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April 15, 2021

**Statement by Mr. Bai and Ms. Zhao on Chile  
(Preliminary)  
Executive Board Meeting  
April 19, 2021**

We thank staff for their comprehensive reports and Mr. Herrera for his helpful Buff statement. The pandemic hit Chile at a time when the country was recovering from the 2019 social unrest. Thanks to the strong institutional frameworks and wide-ranging policy responses, the economy has been recovering with an expected strong rebound in 2021. Going forward, more targeted fiscal policy, data-driven monetary policy, and comprehensive structural reforms will help to support an inclusive recovery and promote social convergence. We broadly agree with staff's appraisal and would like to limit ourselves to the following points.

**On the fiscal front,** we commend the authorities' prompt response to the COVID-19 shock, including fiscal measures to safeguard health, protect incomes, and provide liquidity to SMEs. Given the low indebtedness of the country, we agree with staff that additional stimulus might be needed through more targeted methods if the pandemic is prolonged. In the medium term, fiscal policy should shift from supporting recovery to strengthening sustainability. In this regard, we welcome the authorities' commitment to reducing the structural deficit towards 0.9 percent of GDP by 2025. We take positive note that the vaccination process in Chile has been much faster than its regional peers. *What experiences could be drawn from Chile's rapid vaccination rollout that could be learned by other countries?*

**On the monetary and financial front,** we take positive note that the flexible exchange rate has continued to play the shock-absorber role during the pandemic. We commend the authorities for letting the exchange rate adjust without FX intervention in 2020 despite the increase in market volatility. The unprecedented unconventional measures have helped contain the adverse impact of the pandemic while maintaining inflation expectations. *We would like to hear from staff on Chile's key institutional arrangements that have facilitated*

*the success of the unconventional monetary policy.* We take positive note that Chile has so far been coping with the COVID-19 shock with strong financial market resilience. We understand that the progress on financial sector reforms has been temporarily delayed by COVID-19. Going forward, postponed reforms should resume their pace as the recovery advances.

**On the structural front,** we agree that the most recent government's pension proposals to increase contribution rates and to further strengthen the solidarity pillar are important steps in the right direction. The competition in the management of the pension system will be key to promoting efficiency. We associate ourselves with staff on the recommendations of reforming the health system, strengthening the education system, and increasing labor market flexibility. We also encourage continued efforts in promoting trade integration and addressing climate change.

With these remarks, we wish the authorities all the best in these challenging times.