

# PROGRAM FOR STRENGTHENING THE NATIONAL CIVIL SERVICE DIRECTORATE (DNSC)

(CH-L1008)

## EXECUTIVE SUMMARY

<b>Borrower:</b>	Republic of Chile	
<b>Executing agency:</b>	The Ministry of Finance's National Civil Service Directorate	
<b>Amount and source:</b>	IDB (OC):	US\$3,000,000
	Local:	<u>US\$2,260,000</u>
	Total:	US\$5,260,000
<b>Financial terms and conditions:</b>	Amortization period:	20 years
	Grace period:	3.5 years
	Disbursement period:	3 years
	Interest rate:	LIBOR-based
	Inspection and supervision:	0%
	Credit fee:	0.25%
	Currency:	U.S. dollars drawn from the Single Currency Facility
<b>Objectives:</b>	The objective of this program is to further modernize and professionalize management of government employees in Chile through the institutional strengthening of the National Civil Service Directorate (DNSC).	
<b>Components:</b>	The program will finance implementation of three components: (i) strengthening of DNSC's management capacity; (ii) supporting implementation of the Senior Public Management System; and (iii) supporting the modernization and professionalization of human resources management in the State Civil Administration. These three components will support the development of three complementary areas: internal organization, compliance with the law through immediate implementation of the Senior Public Management System, and in the medium term, the professionalization of human resource management in the Civil Administration.	

**Special contractual clauses:**

The loan contract will contain the following conditions: **(I) *precedent to the first disbursement of Bank financing***, the borrower will present for the no objection of the Bank evidence of: (i) the establishment of the three project groups and the appointment of the minimum personnel necessary for them to operate; and (ii) approval by the director of the DNSC of the annual work plan (AWP) agreed on with the Bank for the first year. **(II) *for project execution***, the AWP for each calendar year must be presented to the Bank for its consideration in the first two weeks of December of the previous calendar year (paragraph 3.13).

**The Bank's country and sector strategy:**

***The Bank's country strategy with Chile*** for 2000-2006 focuses on: (i) support for initiatives that will increase competitiveness and productivity; (ii) support for efforts to reduce social and regional inequalities and to improve living standards; (iii) support for processes conducive to increasing citizen participation; and (iv) support for modernization of the State. The project is closely related to the latter objective, modernization of the State. The Bank's ***strategy for modernization of the State*** identifies five areas of activity: (a) developing and strengthening civil service systems; (b) strengthening the fiscal capacity of the State and improving efficiency and transparency in expenditure management; (c) improving the capacity to frame and coordinate strategies and public policies; (d) modernizing how public services are managed; and (e) taking advantage of the potential of the knowledge society and information technologies. This project is consistent with the first area.

***Rationale for the modality.*** The challenges faced by the DNSC require an immediate, energetic response. The Institutional Development Sector Facility has been identified as the most appropriate Bank instrument for supporting the borrower. This operation meets the facility's criteria in that the capacity building is self-contained, there is a sense of government ownership of the proposed actions, there is active participation on the part of stakeholders in the government, and a flexible course of action is promoted.

**Coordination with other multilateral agencies:**

The Bank is the only multilateral development agency that is supporting the strengthening of Chile's civil service.

<b>Environmental and social review:</b>	<p>This operation does not qualify as a poverty-targeted investment or as a social equity enhancing project as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704). The activities to be financed are not expected to have a direct social or environmental impact. On 15 October 2004 (meeting 40-04), the Committee on Environment and Social Impact approved the project concept document for this operation without prescribing any actions to mitigate potential environmental impacts. Both current legislation with regard to public sector personnel and the internal regulations of the government prohibit discrimination. In view of this legal and constitutional mandate, the DNSC has designed and implemented a management improvement program that addresses the issue of gender, the central objective of which is for government services to incorporate a crosscutting gender focus in their outputs.</p>
<b>Benefits:</b>	<p>The Government of Chile accords very high priority to implementation of the Ley de Nuevo Trato [New Deal Act] and generally to the modernization of human resources management in the Administration. Thus there are sufficient resources and political and institutional support for program execution, giving it long-term social and political viability and continuity. The plan for project execution is based on existing institutional structures in Chile. The targets for the set of activities supported by the Bank are part of a more general plan for technical and institutional development in the DNSC, and the commitments made to the Bank are commitments that the DNSC has undertaken as part of overall government management.</p>
<b>Risks:</b>	<p>Management reforms in Chilean public agencies have taken place in a context of political agreements and consensus, which lays the foundation for program institutional feasibility and continuity. Nevertheless, the DNSC was established only recently, and while it is a decentralized public service in the Ministry of Finance, it does not have longstanding technical experience in this area. To reduce this risk, the government has sought the Bank's technical assistance and has established a political coordinating body—a tri-ministry committee—and a concertation body through the Senior Public Management Council.</p>
<b>Poverty-targeting and social sector classification:</b>	<p>This operation does not qualify as a social equity enhancing project as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704). Furthermore, this operation does not qualify as a poverty-targeted investment (PTI).</p>
<b>Exceptions to Bank policy:</b>	<p>For the purposes of the provisions of Article 4.07(b) of the General Conditions, the revolving fund will not exceed 10% of the loan amount.</p>

**Procurement:** Current Bank policies and procedures will apply for the procurement of goods and the contracting of consulting services to be financed with program resources.