



# Chile

## IMMEDIATE IMPACT: JANUARY–JULY 2020

Due to the COVID-19 outbreak, some cities and regions in Chile were forced into a lockdown. Over the period, unemployment increased to 11.2% (the highest rate in 10 years, according to the National Institute of Statistics) and new business creation fell by 19%, according to a report from Santander Bank. This situation has mainly affected mobility and restricted the operations of non-essential industries (e.g. airlines, hotels, restaurants, fitness centres and entertainment). Consequently, many companies have claimed insolvency. According to the official data set from the Chilean Ministry of Economy, insolvency applications have increased by 40% relative to the same period last year.

The COVID-19 outbreak has created a new opportunity for many organizations related to digital transformation. Also, some laboratories and companies have diversified their core activities, printing 3D masks and producing health equipment required during the pandemic.

Several initiatives, known as “COVID innovation challenges”, have been launched by diverse entrepreneurial ecosystem actors (e.g. incubators and accelerators). The objective is the generation of innovative solutions to the main challenges caused by the pandemic: health, community, economy, and employment and education. Additionally, e-commerce has been forced to rapidly respond to new challenges and opportunities.

## IMMEDIATE POLICY INTERVENTIONS: JANUARY–JULY 2020

Various steps were taken by policymakers during previous crises to mitigate economic and social impacts. For example, the effects of the 2008 economic recession were not as adverse in Chile as they were in Spain, the UK and the Netherlands. According to the United Nations Economic Commission for Latin America and the Caribbean (ECLAC/CEPAL), the economy fell by 1.6%, and the unemployment rate increased to 10%. Recovery action primarily took the form of government intervention (public debt).

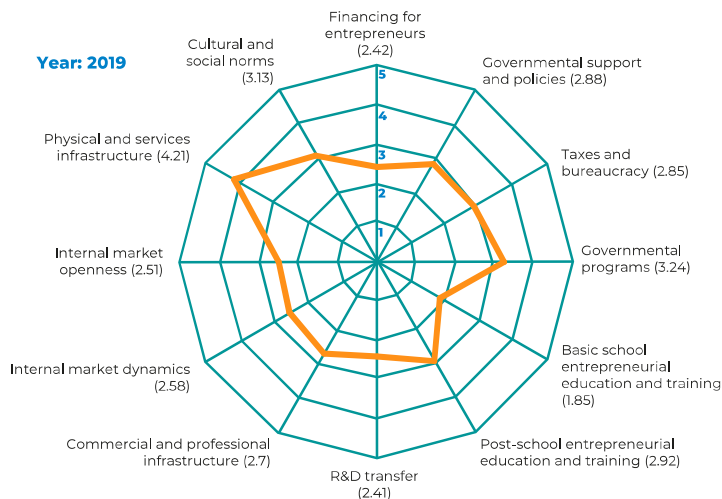
Chile's 27 February 2010 earthquake also caused a major decline in the local economy (unemployment rose to 9%), as well as widespread destruction of property. New entrepreneurs

emerged and a significant change occurred in the attitudes of the population towards collaboration and resilience. In this case, the solidarity of the population was the engine of recovery rather than any specific policy interventions.

Third, a few months before the COVID-19 pandemic hit, Chile experienced social upheaval accompanied by demonstrations motivated by levels of inequality. The fallout from this social movement meant billions in losses for private business and public infrastructure. As a result, the government adjusted the public agenda around implementation of reforms and programs based on social demands (e.g. on pensions, tax, health care and migration).

## Pre-COVID-19 Expert Ratings: Entrepreneurial Framework Conditions

Chile has succeeded in improving its governance and infrastructure over the last couple of decades to become the Latin American leader in these EFCs. It scored a 4.2 on physical and services infrastructure compared to a 3.5 regional average, and a 2.9 on governmental support and policies compared to a 2.5 regional average. Chile does less well compared to high-income peer countries, particularly on internal market dynamics, financing for entrepreneurs, and basic school entrepreneurial education and training. Chile has scored low on the latter over several years (below 2.0), although it does considerably better in post-school entrepreneurial education and training (3.0 at the high-income average). This reflects the country's decentralized primary and secondary school system, contrasted with the existence of high-quality private universities.



**EFCs scale:** 0 = very inadequate insufficient status, 10 = very adequate sufficient status. Rank out of 54 recorded in brackets. See Executive Summary for full EFC description.

Population (2019) (WEF)	GDP growth (2019, annual % change) (IMF)	GDP per capita (2019; PPP, international \$) (IMF)	World Bank Ease of Doing Business Rating (2019)	World Bank Starting a Business Rating (2019)	WEF Global Competitiveness Rank (2019)	WEF Income Group Average (2020)
18.5 million	1.1%	25.15 thousand	72.6/100 Rank: 59/190	91.4/100 Rank: 57/190	33/141	High

However, these events meant that Chile entered the COVID-19 crisis already in an economically compromised situation.

Despite its budget restrictions, the government has taken the following actions to lessen the impact of the COVID-19 pandemic lockdowns: extending lines of credit for all firms to pay salaries and maintain operations (with an interest rate of almost zero, to be paid within in 48 months with a six-month grace period); reducing interest rates to promote consumption and investment; delaying the payment of taxes for three months and offering payment options; creating a public agenda related to the pandemic (including testing, medical care); and collaborating with financial organizations and international agencies (Inter-American Development Bank), as well as reinforcing commercial cooperation with Asia.

Ecosystem agents have also taken steps to reduce the pandemic's impact. Financial organizations (national and international banks) have offered lines of credit and have delayed the payment of loans for three months. Educational organizations transformed their traditional classes into online classes in less than one week. Firms have made special efforts to continue paying salaries and also to collaborate with others in the supply chain to jointly find solutions

to challenges. Experts and employees working within professional infrastructures have provided mentoring in digital transformation with a particular focus on helping more vulnerable populations, such as women and migrants. Moreover, customers have changed their consumption habits as a result of measures taken to prevent COVID-19 and have been giving more support to local products/markets.

Given the high proportion of Chilean SMEs (99% of all companies), and the challenging economic situation over the first six months of 2020, many companies have declared severe cash flow problems (difficulties paying salaries, office and facility rental and meeting other legal and commercial liabilities).

In response, public agencies have focused on supporting SMEs. For example, the Development and Tourism Agency (Sercotec) has been offering additional subsidies to help businesses with decreased turnover. Also, the government has introduced around US\$2 billion to help companies maintain their staff and to support workers who have lost their jobs.

Other strategies that have been implemented to help entrepreneurship include: soft credit offered by business conglomerates, private banking, state funds, SME platforms and e-learning platforms for business digitalization.

## FUTURE ECONOMIC/POLICY OUTLOOK

In terms of GDP growth, the most optimistic perspectives show a decline of 2%, while the most pessimistic show a decline of 8%, according to Santander Bank.

A policy that guarantees a basic income to the poorest sectors of society has recently been approved. This measure will enable people from low-income areas to stay at home, rather than feel obliged to go out to work. Since the COVID-19 outbreak, mobility in these areas has decreased less than in high-income areas. Therefore, this basic income could contribute to preventing the spread of COVID-19.

Some cities and regions have designated specific health residences to facilitate quarantine of people with confirmed cases of COVID-19. This is because, in multiple-member

households, isolation is difficult to maintain, causing the pandemic to persist.

Although it is too early to be certain, a further potential negative consequence of the COVID-19 pandemic could be economic contraction (decreases in personal income, in industrial production, and higher unemployment rates) as well as a substantial increase in social inequality (access to funding, education, work, conditions for health and well-being conditions). However, especially considering the level of Chilean social solidarity observed in previous crises, a potential positive outcome could be a collaborative response from entrepreneurs, business ecosystem agents, and society.

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**Lead institution**  
Universidad del Desarrollo


  
**Universidad del Desarrollo**  
Universidad de Excelencia

**Type of institution**  
University

**Website**  
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Universidad Católica del Norte  
Universidad Técnica Federico Santa María  
Asociación de Emprendedores de Chile (ASECH)  
Universidad Católica de la Santísima Concepción  
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