

BANCO CENTRAL DE CHILE



STRATEGIC PLAN FOR 2018–2022
A PROJECT FOR ALL





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A PROJECT FOR ALL



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MESSAGE FROM THE GOVERNOR

The Central Bank of Chile’s vision is to be a trustworthy technical institution, known for its high standards in achieving its institutional objectives.

Our organization has become increasingly efficient in achieving its objectives—of safeguarding price stability and the stability of the financial system—over the course of almost 30 years since the enactment of the Basic Constitutional Act in 1989, which established the Bank’s autonomy. Nevertheless, the world around us is changing, and we must be prepared to respond to new economic, financial, legal, technological, and social demands at the national and international levels.

The goal of strategic planning is to effectuate the Bank’s vision and mission in changing contexts. These exercises have been carried out for five-year horizons since 2004, to coincide with the term of office of the Central Bank Governor. This year, 2017, we developed the strategic plan for the five-year period 2018–2022.

We wanted this strategic planning exercise to be a consultative, participatory, and inclusive process, envisioned as A Project for All. This theme captures the fact that the Bank is not an isolated entity, but rather works for the country as a whole and depends fundamentally on the people who make up the organization. Consequently, the groundwork for developing the Strategic Plan

included over 100 internal and external interviews, a broad opinion poll, surveys of regional and international focus groups, internal staff workshops, planning workshops with active participation by the Central Bank’s Board Members and upper management, and ongoing communication on the progress and results of the process.

This process led to the identification of five strategic priorities, which will provide the foundation for the corporate agenda over the next five years. These priorities are as follows:

1. To strengthen the Bank’s response capability and intellectual leadership in order to achieve the institutional objectives defined in the Basic Constitutional Act, incorporating an increasingly complex reality.
2. To strengthen the Bank’s understanding of and dialogue with its wider environment through strategic communications management that identifies objectives, roles, and functions.
3. To strengthen the Bank’s corporate governance so as to balance risk tolerance and business process efficiency, streamlining the decisionmaking process and facilitating innovation.
4. To improve the Bank’s capacity to understand, manage, and incorporate technological changes, in relation to both its operations and management and its institutional objectives.

5. To be an employer of excellence, offering a value proposition that inspires people and teams to discover and develop their full potential, in a work environment that promotes collaboration, continuous learning, and professional and personal challenges; and thus to attract and retain talent, in line with the Bank’s strategic objectives and corporate values.

The implementation of the initiatives and lines of action associated with each of these five priorities will allow us to successfully face the challenges of a fast-changing environment over the coming years, including a society that demands more from its institutions in terms of transparency, probity, excellence, and trust.

In other words, we are not trying to reinvent the Bank or to disregard the huge accomplishments that have been achieved to date, but rather are acknowledging that an earned reputation is constantly exposed to a new challenges and demands and thus must be earned again and again with each new day. Therefore, this is neither an exhaustive plan nor a complete list of the only issues that are important to the Bank. On the contrary, the strategic plan lays out a select set of actions (with a total of 21 lines of actions) that are necessary to achieve the expected results in the five areas outlined above.

This plan represents a commitment on the part of the entire staff of the Central Bank of Chile, to enrich our primary asset as a public institution: trust. Trust is a mirror that can be used to evaluate our organization through the eyes of the rest of the country. Trust, more than laws and standards, is precisely what sustains the legitimacy and autonomy of our institution.



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MESSAGE FROM THE GENERAL MANAGER

Strategic planning is a key management tool that allows us to focus our efforts and resources on issues aligned with our organizational concerns. We can thus move forward on our medium-term agenda so as to achieve the Bank’s objectives more efficiently, without interfering with the fulfillment of our daily responsibilities.

Conducting a consultative, participatory, and inclusive strategic planning process for the next five-year period, 2018–2022, has been a rich experience that has heightened the integration, team work, and commitment of everyone who works at the Central Bank of Chile.

The incorporation of internal and external perspectives in the medium-term strategic planning for 2018–2022 allowed the Board and management teams to define the Bank’s challenges and how to address them.

Some of the most important challenges identified in this phase include the following:

- The complex global macroeconomic environment, the integration of the financial markets, and the changes in the makeup of the large global economic blocs, which present challenges for both the conduct of monetary policy and the monitoring of financial risks.
- A deterioration of public trust in some public institutions.



- The rapid technological changes worldwide, which present important challenges in terms of work methods, the flow of knowledge, and the risks faced by organizations. In particular, there are new financial and information technologies that pose challenges for monetary policy, the payment systems, and the financial system in general.
- The need to be staffed with high-level professionals, which implies a challenge in terms of strengthening our ability to attract talent and promote collaboration between the different areas of the Bank.

The Bank has set itself the following objectives: to strengthen its analytical capability for monetary policy decisionmaking and financial risk monitoring; to develop a comprehensive communication strategy aimed at consolidating the Bank’s relationship with society at large; to strengthen the corporate structure so as adapt to the new times; to develop the management capacity to address the complexities of ongoing technological developments; and to strive to attain a reputation and working environment that will continue to attract and retain high-quality professional, technical, and administrative personnel.

We are confident that our team is ready and able to take on these challenges and to execute the plan’s initiatives and projects efficiently, while fulfilling both our public role and the Bank’s institutional mandate.

To this end, the Board has approved a five-year budget that, in addition to providing adequate funding for operational continuity, day-to-day tasks, and the balance of strategic investments from the last cycle, will cover the necessary time, resources, and training for the effective implementation of the current plan.



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INSTITUTIONAL DEFINITIONS

Mission

To safeguard the stability of the currency and the normal operation of the internal and external payment systems, thereby contributing to the well-functioning of the economy, financial stability, and the well-being of society.

Currency stability involves maintaining a low and stable inflation rate over time. The normal functioning of the internal and external payment systems promotes the stability and efficiency of the financial system. These objectives support or allow the creation of a predictable environment for decisionmaking, which contributes to softening economic cycles and laying the foundation for the country's sustained growth.

To meet these objectives, the Bank has among its functions the regulation of the currency in circulation and the credit in the economy, so as to ensure that there is sufficient cash and credit for people, firms, and institutions to execute their transactions.

Vision

To be a trustworthy technical institution, known for its excellency in achieving its institutional objectives.

Because the Bank must be prepared to face both opportunities and challenges in the macroeconomic and institutional spheres, it is critical that we earn the public’s trust every day, taking into account the scope of our mandate.

Values

The Bank has a *commitment* with society to accomplish the public mission with which it is charged. We therefore assume full responsibility for our decisions, which are made autonomously based on technical criteria.

We see it as our duty to communicate clearly and openly, expressing mutual *respect*, sharing experiences and knowledge, and promoting the equality of opportunity for everyone within this organization.

The continuous improvement of our processes and activities is a constant concern for the Bank, as we strive to accomplish our mission with *excellence*, implementing best practices and fostering innovation.

Impeccable conduct is fundamental for performing the public function with which we are entrusted, and we therefore act with the maximum professional *probity* in the management of the Bank’s resources.

As a public institution, we are committed to acting with *transparency*, and to this end we report our decisions to the wider society opportunely and effectively.





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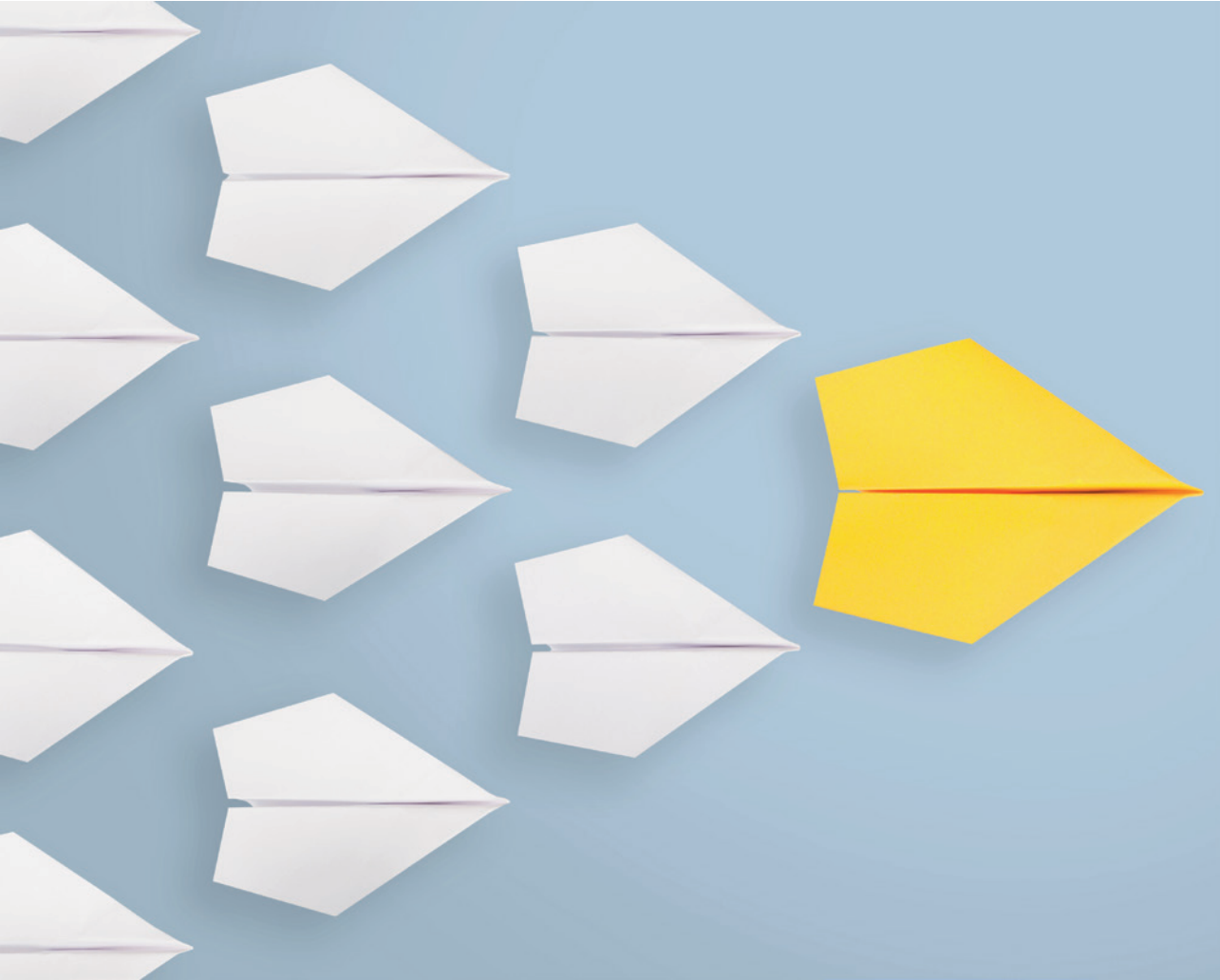
PRIORITIES, AREAS, LINES OF ACTION, AND EXPECTED RESULTS

PRIORITY 1

To strengthen the Bank’s response capability and intellectual leadership in order to achieve the institutional objectives defined in the Basic Constitutional Act, incorporating an increasingly complex reality.

The Central Bank’s Basic Constitutional Act establishes the central objectives of safeguarding the stability of the currency and promoting the stability of the payment systems. In a dynamic context like our current world, this means incorporating the reality of an increasingly complex environment. The Bank cannot be left behind; we must strengthen our monetary policy decisionmaking process, with the incorporation of international best practices, and develop better capabilities for identifying, monitoring, communicating, and mitigating financial risks.

The Bank must be able to strengthen its application of the inflation-targeting framework in a changing macroeconomic context, both domestically and internationally. We must also be able to identify, monitor, and mitigate risks to financial stability in a highly dynamic and globalized market.



Even further, we must be able to understand the interactions, complementarities, and tensions between these areas. This will require consolidating and developing analytical capabilities on long-term macroeconomic and financial issues and challenges, which will in turn consolidate our intellectual leadership within the central banking community, especially in emerging countries.

The key action areas for this priority include the following:

- Strengthen the cycle of monetary policy formation, decisionmaking, communication, and assessment.
- Develop analytical capabilities on long-term macroeconomic and financial issues and challenges.
- Strengthen the capacity to detect and evaluate current and emerging risks for financial stability and move forward on the work plan for implementing the required legislation and financial policy (FP) actions, in integration with the world community.
- Develop communication tools in the area of financial stability that are related with other Central Bank policies in this material.

To accomplish these goals, this Priority contemplates two initiatives:

1. Strengthen the analytical capacity that underlies the monetary policy decisionmaking process, incorporating international best practices.

This includes (i) consolidating the first phase of the economic modeling agenda and designing the second phase; (ii) deepening the analytical communication of monetary policy decisions; and (iii) developing a micro-data repository for economic analysis.

This initiative considers three lines of action:

- 1.a. Modeling agenda.
- 1.b. Communication strategy for monetary policy analysis.
- 1.c. Incorporation of micro-data in monetary policy analysis.

As mentioned above, we expect to consolidate and boost the development of the macroeconomic modeling agenda, incorporating cutting-edge practices, with a special focus on interaction with financial areas. At the same time, economic analysis will be augmented through the systematization, incorporation, and generation of micro-level data, which will contribute to strengthening the international positioning of the Central Bank of Chile in the use of and contribution to cutting-edge practices and knowledge.

2. Develop the analytical capacity to identify, monitor, and communicate financial risks.

This includes (i) defining a consistent financial policy and research agenda; (ii) incorporating prospective risk monitoring methodologies in the *Financial Stability Report*; and (iii) designing appropriate communication products for different audiences.

intellectual leadership

analytical capacity

Monetary Policy

implementation of legislation

risk assessment

action of financial issues

This initiative considers five lines of action:

- 1.d. Financial policy agenda.
- 1.e. Communication strategy for financial stability analysis.
- 1.f. Incorporation of micro-data in financial stability analysis.
- 1.g. Market intelligence.
- 1.h. Regulatory simplification.

A key aspect of this initiative is the definition of a financial policy agenda that consolidates the Bank’s role in the area of financial stability policy and contributes to its intellectual leadership in this area. At the same time, economic and financial analysis will be augmented through the systematization, incorporation, and generation of micro-level data, which will also help consolidate risk monitoring and communication, prioritizing the areas of greatest concern and strengthening links with macro-level analysis. Finally, the lines of action in this initiative aim to improve the financial regulation that falls under the Bank’s authority, through the incorporation of new regulations that take into account emerging risks, the elimination of obsolete regulations, and the simplification of procedures to facilitate compliance with required norms.



PRIORITY 2

To strengthen the Bank’s understanding of and dialogue with its wider environment through strategic communications management that identifies objectives, roles, and functions.

Communication is critical for the functioning of organizations, especially for an autonomous public institution like the Central Bank of Chile. Through its communication, the Bank not only projects an image to the public, but also listens to and maintains a dialogue with key actors and contributes to forming expectations that provide the foundation for how economic agents react to the Bank’s policy decisions. Elective communications further require an understanding of the Bank’s different audiences, adjusting the form and content of the message to their varying concerns and needs.

To address this set of challenges, the Bank needs to broaden its strategic approach to communications, identifying audiences, content, media, and messages that privilege the institution’s long-term objectives while providing an effective support for fulfilling its mandate. This strategy must consider communications in both directions, as well as interaction mechanisms through the media and other more direct channels. Finally, the communication strategy must be able to align perceptions with the Bank’s work, including adjustments in both directions.

relation with focus groups

institutional trust

positioning

Communication

strategy

feedback mechanisms

effectiveness of communications

The Bank will develop a new communication policy and strategy for relating to key focus groups, with an emphasis on building trust in the institution. The strategy must include regular feedback and analysis mechanisms for assessing the effectiveness of the communications and our positioning in the focus groups.

This priority is expressed in one central initiative:

Design a comprehensive communications strategy for the Bank, aimed at improving relations with key focus groups.

The initiative is structured around three lines of action:

- 2.a. Design and implement a comprehensive communications strategy.
- 2.b. Strengthen the active transparency mechanisms.
- 2.c. Modernize the Bank’s communications, incorporating new technologies, media, and channels.

These actions will provide the basis for developing a more effective and consistent interaction with key actors, which will allow the Bank to better understand its environment, to complement the quantitative data currently at its disposal, to better respond to the needs of society, and to improve society’s understanding of its actions and the context that justifies them, all of which will help strengthen trust in the institution.



PRIORITY 3

To strengthen the Bank’s corporate governance so as to balance risk tolerance and business process efficiency, streamlining the decisionmaking process and facilitating innovation.

To develop a comprehensive and balanced vision of the Bank’s operations, it is necessary to review the structure of the Board and upper management, including all the areas under their authority, to ensure a clear definition of responsibilities in the different areas and to simplify processes.

Autonomy involves not only independence, but also responsibility. This includes the responsible management of human and other resources, through the maintenance of high standards of performance in terms of efficiency and productivity.

In the coming years, that responsibility will be expressed in adjustments to the Board and upper management that touch on all the main areas of their work; greater delegation of authority, combined with increased accountability; the clear definition of responsibilities in the different areas; the promotion of teamwork; and greater collaboration among the different areas of the Bank, so as to eliminate competitive friction and the duplication of tasks.

comprehensive and balanced vision

delegation of authority

collaboration between areas

teamwork definition of responsibilities

accountability

process streamlining

This priority is expressed in one central initiative:

Adjust the corporate governance structure in order to increase flexibility in decisionmaking and implementation.

This initiative covers all levels of authority, functions, roles, responsibilities, and accountability; the balance between risk and efficiency, innovation, flexibility, and organizational agility in decisionmaking; the financial management of the Bank’s operations and equity; the incorporation of sustainable management principles and practices in the Bank’s activities; and the promotion of a culture of collaboration and teamwork.

This initiative includes four lines of action:

- 3.a. Governance, focused on a lean organizational structure with agile and efficient decisionmaking.
- 3.b. Process optimization, risk-efficiency balance, and cultural change management.
- 3.c. Comprehensive balance sheet management.
- 3.d. Sustainable bank.

The goal of this initiative is to establish a corporate governance that simplifies steps, reduces times, and empowers management teams in the decisionmaking process in order to give the Central Bank of Chile the ability to adapt to the changing environment, to face future challenges, and to improve its operational efficiency. In addition, it seeks to strengthen the Bank’s sustainability over time, in both financial and environmental terms.



PRIORITY 4

To improve the Bank’s capacity to understand, manage, and incorporate technological changes, in relation to both its operations and management and its institutional objectives.

Technological changes are transforming markets and creating new ways of doing business. They have a huge impact on organizations and institutions throughout the world, including central banks. Although the Central Bank of Chile has made major investments to modernize its systems over the years, it is still necessary to promote a culture of innovation in the area of information technologies, with the goal of understanding and managing technological changes that could affect the Bank’s operations, the development of the financial industry, and the functioning of the economy.

In particular, the Central Bank of Chile must be capable of understanding and analyzing the impact of disruptive technologies in different areas, evaluating the adoption of emerging technologies that could be important for maintaining the availability and quality of the Bank’s services, and improving the regulatory framework in a timely manner in order to move toward a system of more efficient, inclusive, and trustworthy financial services.

To do this, the Bank must be able to enrich its knowledge and organizational culture with regard to technological changes and their implications for risks and opportunities, as well as to evaluate their incorporation in the different areas of the Bank (macroeconomic, financial, statistical, and operational). The Bank must also strengthen its coordination with other institutions in relation to technological changes and promote the exchange of information and good practices, as well as to evaluate necessary policies and regulations.

This priority is expressed in one initiative:
Develop internal management and regulation capabilities to address disruptive technologies (DT) for the Bank's and financial intermediaries' business models.

This includes studying and evaluating developments that could affect the Bank and financial intermediaries, such as distributed ledger technologies, cryptocurrencies, virtual currencies, big data (capture, analysis, and transformation of unstructured data), crowd computing (transformation of fixed costs into variable costs), cloud computing (the use of on-demand computing resources over the Internet), and sandboxes (experimental applications that operate in isolated areas), among others.



Coordination with other institutions

Exchange of information

Good practices knowledge development

Risks and opportunities

Technological changes

This initiative includes three lines of action:

- 4.a. Technology observatory.
- 4.b. TechLab.
- 4.c. FinLab.

Work in these lines is expected to prepare the Bank to understand, analyze, and formulate hypotheses on the impact of disruptive technologies on the Bank's and financial intermediaries' business models; to evaluate the adoption of emerging technologies that could be important for maintaining the quality and availability of the services provided by the Bank; and to improve the regulatory framework in a timely manner so as to make progress in areas that represent an opportunity for strengthening the financial system and to mitigate risks in the case of technologies that are widely taken up by the financial industry.



PRIORITY 5

To be an employer of excellence, offering a value proposition that inspires people and teams to discover and develop their full potential, in a work environment that promotes collaboration, continuous learning, and professional and personal challenges; and thus to attract and retain talent, in line with the Bank’s strategic objectives and corporate values.

The best employers in today’s world demonstrate a genuine dedication to the people who work for them, creating a clear and positive culture and a satisfying work environment. For the Central Bank of Chile, becoming an employer of excellence means accomplishing our mission efficiently, applying our values, continuously improving our daily jobs, incorporating best practices, developing our talent, and promoting teamwork and innovation.

To achieve this, we must contribute to generating a culture that fosters inspiring leadership, collaboration between areas to achieve exceptional performance, an environment of trust that promotes participation, and equality of opportunity based on professional and personal merit.

value recognition and promotion

retention of talent

motivated
and committed

personnel management

operational continuity

Employer of excellence

We must also continue to develop our technical capabilities and leadership at the national and international levels, with the highest ethical standards and a strong sense of commitment, belonging, and organizational pride.

The main challenges in this area include strengthening personnel management policies, methodologies, and processes, which should take into account the employee life cycle (hiring, development, compensation, and promotion), performance measures (rotation, climate, productivity), and value recognition and promotion. This requires identifying priority areas for improving our value proposition in order to attract and retain talent, strengthening personnel management processes, and reinforcing critical competencies to ensure operational continuity.

This priority consists in two initiatives:

1. Attract and retain talent, identifying and training motivated and committed people who demonstrate our corporate values.

This initiative aims to strengthen the attraction and commitment of the best talent, positioning the Bank as a great place to work in terms of professional growth and mentoring, performance of a job with purpose, and an environment of trust, transparency, and collaboration.



This initiative includes two lines of action:

- 5.a. Reinforce and strengthen the Bank’s value proposition to its employees.
- 5.b. Evaluate the alternatives for a segmented development system.

Work in this area is expected to complement the other initiatives oriented toward strengthening the intellectual leadership of the Central Bank of Chile and position it as a technical model at the national and international levels.

2. Strengthen management and leadership abilities, in line with our corporate values and culture.

The scope of this initiative covers the design and implementation of the culture, style, and leadership that are necessary for the Bank to achieve its strategic objectives.

The initiative includes one line of action:

- 5.c. Define the culture necessary for achieving the strategic objectives, which will provide the basis for designing and implementing a leadership development program.

This consists in designing and implementing a leadership development program, based on the key attributes of the corporate culture, that increases the Bank’s value proposition and enhances the Bank’s intellectual leadership, excellence, values, and technical capacity.

Calendar:

The planned calendar for implementing the strategic initiatives and their associated lines of action is presented in the following table:

Priority	Initiative / Lines of action	2018	2019	2020	2021	2022
1. To strengthen the Bank’s response capability and intellectual leadership in order to achieve the institutional objectives defined in the Basic Constitutional Act, incorporating an increasingly complex reality	1. Strengthen the analytical capacity that underlies the monetary policy decisionmaking process, incorporating international best practices.					
	1.a. Modeling agenda.					
	1.b. Communication strategy for monetary policy analysis.					
	1.c. Incorporation of micro-data in monetary policy analysis.					
	2. Develop the analytical capacity to identify, monitor, and communicate financial risks.					
2. To strengthen the Bank’s understanding of and dialogue with its wider environment through strategic communications management that identifies objectives, roles, and functions.	2.a. Financial policy agenda.					
	2.b. Communication strategy for financial stability analysis.					
	2.c. Incorporation of micro-data in financial stability analysis.					
	2.d. Market intelligence.					
	2.e. Regulatory simplification.					

Foco	Iniciativa / Líneas de acción	2018	2019	2020	2021	2022
3. To strengthen the Bank’s corporate governance so as to balance risk tolerance and business process efficiency, streamlining the decisionmaking process and facilitating innovation.	1. Adjust the corporate governance structure in order to increase flexibility in decisionmaking and implementation.					
	1.a. Governance, focused on a lean organizational structure with agile and efficient decisionmaking.					
	1.b. Process optimization, risk-efficiency balance, and cultural change.					
	1.c. Comprehensive balance sheet management.					
	1.d. Sustainable bank.					
4. To improve the Bank’s capacity to understand, manage, and incorporate technological changes, in relation to both its operations and management and its institutional objectives.	1. Develop internal management and regulation capabilities to address disruptive technologies (DT) for the Bank’s business models and for financial intermediaries.					
	1.a. Technology observatory.					
	1.b. TechLab.					
	1.c. FinLab.					
5. To be an employer of excellence, offering a value proposition that inspires people and teams to discover and develop their full potential, in a work environment that promotes collaboration, continuous learning, and professional and personal challenges; and thus to attract and retain talent, in line with the Bank’s strategic objectives and corporate values.	1. Attract and retain talent, identifying and training motivated and committed people who represent our corporate values.					
	1.a. Reinforce and strengthen the Bank’s value proposition to its employees.					
	1.b. Evaluate the alternatives for a segmented development system.					
	2. Strengthen management and leadership abilities, in line with our corporate values and culture.					
	2.a Define the culture necessary for achieving the strategic objectives; and model and implement a leadership development program.					



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