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ACRONYMS

AA	EU-Chile Association Agreement
AGCI	Agencia de Cooperación Internacional (Governmental Agency for International Co-operation)
ALADI	Latin American Integration Association
APEC	Asia Pacific Economic Co-operation
CONADI	National Corporation for Indigenous Development
CSP	Country Strategy Paper
EC	European Communities
ECLAC	Economic Commission for Latin America and the Caribbean
EFTA	European Free Trade Area
EU	European Union
FTA	Free Trade Agreement
FTAA	Free Trade Area of the Americas
GDP	Gross Domestic Product
IDB	Inter-American Development Bank
ILO	International Labour Organisation
IMD	Institute for Management Development
MERCOSUR	Southern Common Market
NAFTA	North America Free Trade Area
NGO	Non-Governmental Organisation
OAS	Organization of American States
OECD	Organisation for Economic Co-operation and Development
UN	United Nations
WTO	World Trade Organisation

0. EXECUTIVE SUMMARY

Chile is a constitutional multi-party democracy. Since the end of military dictatorship in 1989 Chilean society has reconstructed and consolidated its democratic fabric. Dialogue and consensus-building have been the key components for stability.

Chile's successful macro-economic performance over the last two decades has positioned it among the most dynamic economies in the world. In this regard, the areas chosen as focal sectors are key issues in the future development of Chile and, as such, fall within the main priorities on the government's agenda.

The priority objective of the EC response strategy for the period 2007-2013 is to deepen the EU-Chile Association Agreement through cooperation and policy dialogue in the areas of innovation and competitiveness, social cohesion and education. The Association Agreement is the central axis of the EU-Chile relationship and provides the appropriate framework for mutually beneficial activities in areas of common interest.

Promotion of innovation and competitiveness is a key priority for Chile. One key element to increase a country's competitiveness is its capacity to integrate innovation in its production, thus adding value to its products. To integrate innovation more fully into Chilean production, interactions between the scientific world and the private sector should be encouraged.

The Association Agreement underlines the importance of social development, which must go together with economic development, and provides for cooperation in the social field in any area of interest to the parties. Achievement of a more cohesive society is one of the important needs acknowledged by Chile for its overall development. The EU can share its experience in the field of social and employment policies, including the aspects relating to civil society participation, and can therefore make a useful contribution to cooperation in the field of social cohesion.

With regard to education, in spite of the achievements attained, in particular concerning coverage, there is still a problem with quality and performance. The European Union can contribute to improving the higher education system in Chile, sharing its experience and know-how in this field and offering the benefit of cooperation in relevant programmes.

Given the political stability and advanced level of development achieved by Chile, it can be assumed that successful implementation of the EU strategy poses almost no risks.

An indicative allocation of € 41 million has been earmarked for Chile in the period 2007-2013 under the financing instrument for development cooperation (DCI). These resources can be supplemented by projects and programmes financed under the Latin American regional programmes, as well as from thematic programmes.

1. OBJECTIVES OF EC CO-OPERATION

1.1 The EU Treaty objectives for external co-operation

European **development cooperation** policy is based on Article 177 of the EC Treaty, which establishes the following objectives: (1) sustainable social and economic development in developing countries; (2) the smooth and progressive integration of these countries into the world economy, and (3) the fight against poverty. These activities complement those carried out by the Member States, and are consistent with EC development policy. EC development policy in this area contributes to the general objective of development and consolidation of democracy and the rule of law, and with the objective of respecting human rights and fundamental freedoms.

The main **legal and financial instrument** for the provision of European cooperation to Chile for the period 2007-2013 is the Regulation of the European Parliament and of the Council (EC) No **XXX** establishing a financing instrument for development (DCI), which refers to Article 179 of the Treaty establishing the European Community.

“*The European Consensus*”, the new joint declaration on **EU development policy** adopted in December 2005 by the Council of the European Union, the Parliament, the Commission and the Member States, which is centred on the Millennium Development Goals and the eradication of poverty in the framework of sustainable development, uses the same legal basis. The policy targets all developing countries, and underlines the importance of partnership with such countries, as well as promoting good governance, human rights, democracy and equitable globalisation. It proposes a differentiated approach according to contexts and needs, and a common thematic framework that includes social cohesion, employment and working conditions, trade and regional integration among the priorities for European cooperation.

European Union/Latin America/Caribbean (LAC) Summits: Biregional commitments were made at the summits of Heads of State or Government of EU and LAC countries like the most recent one held in Vienna, Austria in May 2006. On that occasion the 60 participating countries reaffirmed their shared values, their common interests and their willingness to act as part of a multilateral framework. They also confirmed their commitment to strengthening social cohesion and promoting regional integration.

On 9 December 2005, for the preparation of the EU-LAC summit in Vienna, the Commission presented a new strategy to strengthen EU-LA partnership and cooperation. In the communication, the Commission analysed the current challenges and made concrete proposals to give a fresh impetus to the existing partnership. The aim is to “create new dialogues and opportunities” that will contribute to peace, stability and development, while strengthening social cohesion, democracy and regional integration. To do this the Commission proposes strengthening political dialogue and targeting it on a limited number of issues of mutual interest likely to increase the influence of the two regions on the international scene.

1.2 Specific objectives in Chile

Co-operation between the EC and Chile is currently covered by Regulation¹ (EC) of establishing an instrument for development cooperation (DCI) and by EC communications on co-operation between the EU and Latin America. The DCI Regulation is designed to support *inter alia* development cooperation, economic, financial, scientific and technical co-operation and all other forms of co-operation with partner countries and regions, and international measures to promote the objectives of the EU's internal policies abroad.

It is also relevant to mention in this context that the EU-Latin America and Caribbean regional summits, at the level of Heads of State and Government, set objectives for cooperation with the Latin American countries.

The Rio summit in 1999 emphasised the importance of human rights, the information society and reduction of social imbalances.

At the Madrid summit in 2002 the two Parties agreed to strengthen the institutions of both regions, to foster sustainable development, to alleviate poverty, to promote cultural diversity, fairness and social equity, and to deepen the process of regional integration and inclusion into the world economy.

At the Guadalajara summit in 2004 and the Vienna summit held in May 2006, priority was given to social cohesion, which was made a central element of the partnership between the EU and Latin America. Co-operation in this field, drawing on the EU's experience in promoting social cohesion, is aimed at creating and consolidating structural stability in Latin America by encouraging and assisting Latin American countries to adopt sound and efficient policies on democratic governance, social aspects, public finance and fiscal policies to reduce poverty as well as social inequalities and exclusion.

The EU-Chile Association Agreement (AA) was signed on 18 November 2002 and entered into force on 1 March 2005, although most of the trade provisions had been applied on a interim basis since 1 February 2003. More specifically, the AA provides the legal framework for political, trade and cooperation relations between the EC and Chile.

Cross-cutting issues

Cross-cutting issues are an important element when designing measures. They are also important issues which sectoral and global dialogue should consider during the formulation of specific and sectoral strategies. The main cross-cutting issues relevant to Chile are mentioned in section 5.

All too often cross-cutting issues are forgotten at the time of identifying and preparing financing, and greater account must be taken of them than in the past. Therefore, a brief analysis will be made, in each financing proposal or identification document, for each of the following cross-cutting issues: citizens' participation, institution-building, gender, indigenous population and the environment. An explanation must be given of the way those issues would be mainstreamed during implementation of each specific measure.

In addition to mainstreaming, specific ad hoc financing could be provided from thematic and horizontal budget lines.

¹ Legal basis Art. 179 EC Treaty.

2. OUTLINE OF THE POLICY AGENDA OF CHILE

Aims and objectives of the government

Since 11 March 2006, Chile has had a new President, Michelle Bachelet, and a new government. In many ways, Bachelet is seen as representing a new style and a new generation of leadership not only in Chile but also in Latin America. Half the posts in her Cabinet were given to women, and many of the new faces in the government are not part of the Concertación's political elite. She has promised continuity of the market-oriented policies followed by the previous Concertación governments that have made Chile's economy one of the strongest in the region, but has also pledged change. The aims, objectives and spending priorities of the government of President Michelle Bachelet were spelled out in her first address to Congress in May 2006. President Bachelet will focus on four broad priority areas, namely:

- to create more stable and dignified retirement plans for Chile's needy;
- to improve pre-school, primary and secondary education in the public school system;
- to promote innovation and research in the business sector, while also simplifying the tax burden for small and medium-sized enterprises;
- to improve housing in poor neighbourhoods.

President Bachelet promised to send the bill to reform the pension system to Parliament during the second half of 2006. She also announced an overall reform to the pre-school system and said that efforts will be made to radically improve the quality of primary and secondary education, in particular, improving the training of teachers.

As regards foreign policy, the Bachelet Government will focus its diplomatic activities on achieving greater integration with its neighbors on the political and economic front, above all in energy integration. It will also try to improve its co-operation with neighboring countries, particularly Peru and Bolivia. In April 2006, the Chilean Foreign Affairs Minister Alejandro Foxley gave a detailed presentation of the new government's objectives to the members of the Foreign Affairs committee in Parliament. He stressed the need for the creation of the so-called "South Cone energy ring" and argued that the South American Community of Nations should play a key role in promoting energy integration. The new government's focus on strengthening relations within the region was expected due to the growing difficulties experienced in recent times with Peru and Bolivia. In 2005 and the first half of 2006, bilateral relations with Peru declined over the question of maritime borders, while Bolivia's demand for maritime access is another pending issue that the Bachelet government will need to address. Minister Foxley said there will be "no exclusions" in the bilateral agenda with Bolivia, but added that Chile will go "step by step" regarding the historic differences between the two countries.

In August 2006, Chile and Peru signed a long-delayed Free Trade Agreement. The FTA comes at a time of unusually good bilateral relations achieved by the new Presidents of the two countries. Furthermore, Chile accepted the invitation to rejoin the *Comunidad Andina the Naciones* (CAN) as an associate member. However, it has requested further details from the Heads of the Member States of the CAN on the status of Chile's participation in the Community.

Cross-cutting issues

The government has strengthened the relevant national institutions to ensure that “vulnerable groups” are taken into account in the formulation of public policies. Thus, some of the concerns of women, indigenous populations, youth, children, elderly and handicapped people have been taken into account in major national programmes and some progress has been made in terms of their legal and social protection. Nevertheless, big challenges remain before they can reap the full benefits of development.

Pending issues facing the government include an increase in public and private investment in science and technology and reduction of unemployment combined with sustainable development across all social sectors.

Additional issues that need to be addressed are social security coverage, quality of education at all levels, promotion of new technologies, research and development and better and more effective integration of environmental aspects in the social and economic decision-making process.

3. ANALYSIS OF THE POLITICAL, ECONOMIC, SOCIAL AND ENVIRONMENTAL SITUATION

3.1 Analysis of the political situation

Chile is a constitutional multi-party democracy with three independent branches: the executive, led by a President with strong powers, a bicameral legislature, subdivided into a Lower House of Representatives and a Senate, and a judiciary consisting of a Constitutional Tribunal, a Supreme Court, Court of Appeals and military courts.

Chile's bicameral Congress has a 48-seat Senate (reduced to 38 as of the next elections following the recently adopted constitutional reforms) and a 120-member Chamber of Deputies. Deputies are elected every 4 years. Senators serve for 8 years. The Congress is located in the port city of Valparaiso. Suffrage is universal at 18 and mandatory for everyone registered.

Administratively, Chile is divided into 12 numbered regions plus one metropolitan region, which is the capital, Santiago, each administered by appointed "intendentes". Regions are divided into provinces, administered by appointed governors, and provinces are divided into municipalities, administered by elected mayors.

The major political parties are grouped into two large coalitions: 1) the centre-left *Concertación*, which includes the *Partido Demócrata Cristiano*, the *Partido Socialista*, the *Partido por la Democracia* and the *Partido Radical-Social Demócrata* and, 2) the centre-right *Alianza*, which includes *Renovación Nacional* and the *Unión Demócrata Independiente*. The *Partido Comunista* and a number of smaller leftist parties formed a coalition in 2004, but none of them has recently elected congressional representatives.

Chile's congressional elections are governed by a binomial system that favours coalition slates. Typically, the two largest coalitions split the seats in a district. Only if the leading coalition ticket out-polls the second-place coalition by a margin of more than 2-to-1 does the winning coalition gain both seats. The reform of the binomial system is part of the government's agenda. Since the 2005 parliamentary elections both the Senate and the Chamber of Deputies have been controlled by the *Concertación*. The *Partido Comunista* failed to gain any seats in the 2005 elections.

Since the end of military dictatorship in 1989 Chilean society has reconstructed and consolidated its democratic fabric. Dialogue and consensus-building have been the key components for stability. The progress attained throughout the democratic transition phase is linked to the broad consensus shared between Chilean society and the political elites about the rules defining democracy, the state of law and an open market-oriented economic policy.

On 15 January 2006, Ms Michelle Bachelet, the centre-left candidate for the ruling *Concertación* was elected Chile's first woman president, with 53.5% of the votes. Mr Sebastian Piñera, a businessman and candidate for the centre-right *Partido para la Renovación Nacional* (RN), had 46.5% of the vote. The Bachelet presidency is the fourth democratic government of the *Concertación*, who have led Chile's restoration of democracy since 1990.

The Bachelet government

Most analysts agree that the Bachelet government will leave large swathes of current policy untouched. In fact, it is very likely that her government will ensure the continuity of the main economic and social policies of the Lagos government. On Chile-EU relations, no major changes are expected.

Political reform, citizen participation, human rights and transparency

Under the Lagos presidency fundamental political reforms, initiated under his predecessors Mr Frei and Mr Aylwin, have been continued and further enhanced. These reforms have centred on priority sectors like health care, education, justice and modernisation of the state. The emphasis of this large-scale and ambitious reform agenda was to promote a transparent, efficient, effective and decentralised state maintaining the principles of national unity and solidarity.

The recent constitutional and judicial reforms have also been among the most prominent examples of advances in implementation of the government's agenda. The constitutional reforms approved by Congress in August 2005 are viewed as further normalisation of the democratic regime. They include limitation of the presidential term in office to 4 years instead of 6, abolition of non-elected senators (institutional senators or senators for life), restitution of the President's right to dismiss military commanders-in-chief and the chief of police, and limitation of the powers of the National Security Council, which from now on can only be called upon by the President. These reforms are the result of a political agreement reached in 2004 between the right-wing opposition *Alianza* and the centre-left governing coalition *Concertación*.

As for the judicial reform, a complete overhaul of the criminal justice system was initiated five years ago and was completed in June 2005. It has brought in radical changes such as abolishment of capital punishment, replaced by 40 years' life imprisonment, and the introduction of an oral system similar to that of the USA to replace the old inquisitorial proceedings. Under the reform, public ministry prosecutors work independently from judges in order to ensure a more efficient, transparent and public hearing.

The electoral voting system currently in force in Chile makes voting compulsory for everyone registered and does not allow unregistered persons to vote. This system has resulted in high levels of abstention since an estimated 2 million Chileans, almost 35% of eligible voters, are not registered. A proposal by the executive to reform this system by introducing an automatic registration system and voluntary voting is currently before Congress.

Concerning the human rights violations that took place during the military regime, a recent milestone in the process of national reconciliation and recuperation of history was the official recognition by the army, in December 2004, of its institutional responsibility for the human rights abuses committed during the military dictatorship. This followed the publication of the Valech report, which investigated the systematic human rights violations under the military government and gathered testimony from those imprisoned and tortured during that period.

International and regional stance

Chile is an active participant in the international political arena and has successfully extended its international economic and trade ties while at the same time assuming political responsibility at international level. Chile completed a 2-year non-permanent term on the UN Security Council in January 2005 and is an active member of the UN family of agencies.

Chile is also participating in ALTHEA, the EU's military peacekeeping mission in Bosnia-Herzegovina. This participation has a strong political significance that needs to be stressed. Not only because it demonstrates the genuine commitment of the Chilean government to peace, stability and international security, but also because it reflects the ever closer relationship between Chile and the EU. Furthermore, it shows that the Association Agreement that the EU and Chile signed in November 2002 goes well beyond the trade dimension. It marks a comprehensive partnership with a political component of paramount importance.

Chile is also participating in MINUSTAH, the UN peacekeeping force in Haiti.

Chile hosted the APEC summit and related meetings in 2004 and the Community of Democracies ministerial meeting in April 2005. Chile's multi-polar diplomatic approach reflects its wish to maintain relative independence from the different regional blocs. Thus, Chile is a full member of APEC and of the Rio Group and an associate member of MERCOSUR. Also, Chile has paid particular attention to development of its external trade relations and has therefore concluded various Free Trade Agreements with its leading trading partners and is currently in the process of negotiating new ones. Chile has a very close relationship with the EU, through the AA signed in 2002 and a Scientific and Technological Cooperation Agreement also signed in 2002.

Chile's commitment to multilateralism and regional policy gained special recognition with the election of former Interior Minister José Miguel Insulza as Secretary-General of the OAS.

Chile and Bolivia severed diplomatic ties in 1978 over Bolivia's desire to have sovereign access to the Pacific through Chilean territory lost by Bolivia in the 1879-83 War of the Pacific. The two countries maintain consular relations.

Relations with Peru have experienced frequent ups and downs as a result of a series of issues like the Chilean arms sales to Ecuador in 1995 during the Ecuador-Peru border dispute, the modernisation of the Chilean armed forces with new weaponry despite the Peruvian disarmament proposal and the settlement of maritime limits between the two countries.

The energy crisis unleashed by cuts in gas supplies from Argentina since 2004 revealed the energy dependence of Chile and has strained relations between the two countries.

After successfully integrating into the world economy and reaching agreements with the main world trading powers, one big challenge Chile still has to face will be to make regional integration successful and to normalise its relations with its neighbours.

3.2 Analysis of the economic situation

After a decade of impressive growth rates, Chile experienced a moderate downturn in 1999 brought on by the global economic slowdown. The economy remained sluggish until 2003, when it began to show clear signs of recovery, achieving 3.3% real GDP growth. The Chilean economy finished 2005 with growth of 6.3%. For 2006 ECLAC forecasts that Chile will be the only country in Latin America to grow by above 5% of GDP.² The government's role in the economy is mostly limited to regulation, although the state continues to operate the biggest copper company and a few other sizeable enterprises. Unemployment has hovered in the 8%-10% range in recent years, well above the 5%-6% average for the 1990s.. During May-July 2006 unemployment reached 8.8%. Although the labour force has significantly increased in recent years, there appears to be great potential for a further expansion of the labour supply.

With a GNP per capita of US\$ 6 151 in 2005, Chile has been classified by the World Bank as an upper middle-income country with a moderately indebted economy. Since the Lagos government Chile has started practising a counter-cyclical fiscal policy that requires the government to have a fiscal surplus of 1% of GDP. when the economy is growing to its potential and when the copper price is at its expected long-term average.

Chile's economy is not only considered to be the least corrupt in Latin America but also the most competitive. According to a study by the Swiss-based Institute for Management Development (IMD), Chile ranks 19th worldwide in terms of competitiveness (26th in 2004).

Chile's independent Central Bank pursues a policy of maintaining inflation between 2% and 4%. For 2005 the inflation rate was 3.7% and for August 2006 reached 3.8% on annual basis

Another factor in the favourable economic situation is the increase in foreign and national investment (24% of GDP for 2004 and a projected 25% for 2005), ranking third in Latin America. In 2004 Foreign Direct Investment (FDI)³ was concentrated in two sectors: mining (43%) and telecommunications (27% of FDI), followed by financial services and insurances (13%) and basic services (electricity, gas, water) with 5% of the total FDI.

This is partly due to a friendly investment framework with reduced corporate rate taxes and non-discriminatory treatment for foreign companies. The EU is the leading investor in Chile. In total, during 2005, approximately 30% of Chile's FDI (amounting to a total of US\$ 1.9 billion) came from Europe, underlining the impact of the AA. Within the EU, the top five investors have traditionally been Spain (22.7%), the UK (9.2%), the Netherlands (2.6%), Italy (2.5%) and France (2.2%). The European presence has been particularly significant in basic services (32%), telecommunications (17%) and mining (16%).

The situation in the energy sector underlines Chile's dependence on energy imports and the absence of a clearly defined and diversified long-term strategy. A new energy law, ratified in May 2005 by Congress, promotes new private investment in the sector. The government, in conjunction with Peru, Argentina, Brazil and Uruguay, is also considering an energy ring mega-project which would transport natural gas from the Camisea field in Peru to the abovementioned

² Chile's economy is expected to grow by 5.5% of GDP in 2006 according to ECLAC's "Estudio Económico América Latina y el Caribe 2004-2005", ECLAC, August 2005.

³ According to the *Comié de Inversiones Extranjeras*

countries. Promotion of energy efficient policies will also help to reduce ozone depleting substances and therefore help to achieve MDG 7 on sustainable development.

3.3 Trade structure

In 1986 Chile initiated a process of intensive liberalisation of its foreign trade by introducing a single tariff of 15%. Since then, Chilean customs tariffs have been progressively reduced to 6% across the board. Chile pursues a free trade policy of open regionalism and has become a very active WTO member, especially within the Doha round. At present, 65% of Chile's exports are bound for its FTA partners. As has been mentioned before, for the time being, Chile has signed separate FTAs with each and every one of the NAFTA countries, with Central America, the EU, EFTA, South Korea, with its P4 partners (Singapore, New Zealand and Brunei) and recently with China. Chile also holds ECAs (Economic Complementation Agreements)⁴ with each country in South America and Mercosur. In addition, Chile has been a member of APEC since 1994.

An ambitious trade pact has been agreed with India. Peru and Panama are two other countries that have recently finished FTA negotiations with Chile. Chile's latest initiative is to propose a free trade zone within ALADI (all South American countries along with Mexico and Cuba), suggesting that 84% of interregional trade should be tariff-free until 2007 and all interregional trade by 2010. Chile is also involved in feasibility studies with Malaysia and Thailand for a possible FTA.

Nevertheless, despite the outstanding development of Chile's external sector during the last few years, some important issues are still pending. The excessive dependence on commodities exports – particularly copper, which accounts for some 45% of Chile's total exports –, the need to compensate for the loss of tax revenue as a result of low tariffs and the need to enhance the role of its Export Promotion Agency are among Chile's priorities for the years ahead.

In 2005 trade made up 65% of Chile's GDP, being the driving force of its economy. The EU remained the top destination market (22.9% market share), whilst MERCOSUR is still the leading origin of Chile's imports (26.8%). During this period, Chilean imports from the EU took a market share of 15.6%.

In 2004 for the second consecutive year, mining products made up more than half of all shipments abroad (56%). This strong growth is mainly explained by high international prices – especially for copper – due to increasing international demand, particularly from China. International experts predict that prices will continue to rise at least for another year. Other key exports are salmon and trout, fresh fruit, wines and wood pulp.

However, intense mining activities are exerting increased pressure on the environment through increased contamination of soil and water (also by mercury), deforestation and loss of biodiversity. Environmental considerations will therefore be a constant concern when it comes to deciding on EC involvement in this area.

The AA with the EU is the most ambitious agreement ever signed by Chile and comprises three important pillars: political dialogue, cooperation and trade. Since it entered into force bilateral trade has grown from €5.6 billion in 2002 to €10.9 billion in 2005. Although there has been a clear increase in Chile's exports to the EU against a more modest EU performance, it is still too

⁴ ECAs mainly provide for progressive elimination of tariffs for a limited number of products. They are usually negotiated as a first step towards further trade liberalisation.

early to assess the overall impact of the AA over such a short period at a time when tariffs are still being phased out.

The main EU imports from Chile are mining products - copper and other minerals -, chemical coniferous pulp and methanol. Conversely, major EU exports to Chile are higher value-added goods such as beta-carotene, machinery, minibuses, medicine, cell phones, etc.

3.4 Analysis of social developments

Population, millennium goals and social spending

Chile's population is relatively young and urban. The 5 to 29 age group accounts for 42.24% of the total population of 15.11 million. 86.6% of the total population live in urban areas compared to 13.4% in rural areas.⁵

During fourteen years of the democratic governments of the *Concertación* (1990-2003) Chile succeeded in reducing the poverty level from 38.6% to 18.8% and the level of extreme poverty from 12.9% to 4.7%, clearly outranking the average Latin American indices for the period indicated and achieving 10 years ahead of schedule the UN millennium development goal of cutting poverty by half (see annex 4).⁶ These results were due to strong economic growth but also to a 125.7% increase in social public spending during the same period. The share of social public spending in the national budget rose from 60.8% to 69.7%.

For 2006 further increases in public spending, in particular in the health care and education sectors, have been forecast, fuelled by the high price of copper. In terms of social public expenditure per capita per year Chile (US\$ 936) is overtaken only by Argentina (US\$ 1 650) and Uruguay (US\$ 1 494).

Inequality and distribution of income

Although Chile ranks 37th in the 2005 UNDP human development index (0.854), it ranks 80th or lower in terms of distribution of income. Unequal distribution of wealth is still a great concern. According to the World Bank's 2005 development indicators, Chile ranks fourth in Latin America (after Brazil, Paraguay and Colombia) in terms of income inequality and 12th in the world, showing a worse performance than poor African countries such as Zambia, Nigeria and Malawi. The Gini index for Chile (57.1%) is worse than ten years ago (56.4%). In 2005 the poorest 10% of the Chilean population accounted for 1.2% of GDP (2000 = 1.4%) whereas the richest 10% controlled 47% of GDP (2000 = 46%).

The Chilean tax system is biased towards indirect collection, with a low income tax structure that benefits businesses and people on the highest revenue bracket. Tax revenues account for merely 17% of the GDP.

Although monetary transfers through social spending on the poorest households had a cushioning effect, the inequalities have a greater negative impact on the income of certain social sectors, such as women, young people, old people, indigenous people and the inhabitants of certain regions in the country.

⁵ Source: INE "Instituto Nacional de Estadísticas" Census 2002.

⁶ According to ECLAC the Latin American poverty average was reduced from 48.3% (1990) to 44.0% (2002). The indices for extreme poverty were reduced from 22.5% to 19.4%.

For example, the average income of women is 30% lower than the average income for men; half the workforce, particularly in the informal sector, is excluded from the pension system and increasing numbers of old people are living off social security pensions. The poverty and extreme poverty indices among indigenous Chileans far exceed the national average, which is also reflected by the fact that regions VIII and IX, with larger indigenous populations, are among the poorest in Chile.

The increase in average annual income per capita from €2 701 in 1990 to €4 277 in 2003 has been accompanied by many other advances. By reducing infant malnutrition from 3% (1990) to 1% in 2001 Chile achieved another of the millennium development goals ahead of time. More than 80% of families in 2002 had adequate housing, with colour television, refrigerator and washing machine (in 1992 it was only 50%); more than 50% have a phone line or cell phone and 32% have a car. Moreover, more than 90% of the population have access to services such as drinking water and drainage, and almost 100% have electricity.

In July 2006 the official minimum wage was 135.000 pesos (approximately US\$ 228).

Access to employment, education and health

Unemployment fell from 9.8% in 1999 to 8.5% in 2003 and 8.0% in 2005. The unemployment rate for women in urban zones exceeds the average unemployment rate by 3%. Unemployment among young people (15-24 year-olds) is more than double the average unemployment rate for the working population. There is a trend towards informal and less secure employment in jobs with no social protection and greater instability at work.

Chile has one of the lowest illiteracy rates in Latin America and has achieved almost total coverage (100%) in primary education. In secondary education coverage has increased from 73% in 1990 to 89% in 2002. However, Chile's main problem appears to be the quality of education, particularly in public schools. Students' performance is relatively low in comparison with OECD countries though higher than most countries in Latin America.

Chile's health care indicators reflect a favourable performance within the Latin American context. Significant progress has been made in terms of life expectancy, rising from 72.7 years (1990) to 76 years (2003); infant mortality has decreased from 16.8 (1990) to 7.8 (2003); maternal mortality is down from 4.0 (1990) to 1.7 (2003); and mortality due to tuberculosis has been reduced from 5.0 (1990) to 1.9 (2002). These indicators confirm that Chile is moving towards a situation comparable to most industrialised countries, from 1.9% of GDP in 1990 to 3.0% of GDP in 2003, and appear linked to the increase in public funds for social programmes.

Chile has a two-pillar health system separating public from private health care. Among the major deficiencies of the public system are limited coverage for the poorest sectors and the elderly. In the field of health, it is worth mentioning the establishment of the National Plan for Universal Access with Explicit Guarantees (AUGE), which provides health care for the 56 most common and costly diseases.

Indigenous people – the most disadvantaged and vulnerable population

Nearly 700 000 people, equal to 4.6% of the Chilean population, consider themselves indigenous. The indigenous population is subdivided into eight ethnic groups. The Mapuche population - which is the largest in number (87.3%) followed by the Aymara (7%) and the Atacameño (3%) -

is concentrated in the south of Chile in Regions VIII, IX and X (Bio-Bio, Araucanía and Los Lagos) and the Metropolitan Region.

Several indicators show that the problems of inequality, vulnerability and social exclusion affect the indigenous population to a greater extent than the non-indigenous. The incidence of poverty among the indigenous population at 29.2% (2003) exceeds the national average of 18.8%; the extreme poverty index is twice the national average (4.7%) and almost three times the average in the case of the rural indigenous population.

Regions VIII, IX and X, where the majority of the Mapuche population lives, have the highest level of poverty in Chile. Likewise, 8% of indigenous people are illiterate compared to 3.5% of the non-indigenous population. In respect of education the indices show that the disadvantages remain: 54% of the indigenous population completed primary education compared to 66% of the total Chilean population. The indices for completion of tertiary education are even further apart. Here the indigenous population (8%) lags clearly behind the total Chilean population (16%). Infant mortality among the indigenous population is three times higher than the Chilean average.

Since 1990 the democratic governments have taken decisive steps to alter this situation. One important step taken by the government was the adoption of the Indigenous Law (Law 19.253) in 1993, which formally recognises the ethnic and cultural diversity of all indigenous people. Article 1 of this Law establishes that the Chilean State has the obligation to respect, protect and promote the development of indigenous people. It adds that the state recognises the rights of indigenous people to maintain and develop their culture and that their land will enjoy the protection of the Law; Mapuche land will not be alienated, seized or acquired, except between communities or individuals belonging to the same ethnic group. The Law provides for the creation of:

- a Fund (*Fondo para Tierras y Aguas Indígenas*) to grant subsidies to indigenous communities to buy land and to find legal solutions to land problems;
- a Fund for Indigenous Development to finance development programmes. This Fund is administered by the National Corporation for Indigenous Development (CONADI);
- areas of indigenous development, in which the state is to concentrate its action in favour of indigenous people;
- the National Corporation for Indigenous Development (CONADI), a public agency whose role is to promote, coordinate and carry out state activities to develop indigenous activities, especially in the economic, social and cultural fields.

It should also be underlined that the Chilean Constitution, as revised in 1989, guarantees the respect of any right inherent to the human person, and that constitutional and legal provisions grant all Chileans the right to judicial or administrative recourse to have their rights restored in case of violation. However, the Constitution does not recognise Mapuches as such. Chile did not ratify ILO Convention No 169 concerning Indigenous and Tribal Peoples in Independent Countries because this Convention was ruled anti-constitutional.

Activities like the “Scholarship and Accommodation Programme” to combat discrimination at higher education level and the “Origins Programme” to promote participatory processes on local and territorial planning are examples of anti-discrimination measures of wider scope.

The report by the Commission for Historic Truth and New Treatment of the Indigenous People submitted in 2003 called for the constitutional recognition of the indigenous people, their right to elect their own representatives and their integration into regional and local government. Although the report and its recommendations contributed to the New Deal Policy (*Política del Nuevo Trato*) of the Lagos government calling for the increased recognition of the political rights of the indigenous people, it was not included in the constitutional reform of August 2005 due to rejection by the *Alianza* opposition.

3.5 Environment

According to the environmental performance review conducted by the OECD, the rapid economic growth of Chile has put considerable pressure on some natural resources, particularly in booming sectors such as mining, forestry and aquaculture. Chile is situated in a region which is highly vulnerable to the effects of climate change and requires assistance in both its mitigation and adaptation efforts.

Chile has strengthened its environmental institutions on the basis of a multi-sectoral environmental coordination model. It has also intensified its environmental action concerning air, water, waste and biodiversity management, with innovative instruments (e.g. trading) and successful reforms (e.g. in water services).

Over the past decade, environmental protection has been strongly influenced by concerns over human health and international trade. Important challenges remain in terms of maintaining progress on environmental management, integrating environmental concerns in sectoral policies, improving environmental management instruments and strengthening relevant institutions.

3.6 Assessing the process of reform

The consistency of the reform process has been provided by the three successive democratic *Concertación* governments and is expected to continue with the next government given the existing political consensus on the need further to reduce poverty and inequality, to enhance education and health, to increase Chile's economic growth and to strengthen its democratic institutions.

One important factor within the democratic reform process is the ongoing modernisation of the state with special emphasis on public administration. Its main objective is to achieve a more effective and transparent public administration with an emphasis on new information and communication technologies that also help to bring the government closer to the citizens.

The reform process and the progress made have a significant impact on the consolidation of democratic structures, strengthening of institutions and the performance of the public administration.

4. OVERVIEW OF PAST AND ONGOING EC COOPERATION, COORDINATION AND COHERENCE

The high levels of economic growth achieved by Chile over the last two decades, the increase in per capita income, the political stability and the continuous strengthening of democracy have resulted in a significant decrease in both bilateral and multilateral international cooperation financial flows to Chile.

Chile, as a middle-income country, continues to receive cooperation funds from a few donors based on the concept of mutually beneficial cooperation rather than on the traditional “aid” concept.

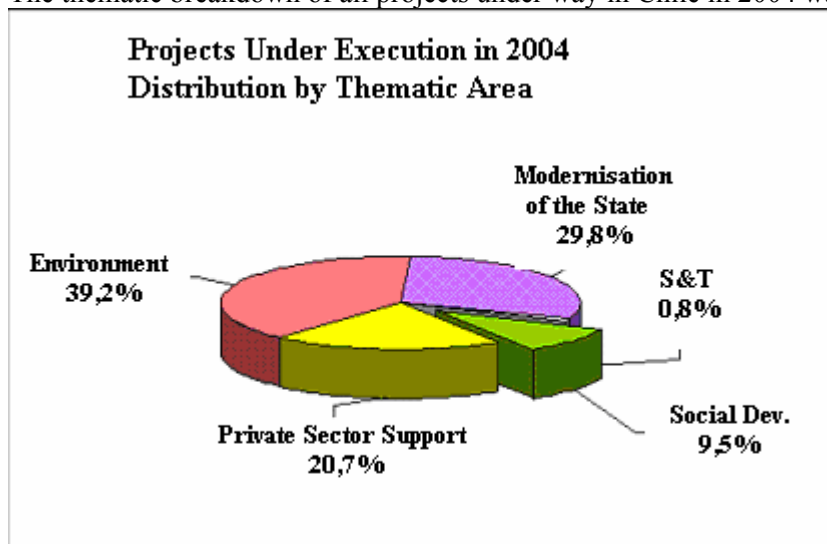
The *Agencia de Cooperación Internacional* (AGCI) is the government agency responsible for management of cooperation funds received from donors. It also manages Chile’s cooperation funds for its own assistance to other countries in the region.

Funds received from donors are mainly channelled into specific cooperation projects and into supporting training programmes abroad for Chileans.

During the first years after the return to democracy in 1990 Chile received significant assistance intended mainly to support social development programmes, strengthen the democratic process and improve good governance. In recent years the amounts of cooperation flows have diminished considerably and have been reoriented to areas such as strengthening institutions, state reforms, private-sector support, the environment, and science and technology.

At present, over 100 projects are under way with overall contributions totalling about €120 million (see Annex 3). The European Union is the biggest multilateral donor. Leading bilateral donors are Germany, Japan, France, Sweden, Canada and Belgium.

The thematic breakdown of all projects under way in Chile in 2004 was as follows:⁷



⁷ Source: AGCI.

4.1 Overview of past and ongoing EC cooperation

Chile is currently managing projects costing a total of approximately 61 million euros, backed by EC contributions. The main stakeholder is the Chilean government, represented by AGCI, which is the official counterpart for EC bilateral cooperation. The portfolio of ongoing projects is consistent with the EC objectives stated in the Country Strategy Paper for 2002-2006 and can be broken down as follows:

- (i) Projects from the current CSP for 2002-2006 take 57% of the total budget currently under implementation. The projects are designed to support SMEs, promote technological innovation and assist in the reform of the state.
- (ii) Other bilateral cooperation projects, approved prior to the CSP, take 31% of the total and are involved with decentralisation, good governance and socio-productive development in rural areas.
- (iii) NGO projects take 12% of the budget and, although relatively small in size and value, they provide useful assistance on a wide range of issues such as human rights, gender, ethnicity, poverty, local development, domestic violence, etc.

The objectives and priority areas identified in the Country Strategy Paper for 2002-2006, namely economic cooperation and technological innovation and support for the reform of the state, have been met. There is only one action in the field of the environment that remains to be committed. The whole €34.4 million earmarked in the Country Strategy Paper has been contracted.

Chile has proved to be an efficient cooperation partner that has the institutional, financial and technical capabilities for management and implementation of the cooperation, matching the funds provided by the EC and ensuring a high degree of ownership of the projects. The Chilean beneficiary institutions have received training in the applicable EC procedures.

NGOs supported with donors' funds have played a key role, especially in encouraging participation by civil society in the discussion of certain public policies and in bringing people closer to government, which is still viewed as one of the government's challenges. However, assistance to Chilean NGOs has also diminished as Chile is no longer a priority country. The same also applies to the EC with regard to thematic budget lines.

Chile is also a beneficiary of the EC land de-mining budget. For 2005 an amount of 1.5 million euros has been committed to a project that will be managed by UNDP, which will work with the competent national authorities.

With regard to EC regional programmes, Chile is an active player. In @LIS, Chile is participating in both political/regulatory dialogue networks and demonstration projects. In recent years, 87 Chilean applications (8% of the total selected) have benefited from the ALBAN programme. In the URB-AL programme, Chileans are leading two thematic networks and 11 implementation projects. The business sector has participated in many events financed by the AL INVEST programme and since 1994 trade contracts for approximately €15 million have been signed. Higher education institutions are also very dynamic in the ALFA programme, participating in 99 of the 208 projects selected and coordinating 19 of them.

4.2 Information on programmes of EU Member States and other donors

4.2.1 EU Member States

Between 2002 and 2003 Chile received over €70 million⁸ of international cooperation funding, of which 55% came from EU Member States and was focused mainly on the development of specific projects, technical assistance and scholarships.

Close coordination between the EC and Member States, through periodic meetings of the EU cooperation counsellors based in Santiago, as well as regular contacts with other donors contributes to the efficiency of the activities and ensures that EC cooperation complements and creates synergies with that of other donors, including Member States.

The most important bilateral donor continues to be Germany, which has provided support for state modernisation, environmental protection and sustainable management of natural resources.

In July 2005 Germany signed a new bilateral cooperation agreement with Chile for a total of €50 million, of which €4.5 million will be for technical cooperation, €10 million for credits and up to €20 million for guarantees. The main areas of cooperation will be environmental protection and energy.

Other Member States active in the country are: Belgium, with 8% of total MS cooperation in 2004, which is cooperating on social development, science and technology and providing scholarships; France (6% in 2004) which is promoting technical cooperation on education, agriculture, S&T and culture; Sweden (3%) which is orienting its cooperation towards private-sector development; and Spain which is developing action for strengthening institutions and supporting triangular cooperation initiatives.

4.2.2 Other donors

At bilateral level, Canada is supporting action related to public-sector reforms, especially linked to the new criminal procedural system; Korea has provided cooperation on IT systems; Japan is supporting various projects, providing technical assistance through volunteers' programmes and non-reimbursable funds mainly focused on the environment and technologies.

At multilateral level, the Organisation of American States (OAS) supports regional cooperation projects which involve at least three OAS Member States; the Inter-American Development Bank has ceased technical cooperation with Chile but maintains financial envelopes for loans mainly to increase competitiveness in the country. The same strategy is applied by the World Bank.

4.3 Lessons learned

Experience from implementation of the current CSP indicates that the use of sectoral funds such as the *Fondo de Apoyo a la implementacion del Acuerdo de Asociacion* and *Fondo de Modernizacion del Estado* provides a high degree of ownership of the individual projects, which is key to their success and sustainability. This may be explained by the fact that project proposals are submitted in specific policy areas by the public authorities concerned, who are close to the

⁸ Source: OECD.

issues at stake and will be responsible for carrying them through, ensuring the effectiveness of the projects' results.

The recommendations made by the evaluation mission on the use of the operational funds in the implementation of EC co-operation in Chile (August 2006) should be taken into account.

5. THE EC RESPONSE STRATEGY

In some richer or larger middle-income countries, traditional cooperation models offer little to no leverage. Countries such as Chile generally have more than enough resources and capacity to address the internal social and development problems which are the normal aim of traditional cooperation. In any case, cooperation funds from the EC are not big enough to have a significant impact on the situation of the country, never mind policy leverage. In order to achieve our external relations objectives, including social cohesion, in these important and more developed countries, a new approach to cooperation is therefore required, responding to the interests of both Parties and the need to further deepen our bilateral relation.

The development of the EU's economic, social and integration systems over the past 40 years can offer useful lessons to these emerging participants in a globalised and regionalised world. In particular, the EU's experience can help demonstrate how social cohesion can be in the national interest of middle-income regional players.

Furthermore, the Joint Declaration on the EU Development Policy (November 2005) states that support to middle-income countries remains important to helping attain the Millennium Development Goals and ensuring global sustainable development, which includes political, economic, social and environmental aspects as well as good governance, human rights and democracy. At the same time, increasing attention is devoted to the implementation of EU and international standards related to good governance in the financial, tax and judicial areas.

The EU-Chile Association Agreement (AA) provides the legal framework for political, trade and cooperation relations between the EC and Chile. The general objectives of the AA state that the Parties will establish close cooperation aimed at:

- strengthening the institutional capacity to underpin democracy, the rule of law, and respect for human rights and fundamental freedoms;
- promoting social development, which should go hand in hand with economic development and the protection of the environment;
- stimulating productive synergies, creating new opportunities for investment and promoting competitiveness and innovation;
- increasing and deepening cooperation, while taking into account the association relation between the Parties.

Furthermore, the AA reaffirms the importance that both Parties attach to economic, financial and technical cooperation as a means of contributing towards attaining the objectives and principles of the Association Agreement. In this context, cooperation is also seen as a necessary instrument to establish a stronger partnership between the EU and Chile. The EU has thus intended to identify and adopt forms of cooperation which better correspond to the level of development reached by Chile and the international role it plays.

Reasons for the choice of focal sectors

The priority objective of the EC response strategy for the period 2007-2013 is to deepen the AA through cooperation and policy dialogues in the areas of social cohesion, education (academic exchanges and scholarships) and innovation and competitiveness.

Chile's successful macro-economic performance over the last two decades has positioned it among the most dynamic economies in the world. The challenge for Chile now is to sustain its growth and overall socio-economic development ensuring social equality and fairness, as well as a good level of environmental protection. In this regard, the areas chosen as focal sectors are key issues in the future development of Chile and as such fall within the main priorities on the government's agenda. Social cohesion and education, as already noted, are also priorities for the EU. Moreover, these areas are closely related to the priorities of the CSP for the preceding period 2002-2006, namely modernisation of the state and economic cooperation and technological innovation. Therefore, many of the project activities that will be implemented in the proposed areas, in particular social cohesion and innovation and competitiveness, will build on the results of the previous programmes, helping consolidate achievements and contributing to sustainable development

The AA is the central axis of the EU-Chile relationship and provides the appropriate framework for mutually beneficial activities in areas of common interest. Moreover, the AA provides the basis for cooperation and policy dialogues to strengthen the social, cultural, economic and trade links between the two partners and also to contribute to improving the social and economic development of the Chilean system. The AA specifically includes cooperation as one of the pillars of the EU-Chile relationship and, in this connection, reaffirms the importance for both parties of economic, financial and technical cooperation as a means of meeting the objectives and principles of the AA.

In a context of excellent bilateral relations, strong partnership based on common values and coincidence of views in several areas, we believe that our bilateral cooperation (it should be remembered that the EU is Chile's biggest multilateral donor) can have an added value and a positive impact on Chile's social and economic system and contribute to its long term sustainable development.

Furthermore, the objectives of the proposed strategy were discussed at the end of June 2005 with the main players in Chilean civil society at a two-day seminar organised by the EC Delegation in Santiago which brought together representatives of government, the private sector, NGOs and academic and research institutions. The results of the discussions validated the strategy and showed consensus on the relevance and pertinence of the proposed areas of intervention. The proposed focal sectors were also discussed and agreed with the AGCI.

Cross-cutting issues

The focal areas of the strategy are bound to have an impact on cross-cutting issues such as the promotion of human rights, democracy, citizens' participation, institution-building, gender, the indigenous population, the environment and the fight against HIV/AIDS. More specifically, cooperation on education and in the social field will open the door to aid, which will also contribute to more balanced and equitable development of Chilean society across the board, paying particular attention to promotion of the rights of vulnerable groups, i.e. indigenous populations, women and poor children. Likewise, through S&T cooperation activities and public policies aimed at the development of social cohesion, the strategy is also expected to address key

environmental concerns, for instance, raising public awareness about the need to respect and promote the environment as well as reinforcing the relevant institutions in this field.

More specifically, cooperation on innovation and competitiveness and, in particular, on S&T could also have a transverse impact on environment-related aspects, for instance by promoting the use of clean technologies by companies, hence contributing to the development of policies aimed at increasing the responsibility of companies for protection of the environment. In order to ensure the environmental sustainability of EC involvement at the individual project level, environmental impact assessments (EIA) should be carried out where appropriate.

5.1 The focal sectors

In the light of the abovementioned considerations, a strategy based on the following priorities is proposed for the period 2007-2013:

- I. Social cohesion
- II. Education: academic exchanges and scholarships
- III. Innovation and competitiveness

I. Social cohesion

The AA underlines the importance of social development, which must go together with economic development and environmental sustainability, and provides for cooperation in the social field in any area of interest to the parties. Achievement of a more cohesive society is one of the important needs acknowledged by Chile for its overall development. Promotion of social cohesion is also one of the priorities in relations between the EU and Latin America. It was mentioned in the final statement of the Guadalajara summit in 2004 and the Vienna summit in 2006.

At social level, Chilean society has undergone a major modernisation process, which is still ongoing and has led to considerable progress, but significant inequalities remain in the distribution of income and in access to employment, health care, education and justice. Weak social cohesion can have a negative impact on political, social and macro-economic stability, therefore turning it into an important parameter for the formulation of a development strategy. Consequently, one of Chile's main challenges is to act efficiently on relevant public policies aimed at social and fiscal redistribution, job creation, training of the workforce, education and, in particular, reducing the inequality of income between gender, immigrant population, ethnic origin and regions to bring about an overall improvement in access to opportunities and reduce the existing inequalities.

To assist Chile in this endeavour, the EU can share its valuable experience in the field of social and employment policies, including the aspects relating to civil society participation. It is worth mentioning in this context that the European Commission and Chile have already started a policy dialogue on employment and social policies which should lead to practical action that will be implemented by both parties.

II. Education: academic exchanges and scholarships

In spite of the achievements recorded in education in Chile, where coverage has expanded dramatically, particularly in basic and secondary education, there is still a problem with quality and performance. In the field of higher education, the low number of postgraduates (masters and doctorates) is seen as an obstacle for the development of the country. Although the number of

doctorates doubled between 1999 and 2003 and the rate of doctorates per million inhabitants rose from 5 to 9, Chile still lags behind OECD countries where the rates range from 85 in Greece to 284 in Finland. Chile has a low number of postgraduate teachers involved in research. Of the 40 000 academic staff in higher education, only 7 000 are also researchers working mainly in public and private universities. To reach the level of Greece or Portugal, the figure would have to be around 15 000 or 22 000 respectively.

Moreover, higher education in Chile is still focused on a classic university model that advocates traditional professions but is not sufficiently responsive to the growing demand for new skills and abilities. There is a shortage of technical careers on offer and they have a low profile in public opinion despite the fact that they are of prime importance for the business sector. Professional training in specialised areas of technology is insufficient. There is also little synergy between universities and the private sector, which therefore limits the number of post-university training opportunities offered by private firms and does not facilitate access to the job market for young professionals.

In short, the number of doctorate and master programmes is limited, is focused on a small number of institutions and has a very low annual graduation rate. Furthermore, few academic programmes provide research initiatives and, given the few links with industry and business, the research initiatives tend to concentrate on basic or academic issues.

Against this background, the European Union could contribute usefully to improving the higher education system in Chile, sharing its experience and know-how in this field and offering the benefit of cooperation in relevant programmes open to cooperation among academic institutions between EU and non-EU countries. An initial policy dialogue on education between the European Commission and the Chilean Ministry of Education took place in March 2005. It helped identify Chilean needs and establish a dialogue process to exchange experience and information in this field.

The intensification of academic links through the creation of European Union Studies Centres and/or the development of academic exchanges through the financing of scholarships for Chilean students could help to deepen the knowledge and enhance the visibility of the EU as well as promote a better understanding of the EU in the country. It could also promote invaluable networking opportunities for young intellectuals who are likely to be leading academics or policy-makers in the future.

Consequently, making higher education a priority combines Chile's needs to overcome its limitations in this area with the EU's experience and capability in promoting a modern and competitive educational culture.

III. Innovation and competitiveness

The objective of this priority is to promote innovation and competitiveness in the Chilean economy, while guaranteeing sustainable growth and an increased attention to trade facilitation policies and mechanisms. A country's competitiveness is linked to many different factors. It is clear that few countries have succeeded in maintaining high growth rates over the long term basing their production and exports on traditional products. Therefore, diversifying the Chilean economy, focusing on the secondary and tertiary sectors, is a priority.

One key element to increase a country's competitiveness is its capacity to integrate innovation in its production, thus adding value to its products. To integrate innovation more fully into Chilean

production, interactions between the scientific world and the private sector should be encouraged. An increased effort on promotion and development of S&T, also encompassing cooperation between universities and closer synergy with industry, is a key priority for Chile and is likely to become one of the main anchors in the overall bilateral relationship.

The AA provides for mutually beneficial scientific and technological cooperation which could take the form of:

- exchanging information and experience in the S&T fields at regional level, in particular regarding relevant policies and programmes;
- promoting relations between the scientific communities of both parties;
- underpinning activities aimed at the promotion of innovation and technology transfer and the establishment of closer links between the partners concerned.

Accordingly, the AA and the EU/Chile S&T Agreement provide a framework to develop cooperation aimed at the establishment of permanent links between the S&T communities of the EU and Chile. All the cooperation activities developed in this area should be coherent and complementary of the activities undertaken under the EC 7th Framework Programme in the area of S&T. The recent creation of S&T Promotion Platforms with Latin-America built on a regional basis will widen our partnerships from a predominately bilateral to a bi-regional context. These four platforms launched end of 2005 on specific topics (Chile on health, Argentina on biotechnologies, Mexico on energy, and Brazil on environment) illustrate the need to promote new coordination mechanisms under the 7th Research Framework Programme (2007-2013). Specifically to Chile, it should be recognised that such platforms fully value the potential of expertise and know-how that exist in that country and its role played in the region on S&T issues.

The environment should be a permanent concern if Chile wants its development and competitiveness to be sustainable. Cooperation in this area should aim to increase institution-building and the regulatory framework, environmental law enforcement, promotion of efficient and renewable energy and the use of new and cleaner technologies. Harnessing of the country's natural resources (forests, soil, water, etc.) has played a major role in Chile's economic growth. Although, in recent years, Chilean authorities have implemented an active policy and different programmes to overcome environmental challenges, there is still much to be done to integrate environmental considerations more closely into other areas of public policy and to promote corporate environmental responsibility.

Moreover, one of the central objectives of the Association Agreement is to facilitate trade between the EU and Chile. The EC is willing to keep supporting Chile in its efforts to build up and consolidate its regulatory, legislative and institutional capacities to implement and apply its WTO and bilateral (with the EU) commitments in fields such as standardisation, technical regulations and conformity assessment procedures, trade-related intellectual property rights and the sanitary and phytosanitary sector.

The risks

Given the political stability and the advanced level of development achieved by Chile, it can be assumed that successful implementation of the EU strategy poses almost no risks. As a matter of fact, Chile has a much lower country risk index than the rest of Latin America, comparable to several European or industrialised Asian countries. Chile, which is one of the world's leading copper producers and exporters, is currently benefiting from historically high prices for this commodity, generating earnings that account for over 19% of its GDP, thus contributing

significantly to financing the country's development. A drop in copper prices could therefore slow down the pace of development but this should not compromise implementation of the strategy.

The strategy will be implemented over two presidential terms (2006 to 2010 and 2011 to 2014). Although there could be changes in national priorities and in policy direction under new governments, the focal areas proposed for the strategy enjoy the support of both the current government and the opposition. It is therefore very unlikely that a new executive would discontinue the efforts to be undertaken or already ongoing in any of the focal areas.

Furthermore, the government will provide its own funding in addition to EU funding, thus ensuring a high level of commitment and ownership. .

6. ANNEXES

ANNEX 1: NATIONAL INDICATIVE PROGRAMME

An indicative allocation of € 41million has been earmarked in the period 2007-2013. The objectives identified in the cooperation strategy with Chile are as follows:

1 Social cohesion

It is suggested that this focal action be implemented through a Fund that would support projects submitted by public entities in response to calls for proposals in a number of specific areas to be agreed between the EC and Chile but related to the overall theme of social cohesion. A small part of this Fund would be allocated to the financing of activities agreed and identified in the framework of the policy dialogue on employment and social issues. Such activities would mainly concern information seminars, study visits, technical assistance and capacity building activities.

This focal action will cover two periods: 2007-2010 and 2011–2013. In 2010 a mid-term review will be carried out. That review will allow an assessment of its implementation during the first period and of the results achieved and will provide inputs and guidelines for the second period.

The annual meetings of the EU-Chile Association Committee will also play an important role in monitoring and setting the main priorities for this focal action.

Objectives

The overall objective will be to achieve a more cohesive society.

The specific objectives are to contribute to the government policy/strategy to promote social cohesion through relevant public policies aimed at:

- Fairer social and fiscal redistribution;
- Enhanced access to employment, health care, education, social protection and justice;
- Reduced inequalities between gender, ethnic origin and regions;
- Promotion of social dialogue between interested parties;
- Reinforced synergies between social cohesion and environmental protection through closer integration of projects aimed at poverty reduction and sustainable natural resource management.

Expected results

- Increased access for the less privileged to the overall benefits of socio-economic development;
- Improved and expanded skills and competences of the workforce;
- Improved planning, management, monitoring and evaluation of social policies;
- Improved quality of public programmes on access to employment, justice, health care, education and social protection.

Activities

Activities on this focal action would be financed according to a list of sectors eligible for assistance previously defined by the two parties, and to the requirements to be met by participants. The applicable procedures will be defined at a later stage in the financing proposals.

Cross-cutting issues

Gender

Projects that aim at reducing gender inequalities will be given particular attention and gender mainstreaming in projects will be encouraged.

Environment

In the selection of the social cohesion projects, particular attention will be paid to the mainstreaming of environmental concerns as a transverse issue with a view to contributing to supporting sustainable development in Chile. This can be done, for instance, by increasing access to basic natural resources (land, water, electricity, gas), especially in the rural areas. Environmental impact assessments will be carried out and environmental indicators included where appropriate.

Indigenous population

Projects that aim at reducing inequalities between ethnic origins will be given particular attention, and mainstreaming of the indigenous factor in projects will be encouraged.

Risks and assumptions

Achievement of a more cohesive society is acknowledged by both the current government and the opposition as well as by society at large as one of the most pressing priorities in the overall development of Chile. It can therefore be assumed that there is no risk concerning the sustained commitment from the next Chilean governments to continue prioritising this area.

Indicators

- Number of projects and sectors submitted and approved;
- Number of beneficiaries (breakdown by gender, age, ethnic origin and socio-economic status) from relevant public social programmes;
- Number of new and/or re-designed public programmes including action directly related to social cohesion;
- Number of best practices on social cohesion which are incorporated into public policies;
- Identifiable new policy initiatives related to social cohesion programs.

Estimated EC contribution

The estimated EC contribution will be 40% of the total amount of the NIP.

2 Education: academic exchanges and scholarships

This focal action will consist mainly of financing scholarships, grants and exchange programmes for Chilean undergraduate and post-graduate students, as well as professional/vocational training in technical areas. The programme will provide a means of funding scholarships for Chilean postgraduate students and may entail capacity-building for universities and the exchange of teachers. It will take into account, for coordination purposes and in order to avoid overlaps, the activities carried out in the context of common higher education area ALCUE.

Objectives

The overall objective of this action is to facilitate access to the European Higher Education Area for Chilean postgraduate students and university professionals in order to increase their employability skills and opportunities in their country.

This will in turn contribute to strengthening political, economic and cultural links between the EU and Chile.

The programme will provide a means of funding scholarships for Chilean postgraduate students and may entail capacity-building for universities and exchange of teachers. A specific university-level scholarship programme will be established to facilitate links between the EU and Chile in higher education and therefore increase the number of Chilean students who complete postgraduate studies in Europe. The programme should be given the highest possible profile, more especially by bearing a name that embodies European excellence.

Expected results

The expected results will take the form of Chilean students (in technical professional training and at undergraduate and post-graduate level) completing studies in Europe. Also, given that the programme will create personal links between Chilean students and their European counterparts, it can be expected to foster future cooperation, particularly in the field of technological and scientific research and development, thereby promoting innovation and competitiveness.

Activities

The EC could respond to the demands by Chilean higher education institutions requiring academic assistance for the design of new careers and for the autonomous external evaluation of study programmes, educational projects and learning assessment exams. Likewise, long-distance education and the use of new information technologies are issues where Europe can share its experience with Chile.

The direct link between universities in areas such as the doctoral and post-doctoral training of young researchers, the creation of specialised research networks, the establishment of Europe-Chile joint laboratories, and the mobility of students and teachers could be supported.

A part of the budget for this action could also be used to fund scholarships for eligible Chilean students in a number of pre-agreed academic and technical/professional areas between the EC and Chile.

The main objective of the European Studies Centres would be to identify and develop research and dissemination activities with a view to creating a better understanding of the regional and sectoral problems pertaining to policymaking. The Centres would carry out three categories of activities according to the priorities and topics to be identified: (i) Organisation of seminars and workshops (ii) Research and studies; and (iii) Exchange of experience and dissemination of information.

Implementation

This action will be implemented through a specific university-level scholarship programme to facilitate links between the EU and Chile in higher education and therefore increase the number of Chilean students who complete postgraduate studies in Europe.

Cross-cutting issues

Gender issues

Based on the Platform for Action endorsed at the Beijing UN Conference on Women in 1995 and on Council Regulation (EC) No 2836/98 on integrating gender issues in development cooperation, Commission communication COM(2001) 295 defines a Programme of Action for mainstreaming gender equality in development cooperation. The proposed action will follow the Community's equal opportunities policy, and an effort will be made to ensure an adequate gender balance of students.

Environment

Studies in environment-related fields will be encouraged.

Indigenous population

As regards EU scholarships for Chilean students, priority should be given to students coming from low income families, from poorer states or to students of indigenous origin.

Risks and assumptions

The risks and assumptions related to the programme are that information on opportunities under this action reaches the targeted students; that EU academic and/or technical institutes remain competitive with other higher education providers; and that students who receive scholarships will return to Chile and pursue careers directly related to their European experience.

Main indicators

The main indicators will be the number of Chilean students (per gender) participating in the programme and the number of degrees awarded to the students. More indirect indicators will be the overall number of Chilean students participating in higher education (undergraduate and post-graduate) and technical/professional training courses in the EU. Also, to the extent that this can be measured, the number of Chileans holding EU masters degrees, doctorates and technical/professional training qualifications who pursue professional/technical careers related to their studies in the EU.

Estimated EC contribution

The estimated EC contribution will be 20% of the total amount of the NIP.

3 Innovation and competitiveness

It is suggested that this focal action be implemented through a Fund that would support projects submitted by public entities in response to calls for proposals in a number of specific areas to be agreed between the EC and Chile but related to the overall theme of innovation and competitiveness. This will include S&T, the environment and sectors that facilitate trade with the EU in fields such as standardisation, technical regulations and conformity assessment procedures, trade-related intellectual property rights (IPR) and sanitary and phytosanitary standards (SPS).

This focal action will cover two periods: 2007-2010 and 2011-2013. In 2010 a mid-term review will be carried out to assess implementation during the first period and the results achieved. It will provide inputs and guidelines for the second period.

Objectives

The overall objective to be achieved in this focal sector is to contribute to promoting innovation and competitiveness in the Chilean economy to face the challenges posed by increased global competition, thereby contributing to mutually beneficial reinforcement of the EU-Chile relationship.

More specifically, it aims at developing and facilitating technological innovation in the productive sector that:

- leads to more competitive production with higher value added;
- integrates environmental concerns, in particular for SMEs;
- meets EU and international sanitary and phytosanitary requirements;
- continues to promote convergence with the EU regulatory approach to industrial products;
- assists Chilean companies and relevant institutions to benefit from European innovation and know-how;
- promotes S&T transfer and the establishment of closer links between partners concerned;
- assists in developing efficient energy policies and increasing access to sustainable energy sources;
- promotes the protection, the legitimate use and the diffusion of the intellectual property rights.

Expected results

- Higher productivity and competitiveness in the Chilean productive sector, in particular for SMEs which may result also in the creation of new jobs;
- More Chilean products with higher value added;
- Increasing number of Chilean patents and trademarks, together with an increased respect of intellectual property rights (IPR);
- Higher number of projects financed with risk and venture capital;
- Increasing number of Chilean universities and SMEs participating in action under the EU Research Framework Programme;

- Increased awareness and use on the part of the productive sector of EU and international environmental, sanitary and phytosanitary and technical standards.

Activities

Activities on this focal action would be financed according to a list of sectors eligible for assistance as previously defined by the two parties, and to the requirements to be met by participants. The applicable procedures will be defined at a later stage in the financing proposals.

Funds will be shared among the three main areas – S&T, environment and trade facilitation – as equally as possible.

Cross-cutting issues

Gender

Participation by women and/or gender mainstreaming in projects will be encouraged.

Environment

Projects on the development and/or involvement of environmental technologies and on promoting renewable and efficient energy policies will be encouraged. In order to ensure the environmental sustainability of EC involvement, at the individual project level environmental indicators will be provided and environmental impact assessments (EIA) carried out where appropriate.

Risks and assumptions

Promotion of innovation and competitiveness is a priority for both the current government and the opposition. A new entity, the National Council for Innovation and Competitiveness, is going to be established next year and the 2006 budget provides for a considerable increase in public spending for technological innovation. It can therefore be assumed that there is no risk concerning the sustained commitment from the next Chilean governments to continue prioritising this area.

Indicators

- Number of projects submitted and approved;
- Number of new products developed with substantial added value;
- Number of Chilean SMEs, institutions and researchers participating in the EU Research Framework Programme;
- Number of new public programmes promoting competitiveness and innovation that integrate environmental concerns;
- Number of new products and/or technologies that integrate environmental requirements and sanitary and phytosanitary standards;
- Identifiable new policy initiatives in the field of innovation and competitiveness.

Estimated EC contribution

The estimated EC contribution will be 40% of the total amount of the NIP.

4 Other instruments

Activities financed by thematic lines and other horizontal instruments should be consistent with the present strategy (please see ANNEX 1). Adequate coordination mechanisms will be set up in order to ensure coherent use of instruments. In this context, EC Delegation in Chile, in close coordination with AGCI, can play a crucial role in assuring coherence in the use of the various instruments in the field.

The Delegation already organises and/or participates in regular and ad hoc meetings with Member States Embassies and other donors in Chile to exchange lessons-learned and ensure coherence of EC policies with other cooperation activities and programmes in the country.

5 Work Programme

Following this strategy and taking into consideration the EU and Chile's joint cooperation priorities, the work programme is as follows (in million €)

Focal sector	2007	2008	2009	2010	2011-2013	In million €
1. Social Cohesion	10.250				6.150	16.400
2. Education: academic exchanges and scholarships	4.920 12%				3.280	8.200
3. Innovation and Competitiveness	10.250				6.150	16.400
TOTAL	25.420				15.580	41

ANNEX 2:- POLICY COHERENCE ANALYSIS

The EC's relations with Chile must be seen in the framework of the EU-Chile Association Agreement, an ambitious and innovative agreement that covers the main aspects of the bilateral relations, i.e. political and trade relations and cooperation. The Association Agreement is the cornerstone of this relationship.

The EU-Chile Association Agreement was signed on 18 November 2002 and approved by the Chilean Congress in January 2003. The bulk of its provisions (on trade, cooperation and the institutional framework) were applied provisionally with effect from 1 February 2003.

At its plenary session on 12 February, the European Parliament unanimously gave its assent to the Agreement, which entered into force on 1 March 2005, after being ratified by the Member States.

The first and second meetings of the Association Committees (2003, 2004) discussed ways to upgrade this bilateral cooperation and tried to see how cooperation could provide added value to the relationship as associated partners (Article 52 of the EU-Chile Association Agreement). Agreement was reached to organise a policy dialogue meeting on higher education, vocational training and language learning which took place on 8 March 2005. The results of this policy dialogue were very positive.

Furthermore, the European Commission and Chile have already started a policy dialogue on employment and social policies which should lead to practical action that will be implemented by both parties. This policy dialogue is expected to be extended to areas such as the information society, the environment and others.

Policy dialogue in all these areas of mutual interest is considered a pragmatic way which will lead to upgrading this cooperation. It is also a new approach that will contribute to strengthening the relationship and widening its scope.

As far as the **trade aspects** are concerned, the long-term objective of the EU in relation to Chile is, without doubt, to consolidate the Free Trade Agreement (FTA).

Up to now positive macro-economic results have ensued from implementation of the FTA. Parties have been able to benefit from the new market access opportunities provided by the Agreement.

Trade flows have been diversified to products with higher value added allowing increased exports of EU value-added know-how and modern technology in the machinery and transport sector.

Furthermore, completion of the ratification process by the EU cleared the way for the chapters on **services and investment** to enter into force in March 2005. The inclusion in the preferential relations of these two sectors, which already represent the majority of the reciprocal gross national products, should give a fresh boost to the EU's export potential.

Now that the implementation phase of the Agreement has been concluded, the parties should concentrate on pursuing trade facilitation and trade promotion policies in order to consolidate the economic results and make reciprocal exports smoother and more competitive.

The EU/Chile Association Agreement represents the most ambitious FTA that the EU has signed with a third party up to now. A similar level of ambition should be pursued in harnessing the potential created by the Agreement for expanding EU interests into the surrounding countries.

Full use should be made of the action agreed and cooperation tools envisaged, particularly in the following areas:

Trade facilitation practices in the customs area: The EU and Chilean markets are geographically far apart; predictability of administrative decisions and innovative “paper working” solutions will increase efficiency in logistics and thereby raise the competitiveness of imports from the Community. Priority should also be given to the promotion of customs and trade facilitation and the acceptance of international standards such as the WCO Framework of Standards to Secure and Facilitate Global Trade.

Standards and technical regulations: The EU observed with concern a marked tendency for the Chilean standardisation process to incorporate solely a reference to the US standards, particularly when no agreed international standards exist. The immediate effect of such behaviour is to divert trade to imports of non-EU origin or to give rise to additional costs to adapt products made in the EU. The EU will focus on increased cooperation and pay political attention to the promotion of international standards, or in their absence, to double recognition of both US and EU norms. Such an approach should be followed, in particular, for new technologies where the EU local value added is still prominent.

Intellectual property rights: Both parties have agreed to provide the highest standard of intellectual property right protection to each other’s products. Chile has recently implemented the WTO Trips Agreement through a national law and the consequent implementing decree. These enhanced legislative instruments would permit the EU to claim the agreed protection in all the different applications of intellectual and industrial property rights. Chile would and should set a regional example of protection, and this maximum protection should be reflected in increased investments and commercialisation of innovative products from the EU. These trade issues should be flanked by an enhanced role for means of cooperation.

In the **sanitary and phytosanitary** area the objectives are to implement the EC/Chile SPS Agreement fully and effectively. The EU’s potential to export food products and semi-processed agricultural products in order to complete the national product range on offer should be supported by smooth SPS administration.

Science and technology remains one of the most dynamic sectors in relations between the EU and Chile, and is an area in which cooperation seems to be very effective and attain good results. The Agreement for Scientific and Technological Co-operation, signed in 2002, has certainly contributed to this dynamism. The long-term objective of the EU in relation to Chile in this area is, without doubt, to consolidate the Agreement for Scientific and Technological Co-operation.

In the area of the **environment**, the priorities are to promote implementation of key multilateral environmental agreements (MEAs), notably the UN Convention on Climate Change and the related Kyoto Protocol, by assisting Chile’s mitigation and adaptation efforts, combating the loss of biodiversity and tackling deforestation. In the context of the EU/Chile Association Agreement one particular priority is to promote the mutual supportiveness of trade and environment, notably by minimising negative and maximising positive environmental impacts resulting from trade flows. This requires, amongst other things, carrying out further sustainability impact assessments and ensuring appropriate follow-up, promoting more sustainable production and consumption patterns, for instance by boosting trade in environmental technologies and environmentally-friendly goods, encouraging corporate social responsibility (CSR) initiatives in sectors of common interest, and identifying needs related to technical assistance and capacity-building.

In the area of **employment and social policies** the intention is to continue the policy dialogue between the EU and Chile that was initiated in September 2005 in Santiago. It is believed that this will contribute to deepening relations in these areas and widening their scope. The policy dialogue is also expected to give guidelines and pointers for possible cooperation on social cohesion.

In the field of **transport** the EU and Chile signed a horizontal agreement in the field of air transport which will bring all bilateral air services agreements into conformity with EC law. This agreement could serve as a future model for other Latin American countries. The Commission recently asked the Council for a mandate to conduct negotiations on a comprehensive air transport agreement with Chile. Such negotiations would aim at reciprocal liberalisation of aviation markets and a high degree of regulatory cooperation in fields such as aviation security, aviation safety, competition rules and environmental protection.

Finally, other Community policies should be mentioned to the extent that they could influence the EU's cooperation strategy. Development of the **information society** is an important horizontal objective for the EU, with a positive impact on essential development issues. Information and communication technologies (ICT) can, in particular, play a major role in fostering social cohesion, by improving public administration, education and health services, as well as strengthening democratic governance and consolidating democratic institutions. The cooperation with Chile in this field is expected to continue, notably as part of the activities under the @LIS programme and the Information Society Technologies priority in the Sixth Research Framework Programme.

Since 2005, there has been an informal dialogue between EUROSTAT and the Chilean National Statistical Institute with the aim of giving qualitative support to the evaluation and implementation of Chilean statistical developments. In this context, the existing EU-Chile Association Agreement (mainly but not exclusively by reference to Art. 27 "Cooperation on Statistics") provides a legal framework which opens the way for a possible future formalisation of this dialogue.

ANNEX 3: Country at a glance

Surface area 756 102 km ²	Population 15.9 million (2004)	Population density 21.2 inhab/km ²
Population of capital city Santiago: 6.2 million (2004);		
Annual population change (% per year) 2002: +1.01% 2003: +1.01% 2004: +1.01% 2005: +1.01%		

Economic summary

Indicator	2001	2002	2003	2004	2005
Real GDP growth (%)	3.1	2.1	3.3	5.9	5.8
GDP in million. int. dollars (p.p.p.)	150 803	160 519	175 721	198 673	
GDP per capita (US\$)	4 314	4 255	4 568	5 573	-
Inflation (%)	2.8	2.5	2.8	2.9	2.7
Exports (million US\$)	18 271.8	18 179.8	21 523.6	32 024.9	-
Imports (million US\$)	16 428.3	15 794.2	18 001.8	23 005.8	-
Fiscal deficit (% of GDP)	-0.5	-1.2	-0.4	+2.1	-

Selected social indicators

Indicator	2001	2002	2003	2004	2005
Adult literacy rate over age of 15 (%)			95.7		
Primary school enrolment (%)		86.5			
Secondary school enrolment (%)		78.6			
Life expectancy at birth	76.0	76.0	76.0	76.0	76.0
Underweight children <5 (%)		0.8			
<5 mortality rate (per 1 000 live births)			9.0		
Maternal mortality rate (per 1 000 live births)	0.2	0.2			
Children <2 fully immunised (%)	99.0	99.0	99.0		
Infants <1 fully immunised (%)					
Births supervised by trained personnel (%)	99.8	99.8			
Households with access to safe water (%)					
Access to improved water source (%)		95.0			

Sources:

INE – Statistics National Institute (www.ine.cl).

Chilean Central Bank (www.bcentral.cl).

ECLAC (www.cepal.org).

World Development Indicators Database, April 2005.

ANNEX 4: Informes del cumplimiento de los objetivos de desarrollo del milenio en Chile

SISTEMATIZACION COMPARATIVA EFECTUADA POR PNUD 2002-2005

Chile – 2005- Objetivos y Metas propuestos	Situación Actual	Estimación de Cumplimiento	Desafíos y Prioridades
<p>1. Erradicar la Pobreza Extrema y el Hambre</p> <ul style="list-style-type: none"> ▪ Reducir a la mitad a la proporción de personas con ingresos menores a un dólar por día ▪ Reducir a la mitad la proporción de personas que sufren hambre 	<ul style="list-style-type: none"> • Utilizando la metodología de ingresos inferiores a 1 dólar por día (PPA), se observa que esta ha disminuido desde el 3,5% de la población el año 1990 a 2,3% el año 2000. Considerando la meta al año 2015 de 1,7% de la población, sólo bastaría reducir la extrema pobreza en 0,04 puntos porcentuales anuales para alcanzar la meta propuesta. Considerando la velocidad de la reducción del porcentaje de población con ingresos inferiores a 1 dólar por día (PPA) observada entre los años 1990 y 2000 podría inferirse que esta meta sería factible de alcanzar. • La reducción de la extrema pobreza se registra tanto en las zonas urbanas como rurales, aunque los avances en las zonas rurales son levemente menores. • Si bien Chile ha registrado significativos avances en este indicador, la línea de 1 dólar por día no es equivalente a la línea de indigencia nacional, la que se basa en el valor de la canasta básica de alimentos para el país el cual es casi 2 veces el valor de la línea internacional. • Al analizar la incidencia de la pobreza en el país, utilizando la línea de pobreza nacional se constata que entre los años 1990 y 2003, ésta disminuye desde 38,6% de la población (4.965.604 personas) a 18,8% (2.907.716 personas) . • El porcentaje de personas subnutridas - personas que no tienen disponibilidad suficiente de alimentos para cubrir las necesidades energéticas y proteicas- ya se ha reducido un 50% tal como plantea la meta. 	<p>Probable</p>	<p>Políticas Sugeridas en el informe</p> <ul style="list-style-type: none"> • Para el logro de la meta planteada en el marco de los Objetivos del Milenio es fundamental que nuestro país continúe con un ritmo de crecimiento económico sostenido en el marco de una política macroeconómica coherente y sólida. • Mejorar la distribución del ingreso constituye un desafío de gran importancia para Chile. Otro desafío importante se relaciona con superar la pobreza que afecta diferenciadamente a distintos grupos de la población. En Chile, aunque se han logrado importantes avances, la incidencia de la indigencia es más alta en los niños y niñas menores de 18 años, en la población perteneciente a etnias. Asimismo, especial atención requiere la situación de la población adulta mayor, para los cuales se observa un leve incremento de la pobreza no i entre los años 2000 y 2003. • También, es necesario continuar abordando los factores que tienen mayor incidencia en los cambios observados en la situación de pobreza de los hogares, especialmente los referidos al número de ocupados por hogar, la disponibilidad del activo trabajo, la calidad del empleo y la posibilidad de las familias de enfrentar problemas de salud sin que ello implique un alto costo, entre otros. • Por otra parte, constituye un importante desafío el desarrollo de políticas sociales que permitan atenuar los riesgos a los cuales está expuesta la población y que constituyan un avance muy importante en la ampliación de la protección social • Un gran desafío para cumplir con la meta de reducción del hambre es poder llevarla a cabo en todo el país las estrategias de intervención, prevención y promoción de salud, con especial énfasis en estilos de vida saludable, alimentación y actividad física. Esto requiere incorporar esta estrategia a través de todo el ciclo vital; con promoción de la lactancia materna, aumentando el porcentaje de lactancia materna exclusiva hasta los 6 meses; la modernización de los programas alimentarios; actualización de las normas de manejo de la malnutrición a las distintas edades; capacitación de los equipos profesionales en el manejo de la vida sana; entre otras medidas.

<p>2. Alcanzar la Educación Básica Universal</p> <ul style="list-style-type: none"> ▪ Asegurar que en el año 2010, todos los niños y adolescentes puedan completar la educación básica. 	<ul style="list-style-type: none"> ▪ Entre los años 1990 y 1994 la tasa neta de matrícula para enseñanza básica tendió a mantenerse, registrándose descensos ocasionales. A contar del año 1995 esta tasa ha tendido a incrementarse, llegando a sobrepasar el 90,0%, lo cual indica que se ha logrado una cobertura casi universal. ▪ En el año 1990, la tasa neta de matrícula correspondió a 88,0%, en el año 2000 a 91,0%. Para el año 2015 se estima una Tasa Neta de Matrícula en enseñanza básica del orden de 95,5%. ▪ Los esfuerzos iniciados en la década de los noventa para mejorar sustancialmente la calidad y equidad del sistema educativo, permiten asumir los actuales desafíos de la Reforma Educacional: hacer llegar la Reforma a la sala de clases; instalar una cultura de excelencia en las escuelas y liceos, siendo más exigentes en el logro de resultados; orientar la gestión escolar hacia una educación de calidad; incorporar más recursos donde más se necesita; fortalecer la profesión docente; ampliar las oportunidades educativas a toda la población, tanto a nuestra niñez temprana como a la población adulta e impulsar la convivencia escolar, la participación y la construcción de ciudadanía. ▪ Desde el año 1990 se desarrolla una Reforma Educacional que ha abordado principalmente cuatro ámbitos: programas de mejoramiento e innovación pedagógica; reforma curricular; desarrollo profesional docente y jornada escolar completa. Esta Reforma ha transformado el sistema escolar chileno de manera sustantiva, mejorando el acceso al sistema escolar y las condiciones de aprendizaje de los alumnos. 	<p>Probable</p>	<ul style="list-style-type: none"> ▪ En la enseñanza media se plantean importantes desafíos relacionados con a) significativamente los actuales niveles de retención escolar, reducir a la mitad los niveles de deserción en los establecimientos que atienden a los jóvenes de socioeconómico y educativo más vulnerable, disminuir la cantidad de jóvenes que encuentran fuera del sistema escolar, lograr una mayor proporción de tiempo real en el estudio y lograr una mayor expansión, bajo el nuevo concepto de educación permanente; • En relación a la educación de adultos el principal desafío es mejorar la cobertura y la calidad de la educación. Para ello se requiere mantener o aumentar la cobertura de la modalidad flexible, reforzar y ampliar la base institucional para responder a la gran demanda de educación cada vez más necesaria para la población adulta, impulsar un mejoramiento de la calidad pedagógica de las instituciones, especialmente de los Centros de Educación Integrada de Adultos, fortalecer el desarrollo profesional docente, promover la vinculación entre la formación para el trabajo y las redes de formación técnica surgidas a partir del Programa Chile Califica y ofrecer nuevas propuestas para poblaciones específicas (como en recintos penales, adultos mayores). • Las políticas educacionales para los próximos años se organizan en torno a los siguientes objetivos: ampliar a todo nivel las oportunidades educacionales y distribuir las con equidad; y fortalecer el desarrollo humano del país. El primer objetivo representa la contribución del sistema educativo al desarrollo, superar la desigualdad y fortalecer la cohesión de nuestra sociedad. El segundo, aporta al crecimiento económico, en el contexto de la globalización y la sociedad del conocimiento.
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<p>3. Promover la igualdad entre los sexos y la autonomía de la mujer.</p> <ul style="list-style-type: none"> ▪ Eliminar la disparidad de género en la educación primaria y secundaria hasta el 2005 y en todos los demás niveles hasta el 2015. 	<ul style="list-style-type: none"> • En la enseñanza básica no existen diferencias de género en el acceso al sistema escolar. La relación niñas/niños en la educación básica en el año 1990 correspondía a 1,0, y en el año 2000 el valor alcanzaba 0,97. Para el año 2015 se estima que este indicador corresponda a 1,0. • En educación media se observa una relación levemente favorable para las mujeres en los años 1990 y 2000 (1,05 y 1,02, respectivamente). Para el año 2015 se estima que este indicador corresponderá a 1,00. • La relación mujeres/hombres en educación superior creció desde 0,81 a 0,87 entre el año 1990 y 2000. En el año 2015, se proyecta el indicador a un valor de 0,97. • El acceso de las mujeres al empleo asalariado en ocupaciones no agrícolas se mantiene estable desde el año 1990, con un 36,2%, llegando a 36,6% el año 2000, se espera que el indicador alcance al 40% el año 2015. • En el año 1990 el porcentaje de mujeres en el parlamento correspondía al 6,0%, pasando el año 2000 a un 9,5%. Para el año 2015 se espera aumentar dicho porcentaje. La participación laboral femenina muestra un aumento durante la última década, desde 31,7% en 1990, 33,6% el año 1992, 35,0% en 2000 y 34,7% en el año 2002. Se espera que para el año 2015 sea de un 45%. • En la década se percibe un importante avance en términos de inserción de las mujeres jefas de hogar a la fuerza de trabajo. El año 1992 un 34,7% de éstas se encontraba trabajando o buscando trabajo, cifra que ascendió a 42,2% en el año 2002. Sin embargo, aún hay un 57,8% de jefas de hogar inactivas, situación que en los hombres se reduce a sólo el 21,6%. 	<p>Probable</p>	<ul style="list-style-type: none"> • Para lograr la igualdad de los sexos y la autonomía de la mujer se requiere abordar el objetivo de manera transversal y multidimensional, incorporando el enfoque de género en diversos objetivos de la Declaración del Milenio. Además, reconocer que el logro de este objetivo es imprescindible para alcanzar los restantes Objetivos de Desarrollo del Milenio. • Uno de los desafíos principales para la equidad de género consiste en ampliar las oportunidades de educación y trabajo de las mujeres que les posibilite su incorporación al progreso científico tecnológico, modificando la tendencia de las mujeres a elegir carreras relacionadas con los servicios y educación y de los hombres a elegir carreras tipo científicas y tecnológicas. Flexibilizar los roles masculinos y femeninos estereotipados en los distintos niveles y formas de enseñanza, constituye un desafío de largo plazo que requiere ser enfrentado con una diversidad de estrategias. Una estrategia relevante es incorporar la perspectiva de igualdad de oportunidades en la formación de pre-grupos para la capacitación docente. • Es necesario eliminar las diferencias educativas, de mujeres y hombres, en relación con las áreas de residencia, los sectores socioeconómicos a que pertenecen y con respecto a la edad de las personas. Uno de los desafíos, en este sentido, es reducir las diferencias en alfabetización que se presenta en las mujeres según grupos étnicos y zona de residencia. • Otro desafío fundamental es aumentar la participación laboral de las mujeres. Para favorecer la inserción laboral femenina, es necesario aumentar la cobertura y mejorar las condiciones de acceso y calidad de los servicios de cuidado infantil. • En materia de capacitación y perfeccionamiento, se requiere aumentar y resguardar el acceso a una oferta de capacitación laboral dirigida a mujeres inactivas y activas, a través de los distintos programas ofrecidos por el Estado. Por último, se debe implementar un monitoreo nacional y regional de calidad del empleo femenino, como instrumento de soporte técnico para las políticas públicas laborales, desde una perspectiva de género.
<p>4. Reducir en 2/3 la tasa de mortalidad de menores de 5 años:</p> <ul style="list-style-type: none"> ▪ Reducir en 2/3 partes la tasa de mortalidad infantil 	<ul style="list-style-type: none"> • Durante las dos últimas décadas Chile ha presentado una disminución de las tasas de natalidad y mortalidad, lo cual se ha traducido en cambios en la magnitud y distribución de los distintos grupos de edad. La tasa de mortalidad general se sitúa en la actualidad en alrededor de 5 por mil habitantes. Al igual que la tasa de mortalidad general, las tasas de mortalidad por edad han experimentado un descenso continuo, correspondiendo la mayor reducción a los menores de un año. 	<p>Probable</p>	<ul style="list-style-type: none"> • El país presenta una tendencia favorable al logro de esta meta. Los desafíos principales consisten en mantener las estrategias para reducir las muertes de niños y niñas de menos de 5 años, por otra parte realizar acciones focalizadas sobre los factores que presentan la mayor incidencia entre los casos existentes cada año, tales como el control de las enfermedades respiratorias, la detección precoz y atención de causas congénitas y campañas de prevención de accidentes. • Hay que recordar que la cifra promedio nacional de mortalidad infantil esconde diferencias importantes entre regiones.

	<ul style="list-style-type: none"> Al identificar las principales causas de la mortalidad infantil, se observa una variación importante del perfil epidemiológico en los últimos 20 años, producto de la gran disminución de la mortalidad por enfermedades infecciosas y las de causa respiratoria. En tanto, las afecciones del periodo perinatal han experimentado también un fuerte descenso en ese mismo lapso. Como consecuencia de lo anterior han aumentado su importancia relativa las anomalías congénitas, que son responsables del 30% de las defunciones de menores de un año. En 1950, 136 de cada mil niños fallecían antes de cumplir el primer año de edad, el año 1970 la tasa descendía a 79 por 1.000 nacidos vivos, en 1980 a 31,8, el año 1990 a 16,0, el 2000 a 8,9 y, el 2002, 7,8 de cada mil niños fallecen el primer año de vida. Asimismo, se observa un importante descenso de la tasa de mortalidad de 1 a 4 años. Existen marcadas diferencias a lo largo del territorio, observándose que la mortalidad infantil se aleja considerablemente del promedio nacional en las comunas de bajo nivel de ingresos. 		<p>importantes cuando se desagrega la información a nivel comunal, por lo que es un problema de equidad que resolver en el acceso a la atención oportuna y de calidad en las zonas que concentran mayor riesgo de muerte infantil.</p> <ul style="list-style-type: none"> La atención de los prematuros menores de 32 semanas está siendo asumida con resultados por el sistema público de salud chileno, aunque existe una brecha importante que cubrir en relación a lo reportado por centros de países desarrollados. Dicha brecha es posible de abordar si el país prioriza este tema y le adjudica recursos para mejorar la dotación y capacitación continua de recursos humanos y de equipos. Por otra parte se requiere un esfuerzo adicional para mejorar la gestión del transporte, así como el desarrollo de adecuados programas de regionalización de la atención perinatal. En este último aspecto es relevante la integración con el trabajo obstétrico fundamentalmente en lo relacionado a la contención de partos prematuros (aumentando los partos prematuros y el cumplimiento del uso de corticoides prenatal, entre otros).
<p>5. Mejorar la salud materna</p> <ul style="list-style-type: none"> Reducir la tasa de mortalidad materna en 3/4 partes 	<ul style="list-style-type: none"> Durante las últimas décadas se aprecia una favorable evolución de la mortalidad materna correspondiendo a una de las tasas más bajas en América Latina. El año 1990 correspondía a 4,0 por 10.000 nacidos vivos, descendiendo a 1,7 por 10.000 nacidos vivos el año 2002. Las principales causas de mortalidad materna son las complicaciones relacionadas con el embarazo y el aborto. Sin embargo, la baja sostenida de la mortalidad por aborto ha producido que en esta última década hayan sido más relevantes las complicaciones del embarazo. Recientemente las complicaciones del puerperio han llegado a ocupar el tercer lugar como causas de muerte materna. La disminución observada en la mortalidad materna se ha asociado al impacto del Programa de Salud Materna del Ministerio de Salud que incluye el control prenatal, el control del puerperio, la atención institucional del parto y la organización del sistema de atención en niveles crecientes de complejidad que permiten detectar precozmente y tratar por especialistas las patologías asociadas al embarazo. Además, los programas de planificación familiar han permitido reducir los embarazos no deseados, alcanzando la cobertura de métodos anticonceptivos para mujeres en edad fértil al 40,9% en las beneficiarias del sistema público de salud, el año 2000. 	<p>Probable</p>	<ul style="list-style-type: none"> El país se encuentra en condiciones favorables para dar cumplimiento al objetivo de reducir la mortalidad materna para el año 2015. Para esto, es necesario desarrollar un conjunto de acciones para garantizar dicho cumplimiento entre las que destacan principalmente la evaluación del riesgo reproductivo previo al embarazo, la prevención del embarazo no deseado y de alto riesgo, y el control y prevención de las complicaciones asociadas al embarazo, parto y puerperio. El desafío actual es corregir las brechas existentes en distintos aspectos de la Salud Sexual y Reproductiva –aborto provocado, embarazo en adolescentes, VIH/SIDA– que afectan a ciertos sectores sociales vulnerables (marginalidad socioeconómica, mujeres sin hogar, población adolescente). Entre las intervenciones consideradas como prioritarias cabe destacar el mejoramiento de la calidad de la atención y las relaciones entre los prestadores de servicios de salud y la población usuaria. Para reducir los riesgos asociados a la reproducción no planificada en la población adolescente, se requiere incorporar el enfoque promocional y preventivo, “anticipando el daño”, en relación a la Salud Sexual Reproductiva (SSR). Uno de los desafíos para alcanzar este objetivo es adecuar la oferta de servicios a las particularidades psicossociales que caracterizan la adolescencia actual. Desde la perspectiva de la equidad de género, otros desafíos son promover una mayor capacidad de decidir y controlar su sexualidad en las mujeres, especialmente adolescentes jóvenes, crear mecanismos para que los embarazos que se producen como consecuencia de una actividad sexual temprana sea una responsabilidad compartida con la pareja.

	<ul style="list-style-type: none"> El país tiene un alto porcentaje de atención profesional del parto, sobre el 99% desde el año 1990, lo que asegura una buena atención perinatal y el consiguiente control de complicaciones que pudieran tener resultados mortales. 		
<p>6. Combatir el VIH/SIDA, y otras enfermedades</p> <ul style="list-style-type: none"> Haber detenido e iniciado la reversión de la propagación del VIH/SIDA en el 2015. Reducir la incidencia del paludismo y otras enfermedades graves 	<ul style="list-style-type: none"> En Chile la epidemia del VIH/SIDA se inició en el año 1984 y desde entonces ha tenido un aumento sostenido, aunque menor que en otros países de la región. La prevalencia del SIDA decrece, lo que puede ser atribuido al impacto generado por el acceso a terapia antiretroviral, mientras que la incidencia de VIH (casos nuevos por año) sigue en aumento, demostrando la necesidad de profundizar y ampliar las estrategias de prevención. La estimación de personas viviendo con VIH/SIDA es de 33.314 al 31 de diciembre de 2003 (entre 3 y 4 personas por cada persona enferma notificada). Hasta el 31 de diciembre de 2003 se notificaron 6.060 personas con SIDA y 6.514 personas VIH+ asintomáticas en las trece regiones del país y se informó el fallecimiento de 3860 personas desde 1984. La enfermedad se distribuye en todo el país, concentrándose en las regiones Metropolitana, Valparaíso y Tarapacá. La principal vía de transmisión la constituye la sexual (94,1%), seguida por la sanguínea (4,3%). La transmisión vertical (de madre a hijo) alcanza al 1,5% del total de casos. En Chile no existe el paludismo. La incidencia y mortalidad por Tuberculosis ha disminuido permanentemente desde la década del cincuenta cuando constituía la primera causa de mortalidad en el adulto. La tuberculosis se encuentra en proceso de eliminación, que se debe a los sistemas de control y tratamiento aplicados, lo que justifica la definición de metas adicionales más exigentes que respondan a los problemas de salud propios de un país con una transición demográfica avanzada y un nivel de desarrollo medio. 	<p>Potencialmente Probable</p>	<ul style="list-style-type: none"> Es necesario mantener las políticas en curso y asegurar una adecuada coordinación de los diversos actores –públicos y no gubernamentales-, en el marco del proyecto apoyado por el Fondo Mundial del SIDA. Se debe ampliar la promoción de conductas seguras, particularmente entre los y las jóvenes, en la medida en que hay consenso que es la única manera de prevenir la infección por VIH/SIDA. Paralelamente, ello contribuye a evitar los embarazos adolescentes no deseados. Los avances en el uso de preservativos a nivel nacional son importantes. Sin embargo, el uso de preservativos es un ámbito en el que el país enfrenta grandes desafíos, al inscribirse esta tendencia en el marco del llamado 'debate valórico', lo que ha motivado la acción constante de información y promoción de intervención de CONASIDA en los grupos de mayor vulnerabilidad. Los problemas prioritarios de salud en Chile son las enfermedades crónicas y degenerativas como el cáncer y las enfermedades asociadas a los nuevos estilos de vida. Estas son enfermedades cardiovasculares y los problemas de salud mental. Pero también es necesario reducir las brechas de equidad que se manifiestan en muchas patologías y en el acceso a la salud.
<p>7. Asegurar un medio ambiente sostenible</p> <ul style="list-style-type: none"> Haber logrado en el 2015 que todas las políticas y programas del país hayan integrado los principios del desarrollo sostenible y se haya revertido la pérdida de recursos naturales 	<ul style="list-style-type: none"> El Catastro del Bosque Nativo de Chile, realizado en el año 1997, señala que la proporción de la superficie cubierta por bosque en el país alcanzaba 15.676,8 miles de hectáreas. De este total, 13.403,5 miles de hectáreas, (85,9%) son bosque nativo, el porcentaje restante corresponde a plantaciones de especies exóticas (2.186,9 miles de hectáreas) y bosques mixtos (86,3 mil hectáreas). En el año 2000, según información de la Corporación Nacional Forestal (CONAF), la superficie cubierta por bosque correspondía a 15.834,4 miles de hectáreas Entre los años 1990 y 2004, la superficie de áreas protegidas 	<p>Probable</p>	<ul style="list-style-type: none"> Para incrementar la superficie cubierta por bosque en el país constituye un desafío impulsar políticas sectoriales que consideren promover un marco jurídico para el fomento y la recuperación del bosque nativo, impulsar un proceso de modernización de los servicios públicos, la creación de instancias público-privadas para la conservación del bosque, el fomento a los sistemas de certificación forestal, incrementando la utilización y comercialización de los recursos forestales, maderables y no maderables; diseñando instrumentos administrativos y financieros para la creación, manejo y recuperación de los recursos forestales; buscando los mecanismos para potenciar y la atención al usuario. Asimismo, se deberán emprender importantes esfuerzos en orden de la fiscalización y el cumplimiento de la normativa vigente, promoviendo el manejo sostenible de la protección y la adhesión a normas de Certificación Forestal, Producción Limpia y Comercio Justo.

<p>(ambientales)</p> <ul style="list-style-type: none"> ▪ Reducir en 2/3 la proporción de la población sin acceso al agua potable entre 1990 y 2015 	<p>terrestres ha pasado desde 18,01% de la superficie total a 18,66%, se espera para el año 2015 aumentar esta superficie.</p> <ul style="list-style-type: none"> • A diciembre de 2003, la cobertura urbana de agua potable alcanza un 99,8%. Lo anterior equivale a decir que el 99,8% de los inmuebles residenciales localizados en los centros urbanos del país tienen conexión a las redes públicas de agua potable. • Al año 2004, la población rural abastecida con agua potable es de 1,47 millones de personas, agrupadas en 1.397 servicios de agua potable rural. Existe, sin embargo, un amplio sector de población rural aún marginada de este beneficio. • Las cifras indican, por otra parte, que 800.000 habitantes de localidades rurales en Chile no cuentan con agua potable domiciliaria, la mitad de ellas habita en localidades semi concentradas y la otra mitad es población dispersa. Respecto a la situación del saneamiento rural los estudios indican que sobre 2,1 millones de personas del Chile rural no cuentan con servicio de saneamiento básico. 	<p>Probable</p>	<p>Responsabilidad Ambiental Empresarial.</p> <ul style="list-style-type: none"> • Dentro de los principales desafíos de mediano plazo está la implementación de una Ley de Eficiencia Energética en el país, con la cual se pueda lograr significativos mejoramientos en la eficiencia del uso de la energía. • En el sector sanitario rural el desafío que se plantea para el futuro pasa por generar una mayor institucionalidad, entendiéndola como un cuerpo normativo capaz de regular aquellos aspectos relacionados con el sector sanitario rural. Sólo a partir de una política de Estado sustentada en una Ley de la República, se puede garantizar la debida coordinación e implementación de Programas destinados a otorgar infraestructura sanitaria básica a la población rural.
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**ASSESSMENT OF THE LIKELIHOOD OF MEETING MILLENNIUM DEVELOPMENT GOALS
MERCOSUR COUNTRIES AND CHILE REPORTS 2000-2005**

Millennium Development Goals ⁹	Extreme Poverty		Education	Gender Equality	Child Mortality	Maternal Health	HIV/AIDS	Environmental Sustainability	Global Partnerships
	Poverty	Hunger							
Argentina	UNLIKELY	UNLIKELY	POTENTIALLY LIKELY	POTENTIALLY LIKELY	POTENTIALLY LIKELY	POTENTIALLY LIKELY	UNLIKELY	POTENTIALLY LIKELY	..
Brazil	UNLIKELY	UNLIKELY	POTENTIALLY LIKELY	POTENTIALLY LIKELY	POTENTIALLY LIKELY	POTENTIALLY LIKELY	UNLIKELY	UNLIKELY	..
Chile	UNLIKELY	UNLIKELY	POTENTIALLY LIKELY	POTENTIALLY LIKELY	POTENTIALLY LIKELY	POTENTIALLY LIKELY	UNLIKELY	POTENTIALLY LIKELY	..
Paraguay	POTENTIALLY LIKELY	POTENTIALLY LIKELY	UNLIKELY	UNLIKELY	UNLIKELY	POTENTIALLY LIKELY	UNLIKELY	POTENTIALLY LIKELY	POTENTIALLY LIKELY
Uruguay ¹⁰	UNLIKELY	UNLIKELY	POTENTIALLY LIKELY	UNLIKELY	POTENTIALLY LIKELY	POTENTIALLY LIKELY	UNLIKELY	POTENTIALLY LIKELY	..

LIKELY
POTENTIALLY
 UNLIKELY

⁹ Projections based on the Millennium Development Goals' Country Reports, in consultation with country teams. Check the reports at <http://www.undp.org/rblac/mdg>
Status: 21 completed reports. 4 ongoing reports: Ecuador, Belize, Suriname, and Trinidad & Tobago. Note: Panama's MDGs Report does not provide projections.

¹⁰ National MDGs Report coordinated by the government. Translated from Spanish "idóneo, potencial, remoto"

.. Indicates no data available

FUENTE: UNDP: www.undp.org/rblac/mdg/CountrycomparisonsJune24.doc

ANNEX 5: Overview of past EC cooperation
Total EU grants to Chile 2001–2004* (commitments)

	2001	2002	2003	2004
Technical cooperation (Budget Line 190901)				12.17
Economic cooperation (Budget Line 190902)			22.20	
Human rights (Budget Line 190403)	0.86	0.20	0.45	
Environment (Budget Line 210205)		0.84		
NGOs – developing countries (Budget Line 210203)	3.13		1.26	2.19
Decentralised cooperation (Budget Line 210213)	0.20			
Total	4.19	1.04	23.91	14.36

* Excluding Chilean participation in regional programmes.

ANNEX 6: Country environmental profile

Summary

According to the environmental performance review of Chile conducted by the OECD, the rapid economic growth of Chile has put considerable pressure on some natural resources, particularly in booming sectors such as mining, forestry and aquaculture.

Chile has strengthened its environmental institutions on the basis of a multisectoral environmental coordination model. It has also intensified its environmental action concerning air, water, waste and biodiversity management, with innovative instruments (e.g. trading) and successful reforms (e.g. in water services).

Over the last decade, environmental protection has been strongly influenced by concerns over human health and international trade. Important challenges remain in continuing progress with environmental management, integrating environmental concerns in sectoral policies and improving the environmental management instruments.

Background

Evidence of increasingly severe environmental degradation (e.g. in air quality in the Santiago Metropolitan Region and around copper smelters in northern Chile), along with the restoration of democratic institutions in 1990, led to a greater emphasis on environmental protection by the governments in the period 1990-2004.

Chile strengthened its environmental institutions between 1990 and 2004, most notably with the 1994 General Environmental Framework Law, which established the National Environmental Commission (CONAMA), which reports directly to the President's office through the General Secretariat of the Presidency.

CONAMA is a public body that operates as a decentralised service under a special regime, with a public legal personality and assets. It coordinates government environmental policies, prepares environmental regulations and fosters integration of environmental concerns in other policies. Much of Chile's environmental progress over the review period was driven by concerns about the health impacts of pollution (and related effects on health expenditure and labour productivity) and the need for corporate environmental responsibility in industries largely exporting to OECD countries.

Chile uses a wide range of instruments in connection with environmental policy: environmental impact assessment (EIA), other regulatory instruments, economic instruments (including trading mechanisms), voluntary approaches and planning and information instruments. Chile has put limited emphasis on regulation and information and, more recently, has increased focus on land use planning and voluntary approaches. As a precautionary tool, the EIA system is well established and has proved active and influential. Chile was a pioneer in the use of trading mechanisms such as tradable particulate emission permits in Santiago, nationwide trading of water rights and individual transferable quotas for some fish species. These programmes have provided invaluable experience and are potential first steps towards wider or more active markets, but at their current scale the economic efficiency benefits are small. A major and successful reform in water and sanitation services provision to households led to the restructuring of the water sector, full-cost pricing and rapid infrastructure improvement. This reform reinforced

Chile's progress towards fully applying the polluter pays and user pays principles. Efforts to ensure that at least half of municipal solid waste is placed in sanitary landfills were reinforced in 2002, and this objective has been accomplished all over the country. Voluntary approaches now involve many firms, accounting for about half of GDP, largely because their export markets are OECD countries where consumers, producers and financial institutions demand high environmental standards.

Total public and private environmental expenditure (including water supply) has reached about 1.25% of GDP in recent years. Most expenditure has gone to water-related infrastructure and reducing copper smelter emissions.

State of the environment

Air

In the beginning of the 1990s the authorities identified the air pollution problems as the priority in this field. The short-term approach placed strong emphasis on Santiago's critical problems and on copper mining. Later efforts were directed towards urban areas such as Talcahuano, and Greater Concepción, which had the most serious urban pollution problems after the Metropolitan Region.

By 2004 the air pollution prevention and control plans in the Metropolitan Region had been implemented and launched, allowing significant reductions in emissions of criteria pollutants and in the number of pre-emergencies. No pollution emergency levels have been registered since 2000. The transport plan for Santiago (Transantiago) could significantly improve traffic management in the Metropolitan Region. An emission trading programme for particulates was established in 1992 for point sources. Switching to natural gas contributed to sizable reductions in PM10 and PM2.5 levels. The removal of coal subsidies was also environmentally beneficial. Sulphur, particulate and arsenic emissions from copper smelters have been considerably reduced.

Chile still has to face major health and air pollution challenges in the Metropolitan Region and in the mining sector. General emission standards are lacking for industrial processes and for emitters of toxic air contaminants. Air monitoring should be extended to other cities and emissions of SO_x - because of copper smelter emissions - should be further reduced. More attention should also be given to the use of fiscal instruments to internalise environmental externalities in the transport and energy sectors.

Water

In the 1990s and under the Environmental Framework Law, a process to establish new environmental standards to protect water resources began. Some of these standards are designed to control water emissions and quality for surface water as well as groundwater, which aim to protect human health and ecosystems (primary and secondary quality standards respectively). The development of standards is still in its early stages.

Chile has undertaken a major water reform concerning the delivery of water supply and sanitation services. As a result, water infrastructure has dramatically improved in line with the regionalisation and privatisation of water companies. Two thirds of the urban population are now connected to waste water treatment, and plans call for urban sewage treatment to continue to increase. Full cost recovery pricing applies to public water supply and sewage treatment, in the context of price regulation at regional level and subsidies to the poorest 18-20% of the population. Water prices increase during the summer reflecting water scarcity.

Even though most Chilean water bodies are of acceptable quality, water quality is poor in some lakes, rivers and coastal waters, mainly due to untreated urban and industrial sewage discharges. There are no water quality objectives aimed at preserving ecosystems, though they are being discussed. Different government agencies are in charge of monitoring and inspecting water quality.

Biodiversity

Since 1990 Chile has enacted several laws aimed at protecting nature and in late 2003 it adopted a national biodiversity strategy. More detailed regional biodiversity strategies and a national biodiversity action plan are in preparation. Natural resource laws and regulations include sustainable management provisions, as do the plans for tourism development. Chile has designated for legal protection almost one fifth of its territory, including nine Ramsar sites and seven UNESCO biosphere reserves.

Nevertheless, the protection of nature has so far not been given enough emphasis and resources to deal with long-term threats to Chile's highly endemic biodiversity. Despite improvements over the review period, nature and biodiversity protection and its enforcement are still underfunded. Efforts must be strengthened in order to meet the target of protecting 10% of all significant ecosystems by 2010.

Recommended priority actions

According to the OECD review, some of Chile's main challenges concerning environmental performance are:

To strengthen the environmental institutions at national and regional level, so as to implement environmental policies in a deeper way and strongly integrate environmental concerns into the sectoral and economic policies;

To strengthen the national regulatory framework and look for ways to improve compliance and enforcement capacity, including institutional reforms, for instance the establishment of an environmental inspectorate;

To complete, firmly implement and devote adequate resources to the national and regional biodiversity strategies and action plans; to review institutional and legislative arrangements for the management of nature and biodiversity;

To develop information systems with indicators showing the national environmental performance as well as the sustainability of economic activities; the latter aim to improve the policy decision-making process;

To develop economic analyses of environment-related policies, expanding both economic information on the environment (e.g. on environmental expenditure, environment-related taxes, health risk assessments, water and energy prices) and cost-benefit analysis of projects and legislation relating to the environment; to review ways and means of integrating environmental concerns in fiscal instruments and policies; to undertake strategic environmental assessments concerning i) Chile's energy policy framework; and ii) long-term transport plans for the Metropolitan Region, for other urban areas and at national level.

ANNEX 7: Donor Matrix (Source: AGCI, projects under way in 2005)

Donor/ Sector	Social Development Education	Social Development Health	Social Development Gender	Social Development Others	Social Development Youth	Social Development Children	Science & Technology	Private Sector Support	State Modernisation	Environment	Total M€
Multilateral	0,07			0,11			0,08			0,29	0,55
IMF											
ONU										0,29	0,29
World Bank											
IDB											
UNDP											
OEA	0,07			0,11			0,08				0,26
EC + MS	0,45	0,28	0,07	8,50	0,55	0,01	1,26	45,65	17,69	30,12	104,57
France										2,52	2,52
Germany		0,28			0,55		0,17	15,24	6,71	26,65	49,60
Belgium	0,45		0,07	1,44			1,09	0,07	0,26	0,20	3,57
Finland											
Italy								0,01			0,01
Portugal											
Sweden										0,75	0,75
Spain						0,01					0,01
Netherlands											
Suecia								1,25			1,25
EC				7,06 ¹¹				29,09 ¹²	10,72 ¹³		46,86
Others						0,26		0,28	0,72	5,81	7,07
Canada						0,26		0,28	0,72		1,26
USA											
Japan										5,81	5,81
Total	0,52	0,28	0,07	8,60	0,55	0,27	1,34	45,93	18,41	36,22	112,19
% EC				82,08%				63,33%	58,22%		41,77%

¹¹ Refers to decentralisation and strengthening of civil society

¹² Refers to micro, small and medium enterprises support; support to the implementation of the EU-Chile association agreement.

¹³ strengthening of public institutions and promotion of civil society participation

ANNEX 8: MAP OF CHILE

