

# Enabling conditions for sustainable economic growth and productivity gains



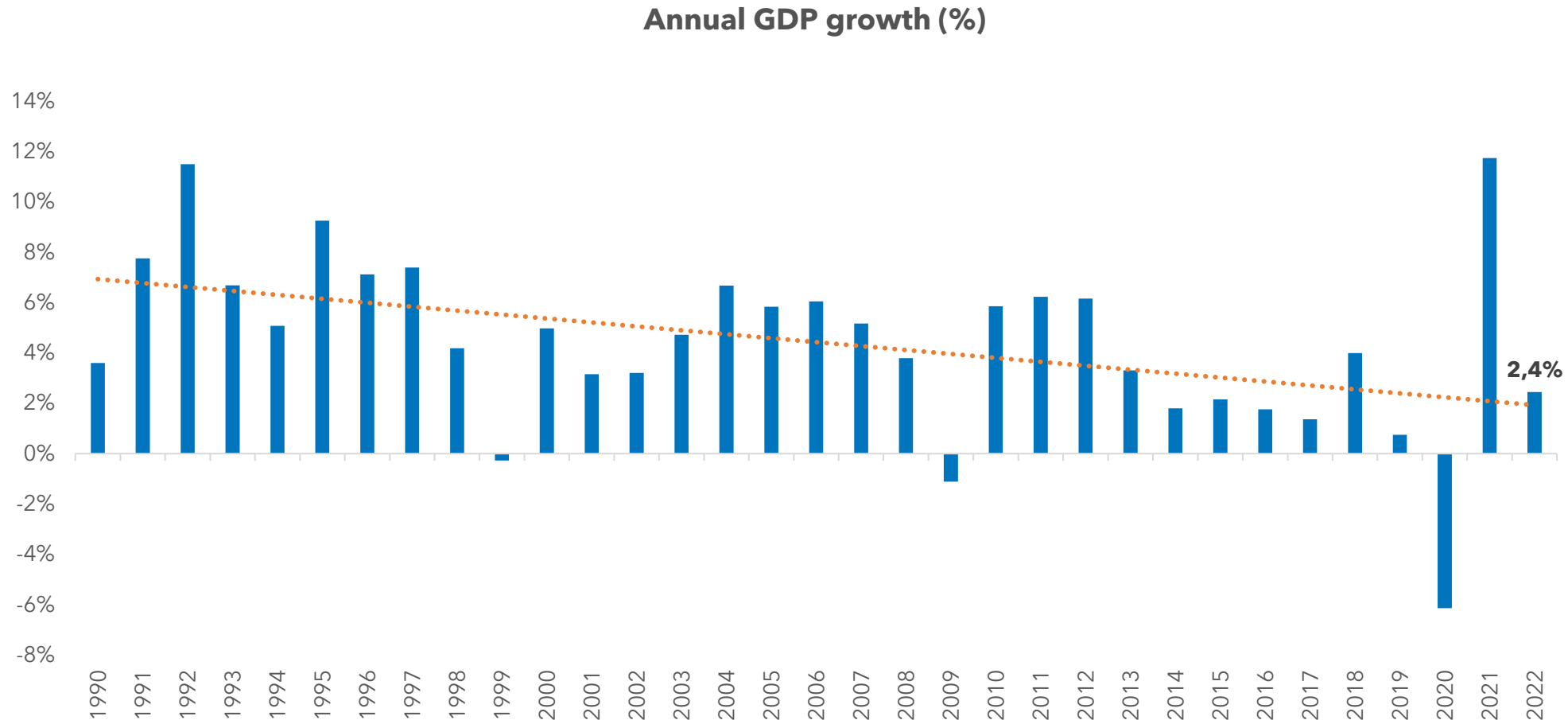
Global Forum on Productivity - OECD  
28 Septiembre 2023

# Agenda

- I. **Why is economic growth important?**
- II. Enabling Conditions for Economic Growth
- III. SOFOFA proposals
  1. Human Capital Improvements
  2. Initiatives focused on economic growth
- IV. Public – Private collaboration
- V. Conclusion

# I. Why is economic growth important?

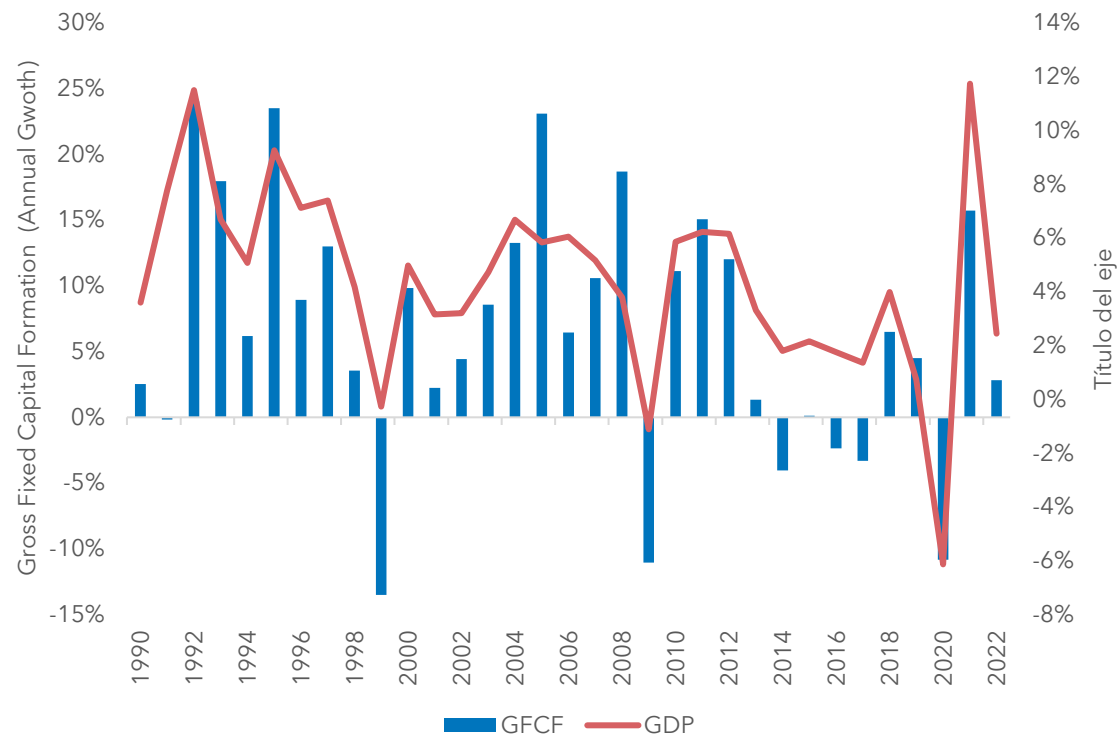
In the last decade, Chile has grown on average 2.4% annually, well below the annual average growth of 5.3% recorded in previous decades.



# I. Why is economic growth important?

The drop in the annual growth rate is mainly explained by the fall in investment and the stagnation of productivity.

Annual growth of investment and GDP (%)

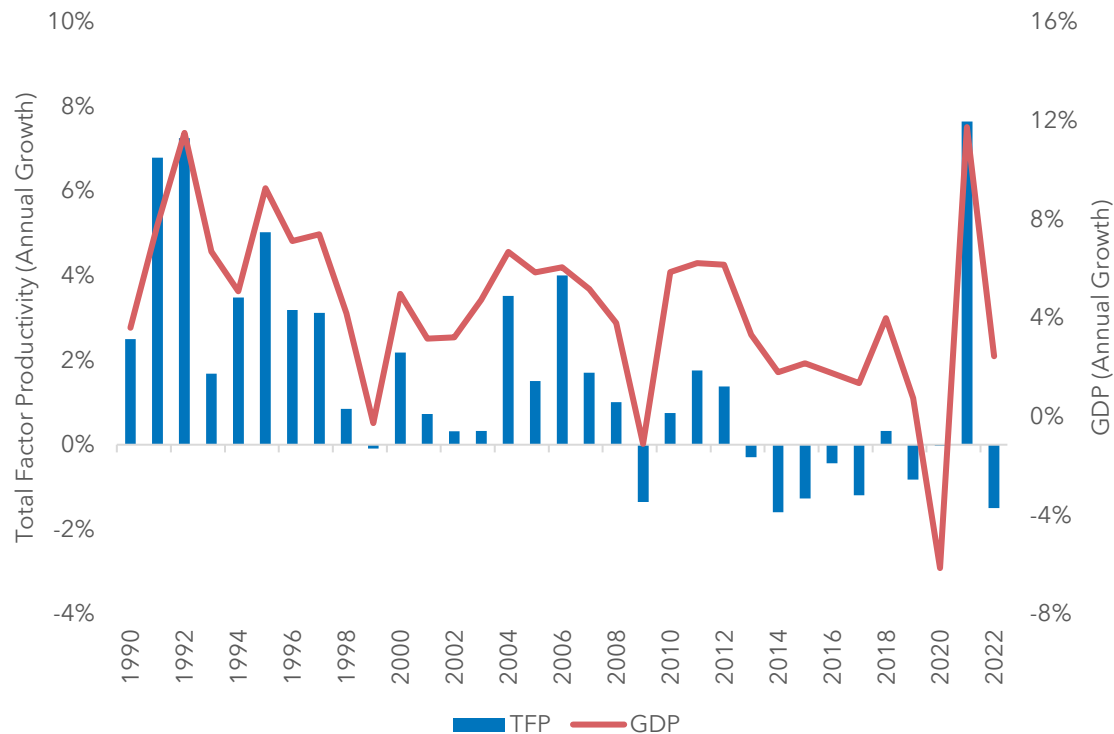


- Investment projects admitted to environmental evaluation fall to their lowest level in 26 years and the amount approved is the lowest since 2007.
- In 2009, projects took an average of 12.8 months to be processed; currently they take an average of 17.8 months.
- Increased bureaucracy, legal uncertainty, over-regulated sectors, higher costs and political instability.

# I. Why is economic growth important?

Over the last 20 years, productivity has grown by just over 1% on average per year.

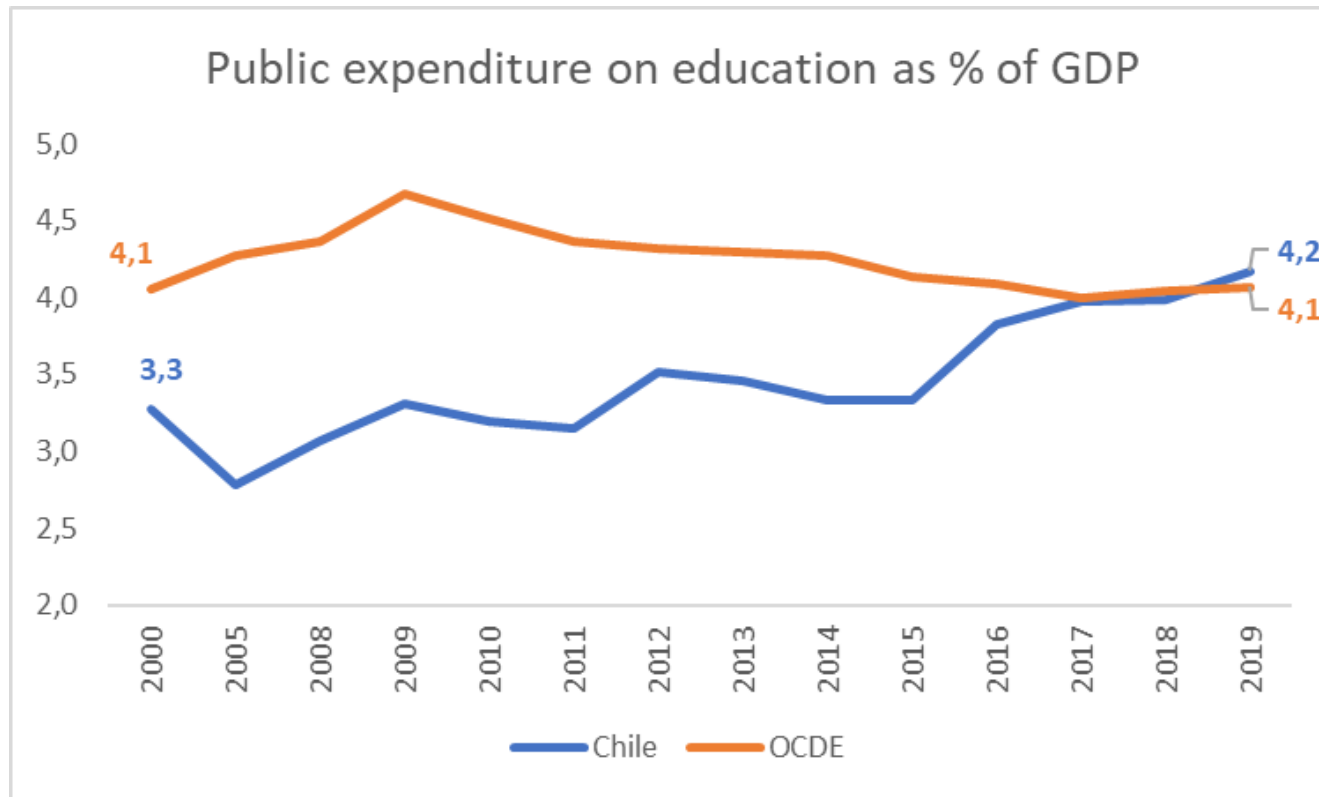
Annual growth of total factor productivity and GDP (%)



- During the 8 years prior to the 2014 tax reform, the real wage growth rate was 21.2%. During the 8 years after the reform, the real wage growth rate was 7.5%.
- Some regulatory initiatives affecting productivity nowadays are:
  - Minimum Wage
  - Reduction of the weekly working day to 40 hours

# I. Why is economic growth important?

## Education



Fuente: OCDE

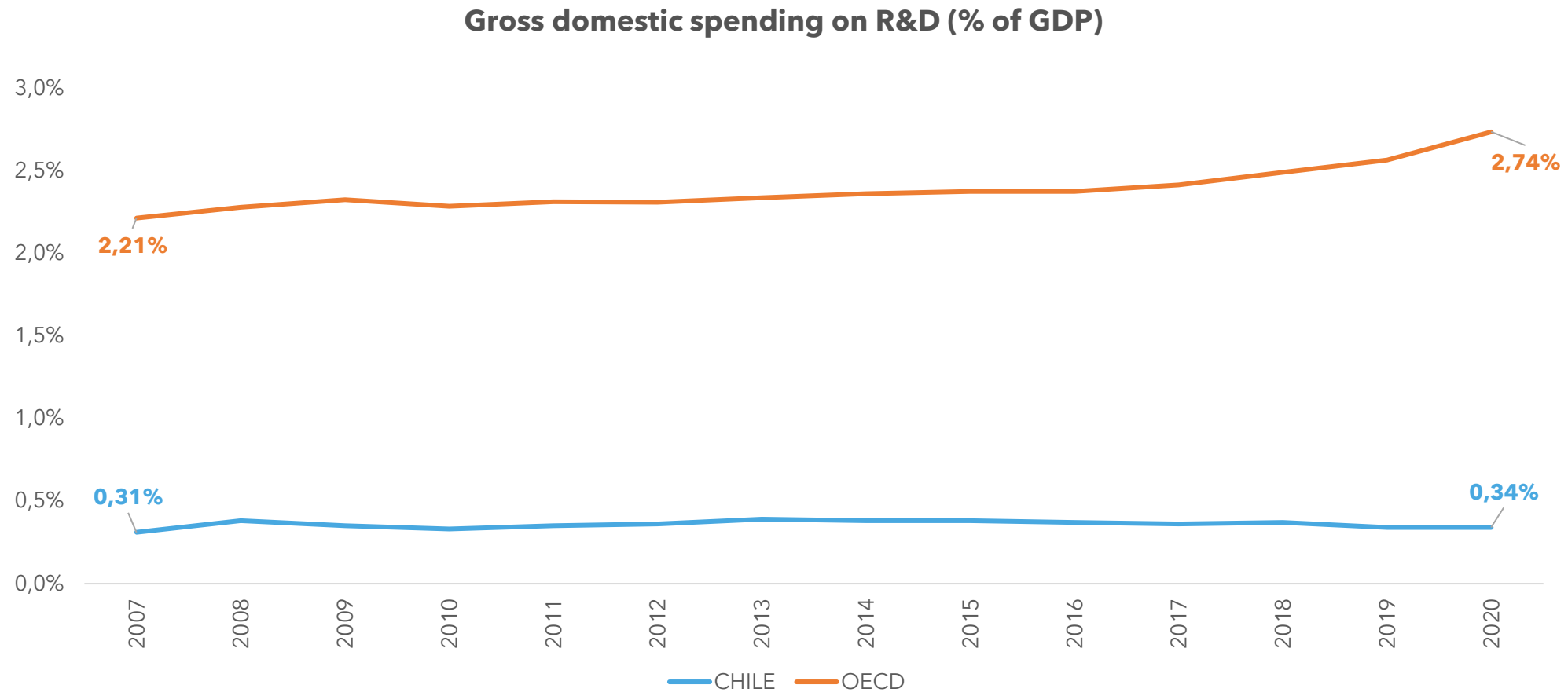
**The greater resources invested in education during the past years have not implied improvements in our country's educational results.**

In the PISA 2018 test in which 79 countries participated, Chile ranked below the OECD average in all three categories: Reading, Science and Mathematics Proficiency.

Similarly, the Ministry of Education recently published the results of SIMCE 2022, reflecting dramatic drops in reading and math skills.

# I. Why is economic growth important?

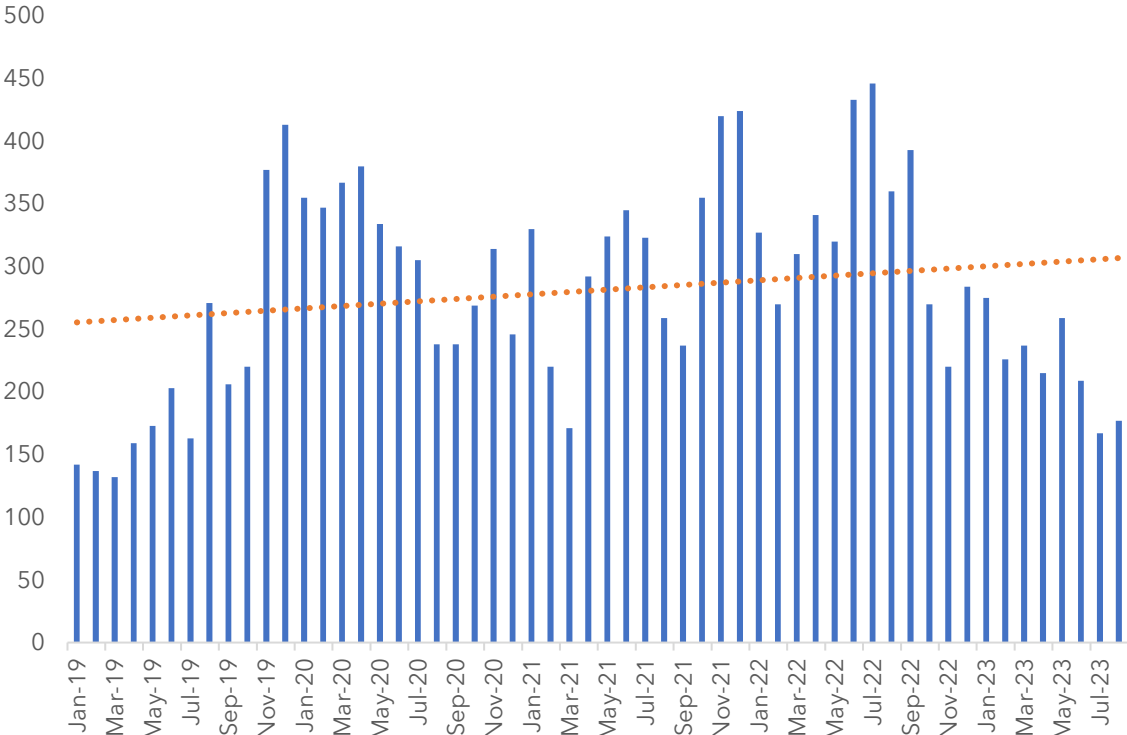
**In Chile, R&D spending as a percentage of GDP has remained constant around 0,4% and is among the countries with the lowest R&D spending in the OECD.**



# I. Why is economic growth important?

## Persistent economic uncertainty and business distrust with an upward trend.

**Economic Uncertainty Index**



**Monthly Business Confidence Index**



Source: Banco Central de Chile and Clapes UC



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## II. Enabling Conditions for Economic Growth

- In the last 10 years we have discussed at least five major tax reforms, we have embarked on a process for the drafting of a new Constitution, and we have carried out profound labor and environmental institutional reforms, as well as encountering major obstacles when it comes to processing an investment project.
- All this generates a stagnation in economic growth, investment, productivity and employment, which translates into a worse quality of life for citizens.
- **Fundamental enabling conditions are in place for the economy to return to growth and investments**



### Security

Providing security to citizens gives certainty to investors.



### Regulatory Certainty

Allows investors to evaluate their investment projects with certainty.



### Tax Competitiveness

Tax systems must provide incentives for savings, investment and business growth.



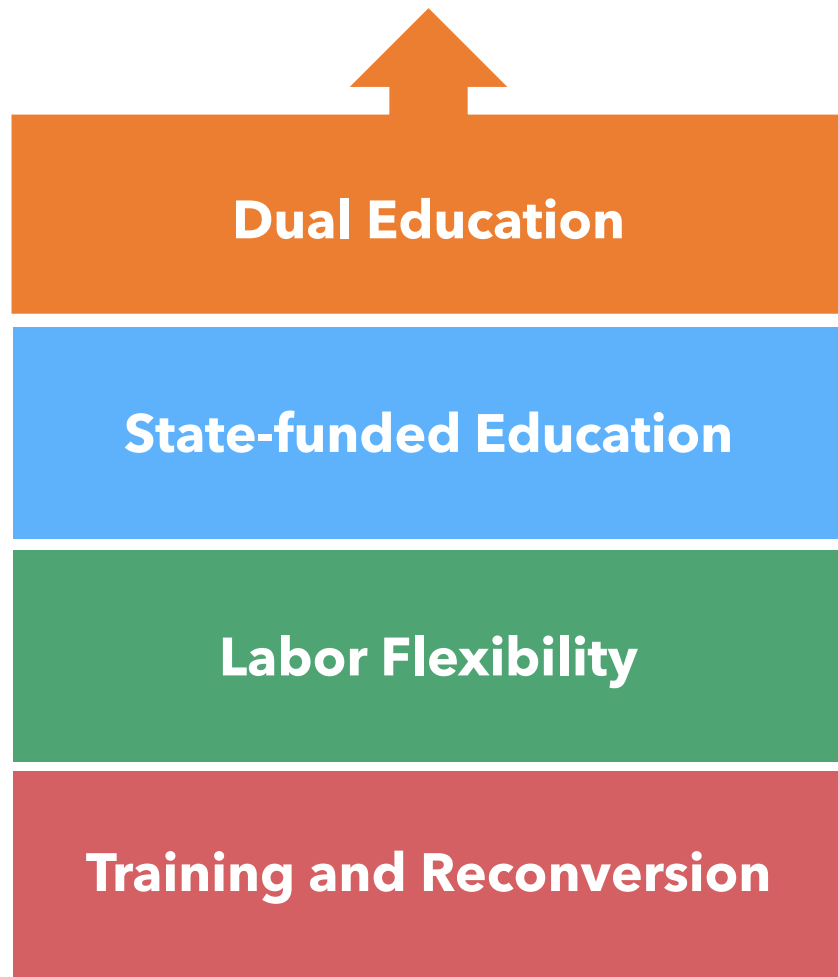
### Modern State

Improve the policy making as well as the delivery of good quality services and goods.

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#### Human Capital Improvements



**Initiatives focused on economic growth**

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Chile requires a joint effort between the private sector and the State to establish a **virtuous cooperation that will allow our country to grow and thus improve people's quality of life.**

In this sense, public-private collaboration is a fundamental basis for SOFOFA to achieve its objectives.

### How to achieve it?

- ✓ Freedom of Enterprise
- ✓ Mixed Provision
- ✓ Education
- ✓ Infrastructure
- ✓ Security
- ✓ Economic Growth
- ✓ Empowering new industries

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## V. Conclusion

**We find ourselves in a context of economic slowdown, low investment and stagnant productivity.**

**Therefore, what Chile currently needs are actions to recover the pace of growth, create enabling conditions for investment projects to develop in the country, generate quality jobs and advance in greater formality in all sectors, always bearing in mind that at the center of any discussion are the people, whose quality of life necessarily depends on the country's success in emerging from the challenging economic scenario in which it finds itself.**

**In addition to that we should push a mayor overhaul in our public education system, in order to increase the value of our human capital, allowing for more freedom in the educational offer and a larger involvement of the industry in the participation of the last part of the education, like in the dual education**



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