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**Panel:** *Ethics Management in the Public Sector:  
Conflict of Interest, Institutionalising Integrity, Integrity Testing and  
Protecting Whistle blowers*

### **ADMINISTRATIVE MODERNISATION AND ETHICS PROGRAMS**

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## ADMINISTRATIVE MODERNISATION AND ETHICS PROGRAMS

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### I. Conceptual Framework: The New Meaning of Ethics in the Public Sector

The issue of ethics in the Public Service has been gaining increased concern among citizens, the media, politicians and policy-makers. The strengthening of public confidence in government and public institutions constitutes a necessary condition for both effective democratic governance and a healthy economic development, as well as for the preserving people's faith in the democratic system.

Regardless of the many dimensions of public ethics, every day is more clear that a strategy to foster it can not be limited to fight corruption, theft, robbery, favouritism and clientelism within the public sector. Indeed, public ethics has become an issue beyond these 'obvious' tasks. In other words, public ethics goes far beyond merely "not to robber" and "behaving according the law". It includes some guiding principles about the relationships between public servants and citizens, the pre-eminence of public interest over private interests, and the necessary responsibility, integrity, probity and accountability that the former must observe toward citizens and users in performing their duties.

Is in this sense that public ethics today involves also the issues of efficiency and efficacy in the use of public resources. Every time the scarce public resources are misspent, key principles of public service ethics are being violated. On the contrary, every time the use of public resources is being optimised, improving society's welfare and the quality of life of the poor, the principle of public service as a vocation based on ethical grounds is being reinforced. Particularly in poor countries, efficiency in the use of public resources constitutes an ethical imperative.

But also, public ethics constitutes a condition for improving the service and responsiveness that, in a democratic system, the government and public officials are called for towards citizens. In fact, public servants guided by public service principles and concerns are key factors for enhancing government's efficiency and effectiveness.

Credibility and trust are increasingly recognised as two crucial factors for enhancing governance and cooperation, reducing the room for opportunistic behaviour and the consequent waste of society's resources.

Therefore, on the one hand public ethics demands improving public sector's efficiency and effectiveness and, while on the other hand, a certain level of public ethics constitutes a necessary condition for improving the responsiveness, efficiency and effectiveness of the government in order to perform better its roles.

Of the many areas of public management modernisation, fostering transparency constitutes a key instrument not only to improve performance in the public sector, but also to strengthen public ethics and fight corruption. Transparency implies not only guaranteeing citizens and the media free access to information regarding public sector's activities, budget and finance management, but also to evaluate performance according to objective criteria and indicators, making public the results of these assessments. This involves defining and making explicit the objectives, goals, targets and commitments of the government and its different agencies. This practice allows public servants to direct their efforts towards specific goals, as well as it makes possible for both public authorities and citizens to monitor and evaluate the relative performance and accomplishment of the government and public agencies and officials.

Likewise, clear, simply, easy-to-understand rules and procedures constitute another tools for improving public ethics and credibility, reducing the room for discretionary administrative behaviour, favoritism, clientelistic and discriminatory practices, bribery and corruption, reducing the costs associated to influence and rent-seeking activities. Moreover, the disabling of discretionary authority, replacing it by general, simply and clear rules and procedures, also contributes to strengthen and make real the ethical principle of equality and non-discrimination that public servants are due to deserve to citizens in a democratic system.

Finally, public ethics dignifies public service and officials, reinforcing further the values and principles of probity, integrity, responsibility and responsiveness that must guide their behaviour.

This new meaning of public ethics thus requires certain institutional arrangements and devices that create incentives that will encourage and foster public service's integrity, honesty, efficiency and effectiveness. A democratic political system constitutes a basic precondition. But, although *sine-qua-non*, it is not the sole condition. We need also a Public Service endowed with some administrative and technical attributes and capabilities for responding to the new challenges arising from openness, globalisation, informatisation, privatisation, the greater scope for market forces and private initiative, increasing competition, persistent inequalities, and the new demands and concerns emerging from civil society and ordinary citizens.

In many cases, the strengthening of public ethics in this new setting entails administrative reforms within the government. "Administrative modernisation" is thus one strategy for embracing this challenge, as a part of an ethics program.

## **II. Public Ethics and the Turn to Democracy in Chile**

Even though the military regime carried out several economic reforms in Chile, liberalising markets, privatising former public enterprises, and downsizing the public sector, Public Service's modernisation was a neglected area.

After the return to democracy in 1990, democratically elected governments inherited a public sector badly prepared to respond to citizens' demands regarding Public Service's efficiency, quality, responsiveness, public ethics, and accountability.

For almost seventeen years, public officials were used to behaving mainly on the basis of command, control, submissiveness and fear, orienting their work towards satisfying general bureaucratic norms and directions fixed by their centrally and politically appointed authorities, rather than according to objective performance standards, goals and incentives aimed at providing a better service to the community.

Despite the fact that Chile's Public Service has a strong tradition of probity --embodied in institutions like the *General Comptrollership Office*, and backed up by a long-lasting corporate culture of public servants honesty, austerity and legal formalism--, the ideological campaign against 'the state' and 'the public sector' carried out during the military regime, along several irregularities and scandals detected in the privatisation of former public enterprises and assets in that period, weakened public officials' image, moral, and self-respect.

The lack of transparency and accountability in the management of the public sector arising from the lack of *checks-and-balances* mechanisms during the dictatorship period, also contributed to damage the image and moral of public servants.

Finally, the neglecting of the public sector modernisation, the low wages and lack of incentives for public officials, their deteriorated image and self-respect, along the greater opportunities arising from the private sector in a free-market economy, altogether generated a bad environment for public ethics.

The two governments of the *Concertación de Partidos por la Democracia* have included among their programmatic priorities the modernisation of the public sector as a condition for sustaining dynamic economic growth; reducing poverty, inequality and social exclusion; improving governance; and strengthening and widening democracy. Our *motto* is "A state at the service of the people", conceived as part of the ethical meaning of democracy.

In order to achieve this goal, the current administration created in 1994 a special body, the Inter-Ministerial Committee for Modernising Public Service Management. The mission of this Committee is to drive forward and co-ordinate the modernisation efforts within the State and the public services, as well as to design and propose general policies related to this matter.

This Committee is presided over by the Minister General Secretary of the Presidency, and composed also by the Ministers of Finance, Economy, Job and Social Security, and General

Secretary of the Government. This board has an Executive Secretariat, which I lead.

The work of the Committee has aimed at introducing a 'new' culture in the Public Service, based on the principles of quality & innovation, evaluation, results-oriented, and user-focused. This 'new culture' points at strengthening probity, transparency, accountability, responsiveness, efficiency, quality and excellence within the Public Sector.

We have developed an Strategic Plan for Modernising Chile's Public Management. This plan has six different and distinct lines of action: Human Resources, Quality of Service and Citizen Participation, Strategic Management and Information Technology, Institutional reform and decentralisation, Communications, and Transparency and Probity. For further information on each one of these lines of actions, and the different projects that are part of them, you can consult in [www.modernizacion.cl](http://www.modernizacion.cl).

### **III. Public Ethics and Administrative Modernisation in Chile**

The Committee's main contribution in order to improving ethics within the Public Service can be placed under the broad label of "administrative modernisation".

In fact, the strengthening of transparency and public ethics constitutes a key component of our Public Service's modernisation policy, since it is both a goal and a condition to improving the responsiveness of the State to citizens' needs and demands, as well as for the strengthening of our democratic system.

Along the creation of the *Inter-Ministerial Committee*, President Eduardo Frei created in 1994? a *Public Ethics Commission*, with a pluralist composition, and endowed with the task of submitting policy and legislative proposals aimed at improving public ethics and to fight corruption.

The creation of the *Public Ethics Commission* was the response of President Freis' administration to the increasing public concerns regarding politicians and public officials' ethical behaviour. Various scandalous and denounces of corruption, traffic of influences or mismanagement and waste of public resources stressed by the media, threatened public confidence in politicians and public institutions.

In fact, democracy makes corruption practices more visible and unacceptable. The rule of law, the division of power, democratic political competition, free press, and effective individual rights, altogether make possible for citizens and the public opinion to gain greater sight and control over the ethics and behaviour of the Government, public agencies, officials and politicians.

Particularly in a country like Chile, whose Public Service has been historically characterised by a remarkable tradition of integrity and probity, corruption and venality in public matters deserve strong condemnation from the public opinion.

The *Public Ethics Commission's Report* contained several proposals aimed at improving Public Service's probity, transparency and responsiveness. The proposals were placed under 7 headings:

1. Public servants' integrity (Probity),
2. Conflicts of interest,
3. Control and oversight ("fiscalización"),
4. Contracts and Bidding,
5. Penalty issues,
6. Political Parties' financing, and
7. Social control.

In order to improve probity, transparency, and efficiency in the Chilean public sector, the *Modernising Committee* has designed and co-ordinated the implementation of several initiatives of administrative reform. In what follows, I describe the most important of them.

- ***Public Procurement Electronic Information System:***

Accomplishing one of the *Public Ethics Commission's* recommendations in order to improve transparency, the Committee designed an electronic information system working on Internet for public sector's procurements and contracts (see <http://www.compraschile.cl/>). In addition, a bill generating a common framework for public sector's procurements is ready to be sent to Congress, including the norms that will validate electronic procurements.

This system allows any citizen or public sector provider to know all the relevant information about public procurements (except from Defence procurement). The system shows the contracting agency, the supplier and its main stockholders, the involved services or goods, the prices, duration of the contract, contracting procedures, and the adjudication act.

The implementation of this system will, once the law is approved, will make possible to carry out procurements, auctions and contracts by electronic means, opening the room to e-commerce. It will help to standardise procurement procedures and to make them safer and more transparent, improving efficiency and reducing the opportunities for corruption and misspending.

The current *State Procurement Agency* (DAE), which has worked on a centralised acquisitions and retail scheme, employing about 160 public servants, will be suppressed, and their human resources will be transferred to other public agencies where personnel is required. It will be replaced by a new procurement agency, created

with only 18 professionals with information management skills. In the new scheme, information will be centralised but operation and decisions will be even more decentralised.

This reform will save both time and costs. According to conservative estimations, this system will generate savings for the Treasury amounting to about USD200MM/year.

The operation of the system is being run by government officials, but is currently in the process of being externalised through an international bidding.

- ***Administrative Probity Law:***

In order to enforce probity within Chilean Administrative Law, the *Inter-Ministerial Committee* elaborated a bill introducing several guiding principles, norms and rules for the behaviour of public servants. They include, among others:

- a) Norms about the responsibility of the Government towards citizens;
- b) The obligation for public agencies to provide free access to administrative information, granting the public character of all administrative acts generated by public institutions;
- c) Amendments to the Administrative Law Code, enacting norms aimed at enforcing public servants' ethical behaviour in performing their post and duties, according to honesty, integrity and loyalty principles;
- d) Norms regarding incompatible activities for public servants and conflict of interest's issues;
- e) The obligation for high-rank public officials and authorities to declare their interests before to take office.

After five years of discussion, the bill is close to be passed by Congress.

- ***The State Internet Portal (Chile's Public Sector Home Page):***

This initiative aims at placing together in a unique Internet Web Site or Home Page, complete on-line information regarding the Government as well as links to all different public agencies. The objective of this project is to place the State closer to ordinary citizens, favouring transparency and free and easy access to public information, as well as services.

This web site (<http://www.estado.cl/>) has expanded the availability of public on line information, gathering up today more than 20.000 public sector information screens, almost 400 government web sites, and as of September of 1999 has more than 2000 visits a day.

- ***Office of Information and Claims (OIR)***

These offices are being created in all public services in order to provide expedite response and solutions to citizens' claims and demands, bringing the State near to the public and helping to improve the quality of the services offered. These offices are currently operating in more than 65% of the public offices, and the goal is to complete this process during the first half of the year 2000.

- ***Program Project Evaluation:***

Since 1997, the Government of Chile has been evaluating its public projects and programs through a very innovate system. Aimed at improving performance, money allocation and transparency, this program consists of a set of expert panels, compose by specialists hired on a one time bases through a competitive and professional process. This panels will evaluate one or two programs a year, and its conclusions and recommendations will be sent to Congress and to the agency responsible for the program. A monitoring system has been set up in order to track the level of implementation of the different recommendations.

Since 1997, 120 programs have been evaluated, which represents more than MM US \$ 1.200. Of these, some have come out as excellent initiatives, with very minor recommendations, others have been considered important and necessary projects but have received heavy criticism, and some have been recommended to end.

- ***Agency financial and management balance statements.***

Since 1998, every public agency in the country has to sent to the Ministry of Finance and the Presidency a full financial and management balance statemente. These statements are sent to Congress, but are also available on the Internet through the Inter-ministerial Committee on Modernising Public Management's web page. In the past these statements were only financial, but since the performance contracts were enacted as official policy, the results of those contracts (including the performance indicators) have to be included in these statements. Even though they have not been strongly scrutinised, they provide very important information, some of which could embarrass several senior officials and provide plenty of ammunition to opposition leaders or journalist.

- ***Internal Audit Office:***

Created by the President in 1994, this office has had the important task of created a body of internal auditors in every Ministry of the Chilean Government. Their task has been to run government wide reports on issues that are related with transparency and probity, with the principal goal of raising awareness within the administration about these issues and possible vulnerable areas.

Currently, there are auditors in every Ministry with a year long preventive plan. Also, the Internal Audit Office has run very important studies, one of which was the basis for the comprehensive reform of our procurement system. A bill will be been sent to Congress to institutionalise this initiative.

## APPENDIX

### SUMMARY OF THE MAIN INITIATIVES OF THE PUBLIC MANAGEMENT STRATEGIC PLAN

#### **Inter-Ministerial Committee for Modernising Public Service Management Ministry General Secretariat of the Presidency Republic of Chile**

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The Inter-Ministerial Committee for Modernising Public Service Management is co-ordinated by the Ministry General Secretariat of the Presidency. Created in 1994 by President Eduardo Frei, this committee gathers the following ministries: Interior, Government General Secretariat, Finance, Economy, Labour and the General Secretariat of the Presidency. Its main work areas were defined in the *1997–2000 Strategic Plan for the State Reform*, approved in January 1994 by the committee (more information on English or Spanish see [www.modernization.cl](http://www.modernization.cl)).

Its main initiatives are the following:

#### **1. HUMAN RESOURCES**

- Performance based Incentives: This line of work introduces for the first time in Chile an incentive pay system for public servants, based on institutional and individual performance.

The *Institutional Performance bonus* is granted to the whole personnel of a public agency according to a Management Improvement Program (MIP). These programs are established each year for each agency, containing specific management goals for the incoming year as well as performance indicators to measure the effective degree of accomplishment. A Presidential Decree grants official character to each program. These programs are available in [www.modernizacion.cl](http://www.modernizacion.cl). In turn, the *Individual Performance bonus* is granted to employees according to the results of a personal relative performance assessment. The methodology used for assessing individual performance is being currently reviewed, in order to improve it. In order to allocate the institutional and the individual performance bonuses, both the public bodies and their personnel are ranked and located in three categories: the best third receives the highest bonus; the second third just a half of the former; and the last third receives nothing.

- Senior Civil Service Program. This is one of the most meaningful initiatives related to state reform. It aims to manage Public Services by professional and motivated leaders, with an equilibrated set of both political and technical skills. It supposes a technical and competitive selection process, the definition of performance contracts with

management indicators and goals linked to their payment level. The Government is in the final stages of analysis of the bill before sending it to Congress.

## 2. SERVICE QUALITY AND CITIZEN PARTICIPATION

- National Quality Award: This award aims to recognising and stimulating agencies that accomplished efficiently their social role, in the framework of modern management. Its creation represents a breakpoint in our Public Sector history. Last year, more than 107 agencies applied for this award. The winners agencies were FONASA, Registro Civil XII Región, IRS, San Martín de Quillota's Hospital and SERCOTEC. This program is on its second year, were more than 60 agencies are applying. The award will be granted in October.
- National Award for Innovations in Public Management: It recognises innovative initiatives inside Public Administration Agencies (the previous award recognises quality management system for each institution). The best innovative initiatives are replicated along the country. This year, in the first version of this competition, 237 projects applied, being 53 of them pre-qualified. The Jury must select 10 winner projects among them (these projects may be checked in [www.modernizacion.cl](http://www.modernizacion.cl)).
- Procedures Simplification Program (cutting red tape): This program was established by a Presidential instruction in December 1998. It refers to procedure simplification and the establishment of Citizen's Charters (its contents may be checked in [www.modernizacion.cl](http://www.modernizacion.cl)). Currently, 91 agencies are eliminating or reducing 309 procedures. This involves an important waiting-time saving for both firms and citizens. From the 309 projects, 216 consist of procedure reduction and the remaining 87 consist of procedure elimination. This program includes the evaluation of each project.
- Citizen's Charters: 12 Agencies have established Citizen's Charters. They are formal commitments with citizens, where agencies define the quality standards for their service (standards are related to response time, waiting time, service delivery, etc.) and the pay back system for unsatisfied engagement. Among others, we can highlight the following Charters: CONADI, CAPREDENA and Santiago's Justice Assistance Corporation.
- Implementation of Complaints and Information Offices: These bureaux must deliver an easy solution to citizen requirements and to received suggestions and complaints to improving institutional management. More than 65% of total government agencies have one of these bureaux. The goal is to achieve 100% by the year 2000.

## 2. TRANSPARENCY AND PROBITY

- Public Procurement Electronic Information System : Accomplishing one of the public ethics commission recommendations, this committee designed an electronic information system working on Internet, its operation will be externalised during this month. Additionally, a law project to generate a common framework for public administration's procurements process and to validate electronic procurement is ready to be sent to congress. This reform will generate cost and time saving. According to conservatives estimations financial saves will be close to USD 200 MM / year.
- Administration Probity Law: This project enforces probity in Chilean administrative right. This project is about to be approved by congress.

## 2. STRATEGIC MANAGEMENT

- Financial and management balance statements: Under the instruction of this commission and the budget direction, agencies developed integrated management balances for 1998. Those balances show agencies financial position and the achievement of some critical management goals, including service quality improvement. As a transparency initiative those balances are available in [www.estado.cl](http://www.estado.cl) or [www.modernizacion.cl](http://www.modernizacion.cl)
- Pilot Program for output based budgets and flexible financial administration: This program, promoted by the budget direction, explores the possibility to transform the actual budget system, based on a cash flow basis, into an output based budget, synchronised with public policies and ministerial goals. To achieve this goal, we have been working with 8 agencies since fall semester 1998. Budget direction is allowing budget management flexibility to agencies achieving a set of goals established with the budget direction. Also, this pilot program is testing accrual accounting for the different agencies that are participating in the program.
- Management Improvement Programs: They are an annual base management goals system, those goals are established by each agency, approved by supreme decree. Goals achievement define the incentives to be paid explained on the human resources section of this document.
- Government Program Evaluation System: A group of independent experts analyse the real impact of social programs, production development projects and government institutional development. To date, 60 programs have already been evaluated and other 20 are in the evaluation process.

## 2. INSTITUTIONAL DEVELOPMENT

- Decentralisation Commitments: This commission, through the Ministry of Interior, designed a series of programs and norms to empower agencies decentralisation. Those norms were underwrite by state ministries, and the overall program is controlled by the ministry of Interior.
- Regulatory Institutions: A report was written with a set of proposals about regulatory institutions reform ([www.modernizacion.cl](http://www.modernizacion.cl)), the report includes a proposition about legal and administrative reforms to be made, in order to reorganised regulatory organisations. Meanwhile, six different regulatory agencies have experienced legal, financial and management reforms in order to be more competitive and effective in their complex role of regulators.

## 2. **INFORMATION TECHNOLOGIES IN THE PUBLIC ADMINISTRATION**

- National committee for information and communications technologies: Its main goal was to elaborate a diagnosis about macro tendencies in technology and communications and their impact over our country. Second, this commission proposed a set of recommendations in order to empower IT introduction and development in Chile. This report may be check in [www.modernizacion.cl](http://www.modernizacion.cl).
- Supreme Decree N°81, electronic document and digital signature (published in O.D. July 26, 1999): This document validate for the public sector the use of electronic documents and digital signatures. This program allows the Chilean State to enter in the digital era. This technology will be adopted smoothly by public institutions. A pilot program with ten key institutions started one months ago. Its results are expected for next March, when a full government wide implementation will take place.
- State Internet Portal ([www.estado.cl](http://www.estado.cl)): This web site has expanded the public information offering as the on line public services, gathering more than 20.000 public sector information screens, with almost 400 web sites. This web site has already more than 100,000 visits.
- Government INTRANET and the implementation of a national video conference system. The public intranet will connect all agencies' networks. It will mean USD 100 MM / 5 years cost savings for the State. Intranet will also allowed a substantial increase on data flow transfer quality on the net. More information ([www.modernizacion.cl](http://www.modernizacion.cl)).