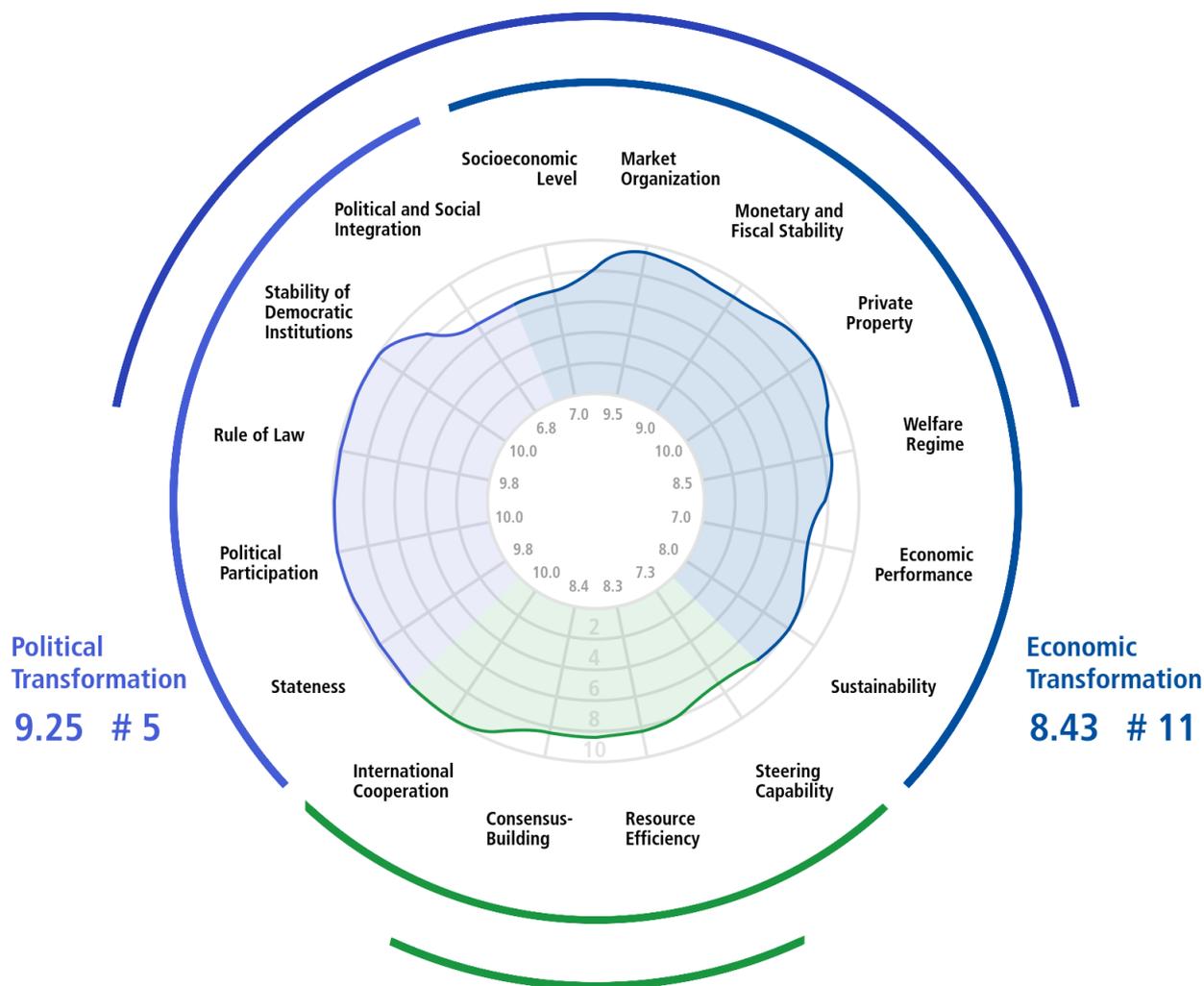


Chile

Status Index

8.84 # 8

on 1-10 scale out of 137



Political Transformation
9.25 # 5

Economic Transformation
8.43 # 11

Governance Index

7.07 # 6

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	19.8	HDI	0.878	GDP p.c., PPP \$	34637
Pop. growth ¹	% p.a.	0.5	HDI rank of 193	45	Gini Index	43.0
Life expectancy	years	81.2	UN Education Index	0.846	Poverty ³	% 0.9
Urban population	%	88.1	Gender inequality ²	0.102	Aid per capita	\$ -

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

Chile has an established democracy and faces no serious risk of an authoritarian reversal. However, for at least the last six years, it has experienced complex political and economic conditions. Over the last year of the review period, the Chilean economy weakened considerably. At the same time, the political system has deteriorated, hindering the decision-making process. The system of representation has shown signs of considerable decline for several years. This is reflected particularly in a) the weakening of the political-economic consensus due to the emergence of new forces advocating a major overhaul of the economic system; b) the growing fragmentation of the party system; and c) declining levels of trust in political institutions and parties. Within this context, the 2019 protest movement emerged, fueled by demands for improved material conditions. This in turn triggered a deep political crisis, which was accompanied by numerous episodes of violence, and was brought under control only through an agreement to enact a new constitution. Thus, although the pandemic helped calm the political climate (despite severely impacting the economy), the Sebastián Piñera government (2018 – 2022) ultimately found itself in a very weak position, which led it to initiate a process of constitutional revision.

The victory of former student activist Gabriel Boric in the 2021 presidential election further energized the reformist agenda. In September 2022, a national referendum was held on a draft constitution strongly backed by the government and left-leaning sectors. However, this resulted in a major defeat for the reformists: the “Reject” option won by a wide margin of 62% to 38%. Following this setback, a new agreement was reached in early 2023 to relaunch the constitutional reform process, with elections for a new Constitutional Council held in May 2023. This time, the process was dominated by a significant right-wing majority. Yet this second attempt also failed, as voters rejected the new draft in a December 2023 referendum, with 56% voting against and 44% in favor.

Hence, after two years of debate over constitutional reform, Chile has yet to resolve its political crisis, which therefore remains ongoing. Signs of political deterioration are evident, including high levels of fragmentation, growing political polarization and low public trust in institutions. In addition, immigration has emerged as a major concern, fueling intense political debate. Meanwhile, the economic situation shows little sign of improvement. Chile's economy saw a marginal 0.2% expansion in 2023, followed by a stronger rebound in 2024, with GDP growth rising to nearly 2.6% on the back of a revival in exports and domestic demand. Nonetheless, growth remains modest, with no clear prospects for a substantial recovery, even as public demands for social progress persist.

At its core, Chile's challenges are primarily political. Addressing these issues effectively will be essential to building consensus around the reforms needed to stimulate growth and respond to the electorate's expectations. The government has acknowledged the need to scale back its original agenda, and is focusing instead on more modest reforms. Still, stronger political will – across all sectors – will be necessary to achieve a more functional and cooperative political system. However, the deep fragmentation of the party system and the distance between political forces continue to hinder the possibility of reaching meaningful agreements.

History and Characteristics of Transformation

Chile's recent history has been shaped by the legacy of the Pinochet dictatorship (1973 – 1990). This regime was notorious for grave human rights violations and for the introduction of radical liberal economic reforms. In 1980, Pinochet enacted a constitution that became the foundation for his economic and political model. However, he did not remain in power after losing a 1988 plebiscite. In 1989, free presidential and parliamentary elections were held, leading to the victory of Patricio Aylwin, the candidate of the center-left coalition *Concertación*.

Between 1989 and 2005, the *Concertación* won every election. The Aylwin government (1990 – 1994) prevented a return to authoritarianism, achieved economic stability and reduced poverty rates. Subsequent *Concertación* governments, led by Christian Democrat Eduardo Frei (1994 – 2000) and the socialists Ricardo Lagos (2000 – 2006) and Michelle Bachelet (2006 – 2010), followed a similar agenda. They sought to combine market-driven economic growth, increases in political and economic openness, and greater social inclusion. During this time, Chile experienced rapid growth in income per capita, leading to significant poverty reduction and notable improvements in social indicators. Democracy was consolidated and deepened, culminating in a major constitutional reform in 2005 that eliminated provisions inconsistent with a fully democratic regime (that is, the autonomy of the armed forces). However, citizens also became increasingly disengaged from political parties, leading to a steady decline in electoral participation.

In 2009, the right regained the presidency through elections for the first time since 1958. The Sebastián Piñera government largely upheld the economic and social policies of its predecessors. Nevertheless, in 2011, university students led historic protests advocating a reduction in market-

driven elements in the education sector. In 2013, the New Majority coalition (comprising the Concertación and the Communist Party) won the presidential election and secured a majority in both houses of Congress. Led by Bachelet, the government promised electoral reform, tax reform, educational reform and a new constitution, although it ultimately did not deliver the latter. As economic growth slowed due to declining copper prices and waning business confidence, Bachelet's administration faced declining popularity. Simultaneously, the political landscape changed as left-leaning parties emerged with more radical stances. In this context, center-left parties lost electoral support and institutional strength. The party system also entered a period of increasing fragmentation. One factor that facilitated this process was the 2015 electoral reform, which replaced the so-called binomial system with a more permissive proportional electoral rule. Public trust in political institutions continued to erode during this time.

In 2018, Piñera began his second term as president, vowing to revive economic growth. However, his administration struggled to fulfill its promises. Chile saw widespread protests by late 2019, prompting an agreement to form a Constitutional Convention to draft a new constitution. The convention, dominated by left-wing members, convened in mid-2021 and focused on major reforms. Boric, who was elected president later that year, supported these changes but lacked parliamentary control. The convention's draft was ultimately rejected in 2022. A subsequent attempt to draft a constitution also failed in a referendum.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

1 | Stateness

The Chilean state holds an undeniable monopoly on the use of force, and its authority to enforce laws is unquestioned. As noted in the 2024 BTI report, a partial exception exists in the Macro Zona Sur in the south, specifically in the Araucanía region. Mapuche groups there dispute the state’s authority over the territory, demanding land redistribution and greater autonomy. In response, the Piñera government declared a state of emergency in 2021, a measure that remained in effect as of January 2025. Another exception is the so-called occupied zones – low-income areas in major cities like Santiago, Valparaíso and Antofagasta, where criminal gangs operate and exert control.

In 2021 and 2022, the Macro Zona Sur recorded the highest numbers of violent incidents – including attacks on trucks, intentional fires, wood theft and similar incidents – respectively with 471 and 415 such occurrences. Nevertheless, official reports indicate that in 2023 and 2024 the number of attacks declined significantly by about 45% each year, making 2024 the year with the fewest attacks since 2019. Despite this decline, violence has not disappeared altogether; for instance, a 2024 attack killed three police officers. For this reason, the government has retained the emergency measures.

Various reports indicate that the presence of drug gangs in Chile, including international groupings, continues to grow, as has the volume of drugs trafficked in the country. For instance, in the first half of 2024, more drugs were seized than in all of 2023. According to CIPER, an investigative journalism outlet, the number of “occupied zones” in the Santiago Metropolitan Region rose from 80 in 2008 to 174 in 2021. In these areas, organized crime acts as a “parallel government” that silences those who complain, offers benefits to those who comply and ultimately buys the silence of those in charge.

Question
Score

Monopoly on the
use of force

9



1

The question of citizenship is not a major political issue in Chile, as all citizens have equal rights and no group disputes its membership in the nation-state.

During the 2022 constitutional debate, the concept of Chile as a plurinational state was controversial, though proponents argued it would not divide the country. After the draft's rejection, the idea lost traction. The 2023 constitution-making process (which also ended in failure) explicitly affirmed Chile as “one and indivisible,” ruling out plurinationality.

Public support for plurinationality is also limited. By late 2022, 85% of Chileans supported the recognition of Indigenous peoples, but within a unified Chilean nation.

Chile is a secular state, and has been defined this way since the 1925 constitution. Both the constitution and the laws guarantee religious freedom and ensure the neutrality of state power in religious matters.

The lack of substantial debate on this issue during both recent constitutional reform processes (2022 – 2023) confirms that freedom of religion is not a controversial political matter. Two additional observations are noteworthy. First, public opinion studies indicate that Chileans are becoming less religious. For instance, a 2007 poll showed that 84% of the population identified as Catholic or Evangelical, while 12% reported having no religion. By 2024, 37% reported having no religion, while only 42% identified as Catholic. The share of Evangelicals remained at about 16%. Second, consistent with this trend, the Catholic Church's influence in public affairs continues to decline because of a loss of public support and trust, and it has not been relevant to political issues in recent years.

Chile has a well-developed administrative structure that facilitates relatively efficient policy implementation. V-DEM's Stateness Index ranks it at 39th place among 174 countries (0.79/1), third in Latin America and ahead of Italy and Hungary.

A 2006 law strengthened the civil service by promoting merit-based hiring for top officials. In 2024, the Inter-American Development Bank rated Chile's public procurement system as the best in Latin America, with a score of 73/100, up from 66 in 2014. However, the civil service still allows for politically motivated hiring and dismissals.

Basic services, including drinking water, sanitation and electricity, are generally available except in remote areas and drought-stricken regions. Education is guaranteed and mandatory at all levels until age 18. Public health care covers nearly 80% of the population and ranks as the second-most-efficient such system in Latin America (ICRS), although treatment delays remain a significant issue. The private ISAPRES system, which serves the remaining 20% of the population, faced a crisis in 2023, prompting emergency legislation to avert its collapse.

State identity

10



1

No interference of religious dogmas

10



1

Basic administration

10



1

Chile's judicial system operates nationwide and is accessible to all citizens. Tax collection is reasonably effective, with the volume of evasion estimated to amount to 4.5% of GDP. A 2024 tax compliance law aims to raise revenue by 1.5% of GDP without increasing tax rates.

2 | Political Participation

Elections are held regularly, and democratic rights are fully guaranteed throughout the electoral process. No political actor supporting democratic values and rules is excluded from competition. Electoral competition in Chile is free and fair, and no significant actor has questioned the fairness of its electoral processes. Elections are organized by an autonomous state office, the Electoral Service (SERVEL).

The strength of Chile's electoral institutions was reaffirmed during the 2020 – 2024 period, during which the country held 10 elections and referendums. All occurred normally. No significant complaints were made about the integrity of the electoral processes. There were no major grievances about the results, which all competitors consistently accepted.

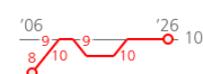
Chile's voter registration is transparent and inclusive. Citizens are automatically registered to vote upon reaching the legal voting age, which promotes broad electoral participation. In addition, voters are assigned to polling places near their registered addresses, and free public transportation is provided on Election Day. The vote-counting process is highly transparent and carried out by appointed citizens at polling places immediately after voting closes, with representatives from various political parties present to oversee the procedure. Furthermore, media access during electoral campaigns is regulated to ensure opportunities for all candidates.

The effective power to govern rests fully with democratically elected representatives. There are no veto actors challenging the authority of elected officials. Since 1990, constitutional reforms have removed all provisions in the original text of the 1980 constitution that allowed military influence over political matters. Similarly, no pressure groups, such as entrepreneurs, can be described as “veto powers.” This is evident in many key decisions in recent years that have gone against business interests, as seen in the constitution-making process. Finally, the Catholic Church, once very powerful, now exerts no significant political influence.

From another perspective, supermajority quorums originally established by the constitution have been eliminated or reduced, curtailing the “blackmail power” of political minorities. In September 2022, a constitutional reform (Law 21841) was passed, stipulating that all constitutional changes now require the support of at least 4/7 of the parliamentarians in both chambers (previously 3/5 or 2/3, depending on the chapter to be modified). In January 2023, supermajority quorums for so-called organic laws, previously set at 4/7, were eliminated.

Free and fair elections

10



1

Effective power to govern

10



1

The freedoms of association and assembly are fully guaranteed by the constitution. There are no de facto restrictions on exercising these rights, although some regulations – such as those governing the organization of street demonstrations – require prior permission from the appropriate authority. This aligns with international standards. For instance, the 2024 Freedom House rankings assign Chile the highest possible score for the freedom of association (based on three related questions). However, an exception exists: the constitution bars leaders of civil society organizations from holding leadership positions in political parties.

Regarding the authorities' behavior, the police faced severe criticism for their actions during the large-scale protests in 2019 and 2020 and have been accused of numerous human rights violations. Legal proceedings were initiated in subsequent years to hold those responsible accountable. According to Amnesty International, by October 2024 only 44 (1%) of the total cases initiated had resulted in convictions, while 252 cases led to indictments. The remaining 95% of proceedings showed no further progress.

Chile constitutionally guarantees and upholds press freedom and the freedom of opinion. Journalists operate without restrictions, and media outlets freely cover sensitive issues. The transparency law further ensures that the public can access information on government activities. According to Freedom House's 2024 report, Chile has the region's highest score in the category of press freedom.

Although journalists faced police repression during the 2019 – 2020 protests, conditions for the press subsequently improved significantly. Reporters Without Borders ranked Chile at 52nd place globally in 2024 in their World Press Freedom Index, up from 82nd in 2022. The media serve as a strong watchdog, having uncovered corruption scandals involving the army, police, municipalities and the Boric administration (in the so-called Foundations Case, which involved the alleged misuse of public funds). Courts uphold this role, and public trust remains high.

Critics highlight the concentration of print media ownership in two business groups closely tied to economic and political elites. In contrast, television and radio are more diverse, featuring both foreign-owned and public channels. Online media, which offer a broader array of perspectives, are gaining popularity. According to Reuters in 2024, digital sources are now favored over traditional media, ensuring extensive access to varied information.

Association / assembly rights

10



1

Freedom of expression

10



1

3 | Rule of Law

The constitution guarantees separation of powers, with the different branches of government operating independently and serving as checks on one another. Chile's system is centered on a powerful president with broad administrative, legislative and emergency powers. At the same time, Congress retains oversight authority and shares legislative power, so both branches must consent to pass laws. Since 1990, no president has consistently maintained a congressional majority, making executive-legislative negotiations a defining characteristic of governance. This dynamic has reinforced Congress' role, and neither of the recent constitutional drafts has sought significant changes to this balance.

Judicial independence, strengthened in the early 2000s, enables courts to operate free of political interference, although conflicts with authorities sometimes arise. The Comptroller General's Office serves as an independent check on the executive, ensuring adherence to the law.

The Constitutional Court (TC) is another important oversight body, although its powers have been the subject of considerable debate. Critics argue that its ex ante control over legislation restricts democratic autonomy and that the appointment rules allow underqualified members to be appointed. Both recent constitutional revision proposals aimed to implement judicial reforms – in the 2022 draft, by eliminating ex ante review – but as both proposals were rejected, no changes in Constitutional Court processes were implemented. Discussion surrounding the body's role has decreased notably since 2024.

The Chilean judiciary is independent and performs its functions effectively. It is largely free from interference by other institutions or private individuals. Overall, there have been no major conflicts between branches since 1990, because all parties fully respect the roles and responsibilities held by the others.

Judicial power is institutionally differentiated, and mechanisms exist to review legislative and executive acts. Although cases of corruption within the judiciary have repeatedly come to light, corruption is not structurally ingrained in the system. However, citizens perceive corruption in the judiciary to be a substantial concern, with such feelings growing in 2023 – 2024 due to the emergence of several significant cases (i.e., the so-called audios case). This case had a strong impact on the judiciary, generating severe criticism of four Supreme Court members due to their potential connections to corrupt acts. Ultimately, the Senate removed two of the justices from their positions, and the Supreme Court dismissed one.

In this regard, certain issues have emerged as topics of public debate in recent years. One such issue is the system of appointing judges, which many believe has become highly politicized because of the involvement of other branches of government. For example, the judiciary, the president and the Senate all play a role in selecting members of the Supreme Court.

Separation of powers

10



1

Independent judiciary

9



1

This was a topic of intense debate during the two constitution-making processes. Consequently, the 2022 draft included a new appointment system that would have established a Council of Justice to appoint judges. In this council, representatives from Congress would have been in the minority, and the executive branch would have had no influence over it. Similarly, the 2023 project envisioned a special body tasked with nominating judges, itself composed primarily of judges. Although the constituent constitutional reform processes were ultimately unsuccessful, events in 2024 reinvigorated discussion of modifying the Supreme Court's structure.

Abuse of office is generally prosecuted under criminal law. In recent years, numerous proceedings have been initiated in such cases. The army and the national police (Carabineros) were involved in the most significant cases. In early 2023, several officers, including high-ranking officers, received penalties such as imprisonment. In 2024, two former heads of the national police were indicted for crimes committed during the 2019 protest movement. The trials are still ongoing.

Relevant corruption cases have also emerged involving both the central government and municipal authorities. The so-called Foundations Case stands out because it involved a scheme to defraud the state by transferring state resources to private organizations linked to politicians close to Boric's government. Likewise, there are multiple cases of municipal-level corruption involving mayors from different parties, some of whom are in or have been placed under preventive detention. Moreover, in 2024, proceedings were brought against various national-level lawmakers. By the beginning of 2025, two deputies had been removed from office, and another 12 were under investigation.

However, the most significant case in 2024 was the indictment of the undersecretary of the minister of the interior on charges of rape. This led to his immediate dismissal, and he has been in prison since October 2024. The proceedings are ongoing.

Civil rights are constitutionally guaranteed and upheld by state institutions, and citizens have legal mechanisms enabling them to seek redress for violations. Until 2019, human rights abuses were rare, and international NGOs and the National Institute of Human Rights (INDH) consistently reported low levels of violations except for isolated cases of unlawful coercion of detainees. Most concerns centered on advancing rights for specific groups, such as Indigenous peoples.

This changed during the 2019 social unrest, when the number of human rights violations surged. The INDH filed thousands of complaints against state officials, but by late 2024, Amnesty International reported that the vast majority of cases had made little progress, with only a small number resulting in prosecutions or convictions.

To support victims, a reparations policy was introduced, granting 418 people a "charity pension" averaging \$480 a month. It costs the state \$2.8 million a year. However, in 2024, benefits were revoked for 27 recipients found to have criminal records.

Prosecution of office abuse

10



1

Civil rights

10



1

As of 2024, the human rights situation has stabilized. The INDH's latest report shifts focus from past violations to highlight concerns about the country's growing insecurity.

4 | Stability of Democratic Institutions

Chile's democratic institutions have remained stable and well-functioning since the return to democracy in 1990. Since then, successive reforms have significantly strengthened these institutions by eliminating all remaining constitutional or legal provisions that conflicted with a functioning democracy, particularly those related to the role of the military. Further reforms were introduced to promote decentralization at the regional level, especially through the popular election of regional governors. However, this reform has been criticized for failing to produce effective decentralization, as the executive retains substantial power at the regional level.

The institutional system has demonstrated resilience in recent years despite significant stress. On the one hand, it managed the 2019 crisis effectively by initiating a constitutional reform process, which proceeded without major issues. When this approach faltered, the political system quickly devised another (which also failed but unfolded smoothly). On the other hand, even after these setbacks, the system regained maturity as it returned to normal functioning under the original constitution's rules. In this regard, the recent Chilean political process reaffirms that, despite difficulties and tensions, Chilean democratic institutions have continued to operate within the established legal and democratic framework. However, observers have noted some misuse of constitutional accusations by Congress to target political opponents.

In this context, it is worth noting that actors adhere to the rules of the game even when outcomes are unfavorable to their interests, as evidenced by the behavior of the main actors following both constitutional referendums. However, as argued in different sections of this report, this adherence does not imply that the decision-making process functions well, but rather that democratic values are upheld.

In Chile, all significant political and social actors, including the military, support democracy as the best form of government. Consequently, they respect democratic procedures and abide by the authorities' decisions. No relevant party advocates replacing democracy with another form of government.

This commitment has been reaffirmed recently, providing a significant test of various actors' dedication to democratic rules and institutions. Since 2022, two constitutional referendums and several other electoral events have been held. In every instance, the main groups involved accepted the results without complaint, even when they lost. The electoral authority, SERVEL, has not issued any report making substantial claims about the organization and results of the electoral processes.

Performance of democratic institutions



1

Commitment to democratic institutions



1

5 | Political and Social Integration

From 1990 to the mid-2010s, Chile's party system was stable. It featured five to six relevant parties, low levels of electoral volatility and competition structured around two disciplined coalitions. Parties effectively coordinated their legislators both nationally and locally.

However, over the past 12 years, the system has shown signs of deinstitutionalization. First, electoral volatility has increased, weakening traditional parties while strengthening new forces such as the Frente Amplio (left) and the Republican Party (right). Second, fragmentation has surged: In 2006, seven parties held seats in the Chamber of Deputies (with five controlling 90% of the seats between them); by 2024, 23 parties were represented, and the top five held only 53% of the seats. In 2021, no party secured more than 20% of the vote, a trend confirmed in the 2024 local elections. Third, internal party coordination has weakened, making legislative action more complicated. Since 2017, 50 parliamentarians have resigned from their parties, up from a total of 30 who did so between 1990 and 2016.

Fourth, while there are no formal measures of polarization, the growing ideological divide is complicating efforts to reach legislative consensus. Although Congress continues to pass laws (90 in 2024, 95 in 2023), reaching agreements on major reforms such as tax policy has been challenging.

To address fragmentation, the 2023 constitutional draft proposed a 4% electoral threshold. In 2024, new proposals emerged, including penalties for parliamentarians who leave their parties after an election. The debate on the issue persists.

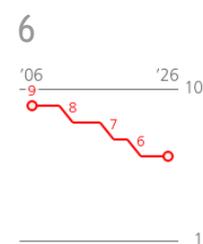
Chile has a diverse range of civil society organizations, including business associations, professional groups, NGOs, labor unions and religious communities. There were an estimated 423,352 organizations in 2023, with 82.2% classified as non-profits, 3.3% as labor unions, 7.3% as sports associations and 3.7% as education groups.

Interest groups (IGs) influence public debates through the media, protests and social media campaigns, as well as through formal and informal lobbying targeting the executive, Congress and the Constitutional Tribunal. While lobbying is regulated, transparency is limited because lobbyists are not required to register.

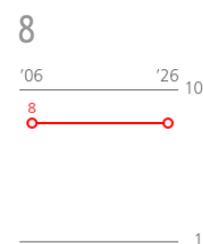
A study analyzing 2,469 legislative bills (1990 – 2020) found that IG participation averaged 4.6 groups per bill over the period as a whole, rising from 3.9 in the earlier years (1990 – 2010) to 7.3 in the later (2011 – 2019). Of the 4,658 groups recorded, 33% represented business interests and 26% were citizen organizations.

While specific measures of IG influence are lacking, there is a consensus that business groups have historically been the most powerful, especially with regard to economic policy. However, their influence declined after October 2019, while citizen groups gained prominence. Analysts also agree that labor unions' role and influence

Party system



Interest groups



are constrained, given their limited representational capacity (the unionization rate is 19%). Because studies are limited, assessing the exact power of each group remains difficult.

Chile's public exhibits relatively high levels of support for democratic principles and processes, but this is accompanied by mixed-to-low levels of satisfaction with how democracy functions and low levels of trust in many democratic institutions. Experts have labeled Chileans "dissatisfied democrats." These trends have persisted over the past two years.

In the survey published by Latinobarómetro in December 2024, 61% of the population said they believed democracy was the best form of government, nine percentage points higher than the average for Latin America (though still lower than countries like Uruguay or Argentina). However, the share of respondents indicating satisfaction with democracy was considerably lower, at 39%, although this was an improvement over the previous measurement of 28%. Other national surveys report even lower figures, such as a share of 30%.

The trend in support for authoritarian solutions (highlighted in BTI 2024) continued. On the one hand, 17% of respondents (compared to 11% in 2019 and 19% in 2022) said an authoritarian regime could at times be preferable to democracy. On the other hand, 27% of respondents said they were indifferent to the character of the political regime, meaning that for them it made "no difference" whether there was a democratic or an authoritarian government (up from 25% in 2022). However, to date we have not observed the emergence of significant actors or parties that openly advocate replacing democracy, nor have such groups received notable support in elections.

Levels of trust in institutions remain alarmingly low. For example, according to the CEP 2024 poll, the share of respondents affirming their trust in parties or Congress was in each case below 10%, while the respective shares indicating trust in the government or courts were about 15% to 20%. The share of respondents that said they trusted social organizations such as labor unions and churches varied between 20% and 25%. Only the police and universities maintained relatively high levels of public trust, with shares of about 50%.

As previous reports indicate, Chile shows low levels of interpersonal trust. In a 2024 poll by the University of Los Andes, only 12% said they trusted others, while 83% said they did not (these figures are slightly higher than the 9% and 90% reported by the 2022 CEP poll). Similar findings appear in the 2024 Latinobarómetro report, which stated that only 15% of Chileans said they believed they could trust others. This level, though low, is not significantly different from levels in other Latin American countries, where only four have rates above 20% (none exceeding 30%).

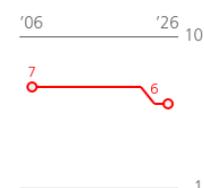
Approval of democracy

7



Social capital

6



Still, the organizational landscape of Chilean civil society is diverse, with numerous organizations addressing a wide range of issues. Particularly notable are organizations that support immigrants, low-income populations and individuals with a range of diseases. Although the latest available data indicates that people generally prefer not to participate in collective action groups (about 18% report participating), the data on engagement in voluntary solidarity activities appears slightly more positive. According to the 2024 National Survey of Volunteering and Solidarity, 26% reported engaging in such activities during that year. This was the highest level since 2021, though it remains below the 2019 figure of 32%.

II. Economic Transformation

6 | Level of Socioeconomic Development

As indicated in previous BTI reports, Chile has made significant progress in combating poverty and exclusion over the past few decades. In the 2024 UNDP Human Development Index, Chile was ranked first in Latin America with a score of 0.860 (on a scale from 0 to 1). The marked decline in the poverty rate has been particularly noteworthy. The World Bank reports that the poverty rate, defined as the share of people living on less than \$6.85 a day (2017 PPP), fell from 29.9% in 2006 to 5% in 2024. National measurements (CASEN) show that poverty reached a historic low in 2022 at 6.5%, down from 10.7% in 2020; of this figure, about 4.5% corresponds to non-extreme poverty and about 2.0% to extreme poverty. Poverty rates are higher in rural areas (9.9%) than in urban areas (6.1%).

From another perspective, Chile has made significant progress in the area of gender equality. According to the United Nations Development Programme's (UNDP) Gender Inequality Index, Chile was ranked as the least gender-unequal country in Latin America and 47th in the world in 2022, with a score of 0.190, compared with 0.512 in 1991.

However, Chile still faces significant structural problems that fuel intense political debate. One major issue is inequality. Although the Gini coefficient has decreased notably since 1990 (when it was 57.2), it remains high, at 43.0 in 2024 (44.9 in 2020). Another crucial issue is housing, with a deficit of 554,000 households. This problem has intensified in recent years because of rapid population growth driven by immigration. In 2024, close to 10% of the population was foreign-born, compared with 1.2% in 2000.

Question
Score

Socioeconomic
barriers

7



Economic indicators		2021	2022	2023	2024
GDP	\$ M	315325.5	301226.6	335518.1	330267.1
GDP growth	%	11.3	2.2	0.5	2.6
Inflation (CPI)	%	4.5	11.6	7.6	4.3
Unemployment	%	9.3	8.2	9.0	9.1
Foreign direct investment	% of GDP	4.8	6.2	5.5	3.8
Export growth	%	-1.5	0.8	0.1	6.6
Import growth	%	31.9	1.3	-10.9	2.5
Current account balance	\$ M	-22962.3	-26656.5	-10497.1	-4852.7
Public debt	% of GDP	36.4	37.9	39.4	41.7
External debt	\$ M	-	-	-	-
Total debt service	\$ M	-	-	-	-
Net lending/borrowing	% of GDP	-7.7	1.1	-2.4	-
Tax revenue	% of GDP	19.7	21.3	17.7	-
Government consumption	% of GDP	14.7	14.7	15.3	15.1
Public education spending	% of GDP	5.0	4.9	-	-
Public health spending	% of GDP	5.2	5.1	5.1	-
R&D expenditure	% of GDP	0.4	-	-	-
Military expenditure	% of GDP	1.6	1.5	1.6	-

Sources (as of December 2025): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

7 | Organization of the Market and Competition

Chile's economic system has strong institutional foundations, with policies providing a neutral regulatory framework that promotes market competition. Oversight has historically been weak in certain areas, resulting in market concentration and price collusion scandals in sectors such as poultry, pharmaceuticals, gambling and tissue paper. During 2020 – 2024, fines imposed for collusion totaled \$120 million. The scope of administered pricing is minimal, with such practices typically restricted to cushioning mechanisms such as fuel price stabilization.

Market organization

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Markets are open and competitive, with minimal barriers to investment, and capital and labor are highly mobile. The informal economy's share of all employment declined from 39% in 1998 to 27% in 2024 (26.5% in 2021), with a higher informality rate among women (28.6%) than men (25.8%). Chile has the second-lowest informality rate in Latin America, after Uruguay (26.8%).

Starting a business is relatively easy, with minimal red tape involved. However, regulatory hurdles – known as *permisología* – have sparked significant debate. Bureaucratic delays in obtaining sector-specific permits are estimated to cost 0.27% of GDP annually. Since January 2024, Congress has been discussing a framework law for sectoral authorizations to streamline approval processes and accelerate investments.

Despite its exposure to international competition, Chile's small national market leads to market concentration in sectors such as air transport, food, gambling and pharmaceuticals. Anti-competitive practices in industries such as tissue paper and poultry have resulted in fines totaling \$230 million, sparking criticism and leading to increased support for stricter regulations. However, no significant legal changes have been implemented in the past two years.

Nonetheless, anti-monopoly legislation has strengthened over the past two decades. The Tribunal for the Defense of Free Competition (TDLC), established in 2003, oversees competition, while the National Economic Prosecutor's Office (FNE) investigates and prosecutes infringements of competition law. Legislative reforms have enhanced enforcement, including a 2009 leniency system for cartel whistleblowers and a 2016 law criminalizing collusion, increasing fines and introducing preventive merger control. A 2024 report found that the TDLC upheld all 20 legal actions filed by the FNE since 2011, with Supreme Court rulings only modifying, not overturning, decisions.

The FNE has a strong reputation. In the Global Competition Review 2024, it scored 3.5 – its highest rating – though it still lags behind comparable bodies in advanced economies such as Germany, the United Kingdom, Australia and South Korea.

Chile is one of the world's most open countries with regard to trade. Foreign trade is largely liberalized, with uniform, low tariffs and few non-tariff barriers. This liberalization has expanded and strengthened under the democratic governments established after 1990. The state does not intervene in free trade but promotes national exports through a network of institutions linked to the economy. Free trade has been fostered by more than 70 international and bilateral agreements with the countries of the United States-Mexico-Canada Agreement (USMCA), China, the European Union, and various Latin American and Asia-Pacific nations. These agreements encompass more than 50 trade partners, accounting for nearly 95% of Chile's total trade. Consequently, Chile's effective average tariff was only 0.78% in 2024, while the simple average of most-favored nation applied total tariffs was 6% in 2023.

Competition policy

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Liberalization of foreign trade

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In the past two years, several additional steps have been taken. The most significant was approval of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP-11). It took effect in January 2023. Similarly, in December 2023, after five years of negotiations, Chile and the European Union signed the Advanced Framework Agreement (AMA). In addition to establishing new pro-investment rules (e.g., enhancing the dispute resolution system), it aims to set 96% of Chile's tariff lines and 66% of the European Union's at zero within seven years. The European Union and the Chilean parliament have ratified the agreement, but it still requires approval from all 27 EU member states. Meanwhile, the Interim Agreement on Trade was signed, focusing solely on commercial issues. It took effect in January 2025 and will remain in force until the AMA is enacted.

In July 2024, Chile and European Free Trade Association (EFTA) agreed to modernize their free trade agreement, originally signed in 2003. That same year, Chile imposed temporary safeguard tariffs on Chinese steel imports to protect domestic steel production, particularly the Huachipato steel plant, which was once state-owned. Despite these measures, the plant still closed, highlighting the challenges of balancing trade liberalization with domestic industrial sustainability.

Since the banking crisis in the early 1980s, Chilean governments have established strong institutional foundations supporting a robust banking system. These foundations align with international standards and feature effective banking supervision, minimum equity capital requirements and advanced disclosure regulations. A significant law enacted in October 2018 enhanced governance of the banking sector by consolidating the banking, insurance and securities regulators into a single agency, the Committee for Financial Markets (CMF). This merger aims to provide integrated supervision of the entire financial system under the authority of a collaborative decision-making body. The law also incorporated the Basel III requirements into national legislation, establishing a gradual six-year transition period. Full implementation of the new rules occurred in May 2024. The ratio of bank capital to assets was 7.3% in 2022, indicating a strong level of capitalization. Furthermore, the non-performing loan (NPL) ratio stood at 1.7% in 2022, reflecting a relatively low level of credit risk within the system.

Two additional regulatory changes are worth highlighting. First, in 2020, a financial portability law took effect, facilitating the transfer of financial products between financial institutions. It aims to reduce costs and processing times while enhancing market competition. Second, a fintech and open banking law took effect in February 2023. Its objectives are twofold: to promote the delivery of financial services through technology means and to regulate activities such as crowdfunding platforms. Additionally, it governs the exchange of customer financial information among financial service providers. No significant regulatory changes were introduced in 2023 – 2024.

Banking system

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According to a 2024 central bank report, the Chilean banking system has adequate provisions and capital to address possible imbalances. The profitability of the banking sector remains consistent with historical averages.

8 | Monetary and fiscal stability

Maintaining low and stable inflation is a cornerstone of Chile's economic model and the primary objective of the Central Bank of Chile (BCCh). The BCCh is overseen by a five-member council whose members are appointed by the president, with Senate approval, for 10-year terms. Although the finance minister may attend meetings, the central bank's autonomy enjoys broad political support, and neither constitutional draft proposed significant changes to its status.

Since 1999, Chile has maintained a floating exchange rate regime, in which the market determines the exchange rate according to the supply and demand for foreign currency. However, in exceptional situations, the central bank can intervene in the foreign exchange market. A floating exchange rate allows the economy to adjust to different types of shocks, while the ability to intervene helps prevent significant and prolonged misalignment of the exchange rate with respect to its fundamentals. The last major intervention occurred in 2022.

Inflation and foreign exchange policies align with broader economic goals, and entail close cooperation among political, financial and monetary authorities. The BCCh aims for an inflation range of 2% to 4% over a two-year horizon. From 2010 – 2020, inflation typically remained within this range; however, in 2022, the rate surged to 12.8%, prompting aggressive monetary tightening. The central bank raised interest rates to 11.25%, and the government strengthened spending controls as a part of its fiscal policy. Consequently, the inflation rate dropped to 3.9% in 2023 before rising slightly to 4.5% in 2024. Inflation is expected to return to 3% by 2026.

Fiscal stability has been a hallmark of Chile's economic model since 1990. In 2001, a fiscal rule based on structural budget balance was introduced, then formalized in the Fiscal Responsibility Law (2006). Transparency improved with the establishment of a fiscal council in 2013, which became independent in 2019.

However, Chile has not regained structural balance since the 2008 financial crisis. The original goal of a 1% surplus has shifted to a target of a 1% deficit; however, governments since 2014 have aimed only for gradual convergence. As a result, public debt rose from 3.9% of GDP in 2007 to 25% in 2018.

Since 2019, events such as the COVID-19 pandemic have prompted a shift away from deficit reduction, leading public spending to rise to 33.5% of GDP in 2021 and public debt to reach 36% of GDP. A stabilization plan implemented in 2022 reduced spending by 25%, increased tax revenue and resulted in a fiscal surplus of 1.1%.

Monetary stability



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Fiscal stability



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However, debt had climbed to 39.7% of GDP by 2023, and exceeded 41% in 2024. While authorities aim to keep overall debt below 45% of GDP, the fiscal deficit reached 2.27% in 2023 and was again expected to surpass 2% in 2024, with a reduction to 1.1% anticipated in 2025.

9 | Private Property

The protection of private property is a fundamental pillar of the constitution. It guarantees the right to engage in any lawful economic activity, shields individuals from potential state discrimination in these activities and enshrines the right to acquire various types of goods. It also provides multiple legal avenues to defend property rights in court. Expropriation is permitted only for reasons of public interest and requires just compensation to owners. The constitution also explicitly protects private water rights. Additionally, Chile's trade agreements include mechanisms to protect property in areas such as investments, industrial property and intellectual property.

Since the 1990s, Chile has mainly pursued a strategy of purchasing land from private owners at market value and redistributing it to Indigenous communities. During 1994 – 2023, the state invested more than \$1.2 billion to finance land transfers to Indigenous communities (approximately 350,000 hectares have been transferred).

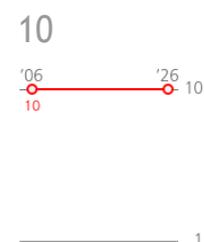
The 2022 constitutional proposal aimed to establish an ambitious land restitution policy for Indigenous peoples, but the initiative did not succeed. In 2023, President Boric established the Commission for Peace and Understanding to assess the Mapuche people's land demands and propose mechanisms to resolve the resulting conflict. The commission includes individuals from various political backgrounds. As of the end of 2024, the commission had not yet submitted any proposals.

Chile's market economy is driven largely by private enterprises, which play a central role in delivering public services, pension benefits, health care and education. Extensive privatization under the authoritarian regime and in the 1990s left the state with few enterprises, with those remaining largely in the copper production sector.

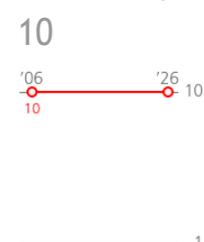
Recent debates have focused on lithium extraction and government involvement. In April 2024, it was agreed that beginning in 2030, the government and private companies would jointly extract lithium in the Salar de Atacama through firms in which the state holds more than 50% ownership. The administration also announced plans to award 12 contracts for lithium operations to private companies, aiming to increase production by 70% by 2030 and to double it in the following decade.

Debates over Chile's economic structure have also centered on pension reform, particularly the role of the pension fund administrators (AFPs). Established in 1981, the Chilean pension system is based on individual capitalization. The AFPs, which

Property rights



Private enterprise



are private companies, receive mandatory contributions from workers and invest them in various financial instruments under regulations set by law. The system has faced strong criticism primarily because the pensions it provides are generally very low.

In this context, low pension levels have sparked demands for change. The 2022 constitutional draft proposed reforms, but after the draft's rejection, the government sought legislative changes. A reform agreement was reached in the Senate in January 2025, but as of the time of writing was pending full congressional approval.

10 | Welfare Regime

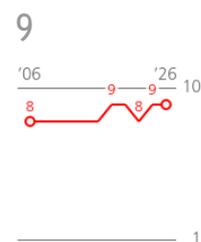
Chile's social security system has retained its basic structure since the 1990s while expanding coverage and services. It now reaches nearly the entire population. However, public perception of the system remains predominantly negative. An August 2024 survey rated the social safety net at just 3.3 (on a 1 – 7 scale), indicating that the 2019 protest demand for improved social protection remains relevant.

The public health system, managed by the Fondo Nacional de Salud (FONASA), covers about 78% of the population. Public health spending increased from 4.65% of GDP in 2014 to 5.86% in 2023; however, this share remains lower than that found in comprehensive welfare states (for example, Germany: 12.6%) and in some Latin American countries (Argentina, Brazil: each about 10%). Despite ongoing efficiency gains, delays persist. The Explicit Health Guarantees (Garantías Explicitas de Salud, GES) system guarantees timely care for 87 serious conditions, and in 2022, copayments for FONASA affiliates were eliminated, benefiting 1.6 million people and saving over \$238 million. However, delays in care for non-GES conditions remain severe, with more than 365,000 patients waiting for surgery and 2.5 million for specialist consultations as of mid-2024. Nevertheless, average wait times for consultations have fallen from 470 days (2022) to 255 days (2024).

The private health system, which serves 22% of the population through the Instituciones de Salud Previsional (ISAPRES), offers better services but has faced a financial crisis since 2022. Courts ordered ISAPRES to repay nearly \$1.4 billion for improper charges, and a 2024 law allowed repayment over 13 years to prevent bankruptcy. However, the system's long-term prospects remain uncertain.

Chile's pension system is primarily based on private AFPs and supplemented by a state pillar in response to growing inadequacies. In 2008, a tax-funded minimum pension was introduced for the poorest 60% of the population, which evolved into the Universal Guaranteed Pension (PGU) in 2022. The minimum pension benefit increased to about \$250 (the poverty line), with near-universal coverage for those 65 and older, except for the wealthiest 10% and those with pensions exceeding \$1,250. If the 2025 pension reform passes, further increases are expected to follow.

Social safety nets



Unemployment insurance, established in 2002, combines individual savings accounts with a solidarity fund for workers who lack adequate savings. It covers private sector employees with formal contracts and is funded by contributions from employers and employees. Benefits begin at 50% of the worker's wage and decrease over time to promote reemployment. The solidarity fund assists dismissed workers and may be used twice within a five-year period, a limitation aimed at discouraging misuse. Beneficiaries must actively seek employment, and compliance is monitored by labor offices.

Poverty protections have strengthened, particularly during the pandemic. A 2023 law established a gradual minimum-wage increase from \$400 (effective April 2023) to \$500 (effective July 2025). Additionally, several specific programs target socially vulnerable groups, including with temporary conditional cash transfers for families living in extreme poverty.

A core constitutional principle is the state's duty to ensure equal opportunity in national life. However, Chilean society still exhibits high levels of economic inequality, which limits opportunities for many.

Education is seen as a significant barrier to reducing inequality. Only 9.1% of students attend private schools, while 35% attend public schools and 54% attend subsidized institutions, which vary significantly in quality. The 2022 Programme for International Student Assessment (PISA) test revealed a strong correlation between socioeconomic status and performance, although the gap has narrowed. In 2025, 98 of the top 100 schools based on PAES scores – Chile's standardized university entrance exam – were private, while only 20 public schools ranked among the top 400. Nonetheless, access to higher education has expanded, with free tuition introduced in 2016 for the poorest 60% of students. By 2024, about 570,000 students (42%) were attending tuition-free, while another 140,000 were receiving financial aid.

Chile has made significant advances in gender equality, particularly through a 2015 electoral reform that introduced gender quotas, increasing the number of female parliamentary deputies from 15.6% in 2013 to 35.5% in 2021. Both constituent conventions had gender parity. In the 2024 Global Gender Gap Report, Chile was ranked 21st globally (up from 78th in 2006) and 5th in Latin America. While the degree of equality in the health and education arenas is high, political empowerment lags.

However, workplace disparities persist. In 2024, the gender employment gap was 23.3 percentage points; it was wider still in high-skilled jobs and in informal employment (29% compared with 20.3% in formal jobs).

Ethnic inequalities persist, particularly among the 13% of Chileans who are Indigenous. Studies show that Indigenous people face significant barriers with regard to employment, education and income. UNDP research indicates that having a

Equal opportunity

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Mapuche or other Indigenous surname is associated with lower income and fewer job opportunities. Despite legal protections, discrimination remains widespread, with Indigenous workers overrepresented in low-wage and informal sectors.

11 | Economic Performance

Over the past decade, Chile's economic growth has stagnated. In the 1990s, growth averaged 6.1% per year, then fell to an average of 4.2% in the 2000s. Consequently, the country significantly narrowed the wealth gap with the world's most prosperous nations. However, during 2010 – 2019, the average GDP growth rate fell to 3.3%. In 2023, GDP growth was only 0.2%, and a meager 2.5% is expected for 2024.

The pandemic significantly affected the economy, which rebounded in 2021 with growth of 11.7%. Nonetheless, measures implemented during that period created serious imbalances, leading to a severe economic adjustment in 2022. In response to a sharp rise in inflation, the central bank raised interest rates to 11.25%. In subsequent years, the central bank gradually lowered rates, reaching a level of 5% in October 2024. Inflation began to decline in 2023 and was expected to end 2024 at a rate of 4.8%.

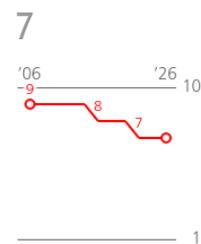
Investment volumes rose significantly in 2021, then declined sharply in 2022 to 25.3% of GDP, partly because of the uncertain political landscape surrounding the constitution-making process. In subsequent years, investment fell further to 23.8% of GDP in 2023 and 23.6% in 2024. In this context, various stakeholders, including the OECD, have cautioned that improved policies to attract investment must be enacted in order to regain higher growth rates.

After a sharp pandemic-induced rise to a rate of 11.2% in 2020, the unemployment rate began to decline, reaching 8.6% in 2024. Meanwhile, salaries showed signs of recovery in 2024, supported by the increase in the minimum wage and the reduction in the maximum ordinary weekly working hours from 44 to 40.

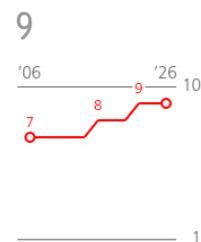
12 | Sustainability

Chile's leaders are increasingly prioritizing environmental concerns, reflecting growing public awareness of the issue. Since 2010, Chile has established an environmental policy framework that includes a Ministry of Environment, an Environmental Impact Assessment Agency and an Enforcement Superintendent. This structure has enhanced technical evaluations of large projects but remains susceptible to political interference. The December 2024 rejection of the Dominga mining project reignited debate about whether environmental arguments are being used to obstruct investment essential to economic growth.

Output strength



Environmental policy



The Boric administration reaffirmed Chile's environmental commitment by ratifying the Escazú Treaty and enacting key laws. The Law for Nature strengthens environmental oversight, while the Climate Change Law seeks to achieve emissions neutrality by 2050. However, environmental groups have argued that progress is too slow, and have expressed concern about potential regulatory rollbacks intended to encourage investment.

Chile is a leader in decarbonization, with renewables comprising 67% of installed power capacity (25% hydraulic, 25% solar, 14% wind, 3% biomass). These sources generated 68% of the country's electricity in 2024 (up from 35% in 2010). Coal plants, now accounting for 13% of total generation capacity, are set to close by 2040. A national strategy also seeks to make Chile a top global producer of green hydrogen by 2040. The country has introduced green taxes (about 1% of GDP) and subsidies for photovoltaic panels.

For over 15 years, education and R&D have been central to public debate, with a consensus on the need for greater investment despite some positive evaluations.

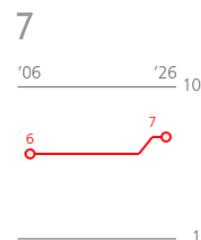
Chile has high enrollment rates at all education levels and a literacy rate of 97.1%. The U.N. Education Index gives Chile a score of 0.837, comparable to Hungary and second only to Argentina in Latin America. The school dropout rate rose from 1.38% in 2019 to 1.66% in 2023 because of the pandemic, then fell to 1.57% in 2024. Absenteeism remains above pre-pandemic levels, at a rate of 11%, compared with 8.5% in 2019.

Education spending reached 5.9% of GDP in 2024 (3.8% in 2008), surpassing the OECD average (4.9%). However, disproportionate spending on tertiary education (2.4% of GDP) relative to primary and secondary levels weakens equality. While Chile leads Latin America in the PISA rankings, its scores in mathematics (in which it is ranked 51st overall), science (43rd) and reading (46th) remain below OECD averages.

Chile's university sector is strong, with public and private institutions attracting students from across Latin America. Two universities rank among the world's top 200 (QS 2024), and the research sector has grown, although links with the private sector remain weak.

Private firms invest little in research and development (R&D) despite tax incentives, with spending (amounting to 0.39% of GDP in 2024) still far below the 1% target. While some export sectors, such as copper, wine and cherries, use advanced technology, most businesses remain disengaged from R&D.

Education policy /
R&D



Governance

I. Level of Difficulty

In Chile, structural constraints on government action are moderate to low. However, constraints stem from the country's location and geography. A significant factor is the country's high vulnerability to natural disasters (such as earthquakes, the most recent having occurred in 2010, or drought in central Chile, which has persisted for 15 years). In addition, Chile has a small, relatively undiversified economy that depends heavily on imported fossil fuels. As a result, the country is highly susceptible to fluctuations in global commodity prices, particularly those of oil and copper.

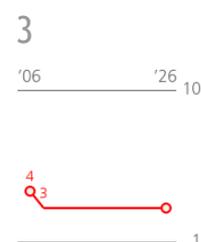
The Chilean government also faces challenges related to workforce productivity. A recent report from the National Evaluation and Productivity Commission found that although labor productivity increased in 2024, it remains close to half the OECD average (surpassing only Mexico, Colombia and Costa Rica within that group). Similarly, the OECD warns that Chile's workforce is falling behind in digital skills.

Moreover, the lack of social cohesion and the weakened system of representation make it difficult for any government to implement structural reforms. In this sense, the country's main weakness lies in the functioning of the political system, which in recent years has lacked the capacity to generate the agreement needed to implement reforms addressing the country's main challenges (economic reforms and the structure of the political system).

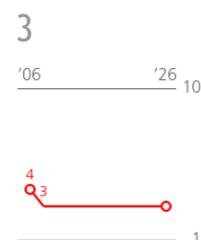
On the other hand, with regard to infrastructure, Chile remains relatively strong compared with other Latin American nations despite some limitations (for example, regarding the ease of transit with neighboring countries). According to the IMD competitiveness ranking, the country has the highest score in Latin America in the category of basic and technological infrastructure.

Community organization remains strong in rural areas (with 13% of the population participating) but is weaker in urban centers, particularly large cities. The Latinobarómetro 2024 surveys reported that 21% of respondents said they could trust other people (regional average: 18%), while the COES 2024 estimates this measure of interpersonal trust at only 8%. COES indicates that the share of respondents expressing sympathy toward migrants (10% of the population) has declined, with only 26% expressing positive views of Peruvian, Venezuelan and Haitian immigrants (compared with 39% in 2019) and 88% supporting migration restrictions.

Structural
constraints



Civil society
traditions

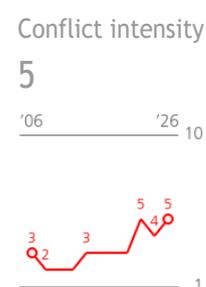


Rates of participation in civil society organizations are low. Only 17% engage in church activities, 10% in sports clubs and fewer than 10% in labor or solidarity groups. The COES 2024 report shows a decline in volunteering and participation in public-interest meetings since 2019 (56% said they participate at least once a year vs. 66% in 2019). According to ECLAC (2022), 85% say they rarely or never engage in political activities, and only 37% have participated in solidarity efforts more than twice.

Despite this, public solidarity campaigns, especially after natural disasters, are highly effective. Established NGOs such as Teletón (which has supported children with disabilities since the 1980s) and Techo (which provides housing for residents of shantytowns) enjoy strong public trust.

During 1990 – 2010, the intensity of conflict in Chile was relatively low, but this changed dramatically over the last decade. Since 2010, various social movements including student movements, local associations, environmental organizations and labor unions have increasingly actively sought to defend their interests. These activities, as with party politics, have generally been conducted within normal limits. However, that situation changed following the social outburst in 2019. After the pandemic, the country returned to normal levels of mobilization. As of early 2025, after two failed constitutional processes, social mobilization has decreased significantly. In fact, according to a Centro de Estudios Públicos (CEP) poll from December 2023, support for mobilization has dropped markedly. However, given that the underlying issues remain unresolved, mobilization may regain momentum in the coming years.

One exception in this relatively peaceful context is the so-called Mapuche conflict. For at least 15 years, various Indigenous groups have resorted to violence over land claims, challenging the authority of the state. Despite numerous policies over the years, successive Chilean governments have struggled to resolve the conflict. Tensions escalated sharply at the start of the 2020s, with a notable rise in violent incidents in the region. According to the national prosecutor, violence peaked in 2021, with 977 acts of violence tied to the conflict recorded that year. After the area was placed under a state of emergency, this number fell over the course of subsequent years, reaching 242 in 2024. However, the conflict remains unresolved.



II. Governance Performance

14 | Steering Capability

Since 1990, Chilean governments have shown a strong commitment to long-term policies, particularly in the areas of economic and foreign affairs. Policy continuity has been ensured by clear priorities, programmatic consensus between major coalitions and an efficient public system supported by expert commissions.

However, this strategic capacity has weakened because of party fragmentation, declining policy consensus, economic stagnation and civil society protests. This trend was evident in Piñera's second term (2018 – 2022) and continues under Boric. Elected on an ambitious reform agenda, Boric had to scale back plans after the failed constitutional referendum, shifting his government's focus instead to tax and pension reforms.

Boric's administration faces a complex political landscape. After nearly three years in power, his ability to implement his original program has waned. The defeat in the 2022 constitutional referendum not only derailed his reformist agenda but also signaled weak public support. Lacking a congressional majority – conservatives hold half the Senate and 43% of the Chamber of Deputies – his government has struggled to pass reforms. The president's approval ratings remain low but stable at 28% – 32%.

As a result, Boric shifted to smaller-scale reforms within the existing model rather than seeking to dismantle the model itself. Minor gains were made in the area of labor conditions, including a minimum-wage increase and a reduction in maximum ordinary working hours. In other areas, however, progress has been slow. Efforts to pass a tax reform failed, and although a pension system agreement was reached in early 2025, it remained unapproved as of the time of writing. The agreement would entrench rather than replace the current system of individual capitalization. In short, the administration has adjusted its priorities, but consensus remains uncertain and any changes will fall far short of the government's original vision.

Chilean governments have demonstrated policy learning and flexibility, supported by a bureaucratic apparatus that ensures continuity across administrations. However, discretion over appointments remains, allowing new governments to replace up to 1,900 public-service heads (as of late 2024).

Policy learning builds on previous initiatives, drawing on national and international experience. Advisory commissions such as the Committee of Experts on Fiscal Space and the National Evaluation and Productivity Commission play a central role in the development of economic policy. Agencies monitor policy implementation, though oversight focuses more on procedures than on outcomes. Governments also establish their own monitoring mechanisms for strategic policies.

Question
Score

Prioritization

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Implementation

7



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Policy learning

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International cooperation is integral, with public bodies adhering to global technical standards. Think tanks, academics and practitioners contribute to policymaking. The Budget Office (DIPRES) wields substantial informal authority over ministries and conducts in-depth impact evaluations. It may recommend that programs be modified or, less frequently, that they be eliminated if deemed ineffective.

Governments have also shown flexibility over time, adapting policies as needed. The Boric administration has exemplified this flexibility by moderating its initial reform agenda to secure agreements on priority issues.

15 | Resource Efficiency

According to comparative studies conducted by international institutions, Chilean governments effectively use most of their human, financial and organizational resources. The World Bank's government effectiveness index (2023) ranks Chile as the second-most effective country in Latin America, at the 75.9 percentile, surpassed only by Uruguay at the 79.2 percentile. The average for Latin America is 49. Even so, Chile's level of effectiveness is comparable to that of more advanced countries, such as Spain or Italy. Unfortunately, there is a lack of comprehensive analysis of the specific outcomes of this spending. However, a recent OECD study indicates that Chile is among the most effective countries in Latin America with regard to its spending on education and health.

Resource use is subject to detailed and effective oversight by an independent public agency, the Office of the Comptroller General, which determines the legality of the state administration's actions. The agency is widely respected and has extensive powers that have expanded in recent years. Since the mid-1990s, public management has undergone a thorough modernization that has progressively deepened. A key agency is the Budget Office (DIPRES), which is affiliated with the Ministry of Finance. The Budget Office approves expenditures in accordance with the budget law and regularly monitors their efficient management.

Chile's civil service is regarded as the most developed in the region. In 2003, the Senior Public Management System (SADP) was established to ensure that top civil servants are hired based on merit rather than political connections. Since then, several reforms have been implemented to strengthen the civil service. A significant reform passed in 2016 aimed to prevent large-scale replacements of top officials when governments change, although its effectiveness has been limited to date. Legal loopholes still allow the incoming administration to dismiss top officials, even in "non-political" areas, and replace them with political allies. Additionally, considerable discretion remains in hiring consultants and advisers at high levels of political office.

Efficient use of assets

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However, Chile compares favorably with other Latin American countries on this measure. According to the Civil Service Development Index prepared by the IDB, Chile scores 73 (on a 0 to 100 scale), indicating a highly professional system. It ranks first in Latin America, followed by Brazil (68) and Uruguay (60).

Chilean governments have generally coordinated policy implementation effectively thanks in part to the centralized political system and strong presidency. Administrative decisions do not require external approval, and the president has the final say in disputes among ministers. This has been an enduring tradition since 1990, with few significant internal challenges to presidential authority.

The introduction of elected regional governors in 2021 has not significantly changed this dynamic, as their executive powers remain limited. Presidents also depend on a personal advisory office, which, although not formally part of the bureaucracy, plays a vital role in strategic planning. Some advisers in this office often exert more influence than ministers or parliamentary leaders.

Finance ministers have traditionally played a decisive role in shaping policy and mediating among competing priorities. Under Boric, this pattern is evident: The Finance Ministry has influenced areas beyond its immediate scope, including education and environmental policies. Within the ministry, the Budget Office (DIPRES) holds considerable power because of its in-depth knowledge of ministerial programs and spending. Additionally, the General Secretariat of the Presidency (SEGPRES) plays a crucial role in managing executive-legislative relations and ensuring coordination between the government and Congress.

While this structure enables effective coordination and swift decision-making, it also has drawbacks. One significant limitation is its dependence on strong leadership at the top – thus, when a president struggles to establish authority or set clear priorities, the entire system encounters difficulties in governance.

The Dominga mining project illustrates the challenge of balancing conflicting policy goals. The Committee of Ministers, headed by the environment minister, reviews appeals of environmental impact assessments. Initially rejected in 2017 under Michelle Bachelet's presidency, the project faced a third denial in January 2025 because of environmental risks. The decision sparked controversy, appearing to conflict with the government's goal of promoting investment. It also conflicted with previous court rulings that had favored the project, raising questions about the technical and legal basis for the rejection. Critics argue that the ministerial committee legitimizes presidential preferences rather than acting independently, underscoring concerns about politicized environmental decision-making.

Policy
coordination

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Chile ranks relatively well in global corruption indices. However, a series of corruption scandals involving ministries, municipalities, the police, the armed forces, the courts and political parties has led to enhanced anti-corruption measures. Despite strong global rankings, public perceptions remain negative on the issue. An August 2024 CEP poll found that 60% of respondents believed corruption to be widespread across the government and Congress, while a Comptroller General report showed that 72% considered Chile to be a corrupt country.

Key reforms in this area include the 2009 Transparency Law, which improved public access to information, and the creation of a Transparency Council to ensure compliance. In 2014, new laws strengthened municipal integrity and introduced a lobbying law that requires officials to disclose their meetings. A 2016 revision to the probity law targeted conflicts of interest, while Law 21.121, enacted in 2018, imposed stricter penalties for corruption, including within private firms.

To address political corruption following a 2015 party-finance scandal, a major reform was adopted in 2016. It mandated the public disclosure of donations and set limits on contributions and campaign spending. Further campaign finance regulations were introduced in 2021.

16 | Consensus-Building

Chile's primary political actors agree that democracy is a strategic long-term goal. No significant actor, whether social or political, advocates replacing democracy with another form of government. Nevertheless, the Chilean political system has been undergoing a complex process for several years. At the center of this process is the diminishing consensus among actors regarding the country's political and economic structure. These differences emerged strongly during the 2021 – 2023 constitutional debates. However, both of these processes were ultimately unsuccessful. With the failure of both constitution-making processes, differences among the main actors persist and continue to shape the political landscape. Although the debate has lost intensity, discussion about possible modifications to the institutional system continues. Key topics include the appropriate degree of regional autonomy, the role of the Constitutional Court, and the distribution of legislative powers between the president and Congress. A significant issue at the start of 2025 concerned the rules of political competition. Specifically, this included whether to establish thresholds or other mechanisms to limit the overall number of parties, as well as whether reforms to strengthen political parties were necessary. As of January 2025, near-term agreement on these matters appeared unlikely.

As in the political sphere, significant differences remain over the principles that should guide economic policies. On the left (and within part of the government), there are ongoing demands for a fundamental shift in the economic model away from neoliberalism. Conversely, part of the political right (the other major actor) opposes

Anti-corruption policy

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Consensus on goals

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this vision and favors preserving the economic system's current foundations. These differences have shaped the debate over specific policies, complicating efforts to reach agreement. Nevertheless, as of early 2025, a consensus on pension reform appeared achievable.

In Chile, there are no significant anti-democratic political actors. All constitutional provisions that gave the armed forces veto power over decisions by elected authorities have been eliminated. The armed forces' leadership is fully committed to the democratic constitution. In 2023 – 2024, two police chiefs were dismissed without incident.

Though some politicians express sympathy for foreign leaders with questionable democratic credentials, such gestures seem more symbolic than substantive. They do not advocate that Chile adopt an authoritarian form of government. However, polls indicate growing public support for “nondemocratic” options. In a July 2024 CEP poll, 27% of respondents expressed indifference between democratic and authoritarian governance (up from 21% in 2021). Although no prominent political figure had openly embraced authoritarian discourse as of early 2025, this could happen soon and cannot be ruled out, especially given the increasing importance the public places on fighting crime. For example, in a recent poll, 49% of respondents said they would support curbing freedoms in order to control crime.

Chile's main social cleavage stems from economic inequality (with a Gini coefficient of 0.43), and debates center on addressing structural disparities in pensions, health care and education.

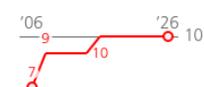
Political divisions over the country's economic model have widened. Boric's left-wing coalition aims to dismantle the “neoliberal system,” a position that even some center-left parties initially supported, despite their role in consolidating the market-friendly model under the Concertación governments. The 2019 protests further exacerbated these differences. The political elite tried to resolve the conflict through a process of constitutional revision, but that process failed, leaving key issues unresolved. After the 2022 defeat, the government shifted its focus to smaller reforms, abandoning its goal of making Chile “the grave of neoliberalism.”

Chile's political landscape remains polarized, limiting the prospects for broad policy agreements. The ideological gap between the government and the right is still wide, and, with a strong chance of winning in 2025, conservative parties have little incentive to cooperate. The rise of radical right-wing forces such as the Republican Party further complicates negotiations. Additionally, weak leadership across parties and high levels of political fragmentation have hindered consensus-building.

Despite deep divisions, the 2025 pension reform agreement suggests that political actors still have incentives to find common ground on key issues.

Anti-democratic actors

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Cleavage / conflict management

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Chile's democratic system allows civil society actors to participate in political decision-making. At the legislative level, parliamentary committees are the primary venue for interest groups to express their views on proposed bills. Direct contact with authorities, including the courts, is also an important means of lobbying.

Civil society groups are involved in various phases of the policy process. For instance, some policies are implemented through partnerships with NGOs. They have participated by serving on ad hoc commissions established by presidents to propose solutions to specific issues, such as electoral reform. Additionally, in administrative decision-making, NGOs and other interest groups are highly visible in policies related to the environment, reproductive rights and educational reforms.

Recent academic research provides evidence regarding the volume of participation and who is participating. First, at the legislative level, interest group involvement is low. However, since the 2010s (during Piñera's first government), the average number of interest groups involved has grown significantly from 4.6 to seven groups per bill, while the share of bills without interest group participation has decreased. From 2014 – 2020, parliamentarians held nearly 5,000 direct meetings with interest groups. Second, when examining who participates, some interests are represented more robustly than others. For example, about 33% of interventions before legislative committees are by groups representing business interests. Notably, 77% of organized interests that intervene are sectional, meaning they advocate for specific, particular interests rather than general ones. In the executive branch, the figures are even more unbalanced. This picture is limited to what occurs at the institutional level. Other venues for participation (i.e., public demonstrations) that may be preferred by some interest groups are not considered here.

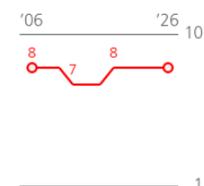
Following Chile's return to democracy, a lengthy process addressed the human rights violations committed during the 1973 – 1990 dictatorship. Key milestones included the 1991 Truth and Reconciliation Commission, which confirmed the identities of disappeared and murdered victims, and the 2003 Valech Commission, which documented instances of torture and political imprisonment. In 2009, the Museum of Memory and Human Rights was inaugurated.

Prosecution of former military personnel continued, and by December 2022 more than 490 individuals had been convicted, with 201 serving prison sentences. By the late 2010s, the issue had diminished as a political concern.

However, according to the BTI 2024, the issue regained significance because of human rights violations during the 2019 – 2020 protests. Since then, numerous police and military personnel have faced prosecution, resulting in 44 convictions by the end of 2024, with an additional 252 individuals – including two former police chiefs – still on trial as of the close of the review period. Human rights organizations consider this insufficient, arguing that over 95% of cases may never be prosecuted because of statutes of limitations.

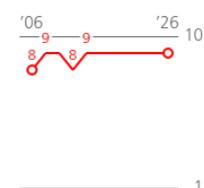
Public consultation

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Reconciliation

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Efforts to compensate victims, as advocated by civil society groups and leftist parties, have not resulted in legislation. Instead, the government has offered financial compensation. By early 2024, 418 individuals had received benefits. After revelations that 60 of them had criminal records, benefits were revoked for 27 people.

17 | International Cooperation

Since 1990, Chilean governments have used international aid initiatives to advance their strategic goals for human and economic development. Aid projects have primarily targeted areas such as climate change, renewable energy and education. For example, the European Union and Chile have developed a close cooperative relationship, working together on initiatives to promote social cohesion, strengthen institutions, implement gender policies and enhance the competitiveness of small enterprises. Likewise, Chile has worked closely with institutions such as the Inter-American Development Bank (IADB) and the World Bank. However, net official development assistance has generally amounted to less than 0.1% of GDP.

Since 2018, Chile's income level has made it ineligible for development assistance. Nevertheless, the country remains engaged in various cooperation initiatives. First, Chile participates in several triangular cooperation projects. Typically, each project involves a developed country (such as the United States or Germany), Chile and another partner from Latin America. These projects primarily focus on environmental issues and institutional strengthening. Second, Chile places significant emphasis on South-South cooperation, particularly in technical cooperation with Latin American countries in fields such as education, gender and health. For instance, there is a program with Mexico to support its public procurement system. Another involves work with the Dominican Republic to improve that country's university system. However, resources allocated for these programs were relatively modest – just \$4.6 million in 2023. The country's regional cooperation includes the provision of funded scholarships for Latin American students to pursue graduate studies in Chile. In 2023, 760 students benefited from this initiative. Finally, Chile seeks to leverage development opportunities by acquiring technical assistance. For instance, one ongoing project with Team Europe is focused on green hydrogen development, while another with the World Bank is aimed at market implementation.

Since 1990, Chile has been a strong supporter of multilateral cooperation, actively engaging in climate and human rights initiatives. It has led the “Americas for the Protection of the Oceans” initiative and has been a prominent advocate at U.N. climate and human rights conferences. Recognized internationally for its work in this area, Chile has consistently participated on the U.N. Human Rights Council and was seeking a fifth term in 2025.

Economic cooperation has been a key component of Chile's development strategy. By 2024, Chile had signed 34 trade agreements and had recently strengthened its ties with the European Union while negotiating agreement upgrades with India, South Korea and Indonesia.

Effective use of support

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Credibility

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Chile consistently upholds international law, even when rulings go against its interests, such as in border disputes. This commitment has strengthened its reputation as a credible and reliable actor. Although Chile once delayed ratifying the Escazú Agreement and the CPTPP-11, as of January 2025 no treaty was intentionally stalled in parliament.

Since 1990, regional cooperation has been a central component of Chile's foreign policy, as reflected in the country's active participation in regional forums. However, Chile has withdrawn from some forums, including the Union of South American Nations (UNASUR) in 2019 and the Forum for the Progress and Integration of South America (Prosur) in 2022. In broader international forums, Chile typically aligns with Latin American countries.

Chile has strengthened economic ties in the region by signing more than 20 trade and investment agreements. It has also spearheaded regional aid efforts, especially in Haiti. However, policymakers remain divided over further integration, particularly when it comes to ceding sovereignty to supranational institutions.

Relations with Argentina have generally been strong, as the two countries have resolved key border disputes and in 2024 celebrated the 40th anniversary of their peace treaty. However, recent tensions have arisen over Argentina's establishment of a military post on Chilean territory, as well as over statements by Argentine President Javier Milei.

Relations with Peru have strengthened, particularly with respect to economic cooperation. Although tensions peaked during the maritime dispute at the International Court of Justice (ICJ) in the mid-2010s, both countries have since emphasized broader collaboration.

Relations with Bolivia remain strained by ongoing border disputes despite progress in economic cooperation. The ICJ ruled in favor of Chile in both the 2018 sovereignty case and the 2022 Silala River dispute, but Bolivia is expected to continue pressing its claims. In 2024, agreements on border integration and the return of undocumented immigrants signaled steps toward improved cooperation.

Regional
cooperation

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Strategic Outlook

Five years after the 2019 social outburst, Chile's political and economic situation has seen little substantive improvement. The constitution-making processes, which aimed to lay new foundations for political and economic development, ultimately failed to secure broad public support. As a result, the core challenges of the Chilean political system remain unresolved; these include significant party fragmentation, limited willingness to cooperate across political lines, weak policy consensus and declining trust in institutions, among other concerns. New and pressing issues, such as immigration, have also emerged. Meanwhile, economic growth remains sluggish, hampered by low levels of investment and productivity. Despite some progress – such as a recent agreement on pension reform – Chile continues to experience a state of political and economic stagnation.

The primary challenge now is to improve the way the political system functions so as to enable more efficient decision-making, particularly in order to support stronger economic growth and respond to citizens' needs. However, the short-term outlook is unfavorable in this regard. First, recent experience suggests that political reforms – especially those aimed at strengthening the party system by reducing fragmentation and enhancing cohesion – are unlikely to succeed. Such reforms often affect political groups whose support is necessary for passage, making it difficult to achieve consensus. In this context, reaching agreement on institutional reform appears unlikely.

Second, presidential and parliamentary elections are scheduled for the end of 2025. As of January 2025, polls indicate that the political right is best positioned to win the presidency. Accordingly, its incentives to cooperate with the current government, whether on economic issues, immigration or internal security, are limited.

Moreover, more hard-line factions on the right, such as the Republican Party, are gaining influence and pushing for a confrontational stance. Within the government, President Boric has shown flexibility, but not all sectors of the left are equally open to compromise. As a result, expectations for meaningful decisions in 2025 remain low, even as the social demands that triggered the 2019 protests remain largely unmet.

Third, although Chile's problems are primarily domestic, the international economic environment is also unfavorable. Given the country's high level of openness, any escalation of geopolitical tensions could have significant negative effects. In a political system already marked by limited decision-making capacity, the consequences could be particularly severe.

In summary, Chile continues to face entrenched political challenges that have remained unresolved for more than five years. Addressing these issues will be crucial to promoting development and maintaining social peace. Yet the outlook remains uncertain. The upcoming elections may provide an opening for change, but there is no guarantee that a meaningful shift will take place. This reinforces the urgent need for a renewed political consensus, as this will be vital to restoring the effectiveness of Chile's democratic institutions.