

Chile

The Resource Governance Index (RGI) measures the quality of governance in the oil, gas and mining sector of 58 countries. Learn more and explore findings at www.revenuewatch.org/rgi.

Background

Chile is the largest copper producer in the world, with 5.5 million tons produced in 2010. Mineral exports accounted for nearly two thirds of total exports and forty percent of gross domestic product in 2011.

Chile	2000	2005	2011
Population (million)	15.42	16.30	17.27
GDP (constant 2011 international \$ billion)	101.3	140.9	248.6
GDP per capita, PPP (constant 2005 international \$)	11,015	12,802	15,251
Extractive exports (% total exports)	46%	60%	63%

SOURCES: World Bank.

Chile's Performance on the RGI

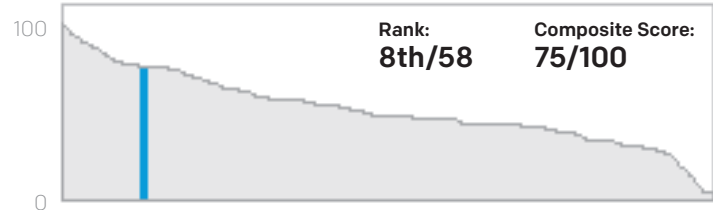
Chile ranks 8th out of 58 countries and received a score of 75 indicating a "satisfactory" level of governance. Very strong performance on the Enabling Environment, complemented by satisfactory scores on the Institutional and Legal Setting and Reporting Practices, offset the relatively weaker assessment of Chile's Safeguards and Quality Controls.

Institutional and Legal Setting

(Rank: 14th/58 Score: 77/100)

Chile's laws and systems generally encourage integrity and openness, resulting in a "satisfactory" score of 77. The licensing process is clearly defined in the Mining Code and concessions are granted by court resolution on a first-come, first-served basis. The Mining Ministry regulates the sector, while the Finance Ministry collects payments from companies and deposits all revenues in the national treasury.

Environmental impact assessments are required. In 2008 Chile adopted a Transparency and Access to Public Information Law for all public agencies. However, the law does not cover mining companies.



Reporting Practices

(Rank: 10th/58 Score: 74/100)

Chile earns a "satisfactory" score by providing access to comprehensive information about its extractive operations and revenue. The Finance Ministry regularly publishes information on production volumes, prices, mineral export values, royalties and special taxes. The Mining Ministry publishes information on mineral reserves, production volumes, prices and mineral export values, but provides no data on revenues. The Chilean commission on copper publishes information on reserves, production volumes, prices, value of mineral exports, production costs, companies operating in the country, production data by company, production stream values, special taxes and dividends.

While licensing petitions and environmental impact assessments are published, contracts with mining companies are not.

Safeguards and Quality Controls

(Rank: 21st/58 Score: 65/100)

Chile's "partial" score of 65 can be explained by three factors. First, a legislative commission comments on mining laws but does not review contracts or oversee the licensing process. Second, Finance Ministry statements are audited by the Comptroller General, who reports to the legislature, but lawmakers do not conduct comprehensive reviews of resource revenues. Third, government officials with a role in overseeing the mining sector are not required to disclose their financial interest in extractive activities.

Enabling Environment

(Rank: 6th/58 Score: 87/100)

Chile rates very high on corruption control, budget transparency, government effectiveness, voice and democratic accountability, and the rule of law. The key complementary measures needed to achieve good resource governance are in place.

State-Owned Companies

(Rank: 10th/45 Score: 84/100)

Owned by the government, the national copper corporation, CODELCO, produces more copper than any other company in the world. It publishes audited financial statements and annual reports with information on reserves, production volumes, prices, value of exports, investments in exploration, production costs, operating companies names, production data by company, quasi-fiscal activities, production stream values, special taxes, dividends, bonuses, acreage fees and its board of directors.

Natural Resource Funds

(Rank: 4th/23 Score: 88/100)

In 2007 the government replaced the Copper Stabilization Fund with an Economic and Social Stabilization Fund designed to insulate the national economy from global market fluctuations by accumulating excess revenues during times of high copper prices. The Finance Ministry manages the fund and regularly publishes information on its assets, transactions and investments. The ministry also publishes rules governing deposits and withdrawals, along with audited financial statements.

Chile's Composite, Component and Indicator Scores

Rank (out of 58)		Score (out of 100)
8	COMPOSITE SCORE	75
14	Institutional and Legal Setting	77
	Freedom of information law	67
	Comprehensive sector legislation	100
	EITI participation	0
	Independent licensing process	100
	Environmental and social impact assessments required	50
	Clarity in revenue collection	100
	Comprehensive public sector balance	78
	SOC financial reports required	100
	Fund rules defined in law	100
	Subnational transfer rules defined in law	..
10	Reporting Practices	74
	Licensing process	67
	Contracts	0
	Environmental and social impact assessments	50
	Exploration data	50
	Production volumes	100
	Production value	100
	Primary sources of revenue	67
	Secondary sources of revenue	25
	Subsidies	0
	Operating company names	100
	Comprehensive SOC reports	100
	SOC production data	100
	SOC revenue data	93
	SOC quasi fiscal activities	100
	SOC board of directors	100
	Fund rules	100

Rank (out of 58)		Score (out of 100)
	Comprehensive fund reports	100
	Subnational transfer rules	..
	Comprehensive subnational transfer reports	..
	Subnational reporting of transfers	..
21	Safeguards and Quality Controls	65
	Checks on licensing process	67
	Checks on budgetary process	56
	Quality of government reports	67
	Government disclosure of conflicts of interest	0
	Quality of SOC reports	50
	SOC reports audited	100
	SOC use of international accounting standards	100
	SOC disclosure of conflicts of interest	0
	Quality of fund reports	100
	Fund reports audited	100
	Government follows fund rules	100
	Checks on fund spending	100
	Fund disclosure of conflicts of interest	0
	Quality of subnational transfer reports	..
	Government follows subnational transfer rules	..
6	Enabling Environment	87
	Corruption (TI Corruption Perceptions Index & WGI control of corruption)	90
	Open Budget (IBP Index)	93
	Accountability & democracy (EIU Democracy Index & WGI voice and accountability)	81
	Government effectiveness (WGI)	84
	Rule of law (WGI)	88

■ Satisfactory	■ Weak
■ Partial	■ Failing