisis, but also with citizen satisfaction and win-win arrangements for all major stakeholders in the pension reform system.

The recent Chilean pension reform has aroused interest in Chile and elsewhere. Governments and practitioners alike want to know which factors account for this reform’s achievements, and to what extent those factors are replicable in other major policy reforms. Both these questions are discussed in detail in this report, which also includes suggestions for potential policy reforms that might benefit from application of some of the same factors that account for pension reform achievements.

The rest of this section will further discuss factors for success and risk control under the reform program, and identify among them what appear to be either innovative approaches to reform management or approaches that follow best international practices, with emphasis on the new business model utilized by this reform.

Identifying success factors and their necessary conditions
Based on the results described in the previous chapter, Chile’s pension reform appears to be a success case that yields key lessons for reforms of similar scope in Chile and elsewhere. As will be discussed below, those lessons have to do with both policymaking and implementation. Above all, this Chilean experience teaches lessons that have to do with the connection between those two phases of any policy reform program. The innovation of Chile’s pension reform lies precisely in the way the Chilean government managed to (i) develop creative synergies between the distinctive phases of policy approval and policy execution, to the point of
establishing a continuum that reduces the tension between the different nature of those two phases to the minimum, and (ii) leave room in the policy design for managers to create value during the implementation process, in addition to and in congruence with, the benefits sought after and anticipated by the policy design. The pension reform managers took full advantage of that opportunity to create additional value. Let us consider first the merits of each of those two major phases independently, and then explore the linkages and synergies between them.

The phase of policy planning, policy design and policy approval: substantive benefits

The pension reform enshrined in Law 20.255 of 2008 was planned, designed and approved in accordance with textbook guidelines for policy making. First, there was a lengthy diagnostic and planning phase and ample discussion of possible approaches. There appeared to be widespread consensus as to the problem that needed to be solved (coverage and insufficient density of contributions). Much of the necessary research, including actuarial studies and the development of databases, had been under way since the days of the Frei government in the early 1990’s. Towards the end of the Lagos administration the three main candidates to succeed the President participated in a seminar that included trade unions and political parties. All candidates concurred on the need to prioritize the reform of social protection in the subsequent administration.

Some of the key feasibility questions and the overall concept of the new social protection system had already been agreed upon before the reform bill was submitted to Congress by the Bachelet administration. In particular, Chile’s Fiscal Responsibility Law (2007) had already secured the funding and earmarked the resources to cover the additional costs of the reform. In addition, the thorny issue of public-versus-private provision of services had been largely settled by the proposal of a mixed system that consolidated private service while introducing public benefits that might compete with private providers. Since the financing of the reform and the overall concept of the new system had already been cleared, congressional discussions and negotiations could focus on the specific benefits and the way to deliver them in a timely and effective manner. This allowed Congress to pass a law that included a focus on securing the necessary conditions for reform implementation. Confidence in congressional approval of a reform bill also allowed the administration to work in parallel on the preparation of the legal framework and the implementation plan, including the critical IT inputs.

The reform team’s champions were also preparing it in advance. Some of the key players in the policymaking process, including the former and current head of the Budget Office at the time the law was passed, had conducted preliminary studies of this reform, going back more than fifteen years. They were technical experts who later headed the key Budget Office. At the time of consultations, preparation and negotiations of the new policy, these reform champions could credibly claim expertise as both pension and fiscal experts who could maneuver with indisputable competence through the intricacies of the government budgeting process and, more broadly, public finance. This dual role gave the budget team the upper hand when it came to linking budget planning and pension reform negotiations. They were also capable of orienting and organizing public discussions on this matter. No other major sector reform appears to have had so much planning and participation from the country’s Budget Office. As a result, it was hard for detractors of the reform to foster deviations from the core issues or introduce provisions that might have rendered the reform inconsistent or impractical.

The requirements and the processes needed to secure bipartisan support and stakeholder consensus around the key pillars of the pension reform were identified long before submission of the reform bill to Congress and were followed to the letter on the path to legislative approval. The Advisory Council for Social Security Reform resembled the Royal Commissions of the United Kingdom. Members of the Council were persons of the highest technical reputation, coming from a variety of disciplinary fields. The relatively small number of members (15) and the strict, transparent protocols followed by the Council guaranteed its effectiveness and generated confidence in its technical neutrality. Though members were known to have political sympathies or affiliation with parties representing all sides of the political spectrum, none of them was selected as a representative of a political party or movement. Furthermore, pension experts who had taken definite positions on the reform issues were not called upon to join the commission; rather, they were invited to present their points of view at the commission hearings.

The Council operated as an informed, technically competent, attentive body that listened to statements of stakeholders’ interests and organized its recommendations around consensus issues that put public concerns first. The Council’s written output included a set of precise recommendations that served as the basis for further government analysis and preparation of the reform bill. It also included each of the written depositions delivered by those consulted. Rather than dispersing the issues or slowing down the
reform program, this presidential commission firmly identified the ground for consensus, identified pending issues, helped focus congressional discussions, and prepared the reform bill.

The way the Council handled what appeared to be rigid ideological and partisan positions demonstrated its consensus building capacity. Perhaps no other issue appeared to be more firmly rooted in preconceptions than the issue of private versus public providers. Chile had an established private pension system since the days of the dictatorship. By the time President Bachelet came to power, both sides of the political spectrum appeared to have been preparing for an endless battle between state and private initiative. In a pragmatic yet technically consistent solution, the Commission’s recommendation proposed a mixed system that helped consolidate the private system while expanding to universal coverage and introducing competition from the public sector. Private providers did not oppose the solidarity pillar of the reform since protection of vulnerable groups would incorporate new clients in the system. This was a win-win solution that hardly anyone could dispute. Although some related controversial issues are still pending today, practically no stakeholder has been willing to oppose the general concept underlying pension reform law 20.255.43

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<td>Identification of the problem or challenge</td>
<td>Political decision to prioritize the reform</td>
<td>Approval and promulgation through Executive-Legislative cooperation in discussing content and administrative matters</td>
<td>Identification of the New Client and its needs in terms of services</td>
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<td>Setting Strategies and Solutions: the definition of benefits and fiscal sustainability at the center of the reform</td>
<td>Presidential Commission: identification of interests, negotiation and consensus building</td>
<td>Presidential intervention to change the team, and new emphasis in management: access needs and service to client at the center of the reform</td>
<td>Mobilization of clients</td>
<td>Inclusion of other services</td>
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<td>Projections and simulations</td>
<td>Committee of Ministers</td>
<td>Other previsions for implementation, including the IDB project</td>
<td>Fragmentation, specialization of services for the participation of new providers</td>
<td>Change in the IT development strategy</td>
<td>Consolidation of directing role of SSPS</td>
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<td>Identification of information requirements, Social protection Survey</td>
<td>Legislative Strategy and presentation of the Legal Project</td>
<td>Simultaneous design of the management strategy</td>
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<td>Prioritization of managerial services and activities</td>
<td>Definition of new instruments for measuring poverty (replace Social protection fact sheet)</td>
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<td>Improvement of system, mainly for disability pensions (physician commissions)</td>
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Internal support and coordination within government was guaranteed by decisive presidential leadership, for example when President Bachelet invited the SSPS Undersecretary to a Cabinet meeting and instructed every minister and DIPRES to help the Undersecretary in anything he asked for, and quick interventions by key reform champions within the government, including Chile’s powerful Budget Director. The Comité de Ministros ironed out any internal policy or political differences surrounding the reform. Again, decisions by the Comité were supported by a large technical team of around 30 experts from different government agencies. Since all participating ministers had access to the same technical information, discussions were focused on policy preferences—not on competing projections or different sources of information. The Budget Director headed the technical secretariat of the ministerial committee. This committee reviewed the Council’s recommendations one by one, adjusted or discarded them when necessary, and passed on its decisions to the team of legal experts preparing the government reform bill.

Presidential leadership, in tandem with participation of DIPRES, helped solve some politically sensitive issues. This was, for instance, the case with the issue of putting together a single centralized data base for the social protection system. Fear of violation of privacy had led some, during the congressional debates, to defend separate, independent databases. The latter proposal would have undermined mixed public-private protection. Indeed, it would have led, in practice, to several co-existing pension systems differing with respect to the protection and enforcement of citizens’ rights or the quality of attention to the client. Aware of these risks, DIPRES took a decisive stand in favor of a single database. Since the management team and its partners had been orienting the IT reform towards the new sector business model, structured around centralized control and decentralized (indeed, client-driven) attention to the client, that decision was perfectly aligned with the overall model. Integration of databases was already possible, thanks largely to prior government policy supporting decentralized IT management with compatibility whenever centralized command or control is needed.

A shared vision and strict internal government coordination also helped to expedite preparation of the legal bill and ensure its consistency. Pension and overall social protection is one of those complex issues that require not only high skill levels but also integrated policymaking across sectoral boundaries. Globalization and Chile’s rapid economic growth have also helped make citizens increasingly pluralist and more demanding. Ever higher level skills and increased standing of the civil service are essential if governments are to achieve strategic coherence with better implementation. The Chilean government handled the complexity of the pension reform bill by putting together a multi-sector legal team, capable of drafting the new legal framework on a specialized, chapter by chapter basis. This multisector legal team was divided according to agency specialization in such a way that every section of the law was prepared under the leadership and primary responsibility of the agency with the most expertise on each matter. Internal consistency was secured by the top level of the management team in such a way that substance was balanced with implementation capacity.

Like any other public policy geared to extending benefits to all the people, discussion and negotiation of the reform did generate controversy and encountered some resistance. However, thanks to the combined effect of all the above factors, the new policy was unanimously approved and was happily published by the President in March 2008. Enactment of the reform was the culmination of a process in which there was a clearly identified problem, sound proposals for solving the problem, confirmation of the financial feasibility and pre-feasibility of implementation and technical-political negotiations.
Box 3. A look at some of the key factors of success at the planning and approval phase of the pension reform program

Long-term planning of the reform, with identification of data available and diagnostic assessments of the potential for inter-institutional coordination. The reform had long been explored and planned and previous studies helped shape the work of the Presidential Commission or Council. Even within the Bachelet administration, the entire reform program took two years between submission of the legal bill (2006) and first day of new service delivery (July 1, 2008), a relatively short period for a reform of this sort in Chile. Management of the reform program included consensus building, sound financial planning, and creative executive-legislative collaboration. Regarding the executive-legislative collaboration, this reform was built in a way that facilitated very quick negotiation and understanding between the parties. At an early stage, the Executive withdrew from the draft bill issues that would be controversial and in turn the opposition sent clear signals of willingness not to obstruct passage of the law. Eventually, this enabled the executive branch to start working on the implementation of the reform much earlier than usual. That proved to be a key factor for delivering services by the tight deadline set by the administration.

Presidential commitment and leadership. Presidential leadership is key to any major reform in strong presidential systems such as Chile. In this case, the President appeared to be monitoring the pace of the reform pace and leading managers to deliver the two management pillars of the pension reform: service delivery and client focus. As the reform proceeded, the President appointed and changed reform managers to accommodate the needs that arose along each segment of the reform path. Coming from an experience of initially low client satisfaction with the Transantiago reform, the President and the rest of the government appeared to pay close attention to approval ratings and other measures of client satisfaction.

The Pension Law itself was very clear in terms of the way benefits are calculated and paid. Eligibility requirements were also simple and easy to verify. In the only case in which an eligibility requirement was difficult to demonstrate — that of legal residence in Chile — the administrators quickly transferred the burden of proof to the state itself. It was as if the law itself was already guiding the IT developers to construct the three core modules of eligibility, attention to the public through awarding of benefits and payment, and secure integration of the databases required by each module, and to combine all of them in a single database for the entire social protection system. Indeed, the legislators themselves appear to have taken implementation requirements into consideration when the law was being drafted. Box 4 summarizes the factors arising during the planning, consultation, negotiation and approval phase of the new pension policy that helped to make it a success.

Some of the positive factors in reform planning and approval listed above are also to be found in other reforms, as Chile does have an institutional context which calls for similar approaches to any major policy reform:

• The idea of building multi-party consensus around core state issues dates at least as far back as the days when Concertación was taking shape following the return to democracy.
• Likewise, Executive-Legislative consensus is usually built before reform proposals reach congressional commissions or plenary sessions.
• For important reforms that may have a substantial financial impact, such as the pension reform, DIPRES plays a major role.
• The Executive’s proposals are usually defended by a strong team of government experts.
• Chile’s fiscal prudence leads to the requirement of a-priori calculation of the fiscal costs of any policy reform and securing of the necessary financing within the boundaries of Chile’s Fiscal Responsibility Law.
• Since Chile completed basic financial management and other “first generation” reforms long ago, the flow of newly authorized funds runs smoothly once a reform has been approved by Congress.
Box 4. Factors responsible for the success of the pension reform in the planning, design and approval phases

Paving the way for the policymakers was a whole set of necessary conditions and contributing factors, that had accumulated over time, including:

- Long term planning and analysis leading to reliable documentation and empirical evidence regularly shared by policymakers and stakeholders;
- Political consensus on the problem to be solved and the priority of sector reform;
- Decisive presidential leadership, for example to establish shortly after taking office a non-partisan Advisory council to build political and technical consensus needed;
- Technically competent champions of reform holding key government positions for internal government coordination and ensuring reform consistency;
- A broad social consultation process leading to pre-identification of areas of agreement and areas of contention;
- A technically sound, credible set of specific recommendations;
- Clearing of key financial issues and agreement on the overall concept of the reform before the legal bill was submitted to Congress;
- Legislative focus on institutional, operational and other implementation challenges;
- Executive and Legislative concern for quality of service; and,
- Simultaneous preparation of the legal bill and administrative planning, leading to simplification and clarity regarding complex matters.

Having said that, there are particular features that made those positive factors particularly powerful in the case of the Pension Law:

- Presidential commissions have also been established for Education, Early Childhood or Equity. However, perhaps with the exception of the Early Childhood Commission which delivered important recommendations in a timely fashion, no other presidential commission has delivered consensus and technical proposals with the timing and quality of the Advisory Council for Social Security Reform. One of the explanations lies, of course, in the number and the profile of its members as well as the methods followed by the pension commission. In addition, no other presidential commission could rely on such a rich set of prior studies as the pension commission.

- “Pensions,” is a service more narrowly defined than, for instance, “infancy” or “preschool” issues. Benefits can be more clearly defined and eligibility is fairly straightforward. Beneficiaries are clearly defined as individuals who have the right to a pension according to well established eligibility requirements. All these features make pensions a relatively easier case for standardization and routine procedures than services that require elaborate diagnostic assessments of each individual case or complicated calculation of benefits.

- In the case of pensions, the government was able to count on the expertise of high level financial officers for technical leadership, credibility and internal government coordination. It is unlikely that high level government officials can count on a similar level of expertise regarding every other major reform.

The phase of policy implementation: quality of attention benefits

Legislative approval and extensive implementation planning was followed by detailed execution planning during March – June 2008. This new phase was not limited to merely executing what the law had ordered in the first place. Government managers added a new challenge, one that was permitted but was not explicitly required by the Pension Law. The new challenge consisted of putting the citizen-client at the center of the reform program. The administration decided that the right to pensions included the right to quality of attention. The concept of beneficiary was replaced with the concept of citizen-client.

By elevating the quality of attention to the category of each citizen’s right, the administration imposed upon itself a series of additional requirements regarding the actual delivery of pensions:

- It meant that particular citizens’ demands regarding the way in which service was delivered had to be identified and met. In addition to confirming eligibility and assessing the amount of pension benefits, other services were to be provided. Like private services, pension service quality now required identification of the client and his/her particular needs for access to benefits,
particularly new ones. The potential demand had to be structured and, when necessary, properly addressed. The new challenge had to be met by new technologies, including the integration of databases to facilitate confirmation of eligibility requirements in each individual case. In order to minimize transaction costs for citizens, the state had to put together all the information it already had on each individual – not require each citizen to demonstrate if he or she was eligible. A single, central depository of information regarding eligibility and benefits had to be established.

• The new challenge also demanded the reduction of the cost to citizens of accessing information on their new rights or of confirming eligibility or receipt of payment at counters. This required in turn a communication and training campaign addressing new clients, in particular. It also entailed re-engineering customer service operations to meet demanding benchmarks and strict maximum time-standards for receiving a client’s request and responding to it. In turn, these performance measures centered on the client were also used as a tool to encourage goal attainment and signaling priorities for focus. The commitment not to exceed a certain time in service delivery required, in turn, the installation of IT capacity in order to monitor service-time in every service post. It also meant introducing the necessary incentives for service providers to meet those demanding standards. The central “War Room” was developed, with capacity to receive reports on line and monitor every step regarding client attention, from consultation to final response. More demanding agreements were signed with telephone companies, involving strict control of the quality of service provided and strong penalties for noncompliance.

• The pension administration system also had to be proactive in finding and servicing the client wherever he or she was. That meant bringing service to wherever citizens ordinarily were – not demanding that the clients relocate or travel distances to reach the place of service. Service posts next to citizens’ locations had to be opened. For example, when a fixed customer service counter was not available, mobile units should ideally be positioned to reach the client. Since the deconcentrated administration of the IPS has only limited presence throughout the territory, this requirement led, in turn, to the incorporation of municipalities and civil registries as potential points of client attention (in the end, clients chose not to go to civil registries). Chile’s municipalities cover the entire territory. Furthermore, citizens are used to visiting their local government offices for social subsidies and other benefits, and mayors have an incentive to provide this additional service as it gives then additional leverage for reaching their constituents and earning political credit for management capacity in the provision of essential services.

**Figure 4. The Client-Citizen Business Model developed during the Implementation Phase of the Pension Reform Program**
• Initially, bringing in municipalities meant that a considerable effort had to be made to overcome local administrators’ reluctance to assume the risk of being discredited for participating in a reform that public opinion might ultimately consider a failure. It also meant signing individual contracts with every municipality, training them and providing computers and software and/or strengthening on-line communication facilities wherever needed.

• The establishment of hundreds of new customer service counters further reinforced the concept of decentralized service unified by central control and a single data base for the entire system. New demands were placed on integration, communication and other features of IT systems.

• Quality of service also extended to banks’ attention to citizens at the time of payment. Bank branches had to be transformed to include seating, bathrooms and other facilities for the elderly. Queues had to be eliminated or minimized. Attention had to be kind and competent.44

• All the above demanded in turn quick capacity to take decisions in the crunch time between the approval of the Law and the beginning of actual service delivery on July 1, 2008. Decisions had to be supported by availability of financial, human and physical resources. At this time, the role of the Budget Directorate within the reform management team became as important as its participation in the early phases of documentation, analysis, costing, financing and other forms of securing the reform’s technical credibility in a process led by the Ministry of Labor.

• Additional costs, when they arose, were justified by enhanced quality. The “dignity” of citizens in accessing pension services became a catch word to identify the entire reform. Although not everyone in the reform team appeared to share the perception that a new value had been created—and that money had to be invested for that additional good—every member of the top reform management team appeared to have thought that those extra costs were justified by the “new service quality” provided to the citizen-client.

• Presidential commitment and leadership became sine qua non during the implementation phase. The President had to take decisive steps regarding roles and hierarchies within the reform management team. New capacities and new commitments had to be secured from implementation managers if the new emphasis on clients’ dignity was to become a reality. Perhaps most important of all, to guarantee the success of the implementation phase, the President placed her own prestige on the line, as well as the prestige of her entire administration.

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Box 5. The Relatively Limited Institutional Changes in the Reform’s First Phase

While law 20.255 contemplated institutional changes for INP, including a change of name to Social Security Institute (IPS), those were postponed until later—they would finally be introduced in March 2009—so that the government could focus on defining the eligibility of customers and awarding benefits.

The implementation of the first phase of the pension reform was more related to a policy shift accompanied by the different factors emphasized on this chapter rather than a primarily institutional reform based on major changes in financial management or human resource management arrangements at the SSPS or INP, or on the creation of a new organizational unit. Some of these factors include: the existence of a flexible budget to finance any activities needed to ensure a successful implementation; experienced and creative managers; strong IT capacity by hiring a small group of IT experts; centralized IT tools; and a robust communications campaign.

Perhaps the main institutional change of the reform’s first phase may have been the training of personnel from INP assigned to the front line of attention to the public and the reform’s contribution to a gradual change in the INP’s staff mindset and culture due to the enforcement of standards of attention to the public thanks to the existence of centralized IT tools.

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The linkage between policy-making and policy implementation

This subsection discusses (i) how the mandates of the pension law oriented implementation and even demanded creativity at the time of implementation, and (ii) how implementation supplemented the benefits and values created by the substantive reform.

Creation of new value during implementation usually requires un-anticipated solutions to emerging demands for capacity, quick adjustment and adaptation. The prerequisite for value creation at the time of implementation is “let the managers manage” within
the legal boundaries and resource constraints and in pursuit of the policy goals; be creative in order to reach the higher level objective for public policy reform.

This freedom of action had not previously been possible in Chile for lack of five conditions that were met under the pension reform:
(i) the legal framework for reform left room for implementation options within the law’s core concepts and legally established deadlines;
(ii) presidential support throughout the phases of policymaking and implementation;
(iii) participation and continuity of the Budget Office and the country’s management control and enhancement unit;
(iv) management capacity to innovate in order to meet the highest goals of the reform; and
(v) the capacity of IT developers to understand and follow the core business concept enshrined in the law and further developed during implementation.

Those five conditions secured the linkage between policy approval and actual service delivery. As will be discussed below, the innovative nature of Chile’s reform lies precisely in the way the Chilean government established that linkage. The way the Chilean reform program satisfied some of the above-mentioned conditions has already been addressed in this report. This subsection focuses on two conditions that we have not discussed in sufficient detail: the legal framework, including the legal and political deadlines for implementation, and the capacity of IT developers to reflect the core business concept and expand the quality of service.

The Pension Law: legislative process, legislative techniques and the administrative orientation of government lawyers
Actual delivery of increased benefits and expansion of the beneficiaries demanded more than an ordinary law. Following are some features of the law that may have contributed to the success of the reform so far:
• The law was simple and straightforward: it minimized discussion and allowed the government to focus its efforts on implementation requirements. Since the early days of reform planning, benefits were shaped by what the pension agencies, public or private, were effectively capable of delivering.
• The legal bill, as well as the congressional debate, took into account administrative requirements and adjusted substantive benefits to implementation feasibility.
• The legislative process struck a balance between clear goals and feasibility, on the one hand, and allowing managers to creatively manage during implementation. The legal framework itself was comprehensive and meticulous, covering not only the benefits (and conditions of eligibility) but also strengthening the government’s role as coordinator for the entire pension system, the administrative structure of the public sector, the role of different actors, and access to and availability of required databases. One of the best examples of legal room for administrative maneuvering is the way the law provided an opportunity to interpret, and in-practice apply, the residence or the poverty requirements for eligibility. In the first case, the administration was in a position to switch the burden of proof from the citizen to the administration. In the second case, the administration was able to utilize the existing ficha de protección social (vulnerability) as a proxy for poverty.
Box 6. The Implementation Phase Introduced New Rights, New Services, and Stringent Demands on Administrative Capacity

The Implementation Phase added rights, concepts, actors, tasks and technology demands that were not--nor could be--fully anticipated even after years of careful planning, design, negotiations and approval of the new policy. All those features were, however, implicit in the core concept of the mixed, public-private system adopted by the reform. At the heart of that concept lies the idea that the previous private system needed a revamping in coverage, quality and financing if the ultimate goals of the reform were to be achieved. A competitive public service should help enhance quality in a service whose benefits are uniform and where service is otherwise regulated and supervised. But “how to” materialize those seminal concepts had yet to be worked out.

Giving life to all those concepts in the manner in which the pension service is actually delivered was the merit of the implementation team. By so doing, implementers created additional service to the client and produced an intangible know-how that had not previously been discovered. That is why the results of pension reform cannot be measured solely on the basis of the new, expanded benefits it brought to citizens or the strengthening of financial controls for sustainability of the pension system. One outcome which is at least as important as the above is the quality of service delivery. Both types of results need to be identified and paid for.

Implementation is a phase radically different from planning or approval. It operates in a time-bound environment supervised by the final client. Public opinion, not political approval, passes final judgment. The more globalized and the more developed a country is, the more critical the quality of service delivery (and, therefore, implementation) is for citizens’ approval of public policies. The public sector is also learning to add value at the time implementation is being applied to substantial policy reforms.

Implementation is characterized by quick actions and decisive measures. When there is less time for planning and assessment, talent and experience are the most valuable risk-minimizing factors. Implementation is also more exposed to the public eye; new actors participate, actions are more dispersed and monitoring (often centralized monitoring) becomes of the essence. Leadership, internal government coordination and top level political support become ever more important during implementation planning—President Bachelet’s and DIPRES’s support were key to obtain the databases used to deliver the benefits, and the fact the President embraced the reform as her priority represented a motivation to managers, employees and volunteers delivering the services—but attention to operational details and knowledge of the specifics of what needs to happen for implementation to succeed is also important.

Adding value when imprinting the final seal upon the implementation plan is risky. It will often require new inputs and new or additional costs. It may also appear as messy or improvised. Above all, managers are subject to deadlines which they must meet.

The price of creativity for reforms that produce direct services to clients is usually high; the stakes are also very high. The entire reform may be discredited, no matter how good the original concept-solution might be. In important reforms such as the pension reform, there is not only managerial risk, but also the political risk of returning to a lower approval and credibility rating than before the new policy was announced in the first place. For all these reasons, the detailed implementation design is also a matter of highest concern to the top levels of government, to financial officers and politicians alike. Their task was by no means over when the reform won approval, legislative or otherwise. For that reason, continuity in the top reform management team, among those most keenly aware of the core concepts and key expected results, was essential to the success of Chile’s pension reform.

It took only six months for Congress to approve the reform proposal. This is a relatively short period for a reform of this kind in Chile and further evidence of executive-legislative collaboration. Congress and the administration worked in tandem, as if policymakers were also responsible for—or at least vigilant with respect to—implementation.
Box 7. Particular features of the Law and the legislative strategy

The reform strategy included two valuable legislative technique features that contributed to congressional approval and reform implementation. First, the inclusive process of consultation created a common understanding of the scope, costs and benefits of the reform, before the government took a final decision on the reform bill and submitted it to Congress. It is worth noticing that this sort of inclusive and orderly consultation process, as part of the process of preparation of a major legal reform, is more typical of common law countries than civil code countries. The systematic and orderly engagement of civil society actors in commissions preparing a substantial piece of legislation is more typical of the political-legislative tradition of common law countries.45

Second, the legal strategy carefully crafted the law and its regulations with a view to policy implementation. The law clearly defined the authority of the IPS to request the necessary information from public and private entities. The regulations developed the law by specifying which public organizations have to furnish what type of information to the pension system administration. Continuity in the leading reform team allowed for consistency between reform planning, legal drafting and regulations. From the very beginning, the overall planning of the reform put both the IT concepts and the databases at the service of new benefits and expanded coverage.

The legal framework protected the connection between the substance of the reform, on the one hand, and implementation planning, on the other. The capacity to guarantee this linkage is perhaps the most salient feature of the new legal framework. This virtue of the legal framework was in turn the result of the overall planning of the reform, including minimization of risks during the legislative process:

• Eschewing the phased-in approach ordinarily followed to enact a new legal framework, the Executive did not wait until the law was passed to begin drafting the regulations. In the case of Chile’s pension reform, the Executive had already reached substantive agreement with all major stakeholders before the bill was sent to Congress.

• Furthermore, the Executive took full advantage of Chile’s “strong President” regime. The Executive maintained leadership of the process throughout negotiations on the way to congressional approval. The venue for negotiations was not restricted to congressional commissions or the Congress building in Valparaiso. Some of the most important negotiations took place at the Presidency or at the Ministry of Finance.

• Unlike other legislative processes, there was no risk of either the Executive or the Legislative powers vetoing each other’s proposals or otherwise jeopardizing approval of a pension reform law. The administration was confident that the law that would ultimately be approved would not be radically different from the government’s proposal. This feature gave the administration the necessary basis to go ahead with preparing the regulations and further advancing implementation planning.

• Executive – Legislative partnership was a key factor in coordinating policy ideals and administration capacity. Pension experts and policymakers, including Congress, were alert to every possible financial and administrative requirement, including the capacity of IT systems and agency preparedness. Since the early days of reform planning, pre-feasibility analysis was geared to securing the necessary information, and other administrative capabilities were already in place or could be put together before the very first day of service delivery.

• Executive – Legislative collaboration was another key factor in mobilizing the administration from the very beginning in anticipation of what the law might say, as if the government was sure that the law would be passed and knew it could waste no time in preparing for its implementation. Once the law was approved, the baton was quickly passed from policymakers to executers who were experts in communication, change management, negotiations and mobilization. Those managers kept shaping policy within the spirit of the law. The traditional difference between “political” and “technical” was blurred as politicians anticipated the key factors of sound implementation and managers willingly subordinated their actions to a client-focus, increasingly emphasizing client preferences as planning implementation advanced.
**Figure 5. The Leadership of the Executive throughout the construction of the new Legal Framework Planning, Submission of the Bill to Congress and Regulations**

<table>
<thead>
<tr>
<th>Executive</th>
<th>Legislative</th>
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<tbody>
<tr>
<td><strong>Formation</strong></td>
<td><strong>Sanction</strong></td>
</tr>
<tr>
<td>• March 06 – Presidential Commission is established</td>
<td>• 1st/2nd/3rd Legislative proceedings (trámites)</td>
</tr>
<tr>
<td>• June 06 – Commission presents Proposal</td>
<td>• Participation of the Executive in commissions</td>
</tr>
<tr>
<td>• July 06 – Inter-ministerial committee</td>
<td>• Constitutionality control</td>
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<table>
<thead>
<tr>
<th>Execution</th>
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<tbody>
<tr>
<td>• May 08 – DS Solidarity based Old Age and Disability Social Security Contribution</td>
<td>• July 08 – DS System Evaluations</td>
</tr>
<tr>
<td>• June 08 – DS Physicians' Commissions</td>
<td>• Sep 08 – DS Mental Disability</td>
</tr>
<tr>
<td>• June 08 – DS Social Protection Data Sheet</td>
<td>• Sep 08 – DS Advisory Body (Consejo Consultivo)</td>
</tr>
<tr>
<td>• July 08 – DS Subsidy for Young Adults</td>
<td>• Sep 08 – DS Independent Workers</td>
</tr>
<tr>
<td>• Sep 08 – DS Provisional Education Fund</td>
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</tr>
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</table>

Source: Authors

**Box 8. An example of legislative assessment of government capacity to directly provide services and otherwise anticipate actions needed for proper implementation of the Reform**

The Pension Law already included a provision that allowed the central administration to sign contracts with public or private entities for partial outsourcing of the service. This provision allowed the administration to skip complex issues of jurisdiction and autonomy in securing the commitment of municipalities to participate in the delivery of a central government responsibility. Article 55.7 of Law 20.255, referring to the powers of the IPS, established that that agency could:

"Conclude agreements with entities or juristic persons governed by public or private law, regardless of whether or not they are non-profit, that administer social security benefits, in order to enable the Centers for Comprehensive Social Security Services to provide services to them on the terms established in Article 62 of this Law. The prices and forms of payment of the services provided shall be established by a Supreme Decree, issued jointly by the Ministry of Labor and Social Security and the Ministry of Finance."

Along the same lines, the aforementioned Article 62 establishes, inter alia, that: "The Superintendency of Pensions shall establish, within the framework of the foregoing provisions and by means of a general rule, the regulations governing the agreements referred to in this article."
Political timing and administrative timing

The most stressing mandate of the law was the deadline for beginning actual service delivery: July 1, 2008 was the make-or-break date for the reform. To arrive at that date, the management team had to reconcile the timing for consultations, final policy decisions, drafting, negotiations and legislative approval, with the timing of implementation. The first one is politically determined; the second one is primarily determined by administrative capacity and operational requirements. In spite of being governed by different determinants, the two timings are mutually conditioned: legislative approval of the reform cannot precede implementation by too long a time or momentum will be lost and credibility will be weakened. On the other hand, regulated timing for implementation must take into account the actions required to materialize legal core concepts and higher level objectives as well as meeting other legal provisions.

The pension reform team sought to harmonize both the timing of approval and the timing of implementation. In so doing, it left limited room for value creation when managers were shaping the final phases of the implementation plan. This time lapse was utilized by the management implementation team to bring to fruition a policy emphasis on the quality of service delivery. However, so many changes had to be added in order to enhance quality of service at the time of final preparation for service delivery, including changes in the management team, that the July 1 deadline and/or the quality enhancement were placed at risk. In the end, it was the talent and competence of the management implementation team, including IT leaders, who preserved both the July 1 deadline and the quality enhancement which lay at the heart of the implementation of the pension reform’s core concepts.

The successful reconciliation of the two timings was made possible by a series of quickly calculated management decisions and swift actions:

• A change in the composition of the top management team. The social protection sector leaders and the IT leaders were changed quickly in preparation for or during the final phase of detailed implementation planning. This change, on instructions from the President, was meant to reinforce flexibility and adaptability to both a renovated commitment to servicing the client with comfort and strengthening “doing” and timely delivery on the part of the management team. It was a calculated yet decisive action. Continuity of core concepts, including core IT concepts, and financial parameters was secured by the leadership of DIPRES in the management team. In addition, DIPRES continuity guaranteed prompt approval of new or additional implementation commitments, as needed for timely completion of preparations by July 1, 2008. The new sector management team had a “doers” profile and a “client-driven” attitude more than a sector specialization profile. The credibility of this sector management team had been tested in major policy and program reforms of previous years; some members of the team had significant international experience in policy implementation.

• The new team appeared to strike a good balance between visionaries of innovative ways to serve citizens that had been largely neglected by the existing pension system, on the one hand, and systems managers specializing in emergency solutions and “project recovery,” on the other. The first group consolidated the new business model. They had the capacity to mobilize new social, political and economic actors as a function of client needs. They decided to take full advantage of the pension law’s legal provision that authorized contracting of other public or private actors as needed. They were bold in inviting autonomous local governments (many of them led by opposition parties) to participate as the first point of contact between administration and client for a service which is a national responsibility. They were experienced in change management and communication. They were creative in identifying low-cost incentives for new actors. They were prepared to mix carrots and sticks with service providers. And they confirmed the original model of decentralized service delivery under centralized control, by expanding the control of information to cover every detail of service to the client.

• The second group provided the reality check while respecting the goals and the timing of the reform. This second group was also pragmatic and innovative. Their three guiding principles appeared to be “business drives IT”, “complex modeling and IT developments may be fragmented for simplification and control”, and “government counterparts need to be in control of what is being produced by IT developers, how, when and at what cost”. Following these three dictums, the new IT team did not hesitate
to switch from large IT providers to boutique providers committed to timely delivery of particular modules that would be put together under the guidance and supervision of the IT management team. They were confident about utilizing “prototypes” or pilots for the first phase of service delivery in order to meet the timing of the reform. They were prepared to take risks because they had an expert estimate of what the risks were and how those risks could be minimized. By so doing, this new team of IT leaders redesigned the overall IT architecture, took full control of negotiations with IT firms, and imposed the government’s preferences and reform needs on IT providers; so much so that they created a precedent for having strong technical parts from the government’s side, capable of twisting the arms of IT providers for custom-made solutions that meet the business needs as well as the timing and costs of public sector reforms.

In the end, a management team of “doers”, supported by Presidential authority, acting in harmony with financial authorities that had preserved the core concepts and goals of the new pension policy throughout the entire first phase of planning and approval of the reform, was capable of reconciling the politically-determined times of the reform with the real time of service delivery preparation and the actual launching of attention to the client. Working in tandem, the two teams tailored actual timing of service to the client as required by technical and capacity constraints. During the rush hours of March-June 2008, they temporarily gave priority to the first module of attending to citizens and determining eligibility, rather than to the calculation of benefits and payment modules. They introduced “containment of demand” and otherwise programmed, controlled and monitored flows of citizens to pension counters to prevent overflow and lengthy wait times. They did not hesitate to adjust processes and flow-charts to convey respect for, and the dignity of, the client.

The capacity of IT managers to develop the core business concept enshrined in the law and further expand it at the time of implementation design

As discussed above, the project management team in charge in March-June 2008 was prepared to take bold decisions in order to ensure that IT solutions furthered the business cause. What made this challenge even more complicated was the fact that the business model in this case was a combination of the first phase of project preparation (from early planning to law approval) with the emphasis on citizens’ dignity coined in the final phase of implementation planning. In other words, the management team that faced the final leg of preparation had to be creative on two fronts: (i) adjust the solutions to the core concepts defined in the law, that had been long inspired and preserved at DIPRES headquarters, and (ii) supplement that model with new concepts or new emphasis that required further adaptation of delivery technologies. During that phase the management team had to be innovative and, at the same time, implement the reform.

The approach to IT solutions taken by the management team proved to be the best strategic approach to cope with that double challenge. The core concepts of a mixed (public-private) system, expanded coverage, new benefits and solid financing had already shaped the IT approach in terms of inter-operability, of multiple service providers capturing and accessing information as needed, and of a single, centralized database to maintain the unity of the system and prevent duplications, ensure coverage, facilitate mobility and transportability, etc. Those parameters of the IT approach already represented a formidable challenge that could well overwhelm any government management team. Securing the cooperation of autonomous service providers to ensure inter-operability or construct a single database has proved to be one of the most difficult tasks of IT government reforms in Latin America and the Caribbean, not to mention mixed public-private reforms. Chile had an Integrated System of Social Information within MIDEPLAN, which had already made significant advances with respect to integration of databases using the RUT as the main identifier for information exchange. Although having this platform was a great head start, for the Pension Reform the IT team developed its own connectors for transferring the information.

The new concepts and the new emphasis added at the time of implementation posed equally formidable challenges. As discussed above, the timing of the start of service delivery became a goal and a restriction that made the implementation design phase even more challenging. The IT leaders responded pragmatically by: (i) developing and (ii) regaining control of the custom-made solution.
Box 9. Custom-made Software versus buying

Experience indicates that building custom-made software, as opposed to buying the solution on the market, is a decision that should be made on a case-by-case basis. The guiding criterion is as follows: if the problem is well-defined and well-structured, and there is a record of existing software companies providing a solution, then the best option is to buy the solution. In the case of Chile's pension reform, the problem was not well-defined, given that regulations that determined the system’s specifications were to be defined during the development process. In addition, there are queries as to the ability of large firms to be flexible enough to adjust their production process to the timing of the reform, at the risk of weakening the consolidation and sustainability of the IT systems.

Therefore, the government IT leaders opted for the custom-made solution with strong government control. They split the product among several IT providers to reduce wait times and secure integration at the center. This made the production process more manageable and controllable. As anticipated, new individual cases that had not been typified or anticipated made it necessary to change the algorithm during the early months of the reform program. The custom-made solution allowed the programmers to start work while managers gained a better understanding of the problem and to make any adjustments needed during the process.

Custom-made solutions also allow for full control over decisions about the priorities and urgencies of the problem. A key condition in these cases is to maintain close links between the business managers and the software developers and full control over decisions. This is generally enhanced when you have a technical team with a vision of the entire business process and the corresponding software architecture.

It is worth dwelling further on the particular features of the pension reform solution. When the decision was taken to custom-develop the IT solution, several options arose:

- Hire individual consultants to develop the solution in-house, having full control and ability to monitor development of the final product;
- Hire a specialized firm to take care of the whole design and technical development. In this case, it is required to have a precise description of the problem and the amount of effort necessary to develop the IT solution;
- Hire a firm under a software factory arrangement for the technical development of certain applications, according to specific and pre-defined requirements. This option allows for closer control over the design of the solution, already defined before handling the task to the firm.

In terms of the options regarding how to develop the custom-made solution, Chile opted for a pragmatic combination of in-house and software factory arrangements, hiring a number of software factories to develop several custom-designed applications while a team of twenty IT experts -based in the INP- built the final system by putting together the different products delivered by the IT firms.
The work was divided into three areas, which allowed for a reduction of the scope of the problem to fewer and more manageable problems. As mentioned earlier (in chapter 2), the firm P&M was in charge of managing and integrating the databases to determine clients’ eligibility. Visión was responsible for developing the attention to the public and awarding of benefits module, while SYNAPSIS was in charge of providing the infrastructure for the whole system (machines, communications, hosting, etc.) and managing the payment module. The hired IT firms had vast expertise in those areas and previous experience working with public sector reforms. This was one of the main accomplishments of hiring local IT firms -as opposed to hiring a big international firm to develop the entire system- as it allowed specialized firms to take care of each of the areas, according to their field of expertise. It is also worth noting that this division of tasks in particular areas required an additional effort from the IT team when it came to putting the final products together into one comprehensive system.

Another advantage of hiring smaller local IT firms was having flexibility to adapt to changing requirements along the way. Even though the law provided a general framework for business processes to be implemented, as mentioned earlier, many of the regulations that determined the system’s specifications were defined during the development process. Reform managers needed—and still need—to identify the whole range of individual situations that could not be initially foreseen. As new case-types appear, supplementary IT development is needed.

The swift pace of IT development was absolutely essential to meet legal deadlines. Deadlines were perhaps the most critical factor that public opinion was monitoring to assess citizen satisfaction. In this case, managers selected IT options and priority developments based on time-requirements; not the other way around.

Selection of local IT firms allowed for continuous interaction, including flexibility and adjustment of production processes when needed.

Chile was able to rely on a number of experts with this capacity. The IT team was a knowledgeable counterpart that coordinated and closely supervised the firms’ work.

### Table 3 - Criteria and conditions for choosing a custom-made solution - the Chilean case

<table>
<thead>
<tr>
<th>Criteria/Condition for custom-made solutions</th>
<th>Chile’s Pension Reform – Implementation Strategy</th>
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<tbody>
<tr>
<td>Adjustments may be needed as managers gain a better understanding of needs</td>
<td>Even though the Law provided a general framework for business processes to be implemented, still many of the regulations that determined the system's specifications were defined during the development process. Reform managers needed—and still need—to identify the whole range of individual situations that could not be initially foreseen. As new case-types appear, supplementary IT development is needed.</td>
</tr>
<tr>
<td>Need for full control of priorities and of the pace of IT development</td>
<td>The swift pace of IT development was absolutely essential to meet legal deadlines. Deadlines were perhaps the most critical factor that public opinion was monitoring to assess citizen satisfaction. In this case, managers selected IT options and priority developments based on time-requirements; not the other way around.</td>
</tr>
<tr>
<td>Close link between demand (reform managers) and supply (software developers)</td>
<td>Selection of local IT firms allowed for continuous interaction, including flexibility and adjustment of production processes when needed.</td>
</tr>
<tr>
<td>Reform management team includes at least one IT expert with a vision of business needs and corresponding software architecture. This expert is ultimately responsible for meeting business needs</td>
<td>Chile was able to rely on a number of experts with this capacity. The IT team was a knowledgeable counterpart that coordinated and closely supervised the firms’ work</td>
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Source: Authors
Due to time constraints and the nature of the problem, as described above, prototypes were developed as a way to construct a solution. Those prototypes were useful in specifying the system’s functional requirements as they gradually emerged. They were developed using tools that allowed considerable flexibility in the incorporation of new requirements, as well as in changes or modifications to the system’s functionality. In that process the IT team not only acted as a knowledgeable counterpart coordinating and supervising the firms’ work; it also helped them coordinate among themselves.

The IT solution was successful, especially in terms of meeting the needs and deadlines of the reform. Factors underlying that success included:

- Hiring a team of IT experts to work from the government side with high qualifications and an in-depth understanding of the problem;

- Splitting development and implementation of the system into different specialized areas (databases, services and IT infrastructure) and hiring several firms to develop those areas, and later integrating them in a single system;

- Hiring local IT firms with expertise in working with public sector reforms and the flexibility to adapt to changing requirements during the development process;

- Working in close coordination and interaction with local IT firms, understanding the technical possibilities and limitations, and adapting those to the definition of the system’s requirements and specifications;

- Developing prototypes as a way of meeting the reform’s tight deadlines;

- Clearing the pipeline by prioritizing urgent processes to meet deadlines on time;

- Having the support of the decision makers and good coordination between the political and the technical levels in order to facilitate any adjustment needed during the development process; and

- Showing early results and quick gains with respect to the most pressing needs identified. This further boosted support from decision makers.

IT Solutions: Pragmatism in the short-term... and the challenge of sustainability

The above analysis depicts a successful and appealing experience. The very nature of the problem, the lack of complete definition of the requirements, and the reform’s tight deadlines suggested that it would not be best to hire a large IT firm to develop the IT solution – even though in the eyes of most decision makers and observers that appeared to be the safest option. Instead, the IT team divided the problem into several sub-problems and hired a local IT firm to take care of each of them. The success of the reform may have more to do with that strategy than with the characteristics of the IT solution used, which were not complex.

However, as regards the sustainability of the IT solutions, the tools developed should be assessed in terms of their adaptability to new requirements, their ability to maintain the system and make modifications, and security during operation. In the case of Chile, due to the intrinsic nature of the problem, specific requirements and processes were defined during the process of building the tools. As a result, the system may suffer from the following shortcomings: (i) it may not be easily adaptable to new requirements; (ii) it may be difficult to maintain due to insufficient documentation; and (iii) it may lack robust tools to guarantee the system’s security.

That suggests a need to gradually migrate the systems to a more efficient and secure platform, documenting the processes that support it and making it more flexible by using parameters that ensure that new requirements can be easily met. Performing this migration would ensure that the success achieved by the team is sustainable.

In conclusion, the decision taken by the team regarding the strategy for developing and implementing the tools was correct considering time-constraints and the particular characteristics of the problem. However, going forward in the case of the pension reform and, if the methodology of using functional prototypes and rapid development tools is to be replicated, there should be basic safeguards in terms of the sustainability, flexibility, efficiency and security of the tools developed.
Risk Management and Challenges Ahead

Chile’s Pension Reform faced numerous risks throughout the entire policy cycle. Some of those risks were more evident and had to be dealt with during the planning and approval phase of the reform; others emerged during the implementation phase. The risks posed by the fast-track legislative process, for instance, and the way the management team coped with them, have already been discussed.

No doubt the greatest risks that had to be dealt with quickly and most creatively emerged between enactment of the reform and the start of actual delivery of new services, when the objectives of the program expanded to include the quality of the relationship with end users. During those critical months, the whole reform program might have derailed, in the same way that Transantiago initially disappointed users. It was in those critical months that the government team displayed enormous capacity to deal with risks promptly and innovatively. The risk of changing from a large IT supplier to boutique suppliers—and the way the government managed it—has already been discussed above. The following list underlines some other risks that might not have been sufficiently underscored above:

- **New beneficiaries.** The user was placed at the center and quality of service became the primary goal of the reform program for the initial years of reform implementation. New concepts were added, such as client-citizen to reinforce the rights-duties relationship in the quality of service delivery. This increased the risks associated with client and needs identification and with demand structuring for a group of citizens who are usually hard to reach.

- **New composition of the management team.** New, higher-profile managers were brought in and they put the final touches to the policy and implementation strategy. With that move came risks of internal team tensions, unbalanced leadership and the like.

- **Incorporation of new responsible actors.** Rather than continue investing in expanding the central government’s own administrative capacity, the government opted for expanding the network of local public and private actors as a means of identifying the client and facilitating access wherever the citizen is located. Autonomous local governments were motivated and trained to serve as direct points of contact with the citizen. Central-local level agreements were signed that go far beyond the strict separation of revenues and responsibilities recommended in every decentralization textbook. This move created the risk of municipal government reluctance to participate in the reform, particularly in those municipalities controlled by the opposition. As reported above, this risk was minimized and controlled as municipal governments perceived the political benefits of participating in the phase of direct contact with the client and it became increasingly evident that the reform would receive high approval ratings.

- **A communication network for service delivery.** Proactive identification and training of new users demanded a massive communication campaign and expanded utilization of telecommunications and geographic information systems. Mobile government teams supplemented municipal services when needed to reach the client in situ. The Reform’s Headquarters in Santiago did not look introspective anymore; its staff replaced their own traditional role with one in which they led and coordinated a vast network of specialized public and private agencies.

Some of the risks that were quickly dealt with in the emergency period from March to June 2008 have not been completely controlled. Risk minimization remains on the agenda in at least the following areas:

- **Sustainability of IT solutions.** The system was built using prototypes or pilots. Since it initially worked and fulfilled its objectives, it is very tempting to maintain the system the way it is. However, to assure sustainability, it should be migrated to a more efficient and secure platform (to guarantee a more sustainable, flexible, efficient and secure system). Yet, it is not clear whether the government is taking the necessary measures to migrate the system to a more efficient and secure platform, documenting the processes that support the system and making it more flexible by using parameters to ensure that new requirements can be easily met (in case the migration has been considered one of the next steps to be taken).

- **Capacity of the IT system to meet increased demand.** It is also not clear whether the system is well prepared to satisfy an increase in demand derived from the incorporation of new beneficiaries into the pension system.
Cost of consolidating IT systems. Migration of the system to a more robust platform, as well as institutionalizing, training, and maintaining the command control panel, etc., will require higher spending and additional workforce capacity for the transition from the current system to the new one.

Changing the Institutional Culture of the IPS and retaining key IT staff. Most of the institute maintained its previous institutional culture. The team that participated in the reform was formed by a small group of people – 20 in the IT team plus a few in other areas. The task of transforming the IPS to enable it to operate the new functions and values under the business model imposed by the reform is still pending. Some of the programmers and IT experts have left the IPS and, as happens very often with highly skilled people in the public sector, it may be difficult to retain the rest.

Instrument for measuring income levels. The social protection data sheet, which measures vulnerability, was a second best for defining the eligibility criteria related to income level. Due to reform deadlines, it was a short-term solution. This should be revised to fully adjust the data to the reform’s own poverty concept. The law stipulates that a new and more suitable instrument must be identified within two years.

Residence requirements. The system still needs to establish what evidence is required to meet the residency requirement – how it will be provided and by whom.

Complaints – availability of statistics. The “citizen as a customer” approach did not include a centralized office for the filing of complaints. The increase, referred to earlier, in the average number of questions/complaints per month at the Superintendency of Pensions (almost doubling from 5,900 in 2007 to 10,400 per month in July to December 2008) and the lack of classification of these data make it hard to identify and assess the final outcome of the reform in terms of client satisfaction four or five years from now. Without proper classification of complaints, distinguishing, for instance, complaints about the the solidarity pillar and complaints about the AFP system – and the way each group of complaints has been dealt with – evaluation of client satisfaction for a reform that was precisely client-centered, remains weak.

Payment service – The recent change in payment provider, from one bank to another, needs to be evaluated on a cost-benefit basis, including, of course, the benefit of additional client comfort.

The risk of fraud appears to have been minimized thanks to Chile’s prevailing culture of respect for the rule of law, reinforced in this case by the availability of centrally controlled reliable databases. Eligibility requirements are relatively easy to verify and most of the information is government-produced and government-controlled. There is little room for discretionary action on the part of the beneficiaries. Still, it is characteristic of these reforms that database quality needs to be regularly monitored and evaluated.

Disability. Disability pensions have proved to be a different kind of service, one that cannot be packaged together in the same processes and at the same time as old-age pension benefits. While it appears that something can still be done in terms of simplification and standardization of risks, benefits and procedures, it is likely that a portion of the disability pension service will require different expertise involving different actors, separate procedures, more human and financial resources and at least partially separate administration.

Costs of the reform. The price of IT solutions contracted with private providers was 18% of the contract not signed with the large provider envisioned in the first implementation plan (US$ 798,000 versus US$ 4.5 million). There is not enough evidence available to compare costs of both categories of provider, since the product delivered by the software factories is not final: the system was built using prototypes or pilots and it should, as we said, be migrated to a more efficient and secure platform to guarantee a more sustainable, flexible, efficient and secure system. Final judgment as to the costs and benefits of the emergency solution can only be passed after sustainability has been assured in a way that is more akin to the solution initially expected from the contract with the larger firm.
5. The Difficulty in Replicating the Pension Reform’s Public Management Success Factors

As with any other successful reform, it is worth considering Chile’s pension reform as a potential precedent for reforms of a similar scope in Chile or elsewhere. A similar scope in this case means reforms that are primarily intended to extend social benefits to previously uncovered segments of the population, including those employed in the informal sector.

At the government’s request, the team considered two cases of possible reforms that could illustrate new issues. Those cases are Work-Related Injuries and Professional Illnesses Insurance (Worker’s Compensation) and Early Childhood Development (ECD – including health care and education for young children).

Assessing replicability is a complex exercise, as it requires identifying the contextual and reform-specific factors that may either hinder or facilitate similar reforms in Chile or elsewhere. In addition, the different characteristics of the services may make comparison difficult. Taking Wilson’s criteria, the type of service provided by organizations in the pension system is such that outputs and outcomes can be easily measured; i.e. the provision of entitlement, payments, response to request, as well as the quality of service delivery can be observed and quantified. The worker’s compensation system has similarities on almost all of these dimensions. In the case of ECD, some outputs and outcomes may be hard to measure (for example, the amount of work a doctor puts into a diagnosis or the progress made by a student - which may be due to the teacher’s skills, the student’s capacity or to the environment at home), but there are other dimensions, like eligibility, participation/attendance, and perhaps standardized educational test scores, for which the lessons of the pension reform would be relevant. This chapter will concentrate on those dimensions of commonality and will more briefly mention how they could be integrated with other aspects of the programs.

The report identified several factors that helped account for the success of the pension reform, along with some necessary preconditions, management factors and risk factors that played a role in the two reforms analyzed in this Chapter. The analysis focuses only on aspects of public sector management, without analyzing the political or technical features of the Workers’ Compensation and Early Childhood Development programs.

A matrix at the end of this Chapter summarizes the analysis of the replicability of specific aspects of the pension reform and how it compares to the other two reforms.

Work-Related Injuries and Professional Illnesses Insurance
The Chilean worker’s compensation insurance was established in 1968 in order to mitigate the effects of work accidents and professional illnesses and to provide health protection to workers. The system is contribution-based and is administered by a mix of private non-profit and public institutions.

On the private side, the insurance is managed by Mutualidades de Empleadores, which are mutual benefit employer associations (non-profit) established for this sole purpose. Under certain requirements, private firms with more than 2,000 employees can opt for managing their own workers’ insurance, under delegated administration arrangements. On the public side, the Occupational Safety Institute (Instituto de Seguridad Laboral – ISL – which reports to the Ministry of Labor) is responsible for collecting contributions from affiliated firms and for paying all benefits related to permanent disability due to work accidents. The Sistema Nacional de Servicios de Salud (National Health Services System - SNSS) is responsible for the payment of subsidies for temporary incapacity due to work accident or illness, and for the provision of health and rehabilitation services.

The overall system, comprised of the three programs, is regulated by Law 16.744, which requires that all workers must be covered against work injuries and illnesses. Administration of the insurance operated at the INP. In 2002, a special unit was created within the INP for the purpose of managing the insurance system -the Unit of Active Workers; it now has about 400 employees. In 2008, the Pension Reform Law divided the INP into two entities: the Social Security Institute (IPS) and the Occupational Safety Institute (ISL), which was made up of the previous unit’s staff.

In 2006, the coverage of the overall system reached 68% of formal sector workers, 72% of them being covered by Mutualidades and 27% by the ISL. The system is based on contributions, where employers contribute on behalf of their employees; therefore,
many of the latter are not aware that they are covered against work accidents and illnesses. While Mutualidades cover firms of an average size of around 45 workers and firms with delegated administration have an average of 1,300 workers, smaller firms are left to be covered by the State (firms covered by the ISL have an average of 2.6 workers)\textsuperscript{49}. The uncovered population is covered by the public health system (see Figure 6). As a result, there is an uneven market distribution. The type of workers is also unevenly distributed. Lower income workers and the riskiest cases are relegated to public sector coverage. This market segmentation generates fiscal pressure on the State.

One of the main challenges the worker’s compensation insurance system is facing is the low level of coverage and participation, mainly by independent workers. In 2006, even in the formal sector 32\% of workers were not in the system, especially those with marginal or low quality employment. Since the system is based on contributions, access to occupational health protection depends either on the existence of a formal employment relationship\textsuperscript{49} or on incentives for independents to be part of the system. The public health system takes care of the uninsured population, whether the injury is work-related or not; therefore, there are few incentives to join the worker’s insurance system. The only incentives identified are in case of death or permanent disability where, if covered by the worker’s compensation insurance, the spouse or the injured worker would receive a pension.

There are also few incentives to identify whether an accident is work-related or not, since the public health system takes care of all injuries and illnesses, regardless of their origin. The ISL pays the Undersecretariat of Public Health approximately 8 billion Chilean pesos to cover the expenses involved. This amount is based on rough estimates and has no relation with the actual amount of injuries that are caused by work matters. As a result, there are no incentives for the public health service to identify which of them originated at work. Estimates indicate that the cost of covering all work-related injuries is much higher than the 8 billion peso transfer.
The Pension Law also requires the incorporation of independent workers into the worker’s insurance system by 2015, in order to deal with the problem of low coverage. This would imply an increase of 600 thousand new workers in the system. Under the new regulation, it is expected that market segmentation will rise due to the increased number of beneficiaries in the public component. This means that the public sector must expect an even heavier financial burden.

Replicating the pension reform success factors

The type of service provided by the pension and the worker’s compensation systems are similar in terms of the possibility of measuring outputs and outcomes of these activities. In addition, both reforms share some other elements, such as the main policy objective of expanding coverage, aiming for universality. Both schemes are formed by a mix of private and public institutions where the main anticipated expansion of coverage comes from the public sector. Other similarities are that both systems are based on contributions, but in the case of workers compensation with fewer incentives for the informal sector to join, and both reforms promote an expansion of the formal sector. In the worker’s compensation reform, as in the pension reform, improved information systems increasing the availability of reliable data on individuals is crucial. These common elements make the comparison between both reforms somewhat easier.

On the other hand, there are some important differences that should be taken into account when designing regulation/implementation of the reform:

- Even though in both cases eligibility for benefits is determined on a case by case basis, the worker’s compensation system has more discretion in establishing and verifying them than the old-age pension system – the seriousness of an work-related accident or illness varies over a wider range, compared to the simpler facts of birth date and level of income in the case of old-age pensions, which were assigned the great majority of the clients of the pension reform;

- Once eligibility has been determined, benefits in the Pension System reform are immediate and received with certainty, while benefits in the worker’s compensation scheme are tied to the occurrence of an accident, after which the recipient needs to claim those benefits.

- People in the informal sector will have mixed incentives about joining the scheme. An individual in the informal sector will compare the benefits of receiving an uncertain benefit in case of an accident or disease in the future versus the immediate cost of the insurance contribution, and perhaps the taxes and regulatory costs involved. On the other hand, the solidarity pension is an upfront benefit for those eligible.

- Another problem with incentives in the worker’s compensation scheme is that the uncovered population receives health care protection by the public health system regardless of the origin of the accident. For these workers, the only incentives to join the system are in case of death or permanent disability. In this regard, the communication campaign should focus on these two eventualities.

Challenges Ahead

The ISL faces the immediate challenge of deficiencies in the co-administration scheme and the need for a redefinition of tasks and responsibilities between the ISL and the National Health Service in terms of dealing with work-related injuries.

Policy objectives
- The Pension Reform Law included policy of expanding coverage and reducing market segmentation in order to reach the final goal of universality. For workmen’s compensation, on the other hand, there is in practice no clear policy for the inclusion of new workers in the system (estimates indicate the need for incorporation of 600 thousand new workers).

Communications campaign
- The identification of these new workers is essential for moving toward universal coverage of workmen’s compensation. Replicating a targeted communications campaign would help to identify them, but the government will need to create stronger incentives for them to join the formal sector. Currently, death and disability are the only potential benefits compared to an upfront tangible cost of joining the formal sector and paying taxes, complying with regulations, etc.
### Table 4. Comparing the worker’s compensation scheme and the pension reform

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Pension Reform</th>
<th>Worker’s Compensation Insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main policy objective</td>
<td>Universal coverage</td>
<td>Universality (key to preventing adverse selection)</td>
</tr>
<tr>
<td>Clients-Citizens or Beneficiaries</td>
<td>Relatively easy to identify thanks to income level</td>
<td>Independent workers – not a homogeneous group, and with fewer incentives to be identified</td>
</tr>
<tr>
<td>Benefit to clients</td>
<td>Benefits are certain and immediate if client is eligible</td>
<td>Benefits are provided on demand and only in case of an accident – this has implications for worker’s incentives to join the system. The main incentives identified are in case of death or permanent disability</td>
</tr>
<tr>
<td>Providers/Channels</td>
<td>From centralized (CAPRIs) to decentralized (five channels: INP, Municipalities, AFP, Civil Registry, BBVA)</td>
<td>Differentiations must be made between channels for requesting coverage, for the definition of eligibility (determination of injury or illness) and for paying the benefits. Can take advantage of using the same channels employed in the Pension System (Physicians’ Commissions for defining eligibility and the same decentralized channels for providing information to workers, receiving requests and paying benefits). The main channels identified for informal workers are local health centers.</td>
</tr>
<tr>
<td>Standardization</td>
<td>Possible</td>
<td>Less possible – different types of injuries can be standardized to facilitate identification and definition of the benefit involved, but not straightforward.</td>
</tr>
<tr>
<td>Assurance of Quality Standards</td>
<td>Doable – low complexity of services and one type of service (determination of eligibility and concession)</td>
<td>Could be done if determining eligibility through Physicians’ Commissions manages to overcome the difficulties seen in the Pension Reform.</td>
</tr>
<tr>
<td>Inter-Agency Coordination</td>
<td>Doable – Clarity of the Law (role of IPS) and political support</td>
<td>The main agencies involved for coordination are the Undersecretariat of Public Health, and the Undersecretariat of Assistance Networks - Redes</td>
</tr>
<tr>
<td>IT Solutions</td>
<td>Doable – low complexity of services, databases were available</td>
<td>Data requirements are more complex (difficulties in identifying independent workers because of the informal nature of this group)</td>
</tr>
<tr>
<td>Communications Campaign</td>
<td>Doable – resources available</td>
<td>Can follow the Pension Reform model. Focus on incentives to join the system. Work with public health system to promote recognition of origin of when injuries are work-related matters. Resources need to be made available</td>
</tr>
</tbody>
</table>

Source: Authors
Multiple dimensions. The workmen’s compensation reform involves several dimensions: receiving the request for coverage or convincing employers and workers to participate, defining eligibility (determination of injury or illness), and paying benefits. The natural channels for receiving requests are health centers. There should be a mutual effort by the ISL and the National Health Service to train doctors and other medical professionals in identifying and addressing work-related injuries when examining a patient. For other channels of access to the client population, this reform can take advantage of those used in the Pension System. New channels can also be explored, such as the Internal Tax Agency. Previous experience with Physicians’ Commissions for determining eligibility should be taken into account to prevent a recurrence of problems experienced in the past. Compared to enrollment of firms and informal sector workers in the pension system, expanding Workmen’s Compensation will face a more difficult incentive situation, as discussed above, since for some it will appear more as enforcement of the tax system than as provision of a net benefit.

Fiscal Cost of potential reform – There is not yet enough information regarding the increased fiscal costs resulting from the proposed reform. This information will be culled from an actuarial assessment being carried out by DPRES as this report was being drafted.

Early Childhood Development\textsuperscript{52}
Growing international evidence suggests that investing early in a child’s development, particularly among the economically disadvantaged, constitutes a cost-effective way to improve educational achievement and life success, benefiting both children and society as a whole. This is because learning and skill formation are cumulative, and remedying cognitive and social skill deficits at early ages has long-lasting positive effects, while leaving them untreated often leads to greater difficulties in later years. In addition to raising academic achievement, enriched interventions for disadvantaged children reduce crime and raise productivity in schools and the workplace, which with benefits to the rest of society. Evidence comes not only from OECD countries, but also from less developed and developing countries, such as Argentina, Colombia, Bolivia, and Jamaica (World Bank, 2009).

Chile has already designed and introduced a national ECD policy. Under President Bachelet’s Administration, which embraced the ECD agenda\textsuperscript{53} and placed it among its priority areas, the Government of Chile has established policies and invested resources to support child development and further increase access to ECD. It created the Sistema de Protección Integral a la Infancia, Chile Creece Contigo (Chile Grows with You, CCC), with the goal of providing equitable opportunities for child development from gestation to kindergarten (World Bank, 2009). CCC promotes child development and protection interventions in multiple sectors. MIDEPLAN is the central coordinating agency for the policy, working closely with the ministries of health and education, as well as the two main agencies that provide ECD services in the country: Junta Nacional de Jardines Infantiles (JUNJI) and Fundación Educacional para el Desarrollo Integral del Menor (Fundación INTEGRA). The CCC program aims to coordinate the agents supporting ECD in different disciplines (health, education, justice, women’s rights, disabled persons, ethnicities, etc.), and therefore it encounters a wide range of challenges and has achieved varied success in different area.

Education Services: Early Childhood Care and Early Childhood Education
The education part of CCC covers two main services: (i) Early Childhood Care (0-2 years), and (ii) Early Childhood Education (3-6 years). In the early childhood education area, the strategy followed by previous governments to increase coverage has made a good progress. The number of students has increased, even though the population of that age has decreased. Coverage for 3 and 4-year-olds more than doubled between 1991 (16 percent) and 2008 (30 percent). Despite this remarkable progress, Chile ranks low not only compared to OECD countries but also to Latin American countries with levels of per capita income, such as Mexico, Argentina, Uruguay and Costa Rica. While most of the population that demands these services has been reached, according to the 2006 Social Protection Survey, 12 percent of the 1st quintile, and 8 percent of the 2nd quintile still do not have access to preschool education, and more effort is also required to reach clients located in remote locations and those who, for other reasons, are not willing to send their children to pre-school.

While increased coverage is important, the government’s main policy objectives are ensuring quality of the services provided and promoting equality of opportunities. Achieving these goals requires ensuring coverage to all children from 3 to 6 years of age, especially those from low-income households. In this context, the existence of several providers of ECD services in the education sector represents a considerable challenge for expanding the system’s coverage and increasing its quality and equity. A key role the
public sector should play, and in particular for the Ministry of Education, is to coordinate the institutions providing these services. This requires strengthening the Ministry’s capacity for regulating, monitoring and evaluating ECD programs. In addition, standards for the provision of ECD services that include specific qualifications for teachers and staff need to be developed. The examples from the pension reform are mainly relevant for the coverage issues, and less so for the quality of education issues.

**Health Services**
The umbrella CCC program is the main provider of health services for early childhood. The program provides for the registration of each child to be born at public hospitals after the mother’s first prenatal screening. Given that about 75 percent of births in Chile occur at public hospitals, these public health databases cover an important share of the population, but not all. Due to the existence of benefits at no cost, the great majority of those who are offered the possibility of enrolling in CCC respond affirmatively. This database includes the location of the child and allows the government to coordinate with other services such as education. The most common services under this area are (i) maternal health and (ii) the child’s general health checks and vaccinations.

**Social Protection**
RED PROTEGE (Protect Network) is Chile’s social protection network, which aims to reduce vulnerability and create opportunities for children and their families, fight discrimination, and improve social equity. RED PROTEGE coordinates nine major social sector programs, which are managed by the ministries of education, health, labor and social security, including the basic solidarity pensions. CCC and Chile Solidario are the main social protection programs that are linked with ECD.

**Early Childhood Development Services and the Pension Reform**
ECD services outputs and outcomes are harder to measure than pensions assigned or paid, as mentioned before. This factor has several implications when it comes to designing and implementing a reform in this type of sector, in particular when setting goals and objectives that are not easily observable (for example, the quality standards of service provision – one of the main objectives set by the managers of the pension reform). This difficulty of evaluating and setting measurable objectives makes reforms in these types of services more challenging. Table 5 (below) compares ECD services to the pension reform in terms of the main factors that seem to account for pension reform success. It summarizes some ideas on the feasibility of replicating public management characteristics of the pension reform in the provision of ECD services.
Despite the differences in products and complexity, some aspects of the pension reform could set an example for reforms in specific ECD sub-sectors, especially those relating to eligibility and coverage. A pragmatic approach that targets very specific services within the early childhood field seems promising. In this context, some examples from international experiences may help the government to work on the early childhood reform agenda.

Table 5. ECD Services compared to the pension reform

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Pension Reform</th>
<th>Early childhood services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services/Products</td>
<td>4, similar (PBSV, PBSI, APSV, APSI)</td>
<td>Several and very different</td>
</tr>
<tr>
<td>Main policy objectives</td>
<td>Universal coverage</td>
<td>Improving Coverage and quality Better Targeting of lower income population</td>
</tr>
<tr>
<td>Clients-Citizens or Beneficiaries</td>
<td>Relatively easy to identify</td>
<td>More challenging to identify and locate, but doable thanks to existing databases</td>
</tr>
<tr>
<td>Providers/Channels</td>
<td>From centralized (INP) to decentralized (INP, Municipalities, AFP, Civil Registry, BBVA)</td>
<td>Extremely decentralized (schools, doctors, hospitals, etc., both public and private) and with strong local flavor (best municipalities offer much higher quality services)</td>
</tr>
<tr>
<td>Assurance of Quality Standards</td>
<td>Doable – low complexity of service, one type of service (determination of eligibility and concession)</td>
<td>More difficult – different standards needed for different sectors and perhaps services. Difficulties for measuring results.</td>
</tr>
<tr>
<td>Inter-Agency Coordination</td>
<td>Doable – Clarity of the Law (role of IPS for requesting information) and political support</td>
<td>Challenging: In some areas the legal framework does not define a single institution as coordinating the government’s efforts</td>
</tr>
<tr>
<td>IT Solutions</td>
<td>Doable – low complexity of services, databases were available</td>
<td>Although CCC has a database with all Chilean children, there is no single database of ECD providers and beneficiaries, due to dispersion of services and providers and sometimes, to low incentives</td>
</tr>
<tr>
<td>Communications Campaign</td>
<td>Doable – resources available</td>
<td>Doable if resources are available, complexity and number of services may require even more targeted campaigns</td>
</tr>
</tbody>
</table>

Source: Authors
Box 10. The use of IT Solutions in ECD Services – the Case of KIDSNET

In an effort to ensure that all children in the state of Rhode Island (U.S.) received appropriate health care, the Family Health Division of the Department of Public Health created an IT system that would track essential health data for all children: KIDSNET. The system, created in 1997, concentrates on specific information such as specific immunizations and blood tests, but excludes other health information that is more difficult to standardize and register.

KIDSNET currently brings benefits to several groups: (i) Parents, because they can get the necessary information delivered to the education and health professional working with their children; (ii) The RI Department of Health, because it uses the information to design and evaluate public health programs, as mentioned; (iii) Physicians’ offices and other health care providers, because they can access reasonably reliable data on the immunization and basic public health tests and services that children have had and they can get a complete listing of the immunization status of all their patients; (iv) Schools and daycare centers, and especially school nurses and audiologists, because they need the immunization and infant-hearing test information for their populations; and (vi) Public Health home visitors because they can assess information on services received and needed, as well as on the agencies and doctors in caring for the child.

The existence and awareness of these benefits was a necessary but not sufficient condition for the program’s success. These benefits in themselves do not create much incentive for individual physicians’ offices and even for state agencies outside the Family Health division to provide their data to KIDSNET, since they only see value-added when a critical mass of others provide data. If information on a substantial fraction of children is incomplete or non-existent, then the system offers little benefit to any of the stakeholders. Thus, the cost of providing data had to be made very low, and participants, especially physicians’ offices, needed to get some extra encouragement and tangible benefits, especially in the early years, in order to achieve critical mass.

For a number of years the state supplied physicians’ offices with free vaccines for children. In 2008 the state instituted the policy of requiring that, in order to get the free state-supplied vaccines, the offices had to agree to provide immunization data to KIDSNET. Since then, almost all offices have agreed to participate in KIDSNET, and the free vaccines was an important factor in getting the program up to critical mass.

The IT solutions used were simple and cost-effective. The use of a web-based interface since 2004 and standardizing data transmission using HL7 messaging seems has facilitated an increase in participation rates.

The program has not tried to expand into new areas, such as comprehensive electronic medical records. Even though this might bring some experience and economies of scope to this booming field and could tap into rich veins of funding, KIDSNET has stayed focused on improving the service and efficiency of its original product line. Moving KIDSNET into a broader business would have changed its fundamental character, made it more complex and controversial, and could have endangered the quality of its core product—basic public health data on immunization and infant and child tests and services.

For more detailed information about KIDSNET see Annex II

Improvement of databases and IT management is perhaps the most obvious factor or prerequisite that could be replicated and that would facilitate identifying, locating and reaching out to eligible clients. In addition, tools such as the command control could also guide financing of specific services that can be easily traceable, enhancing centralized monitoring of extremely decentralized services, such as ECD’s. Examples of using IT solutions in the ECD sector from international experiences – such as the KIDSNET program in the State of Rhode Island and the U.S. health reform (see boxes 10 and 11 respectively) – may provide ideas on how to use technology and integrate large databases.

A more comprehensive system, for example utilizing the CCC database, may also work as long as the information and fields in the database are sufficiently standardized. CCC and health databases (covering at least 75 percent of births in Chile) are starting to
provide updated information on a wide range of clients, which could be used in a way similar to the pension reform. Pre-natal screening services may be a starting point for proactively identifying potential future clients and locating demand for a range of services, including education.

For ECD, the necessary database fields will vary with each sub-sector and even within each sub-sector for different services, whereas the data needs for the pension reform were much simpler—basically the eligibility criteria: age, income level, residency, and current level of pension benefits. For the objective of universal coverage or at least coverage of the low-income population with basic services, the information at the Civil Registry and the income data from the social protection fact sheet managed by MIDEPLAN could identify potential clients and locate them. In European OECD countries, where the provision of ECD services is not universal, the employment status of parents is the main criteria for targeting these services. Parents who show that they are working or looking for work are given priority, as they are not at home and cannot take care of their children. Another criterion could be the household structure, in particular, whether or not it is a single parent household.

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**Box 11. Electronic Health Record Information Technology**

The United States has undertaken a major strategy to develop patients’ electronic health records (EHRs), by implementing an health information technology infrastructure that can efficiently and accurately share patient records among care providers, in order to reduce medical errors and improve quality and efficiency of health services.

The aim is to provide comprehensive coverage of what a health care provider needs to know about a patient’s medical history. The target population of EHRs is universal, but participation will be optional. The EHRs will be built on individual accounts for each patient, and there will not be a central compilation or analysis of the EHRs. EHRs contain information on a heterogeneous list of possible treatments and diagnoses, so getting a standardized coding will require great effort, especially since a lot of the information is already coded into different systems with heterogeneous terminology and architecture.

The benefits of the EHR will be reaped by the government, citizens and other stakeholders. However, the Federal Government draws attention to the citizen-centered purposes. The final beneficiary is the patient and that goal will be realized when the patient has his/her record and can deliver it to whichever health care provider she/he wants.

*For more detailed information on the Electronic Health Record Information Technology initiative in the U.S., please see Annex II*

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A communications campaign like that of the pension reform could also be useful for ECD services. The campaign would raise awareness among targeted groups of parents identified as eligible clients on the importance of early childhood education and health care, informing them of available public programs and services and of what they can do at home to stimulate their child’s development. Finally, standards of attention to the public or quality of service could be developed and monitored following OECD practices.

**Challenges going forward**

As assessed in Table 5, only for certain services of ECD it is realistic to aim for replicating the success factors from pension reform. With this in mind, the main challenges going forward would be related to any changes that might be needed in the legal framework and financing the fiscal costs associated to the potential services.

**Legal framework** — The recently enacted law (Ley General de Educación or LEGE) modified the existing legal framework. The law does not cover all aspects of a future potential reform, but has important provisions regarding the provision of early childhood education services. Also the new law on Inter-Sector Social Protection law institutionalizes CCC. Moreover, as this report was being prepared, another law that would complement and complete LEGE, the Quality Assurance for Education Services, had already been approved by the Senate and was being discussed by the Chamber of Representatives. Once this third law is enacted, there will probably be little room or need for more legislative action.
The new Agencia de Calidad de la Educación, which would be created if the Quality Assurance for Education Services law is approved, would be responsible for setting performance goals for ECE providers, monitoring and evaluating compliance with those goals, and informing the general public about each provider’s performance. The Superintendency of Education would be responsible for monitoring compliance with requirements to operate as an ECE provider (e.g., infrastructure requirements) and for applying sanctions to providers who repeatedly fail to meet those requirements. The Ministry of Education would set (but not monitor) the performance goals and the requirements to operate that apply to ECE providers.

Although the law defines the responsibilities and functions assigned to each of these institutions, inter-agency coordination will not be straightforward. In some of the OECD education systems, coordination requires both formal and informal arrangements, and it also depends on the institutions’ leaders and, in particular, on how much independence the Ministry of Education actually gives to the overseeing agencies.

Cost of potential reforms – The additional fiscal costs of a potential reform or expansion in benefits will depend on the services selected. Initial consultations indicate that there is not enough information on the costs per student of a good preschool education or health services. In principle, there are no restrictions.

Conclusions
The success of the pension reform was built on two main features. The first, and the one more likely to be replicated, was careful planning of types and provision of benefits, financial requirements, consensus building, and drafting of the reform. These elements were highlighted in this report, and some of them were also compared in previous sections to the two other potential reforms selected for this exercise - Early Childhood Development and Worker’s Compensation Insurance.

The second feature of the pension reform is more difficult to replicate, namely that the design, management and administration were planned so that each of these elements conditioned the other two. In addition, during implementation of the pension reform, the managers brought in additional customer service benefits, an element that is hard to replicate, especially when the service does not have clearly identified benefits and beneficiaries. That would facilitate detecting who the beneficiaries are, communicating the reform to them, and providing the benefits in a standardized way.

In the case of worker’s compensation reform it is not clear whether the beneficiaries are independent formal sector workers only, or if it would include informal workers as well. In the case of ECD, the role of education and health care professionals is unclear. Their participation in the reform is important, and therefore there should be incentives for them to be part of it, but their interests should not be prioritized for the reform to be successful.

Identification of beneficiaries in solid databases with unique identification mechanisms is a pre-requisite for any reform of this kind and is an area where replicating some features of the pension reform could improve client satisfaction and the match benefits to the recipient. For Workers’ Compensation and especially for ECD services, separating the clients into standardized groups would facilitate identification of the intended beneficiaries. This is particularly important since identification of beneficiaries in both these reforms requires a previous diagnostic assessment by a technical team, which involves a subjective decision. Other success factors of the pension reform, as listed below in Table 6, are also closely connected with the clear identification of benefits and beneficiaries. Once beneficiaries have been identified, the selection of providers and the design of the communication campaign can target an audience and direct a specific message to that population (based on their characteristics, habits, etc.). The same applies to IT solutions, since once beneficiaries are defined, it is easier to identify the databases needed to access the target population.

Some aspects of ECD and Workers’ Compensation will not be amenable for replicating success factors from the pension reform. Some are where the beneficiaries are ill defined, as with informal sector workers. Some are where the incentives to participate are not strongly positive, as with workers or firms not wishing to pay premiums for workers’ compensation or with families ambivalent about having the young children away from home for education services. Finally, the quality-improvement aspects of the ECD agenda involve activities that mostly would be too heterogeneous to benefit from applying the lessons from the pension reform.
<table>
<thead>
<tr>
<th>Feature/Reform</th>
<th>Pension Reform (Chile)</th>
<th>Early Childhood Services (Chile)</th>
<th>Workers’ Compensation (Chile)</th>
<th>KIDSNET (Rhode Island, US)</th>
<th>Health Info System (US) – being developed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Main objective</td>
<td>Universal coverage and/or quality? Target on lower income population? 40%, 60%?</td>
<td>Not defined yet – Coverage to locate, and doable thanks to existing databases</td>
<td>Universality</td>
<td>Universal coverage of essential health services for early childhood</td>
<td>Development and nationwide implementation of an interoperable health information technology infrastructure to improve the quality and efficiency of health care.</td>
</tr>
<tr>
<td>2. Clients-Citizens or Beneficiaries</td>
<td>Relatively easy to identify</td>
<td>More challenging to identify and locate, but doable thanks to existing databases</td>
<td>Independent workers – not a homogeneous group, and with fewer incentives to be identified</td>
<td>Relatively easy to identify</td>
<td>Relatively easy to identify</td>
</tr>
<tr>
<td>3. Benefit to clients</td>
<td>Benefits are certain and immediate if client is eligible</td>
<td>Benefits are upon demand and immediate if client is eligible</td>
<td>Benefits are provided upon demand and only in the event of a work-related accident or illness</td>
<td>Benefits are provided upon demand and at next medical appointment or school enrollment</td>
<td>Benefits are provided upon demand and at next medical appointment</td>
</tr>
<tr>
<td>4. Cost to client</td>
<td>No charge – there are incentives to pay contributions</td>
<td>No charge</td>
<td>Need to pay into system (contributions)</td>
<td>No charge</td>
<td>No charge</td>
</tr>
<tr>
<td>5. Providers/Channels</td>
<td>From centralized (CAPRIs) to decentralized to five channels (INP, Municipalities, AFP, Civil Registry, BBVA)</td>
<td>Extremely decentralized (schools, doctors, hospitals, etc., both public and private) and with strong local flavor (best municipalities offer much higher quality services)</td>
<td>Can take advantage of using the same channels employed in the Pension System. The main channels identified for informal workers are local health centers.</td>
<td>Extremely decentralized (day care, doctors, hospitals, etc., primarily private)</td>
<td>Extremely decentralized (day care, doctors, hospitals, etc., primarily private)</td>
</tr>
<tr>
<td>6. Standardization</td>
<td>Possible</td>
<td>No- Highly case specific.</td>
<td>Less possible – different types of injuries can be standardized to facilitate identification and definition of the benefit involved, but not straightforward.</td>
<td>Yes – The service provides readily standardized information on a very circumscribed menu of services</td>
<td>No- Highly case specific. Provision of information is the service, but the info is not readily standardized.</td>
</tr>
<tr>
<td>7. Assurance of Quality Standards</td>
<td>Doable – low complexity of services and one type of service (determination of eligibility and concession)</td>
<td>More difficult – different standards needed for different sectors and perhaps services. Difficulties for measuring results.</td>
<td>Could be done if determining eligibility through Physicians’ Commissions manages to overcome the difficulties seen in the Pension Reform.</td>
<td>Doable – standards are easy to identify (immunization given)</td>
<td></td>
</tr>
<tr>
<td>8. Inter-Agency Coordination</td>
<td>Doable – Clarity of the Law (role of IPS)</td>
<td>On some areas legal framework does not define a single institution as coordinating the government’s efforts – challenge</td>
<td>The main agencies involved for coordination are the Undersecretariat of Public Health, and the Undersecretariat of Assistance Networks – Redes</td>
<td>Doable with the creation of right incentives for agencies and private sector</td>
<td>Challenge - central government action</td>
</tr>
<tr>
<td>9. IT Solutions</td>
<td>Doable – low complexity of services, databases were available</td>
<td>Although CCC has a database with all Chilean children, a single database of ECD providers and beneficiaries is still a challenge due to dispersion of services and providers and, in some cases, low incentives</td>
<td>Data requirements are more complex (difficulties in identifying independent workers for the informal nature of this group)</td>
<td>Doable – low complexity of services, relatively small scale, web-based interface</td>
<td>Individual accounts - There will not be a central compilation or analysis of the EHRs</td>
</tr>
<tr>
<td>10. Communications Campaign</td>
<td>Doable – resources available</td>
<td>Doable if resources are available, complexity and number of services may require even more targeted campaigns</td>
<td>Can follow Pension Reform model. Focus on incentives to join the system. Work with public health system to promote recognition of origin when injuries are work-related. Resources need to be made available.</td>
<td>Not pursued – labor-intensive personal contact (smaller scale)</td>
<td></td>
</tr>
</tbody>
</table>
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Annex I. Interviewees

1. Mario Marcel, President of the Advisory Council for Social Security Reform (former Budget Director)
2. Osvaldo Andrade, former Minister of Labor and Social Security
3. Mario Ossandón, former Undersecretary of Social Security
4. Claudio Reyes, Undersecretary of Social Security
5. Labibe Yhuma, Director, IPS
6. Hoctor Jaramillo, Director, ISL
7. Rafael del Campo, former Director, IPS
8. Jorge Norambuena, former Director, IPS
9. Ramon Figueroa, former Deputy Director, DIPRES
10. Roberto Godoy, former Chief of Cabinet of the Ministry of Labor and Social Security and initial Project Coordinator of IDB Project that supported the reform
11. Fidel Miranda, Advisor to the Director, DIPRES
12. Monica Segura, Chief of Cabinet, Undersecretariat of Social Security
13. Andres Bustamante, IT Coordinator of Pension Reform, Undersecretariat of Social Security
14. Paula Benavides, Head of Research Department on Social Security, DIPRES
15. Jacqueline Canales, Head of Social Sector Expenditures, DIPRES
16. Marcia Salinas, Head of the Research Department, Superintendency of Pensions
17. Flavia D’Aquino, Head of Customer Service Department, Superintendency of Pensions
18. Sergio Solari, Manager of Operations and Technology, AFP Habitat
19. Harold Bayer, Centro de Estudios Públicos (former member of the Advisory Council for Social Security Reform)
20. David Bravo, Department of Economics, University of Chile (former member of the Advisory Council for Social Security Reform and current member of the Committee overseeing the implementation of the reform)

21. Rolando Martinez, Chief of IT Solutions, IPS

22. Jose Miguel Sanchez, IT Solutions, IPS

23. Johnny Carrasco, Major of the Municipality of Pudahuel

24. Francisco Socias, Ministry of Planning and Cooperation (MIDEPLAN)

25. Mario Velásquez, Specialist on Worker’s Compensation Insurance

26. Andrea Tokman, Specialist on Pre-school Education

27. Fernando Dazarola, Lawyer, DIPRES
Annex II. The cases of KIDSNET and the Early Childhood Comprehensive System in the United States

Historical Origins and Motivations

The impetus to build KIDSNET arose after a national measles outbreak in 1989-91, which federal authorities attributed to widespread failure to get children immunized on time. In the Rhode Island Department of Health, the Disease Prevention and Control Division and the Maternal and Child Health Division (aka Family Health, responsible for implementing Title V of the US Social Security Act) recognized that they did not know enough about which children had vaccinations for measles and other communicable diseases, and which did not. Furthermore, information that the state already had from vital statistics and from children’s public health programs for hearing tests, lead screening tests (mandatory annually for all children under the age of six, to detect poisoning from lead-based paint), new-born blood tests, the food program for women, infants and children, and home visitations by nurses was not coordinated in a useful way.

In a small state like Rhode Island (smallest in territory and 8th smallest in population), it seemed inefficient to build separate database management systems for each of these programs. Outreach and follow-up efforts by each separate program when more than one program needed to communicate with the same family was also inefficient. Officials in the state department of health decided in 1993 to build one database that would combine information from various sources.

Most of the information already existed in systems at the state health department, and bringing these together was relatively straightforward. The immunization data was the most difficult to obtain because the information was in offices of physicians and other providers, often several offices even for a single child. The federal government was also pressing an agenda for gathering immunization data and provided some financial (and technical) support for state programs. Other states joining this effort have focused public health information systems on immunization, or in some cases they have later merged it with efforts to create comprehensive electronic public health records (discussed below).

Rhode Island seems to have been unique in creating a system to include the entire child population and to focus on a limited list of standardized tests and shots that all children are supposed to get as well as services provided to subpopulations. Physician offices can legally decide not to provide the immunization data, but there are incentives for them to do so (access to state-supplied vaccine) and almost all (98% by mid 2009) have agreed to do so. Families can opt out of having the KIDSNET data on their children made available to schools and doctors, but the information remains available for anonymous statistical aggregation and analysis in the state department of health. In contrast to some other states, Rhode Island law permits sharing of the data for the purpose of care coordination without consent, and the data are accessible to authorized users unless the parents specifically opt out.

Leadership

The division directors for Disease Prevention and Control and Family Health (aka Maternal and Child Health) initiated the idea for what became KIDSNET. Family Health officially ran the program from 1995 to 2008 when the program was merged into the Division of Community Family Health and Equity. Currently KIDSNET is operated out of the Center for Health Data and Analysis. Leadership from both divisions has remained closely involved and uses the information to design and evaluate their public health programs.

Beneficiaries and incentives

KIDSNET, now that it is working well, brings benefits to several groups:

- The RI Department of Health, because it uses the information to design and evaluate public health programs, as mentioned.
- Physicians’ offices and other health care providers, because they can access reasonably reliable data on the immunization and basic public health tests and services that children have had. They can get a complete listing of the immunization status of all their patients, including immunizations received both in their own office and at other providers.
- Schools and daycare centers, and especially school nurses and audiologists, because they need the immunization and infant-hearing test information for their populations.
- Public Health home visitors can assess services received and those needed as well as determine agencies and doctors involved in caring for the child.
- Parents, because they can get the necessary information delivered to the education and health professional working with their children.
The existence and awareness of these benefits was a necessary but not sufficient condition for the program’s success. These benefits in themselves do not create much incentive for individual physicians’ offices and even for state agencies outside the Family Health division to provide their data to KIDSNET, since they only see value-added when a critical mass of others provide data. If information on a substantial fraction of children is incomplete or non-existent, then the system offers little benefit to any of the stakeholders. Thus, the cost of providing data had to be made very low, and participants, especially physicians’ offices, needed to get some extra encouragement and tangible benefits, especially in the early years to achieve critical mass.

For a number of years the state supplied physicians’ offices with free vaccines for children. In 2008 the state instituted the policy of requiring that, in order to get the free state-supplied vaccines, the offices had to agree to provide immunization data to KIDSNET. Since then, almost all offices have agreed to participate in KIDSNET, and this was an important factor in getting the program up to critical mass.

Another facilitating incentive factor was simple but labor-intensive personal contact. Staffers from KIDSNET visited physicians’ offices in the same style as pharmaceutical company reps—explaining the program and its benefits, offering help to implement the systems to report and to access data, making sure that office personnel had and understood the forms, sometimes providing them with necessary computer equipment, answering questions about other state programs, and being personal points of contact. Having a face to associate with the program and a person to call for follow-up questions seemed to have been important. The fact that Rhode Island is a small state may have helped to make this feasible.

Information system

The information system is largely custom-built. Initially there was no commercially available software to do what KIDSNET needed, so they started building their own system, originally using Oracle, and have continued to build on that. KIDSNET is now a complex database with an operating environment consisting of a Linux server operating Oracle 10g and 10gAS, connected to a SAN and running Oracle Reports, Forms, and Oracle Application Express within the 10gAS Application Server. A variety of automated import and other batch processes also exist on the server, in Perl, shell, and SQL scripts managed through an Apache-based CGI application and through Linux cron tab. A Java-based web application, on a separate Linux server, also accesses the 10g database. An immunization algorithm web service and associated batch processes run on a Windows 2000 server in support of the KIDSNET applications. Processes that synchronize information between the State Supplied Vaccine (SSV) registration system and the CDC VACMAN software also run on this server. Remote access to the servers for developers and administrators is available via a Juniper Networks SSL VPN service operated by the RI Information Technology Division.

Adequate documentation has been difficult to maintain in a constantly changing system. Some parts of the system are better documented than others, in the opinion of the lead staffers. So, at least to some extent, the functionality of the system depends on those who know its idiosyncrasies.

The biggest problems in the early years were with the user interface. The methods of capturing the data resulted in too many errors; and it was not easy for inexperienced users to access the data they wanted and were authorized to see. Moving to a web-based interface in 2004 and standardizing data transmission using HL7 messaging seems to have largely solved these problems. Subsequently participation rates rose rapidly because using KIDSNET no longer required special software, and the system was user friendly. Internet access and basic internet skills—increasingly ubiquitous—would suffice. There were also low-tech solutions for data collection, like having physicians’ offices simply check items on a paper form for each child seen during a day and then mail the week’s collection into KIDSNET (forms and pre-paid mailers provided free by KIDSNET), which then coded the information into the system.

On the question of unique ID numbers, there was trial and error. The theoretically ideal solution—the social security number—was not considered because there were potential errors in coding input data, name spelling varied, some parents would not share it due to fear of identity theft, and it was a politically contentious issue. Physician office medical record numbers also did not work, because different offices had different systems; for instance, some assigned numbers to family accounts rather than individuals. So, KIDSNET developed their own numbers and software to assign them, based on a high probability of concurrence between key information items—names, birthdates, parent names, and program ID numbers. The system can match data even if there is a minor
discrepancy. By 2005, with 1.5 million immunization records, only a small percentage of electronic data imports required individual staff attention to resolve.

**Finances**

Funding and staffing have always been challenging, i.e. tight, which has required that the program be lean, with a small staff. Funding and staffing have varied over time as a result of state and federal hiring policies and availability of funding. Some staff are permanent state employees while others are contractors. Over time, KIDSNET managers have adjusted the level of ongoing development as well as support of routine operations to match available resources. Currently, there are approximately 8 state employees and 5.5 contractors who devote most of their time to KIDSNET. Operations cost approximately $925,000, and $473,700 is allocated for development, including routine changes to the immunization algorithm which must be updated with new vaccines on the market and revised immunization recommendations.

Initial funding came from the Robert Wood Johnson (RJW) Foundation and the US Center for Disease Control (CDC) Immunization Program, which have continued to support the program. State funding has not come from a line item in the general budget (except briefly for a small amount), but rather from earmarks on two fees collected by the state, one for health screening of newborns and the other from health insurance companies for immunization. The U.S. Health Resources and Services Administration Maternal Child Health Bureau and the CDC Early Hearing Detection and Intervention (EHDI) Program have also contributed consistent support in the form of grants, primarily for system development.

**Measures of success and accountability**

The managers of KIDSNET (and presumably its main supporters and stakeholders) measure success using three main indicators:

- Completeness of coverage of the population
- Completeness and accuracy of the information on each case
- Frequency of use of the data

As of 1999, KIDSNET was tracking immunization data for only 43 percent of Rhode Island infants, and often those data were seriously incomplete (Schlefer 2005, p. 13). It had not yet reached critical mass. By December 2005, however, 120 of the 165 pediatric offices in Rhode Island were participating in KIDSNET, and these 120 practices were seeing 78 percent of the children in Rhode Island born since 1997. By 2006, KIDSNET had the data for 78 percent of infants from all four newborn sources (hearing, bloodspot, birth certificate, and immunization) within 90 days of birth (KIDSNET Data Book 2007).

Around the year 2000, six of ten participants in a focus group said they had never used KIDSNET as a medical resource, because of difficulties with accessing the system and the unreliability of the data (Schlefer 2005, p. 13-14).

"Previously (before 2005), primary care providers could only access KIDSNET data by looking up each child in their practice one at a time. In 2005, two reports became available to assist primary care providers in assuring that all children in their practice are up to date on vaccinations and have been lead screened. Examining usage of KIDSNET reports reveals a positive association between running the reports and having patients who are up to date on DTaP vaccinations and are lead screened. Seventy-two percent (72%) of children had 4 valid DTaP vaccines in practices that ran the immunization report compared to 61% in practices that did not run the report. Practices that used the KIDSNET lead screening report screened 5% more children once by 18 months of age than those that did not. These findings underscore one of the important applications of KIDSNET in assuring that all Rhode Island children receive preventive health services. It is only by using the data in KIDSNET that a real impact can be made. “(KIDSNET Databook 2007)

In the second quarter of 2007, primary-care providers accessed KIDSNET over 52,000 times (KIDSNET Databook 2007). That number more than doubled to 108,990 in the same quarter in 2009.

**Business model—factors for and obstacles to success**

Looking at KIDSNET today, we can say it has a business model of offering a free service to an array of users who were also the ones contributing data, and having minimal central administration and data contribution costs. The low administrative costs allowed the
program to live financially on funding from multiple sources—NGO (RWJ Foundation), federal grants (CDC, Immunization and Early Hearing Detection and Intervention, and HRSA Newborn Screening and State Systems Development Initiative), earmarked slices of state fees (newborn screening and vaccine fees). Not having a line-item in the state budget (except a small one for a short period) may have slowed implementation, but it also meant that the program averted overexpansion and the danger of state budget crises. The multiplicity of funding sources required more staff time for managing the flows and donor relations, but diversification reduced the risk that problems with one or two sources would doom the program.

For those contributing data, the cost had to be less than the satisfaction from participating plus the perks that KIDSNET could offer. For state programs, which had their own program databases, contributing the data cost little, so getting them to go along was not a big problem, especially for those with in the Family Health Division. For the physician offices, however, which do all the vaccinations in Rhode Island, participation was voluntary (making it mandatory was not politically feasible). To induce them to participate as contributors KIDSNET had to offer conditional perks—mainly free state-supplied vaccines, and access to the data and reports--, reduce the cost of submitting, and build rapport with the offices via personal visits by KIDSNET staff. The latter not only associated a face with the program but also facilitated trouble shooting and technical assistance.

The program has not tried to expand into new areas, such as comprehensive electronic medical records, other than to work with EMR vendors to exchange data. Even though this might bring some experience and economies of scope to this booming field and could tap into rich veins of funding, KIDSNET has stayed focused on improving the service and efficiency of its original product line. The electronic medical records business is sure to become one of the users of KIDSNET; but moving KIDSNET itself into that business would have changed its fundamental character (see Box 1), made it more complex and controversial, and could have endangered the quality of its core product—basic public health data on immunization and infant and child tests and services.

Initiators of KIDSNET had in mind roughly this business model, although they did not call it that and did not know how they would deal with the numerous devils that popped up in the details needed to achieve it. Institutional commitment (RWJ Foundation, CDC and the Family Health Division) and the personal commitment and persistence by staff, some of whom have been with the program since its early years, were crucial to bringing the program through almost a decade of development when its net benefit was questionable.

Uniqueness and challenges to replicate elsewhere in the US
Rhode Island has had some advantages in implementing KIDSNET that other states lack. Most of them have a system to try to collect immunization data, but few have a plan as comprehensive as KIDSNET. Including a lot of data besides immunization probably slowed the initial start-up, but it has enhanced its value added once the system reached critical mass and thus it increased the incentive to complete the system and continue with improvements.

Even before KIDSNET, Rhode Island had a health care confidentiality law that allowed the state to share personal health care data for the coordination of care. KIDSNET adopted a policy of allowing parents to “opt out” of having their children’s data shared with those outside of the Health Department. Unlike many states, Rhode Island did not have to battle large religious groups or an anti-

vaccination movement. It worked closely with the ACLU to develop its privacy policy, so it did not arouse any significant opposition. Some states, like neighboring Massachusetts, have laws prohibiting the state from collecting child-specific data unless parents opt in, giving specific permission to collect and use the data.

Most state or local health departments do a lot of immunization themselves, on which the states have data, and thus were slow to start collecting data from private health care providers. In Rhode Island, on the other hand, the state does none of the immunization and there are no local health departments, so from the start they had to work with the private providers.

Distinction from Electronic Health Records
The United States is in the midst of a major campaign to set up patients’ electronic health records (EHRs), as discussed in Box 1. While these serve some of the same purposes and have some of the same characteristics as KIDSNET, there are some important differences.
First, the EHRs will be individual accounts designed to benefit those individuals. The benefit will be realized as soon as she or he has his record and can deliver it to whichever health care provider she wants. There will not be a central compilation or analysis of the EHRs. KIDSNET, on the other hand, is a public health system with a population focus. The Department of Health and the providers use KIDSNET to know how close they are to 100 percent coverage with tests and immunizations, and identify the children that they are missing. They may use the data to see what demographic characteristics are risk factors. School nurses use it to check if students have vaccinations required for school entry. Pediatric offices use KIDSNET to see the coverage of testing and immunization for their patient populations and to identify patients who need additional services, although they may also use it as a partial EHR.

Second, EHRs contain information on a very heterogeneous list of possible past treatments and diagnoses. Great efforts will go toward trying to standardize the coding of this information, but its aim is to provide comprehensive coverage of what a health care provider needs to know about medical history of a patient’s, possibly the office or hospital has never seen before. In contrast, KIDSNET has specific list of information items to record, less than 50, with generally a Yes/No, the date of the test, shot or service, and results. The rules for KIDSNET and the rules for EHRs are both determined by federal and state laws. Federal law sets up certain incentives and standards for data compatibility yet may limit data exchange, particularly with schools.

**Box 1: Electronic Health Record Information Technology – National agenda and multiple programs in the United States**

On April 27, 2004, President Bush issued Executive Order 13335 “to provide leadership for the development and nationwide implementation of an interoperable health information technology infrastructure to improve the quality and efficiency of health care.” The order established the position of a National Coordinator for Health Information Technology within the Office of the Secretary of Health and Human Services. It also charged the National Coordinator with developing, maintaining, and directing “... the implementation of a strategic plan to guide the nationwide implementation of interoperable health information technology in both the public and private health care sectors that will reduce medical errors, improve quality, and produce greater value for health care expenditures.”

Accordingly, the Office of the National Coordinator for Health Information Technology has worked across the federal government to develop the Federal Health IT Strategic Plan, which identifies the federal activities necessary to achieve the nationwide implementation of this technology infrastructure throughout both the public and private sectors. The timeframe of the Plan is 2008-2012. The February 2009 Economic Stimulus law reinforced this agenda with increased financing for Health IT—$19 billion of funding.

What problem and whose problem is the electronic health record information technology trying to solve? A problem of the government? Of citizens? Of other stakeholders? The EHR program aims at all of these, but the federal government’s website repeatedly draws attention to the citizen-centered purposes. The problem of an individual is to deliver adequate data to all her/his service providers, especially from previous medical diagnoses and treatments.

EHRs will do this and an increasing number of localities already have pilots working, e.g. in several Washington state communities and in the greater Cincinnati area. A recent test showed that the EHRs from Cincinnati could be shared with a different EHR system in Missouri. Connectivity and effective connections would contribute not only to the convenience of the citizen (who otherwise has to keep all this information or authorize piece-by-piece and pay for its sharing between providers), but also to the safety, quality and cost of the care.

Although many of the decisions about EHRs will come through state laws and the decisions of individuals, there is a strong rationale for federal government involvement. Even if everyone wanted to collect and make data available (paying the cost in terms of money and privacy), in order to make the data sharing feasible and useful, there is still a coordination problem in deciding on data standards, which calls for some central government action.
Since one purpose of this study of the Chilean pension system is to distill lessons that would support the reform of the early childhood development programs, Box 2 discusses the recent experience of the US in harmonizing and assuring universal coverage of opportunities for children.

**Lessons**

Patience is required. Only when data quality and quantity reach a critical mass will the system be useful for public health and end users. Success comes when the system meets user and public health needs. Careful business analysis of those needs and building a system to meet them is critical. Business needs, not available technology, should drive system design.

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**Box 2. Early Childhood Comprehensive Systems in the U.S.**

This box discusses the recent experience of the US in strengthening its early childhood development programs. These efforts are much more ambitious and geographically wide-ranging than KIDSNET, but they are less advanced in implementation. The federal program of support in this area is summarized in a report by the Health Resources and Services Administration (2009), from which this is drawn.

“The purpose of the State Early Childhood Comprehensive Systems (ECCS) Grant Program is to assist States and Territories in their efforts to build and implement Statewide Early Childhood Comprehensive Systems that support families and communities in their development of children that are healthy and ready to learn at school entry. These systems must be multi-agency and comprise the key public and private agencies that provide services and resources to support families and communities in providing for the healthy physical, social, and emotional development of all young children. The State Early Childhood Comprehensive Systems Grant Program was launched in 2003, in recognition that, although the early childhood systems building work of the federal, State and local governments and private foundations over the last 15 years had been impressive, the proliferation of early childhood programs from diverse and unconnected service systems left significant gaps between the service systems that needed to be addressed. “ (p. 1)

To obtain federal financial support, which is available through a grant system, state programs have to meet certain criteria: “ECCS grantees must continue to address the five critical components of early childhood systems development. ECCS Grantees are expected to engage in systems building work that includes a well-developed focus across all of the five components: Access to Health Insurance and Medical Homes; Mental Health and Social-Emotional Development; Early Care and Education/Child Care; Parenting Education; and Family Support.

The state programs also have to meet seven standards of inclusiveness and accountability, related to the areas of: Financing; Governance; Family Leadership Development; Provider/Practitioner Support; Communication; Standards; and Monitoring and Accountability.

Source: Health Resources and Services Administration
Notes

1 This paper analyzes only the changes brought about by Law 20.255 with regard to pension support benefits for the elderly and a few other measures to the extent that they are cited explicitly. The analysis covers the way they are addressed in the legislation and the principal regulations and the activities undertaken to implement them through June 30, 2009. References in this work to the “Social Security Reform”, “Pension Reform” and similar expressions are intended to refer only to those aspects of the reform, not others. The many other changes brought about by Law 20.255, which are not analyzed here because they are beyond the scope of this paper, include, in particular: the inclusion of self-employed workers in the distribution system [régimen de reparto], changes in the investment rules for social security funds, and institutional changes.

2 The Law originally contemplated staggering the delivery of benefits over a period scheduled to end in July 2012. Later, Law 20.366, promulgated on July 29, 2009, brought deadlines forward, so that the above-mentioned staggering of benefits is completed in 2011.

3 Senators from the opposition had serious doubts about the implementation of the reform in March 2008, and compared it to Transantiago. See: “El Gobierno asegura la completa implementación de la reforma” in El Mercurio, March 12, 2008. http://diario.elmercurio.cl/detalle/index.asp?id={e92f955b-23fe-4d1d-af95-37d054e6995e}

4 When payment of pensions reaches its peak, it is projected that Chile’s public expenditure on new pensions governed by Law 20.255 will total approximately 1 percent of Chile’s current GDP.


7 “You represent different social and political sectors in our country, trade unions and citizens, a reflection of the way we want to address one of the most important issues of our time, namely the reform of the social security system.” Remarks by the President of Chile, Michelle Bachelet, at the ceremony marking the establishment of the Presidential Advisory Council for Social Security Reform, Santiago, March 17, 2006.

8 Many of them had studied the Chilean social security system since the early 1990s and had managed over time to accumulate a large stock of studies and evaluations pointing to the need to adjust the pensions system. Moreover, none of them had put forward a reform proposal of his or her own, a fact that would supposedly render them more receptive to ideas emerging from the series of hearings.

9 For information regarding the Council’s final proposal, see: http://www.consejoreformaprevisional.cl/view/informe-capitulos.asp

10 The Committee of Ministers for the reform comprised the Minister of Labor and Social Security (Chair), the Minister of Finance, the Minister Secretary-General of the Presidency, the Minister for the National Women’s Service and the Director of Budgets.
11 For example, the Committee included in the law aspects related to Civil Law such as how benefits from solidarity pensions would be divided in case of divorce.

12 While Congress had taken 15 years to reform life annuities, the social security reform, which, a priori, included much more controversial topics in a much more adverse political climate, was approved in one year.

13 Several members of the Executive Branch participated officially in parliamentary debate on the Social Security reform in the Congressional Finance and Labor committees. That transpires, for instance, in the Report of the Labor and Social Security Committee of the Chamber of Deputies, dated June 21, 2007. Regarding Session 68 of Legislature 355, Bulletin No. 4742-13-1 reads as follows: “In the course of this general discussion, the Executive’s position concerning the fundamentals of the bill was expounded by the Ministers of Finance, Labor and Social Security, and by the Minister Director of the National Women’s Service...” Published in the Report entitled “History of Law 20.255, establishing the Social Security Reform,” Library of Chile, March 17, 2008.

14 The principal reforms to the AFP system brought about by Law 20.255 were as follows: (a) The law provides for gradual incorporation of the obligation to make contributions for self-employed workers who pay profits tax; (b) It establishes the direct assignment of workers to the AFP charging the lowest management fee, as of 2010; (c) It orders the elimination of the authorization for AFPs to collect fixed fees; (d) It introduces a tax incentive for AFPs to outsource their back-office operations; (e) It alters investment rules for pension funds (authorizing investments in new types of assets – mainly derivatives – and allowing the option of investing up to 80 percent of the portfolio abroad); (f) It obliges AFPs to have a public investment policy for each type of portfolio; (g) It establishes the Investment Committee; (h) It regulates the pension fund investment rules (which avoids having to amend the Law at some point in the future in order to update those rules); (i) It establishes new tax incentives (deferred payment of profits tax or a subsidy equivalent to 15 percent of the voluntary contribution, within limits) in order to encourage voluntary contributions to the system; and (j) It authorizes implementation of the collective social security savings programs offered by employers.

15 Congress passed the law on January 16, 2008 and forwarded it to the President for her to choose whether to exercise her right of a total or partial veto. On January 25, the Office of the Presidency informed Congress that the President would not make use of her power to veto. On that same day, Congress remitted the law to the Constitutional Court for its analysis. The Court replied on March 4 that it had no objections, so that on March 5 the adopted law was remitted for promulgation by the Executive. The new law was promulgated on March 11 and published in the Official Gazette on March 17, 2008.

16 The IDB financing included a loans preparation facility (FAPEP) of US$1 million and an investment loan of US$35 million aimed at: “(i) strengthening institutional capacity for pension system management and supervision; (ii) improving the administration of noncontributory benefits; and (iii) building citizen confidence in the system,” and it explained that, although those actions were aligned with the government vision that framed the proposed reform, they would help improve the operation of the system regardless of whether any change was made in the legal framework. For further information see: http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=1085566

17 Disability pension customers obviously had to prove their medical condition to be eligible for the benefits.

18 Rol Único Tributario [Taxpayer Identification Number]
19 Article 55.7 of Law 20.255, referring to the powers of the IPS, established that that agency could: “Conclude agreements with entities or juristic persons governed by public or private law, regardless of whether or not they are non-profit, that administer social security benefits, in order to enable the Centers for Comprehensive Social Security Services to provide services to them on the terms established in Article 62 of this Law. The prices and forms of payment of the services provided shall be established by a Supreme Decree, issued jointly by the Ministry of Labor and Social Security and the Ministry of Finance.” Along the same lines, the aforementioned Article 62 establishes, inter alia, that: “The Superintendency of Pensions shall establish, within the framework of the foregoing provisions and by means of a general rule, the regulations governing the agreements referred to in this article.”

20 According to interviews, one of the options explored before the law’s enactment was outsourcing the centers for attending to the public to private sector firms.

21 The training course divided the participants into groups of ten per table in order to foster participation in discussion of topics that were then shared with all the participants.

22 Law 20.255 did indeed reserve a right for the Executive to alter the dates when structural changes in administration would take effect. Thus, Provisional Article 16.9 establishes: “The President of the Republic shall determine the date on which the activities of the Superintendency of Pensions and those of the Social Security Institute shall begin, taking into consideration the time needed for their implementation. Furthermore, he/she shall determine the date of abolition of the Superintendency of Pension Fund Administrators and what shall be done with its resources.”

23 Child allowances are contemplated in the Reform Law (Article 74) and, according to the accompanying regulations (Supreme Decree 29 of May 25, 2009), would function as follows: Requirements to be met by the beneficiaries/customers: Be a contributor to the AFP system or be a beneficiary of a solidarity-based old age pension, or a recipient of a surviving spouse pension [pensión por sobrevivencia]; meet residence and length of time in Chile requirements (Article 3); apply for the pension; and be 65 years of age or older (Supreme Decree 29, Article 1). Calculation of the subsidy: The benefit, in the form of an increase to the pension, is calculated for each child born alive and is equivalent to 10 percent of 18 official minimum wages for workers aged between 18 and 65, on the date the child was born (Article 75). That amount is updated by applying a monthly adjustment formula (rate of return), counted from the birth of the child until the month of the mother’s 65th birthday. Form of payment: Mothers affiliated to the AFP system receive the benefit in the form of an allowance paid into their individual capitalization account as of the month following their 65th birthday. Mother receiving an old-age PBS are to be paid in the form of a bonus on top of their pension, calculated in accordance with a procedure established in the Law (Articles 76 and 2.G) (life annuity). Mothers receiving a surviving spouse pension (regardless of whether it was granted pursuant to the original provisional law – Decree-Law 3.500 – or is a benefit granted by the IPS) and who are not affiliated to any other social security scheme, will be incorporated in the PBS system and the benefit will be paid in the same manner as for mothers receiving only a PBS (previous paragraph). It is also important to point out that, pursuant to the provisional rules included in the Reform Law (Article 24), the child allowance is for mothers who start receiving a pension as of July 1, 2009. As of that date, the amount of the pension will be calculated, along with interest and readjustments.

24 “[...] The spaces most utilized by population in the socioeconomic segments C2 and C3, the main target of the reform’s first phase, were chosen as the main channels for delivering information or pay for advertisements. The media was chosen based on their routines and habits. For example, advertisements in regional newspapers were located in the regional chronicles page, due to their high number of readers. [...] In addition, television sets of metro stations and the free newspaper delivered at Metro stations were broadly utilized. The Chilean star, the symbol of the reform, was located in shopping malls and supermarkets, to ensure the message was delivered where most women circulate. Finally, the main channel used by lower income people was incorporated: municipalities.” SSPS, *La Estrategia Comunicacional de la Reforma Previsional* (forthcoming).
25 Promoters of Women’s Rights (PRODEMU) and Nucleus to Support Women (NAM)

26 Source: SSPS. Data documented in reports by private firms hired by the government to measure spontaneous knowledge. The question posed to the representative sample of the population was “Do you know or have you heard about the pension reform?” The first survey, of 2800 people, carried out by ICCOM Investigación de Mercado for the Ministry of Labor in January 2008, indicated 5 percent knowledge. The second survey, of 1,200 people, undertaken by TNS Time for SSPS in August 2008, indicated 81 percent knowledge.

27 The fact that IDB funds were available meant that competitive salaries could be paid, compared to those generally available in the public sector, and that attracted qualified professional staff.

28 Even though Chile was working on the construction of inter-operability frameworks, for the Pension Reform ad hoc connectors were developed for transferring the information.

29 The cost of the finally rejected contract for the relatively large firm was US$ 4.5 million, while the total cost of hiring the two smaller local firms was approximately US$ 798,000 (Source: DIPRES). However, since the product delivered by the software factories was built using prototypes or pilots and is therefore not a finalized solution, there are not yet enough elements to make a rigorous comparison of costs among different providers. As mentioned in Chapter 4, the system should be migrated to a more efficient and secure platform in order to guarantee greater sustainability, flexibility, efficiency and security.

30 The two solidarity-based benefits for old age, namely the Solidarity-based Basic Old Age Pension (Article 3) and the Solidarity-based Old Age Social Security Contribution (Article 9), establish only four requirements (age, residence, pertaining to the poorest segment of the population, and presentation of an application to receive the benefit). In the case of the Solidarity-based Old Age Social Security Contribution there is a further specification, namely that it applies to pensioners who already receive some social security benefit from the Chilean State or an AFP. In the case of disability benefits, that is to say, the Solidarity-based Basic Disability Pension (Article 16) and the Solidarity-based Disability Social Security Contribution (Article 20), there are five shared prerequisites (in addition to age, residence, pertaining to the poorest segment of the population, and presentation of an application to receive the benefits, obviously proof of disability has to be shown). Also in the case of solidarity-based disability benefits there are some further clauses relating to prior affiliation of the beneficiaries to the Decree-Law 3.500 pension system or receipt of a pension under some other regime.

31 Law 20.255, Article 56.1: “The Social Security Institute [Instituto de Previsión Social] shall be entitled to require both public agencies and private bodies in the area of social security or that pay pensions of any kind to hand over the personal data and information needed for the performance of its functions and to process said data, especially in order to establish a Social Security Data Information System. In any case, as regards private bodies, the information requested must be associated with social security matters.”

32 The supplementary legislation also supports this authority. Cf. Supreme Decree 23 of May 19, 2008, last paragraph of Article 14: “In any case, the Social Security Institute shall be entitled to demand from other public and private agencies, the personal data and information needed to fulfill its functions and to process said data, especially in order to establish a Social Security Data Information System, pursuant to Article 56 of Law Nº 20.255.”

33 Law 20.255, Article 56, last paragraph: “The staff of the Institute must treat all the information they become aware of in the course of their duties as absolutely secret and confidential, without prejudice to the information and certifications they have to
provide by law. They shall also refrain from using said information for their own benefit or that of third parties. For the effects contemplated in the second paragraph of Article 125 of Law N° 18,834, the consolidated, coordinated and systematized text of which was established by Decree-Law N° 29, of 2005, of the Ministry of Finance, it shall be deemed that contraventions of this provision constitute serious violations of the principle of administrative honesty, without prejudice to other applicable punishments and liabilities.” In addition, the law specifically removes one of the protections established in Article 35 of the Tax Code (Decree-Law 830, December 27,1974)

34 The NAGIOS saw the network on line, monitoring the INP offices, and the databases were monitored on line, using Oracle.


36 Source: Proyecto Presupuesto 2009 (DIPRES, Ministry of Finance)

37 See note No. 35 above

38 For example, an AFP in the case of people who were found to have a pension over the threshold; or the civil registry for those who supposedly were not 65 years of age at the time of their application.

39 Given Chile’s legislative process, three months is a short time between congressional approval and actual issuance of the law. Congress passed the Law on January 16, 2008 and forwarded it to the President for her to choose whether to exercise her right of a total or partial veto. On January 25, the Office of the Presidency informed Congress that the President would not make use of her power to veto. On that same day, Congress remitted the law to the Constitutional Court for its analysis. The Court replied on March 4 that it had no objections, so that on March 5 it remitted the adopted law for promulgation by the Executive. The new law was promulgated on March 11 and published in the Official Gazette on March 17, 2008.


41 Data from both CEP and Adimark, two consulting firms working on opinion polls, show a steady increase in the President’s and the government’s approval ratings since September 2008, when the first pensions – requested in July 2008 – were paid. The President’s approval rating went from 42 percent in September 2008 to 73 percent in July 2009. Source: Adimark

42 Like the Pension Law, Chile’s Fiscal Responsibility Law was approved with wide bipartisan support. Both policies were regarded as “state policies,” that is to say, as the product of a common vision and negotiations of details between left and right.
43 AFPs (private providers) did oppose some of the new regulation of the sector, including competitive bidding for the new affiliations or exclusion of AFPs from the seguro de invalidez y sobrevivencia (disability and surviving spouse insurance). On the other hand, they prevailed in the legal prohibition that prevents banks from serving as AFPs.

44 A new contract for payment services was signed in 2009 with the bank that bid for this service at lowest cost. When it became evident that those comfort features were not going to be delivered under the new contract, the responsible bank withdrew from the contract and the administration signed another contract with the previous provider. The latter is more used to providing those comfort features and is already equipped to do that. The price of payment services went up; but quality standards were kept as defined and required by the government.

45 Cf. Constantin Stefanou, Drafting and the Policy Process, Ch. 20.

46 It is worth noticing that Chile came to this pragmatic approach after initially trying the large firm approach. Furthermore, reform managers went to the extreme of resorting to pre-formatted paper forms and pencils in case the system did not work during the first days of reception of client consultations and determination of eligibility.


48 SUSESO.

49 In the case of formal workers, employers must pay a percentage of the worker’s contribution to the insurance. Neglecting to make this payment would result in a penalty.

50 Law 20.255, Article 88

51 These estimates refer to formal independent workers. If informal workers were to be included, there would be an increase of around 1.5 million workers in the system - to be covered by the State.


53 “I have said it a hundred times and I will say it one hundred more times: the most important battle against inequality is fought in early childhood!” Public speech of President Michelle Bachelet, May 21, 2009.