



## SPECIAL REVIEW OF CHILE

This special review of the development co-operation policies and programmes of Chile was undertaken, from 20 to 22 November 2013, at the request of the Chilean International Co-operation Agency (AGCI) and with the agreement of the OECD's Development Assistance Committee (DAC). Two DAC members, Germany and Switzerland, served as Advisors for the special review. Colombia participated as an Observer.



## FOREWORD

The DAC welcomes the contribution of all providers of development co-operation resources and expertise towards achieving the common goal of sustainable and inclusive economic growth with a substantial reduction in poverty. The DAC hopes to forge new and mutually beneficial relationships with partners in international development co-operation beyond the DAC membership.

Among the range of countries beyond the DAC membership that provide development co-operation, priority partners for the DAC include OECD members that have not joined the Committee. The DAC aims to share lessons and views on development co-operation with these countries, learn from their own development, share experiences on managing development co-operation and increase information exchanges on development co-operation activities and concessional financial flows.

OECD countries that are not members of the DAC are entitled to participate in all meetings and activities of the committee in areas of mutual interest. In recent years, non-DAC OECD members have been increasing their engagement with the DAC; five joined the Committee in 2013. For its part, Chile has attended many DAC meetings since it joined the OECD in 2010, including the DAC High-Level and Senior-Level Meetings, and brought the perspective of a country that both provides and receives development co-operation to the DAC's work. Chile has also sought to learn from the good practices of DAC members and participated, as an observer, in the DAC Peer Review of Korea in 2012. In April 2013, Chile hosted a visit to Santiago by the Chair of the DAC.

In August 2013, Chile approached the OECD with a request for a special review. These special reviews draw on the DAC Peer Review methodology and provide critical, helpful and respectful insights to support a country's own efforts to strengthen its development co-operation programme and systems. Special reviews also provide an opportunity for the DAC to learn from the perspectives and experience of providers of development co-operation beyond its own membership.

The Terms of Reference for this special review, which were jointly developed and agreed upon, are to look at the foundations, the size and scope, and the organisation and management of Chile's development co-operation.

The team formed to conduct this special review comprised representatives of two DAC members - Germany and Switzerland - and the OECD's Development Co-operation Directorate. A representative from Colombia also participated in the special review, as an observer.

This report presents the main findings from the special review, including the special review team's recommendations for further improvement, based on the information gathered during a mission to Santiago from 20 to 22 November 2013 as well as a review of relevant literature. While the Chilean authorities have reviewed the report for factual accuracy, the findings and recommendations remain those of the special review team.



## ACRONYMS

AGCI*	Chilean International Co-operation Agency
CARICOM	Caribbean Community and Common Market
DAC	Development Assistance Committee (of the OECD)
ECLAC	Economic Commission for Latin America and the Caribbean
GDP	Gross domestic product
GNI	Gross national income
IDA	International Development Association (of the World Bank)
IDB	Inter-American Development Bank
LAC	Latin America and the Caribbean
MDGs	Millennium Development Goals
MFA	Ministry of Foreign Affairs
NGO	Non-governmental organisation
ODA	Official Development Assistance
OECS	Organisation of Eastern Caribbean States
OECD	Organisation for Economic Co-operation and Development
SEGIB*	Ibero-American General Secretariat
SICA*	Central American Integration System
UNDP	United Nations Development Programme
USD	United States dollar

\* Acronym in original language.



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## EXECUTIVE SUMMARY

### Introduction

Chile has achieved impressive development progress and made a successful transition to democracy over the past two decades. This success, which has been supported by external partners through official development assistance (ODA), has attracted the interest of Chile's neighbours in Latin America and the Caribbean. Chile has responded by providing bilateral development co-operation since 1993 to share its expertise and experience. Chile also provides substantial support to and through multilateral organisations that contribute to promoting growth and reducing poverty, both globally and within Latin America and the Caribbean. Chile thus has a dual role as both a recipient and provider of development co-operation. This report focuses on Chile as a provider of development co-operation.

### Chile's development co-operation today

To enable Chile to respond to growing demands especially for bilateral and triangular co-operation, Chile has set itself the ambition to expand and improve its development co-operation. The government recognises that doing so will require a transformation of Chile's system of development co-operation to make it more purposeful, systematic and capable of responding strategically. This will entail making the legal and policy framework fit for purpose, improving inter-ministerial co-ordination, mobilising more resources for development co-operation, reforming its organisation and management, and putting systems in place to enable Chile to evaluate its activities and learn from experience.

Chile's development co-operation is rooted in the tradition of South-South Co-operation and emphasises the importance of development co-operation being demand-driven, providing mutual benefit and being based on a sharing of experiences among peers. As a result, Chile's capacity to provide technical co-operation in response to requests has an influence on the size of its bilateral programme, as well as the budget available to cover the associated costs.

The Chilean International Co-operation Agency (AGCI) is the main entity responsible for managing Chile's international development co-operation, using a dedicated budget for this purpose. Besides the Agency's activities, much of Chile's bilateral development co-operation is financed from line ministries' own budgets for more general purposes. Their technical co-operation is provided by public officials for no additional costs beyond the salary they already receive (only the associated travel expenses need to be funded). As a business model, this approach cannot be easily scaled up to match Chile's ambitions for its development co-operation.

Estimates of the volume of Chile's development co-operation vary. The OECD estimates that Chile's total concessional flows for development in 2012 reached USD 42 million while AGCI's estimate for 2013 is USD 57 million. One explanation for the lower estimate by the OECD is that the DAC has not considered whether some multilateral organisations to which Chile provides funding are eligible recipients of ODA. Nevertheless, both estimates show that multilateral contributions are a large share of Chile's total development co-operation.

Chile is a leading proponent of triangular co-operation which provides a natural evolution in Chile's relationship with many of the DAC members that also provide it with ODA. Chile is a sought after and valued partner for this form of co-operation. Triangular co-operation appears to be a cost-effective way for all partners to export Chile's development experience to countries in Latin America and the Caribbean, where Chile has well-established networks and its DAC member partners can have resident missions that provide their contribution to the activity as well as logistical support.

## **Suggestions for improving Chile's development co-operation**

Chile's development co-operation has grown to the point where its own successes in political, economic and social transformation are generating an increasing number of demands for Chile to share its experiences through bilateral and triangular co-operation. Through AGCI's Modernisation Plan, Chile is already working to make the qualitative and quantitative jump needed to realise its ambitions and transform its development co-operation system. This special review finds that these efforts can be consolidated and built on further.

### ***Strengthening the foundations of Chile's development co-operation programme***

Chile recognises that achieving its ambitions will require a strengthening of the programme's foundations to make them more purposeful, systematic and capable of responding strategically to the growing demands from its partners. To do so, the special review team recommends that Chile:

- a) Strengthen co-ordination among all actors in its system of development co-operation including by promulgating the draft Presidential Directive on this subject. Chile should also insist that its external partners in triangular co-operation reinforce and strengthen AGCI's co-ordinating role by assuring that all projects are co-ordinated with the Agency.
- b) Advance adoption of the draft *Policy on International Co-operation* by presenting it to the AGCI Board of Directors, as planned, and then sharing it with other actors in Chile - line ministries, civil society, academia and the private sector – both existing and potential partners.
- c) Develop specific policies in key areas. A multilateral policy could help Chile select the issues and the fora in which it wishes to engage so as to make its multilateral assistance more strategic and effective. A policy on non-governmental organisations (NGOs) could help clarify how and when the government and NGOs would co-operate and with what objective.
- d) After adoption of the *Policy on International Co-operation*, develop a medium-term (e.g. four to five year) master plan that sets out the vision for Chile's development co-operation and provides a common reference for all actors involved.
- e) Designate a high-level political champion for development co-operation to provide the impetus to carry forward the transformation of the system. This will also help to raise the profile of AGCI within the Chilean government.
- f) Build up support for development co-operation by preparing, as planned, a communications strategy with a development education component that defines key messages, target audiences and communication partners, including NGOs, and focuses on development results achieved by all actors in the Chilean development co-operation system.

### ***Scaling up the programme while tightening the scope***

Chile's development co-operation has become substantial. To continue building up the programme and meet the ambitions that Chile has set itself, the special review team recommends that Chile:

- a) Continue to develop systems to compile data on Chile's entire development co-operation. Chile could also report the data it has available on its concessional flows for development to the OECD.
- b) Introduce a designated and consolidated fund or budget line for development co-operation to enable AGCI to be more strategic in managing resources available for development co-operation,

including discretionary multilateral contributions. If the Agency could support activities of line ministries on a cost-sharing basis, it would augment Chile's response capacity and enable projects to be implemented for longer periods or for broader replication. It would also motivate line ministries to collaborate more with AGCI.

- c) Expand delivery channels beyond the public sector through greater use of consultancies and collaboration with NGOs. Bringing universities and the private sector more into activities is another way to expand delivery capacities. The joint funds that have been established are a good step in this direction. A positive by-product should be greater public support.
- d) Incorporate more explicit development goals into its bilateral co-operation, based on partner countries' development plans, to focus further Chile's development co-operation. This will help keep in check tendencies towards a programme that is spread across a wide range of sectors.
- e) Provide humanitarian assistance in line with its resources and comparative advantage and channel funds to multilateral organisations or through pooled-funding arrangements.
- f) Document the good practices and lessons emerging from implementing triangular co-operation activities. Sharing this experience would help to improve this form of co-operation and strengthen Chile's leading position as an active player in triangular co-operation.
- g) Make its multilateral assistance more coherent and purposeful, and a more important means of complementing bilateral co-operation activities and pursuing broader development goals.

#### ***Up-grading the organisation and management of Chile's development co-operation***

Chile is modernising the management of its development co-operation programme and improving implementation of activities. To continue along this path, the special review team recommends that Chile:

- a) Use existing mechanisms more to improve co-ordination and/or set up a national co-operation policy group to bring all actors together for regular consultations on development co-operation. It would be consistent with AGCI's mandate for the Agency to co-ordinate the informal network of International Departments of line ministries that meets regularly to discuss issues related to providing technical co-operation.
- b) Pursue the use of Country Programmes which can help select activities that could be combined for greater complementarity and developmental impact in one or two sectors and so avoid Chile spreading its engagement too thinly. This would also facilitate evaluation of the programme.
- c) Support AGCI in the implementation of its Modernisation Plan, paying particular attention to up-grading its human resources to meet the Agency's changing needs including by following through on its human resources policy and providing training to fill identified gaps in existing skills and abilities of staff, bearing in mind the importance of maintaining institutional memory.
- d) Encourage AGCI to make its programming, monitoring and evaluation more systematised, while maintaining the Agency's capacity to respond flexibly to priority partner countries' requests.
- e) Support implementation of AGCI's roadmap for establishing a performance-based evaluation, information and knowledge-management system. In doing so, AGCI and its triangular co-operation partners should, to the extent possible, use and help strengthen developing countries' own evaluation systems, in line with international good practice.

## CHAPTER 1

### THE FOUNDATIONS OF CHILE'S DEVELOPMENT CO-OPERATION

This chapter presents and analyses the context for Chile's development co-operation and reviews the foundations for the programme, including the legal basis, the policy framework and the degree of public and political support.

#### **Chile's development co-operation is rooted in the tradition of South-South Co-operation**

Chile has achieved impressive development progress and made a successful transition to democracy over the past two decades. Chile's success in terms of political, economic and social transformation, which has been supported by external partners through official development assistance (ODA), has attracted the interest of its neighbours in Latin America and the Caribbean. Chile stands ready to respond to increased demands for both bilateral and triangular co-operation to share its development experience, especially in its neighbouring region, and recognises that this can also help Chile to consolidate and further build on the achievements it has made. Chile has ambitions to scale up its development co-operation and to improve the quality and impact of its programme.

Chile considers the development co-operation it provides is South-South Co-operation. While there is no internationally agreed definition of South-South Co-operation, the United Nations has helped to clarify understanding about this form of co-operation. Building on the conclusions from the United Nations Conference on Technical Co-operation among Developing Countries in Buenos Aires in 1978, General Assembly Resolution 64/222 from 2010 describes South-South Co-operation as "... a manifestation of solidarity among peoples and countries of the South that contributes to their national well-being, their national and collective self-reliance and the attainment of internationally agreed development goals, including the Millennium Development Goals." Underlining this solidarity and the importance of mutually beneficial relationships, Chile and many other providers of South-South Co-operation reject the use of terms such as "donor" and "aid" to describe their development co-operation. General Assembly Resolution 64/222 also clarifies that "... South-South Co-operation takes different and evolving forms, including the sharing of knowledge and experience, training, technology transfer, financial and monetary co-operation and in-kind contributions".

As with many other providers of South-South Co-operation, Chile also receives development co-operation.<sup>1</sup> Chile thus has a "dual role" in international development co-operation. Since the Chilean International Co-operation Agency (AGCI) manages both in-coming and out-going development co-operation, the Agency can usefully transfer experience and lessons from being a recipient of ODA to its own programme of out-going development co-operation. This has already been done, for example, with managing calls for proposals and is being extended to managing the project cycle, including developing systems to support monitoring and evaluation. This dual role also means that Chile has established solid relationships with many members of the OECD Development Assistance Committee (DAC) and

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1. In 2012, Chile received USD 126 million of net ODA, most of which was provided by Germany, the European Union institutions and France.

multilateral agencies that have evolved into partnerships, as Chile engages in triangular co-operation activities with them.

Given the DAC's role as an international forum for providers of development co-operation, this report focuses on Chile as a provider of development co-operation. The analysis and recommendations do not relate to Chile as a recipient of ODA.

### **The legal foundations can be made more fit for purpose**

Comparative international experience highlights the benefit of countries anchoring their development co-operation programme in legislation that provides a clear statement of purpose and a framework for implementation. At the same time, this legislation should not contain so much detail that it becomes counter-productive. Legislation should also be up-dated regularly, so as not to restrain system efficiency in the fast-evolving world of development co-operation (OECD, 2008).

AGCI is the main entity responsible for managing Chile's development co-operation. Its Organic Law (Section III of Law N. 18.989) is the legislative basis for the co-operation it provides. However, even though the law describes the dual nature on the Agency to co-ordinate both in-coming and out-going development co-operation, the law was enacted on 19 June 1990 when Chile was mainly a recipient of ODA under the Ministry of Planning and Co-operation (now the Ministry of Social Development). Since 2005, AGCI has operated under the Ministry of Foreign Affairs. There are plans to up-date AGCI's Organic Law, as part of a new Organic Law for the Ministry of Foreign Affairs.

As Chile graduates from being an ODA recipient<sup>2</sup>, AGCI's role as a provider and co-ordinator of development co-operation is becoming its core business. Although the Agency continues to co-ordinate the ODA that Chile still receives, AGCI is also a vehicle for supporting Chile's foreign policy by building bilateral relationships, especially with countries in Latin America and the Caribbean, and promoting regional integration. Consistent with the mutual benefit principle of South-South Co-operation, Chile's development co-operation supports and complements Chile's national development policies, plans and programmes, as well as those of its partner countries. To achieve these ambitions, Chile's system of development co-operation is being transformed at the overall policy (see below) and organisational (see Chapter 3) levels; a similar up-dating of the legislative basis will also help support the evolution taking place in Chile and would be in line with international good practice.

An example of the challenges that AGCI currently faces relates to co-ordination across the Chilean government. Although the current law designates the Agency as the co-ordinator of Chile's co-operation system, in practice AGCI is not fully able to exercise this role. Many of the line ministries and other public institutions engaged in delivering Chile's development co-operation do so without AGCI's knowledge or management input, if they are not accessing funds from AGCI's budget.

The government recognises that this lack of co-ordination can lead to non-replicable, isolated actions with limited impact. In addition, these activities are not monitored or evaluated or accounted for in AGCI's statistical and other systems. A Presidential Directive has been drafted that underscores the importance of inter-ministerial co-operation to advance Chile's foreign policy objectives and instructs line ministries to co-ordinate their co-operation activities with AGCI. It further directs line ministries to provide support for AGCI's projects and to provide information to AGCI regarding their own activities, so that they can be

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2. The World Bank classified Chile as a high-income country on 1 July 2013. The DAC revises its *List of ODA Recipients* every three years and removes countries that have exceeded the high-income threshold for three consecutive years at the time of a review. Given present trends, Chile will probably no longer be eligible to receive ODA within several years' time.

included in a system to track development co-operation government wide. The Presidential Directive has not yet been promulgated.

### **Chile can go further with developing its policy framework**

AGCI has drafted a *Policy on International Co-operation* (October 2013) which is a first and welcome attempt to define an explicit policy for Chile's development co-operation and to summarise current practices. It describes Chile's goals, mission, values and approach, based on the South-South Co-operation model. It describes the distinguishing features of Chile's development co-operation as:

- a) Co-operation among peers.
- b) Sharing knowledge on public policies, models of administration and management practices.
- c) A focus on strengthening institutional and human capacity (through scholarships).
- d) Non-remunerated exchanges of services by public sector experts.
- e) Provision of co-operation free of charge, without grants, loans or conditions.

Chile values the principle of "horizontality" – the notion of collaborative work, sharing experiences between Latin American and Caribbean countries in order to achieve common goals or promote public goods, so as to strengthen bilateral and multilateral relations and increase regional integration. Similarly, Chile favours countries achieving self-sufficiency through creating strong public institutions, implementing sound public policies and developing their human capital and technical expertise. Accordingly, within its resources and capabilities, Chile offers technical co-operation, training and scholarships that draw on its own successful development experience in response to the social and economic development needs of countries mainly in Latin America and the Caribbean.

The draft policy also sets forth a strategy for improving Chile's co-operation with six elements:

- a) Exchange of good or successful practice.
- b) Systematisation of Chilean experience.
- c) Focusing co-operation on public policy projects that are replicable, sustainable and can be evaluated.
- d) Forging alliances with different actors (beyond the public sector).
- e) Improving the management of AGCI.
- f) Transitioning from fragmented co-operation activities into a harmonised national system.

This draft policy points Chile's co-operation in the right direction for meeting the challenges it faces and the ambitions to which it aspires. It should now be presented, as planned, to the AGCI's Board of Directors and shared with the line ministries and other actors engaged or with the potential to engage in delivering Chile's development co-operation, so that they may have an opportunity to provide reactions. This process will provide a basis for ensuring that the policy reflects a whole-of-government perspective and can help build consensus, assure buy-in and facilitate co-ordination among the different actors in the system.

Looking further ahead, the draft policy could be accompanied by specific policies in key areas for Chile, two of which are multilateral assistance and working with non-governmental agencies:

- The majority of Chile's development co-operation is channelled to and through multilateral organisations. A specific policy could help clarify what the important issues for Chile are in its engagement with multilateral organisations and how to get the most out of Chile's support, including through coalitions of like-minded countries. The policy could also help to focus Chile's engagement and to consolidate and direct funding, taking account of evidence on the organisational efficiency and development impact of the agencies it funds. The policy should be developed in co-ordination with the division of the Ministry of Foreign Affairs responsible for multilateral relations, Chilean embassies and the Ministry of Defense (which supports humanitarian assistance).
- NGOs typically have a complex relationship with government due to their multiple roles as policy discussants and watchdogs, project implementers in their areas of comparative advantage and partners in raising public awareness and support for development co-operation, as well as being development actors in their own right. An NGO policy could help clarify how and when the government and NGOs would co-operate and with what objective. This would help to build a stronger and a more cost-effective, structured and transparent relationship.

In time, Chile could prepare a medium-term (*e.g.* four to five year) master plan that sets out the vision for Chile's development co-operation and provides a common reference for all actors in the system. This would also help to make development co-operation a State issue, rather than a responsibility of government.

### **Building greater public awareness and support will help sustain the renewal process**

Comparative international experience highlights that strong public support is the best guarantee of the political and legislative support required for a strong and dynamic development co-operation programme. Even in countries predisposed to providing foreign assistance, pro-active and targeted forms of public education and awareness building are often required (OECD, 2008). Raising AGCI's profile within the Chilean government and strengthening its public awareness activities would help Chile to achieve and sustain its ambitions for its development co-operation programme.

To assure whole-of-government implementation of its new policies, Chile would benefit from having a "champion" for development co-operation at a high, political level. This could possibly be the Foreign Minister, as in many DAC member countries, or the President. A champion will provide the political impetus to carry forward the transformation of the system and also help to raise AGCI's profile within the Chilean government. In parallel, the AGCI leadership can continue to manage the change process at an operational level.

AGCI could also build up its public awareness activities and focus these not just on the achievements of the Agency, but on the achievements of the Chilean system of development co-operation, based on the development results achieved in partner countries and the mutual benefits realised. As a next step, AGCI could expand its support for development education activities. Most DAC members work with civil society on development education, recognising that the state has a strong self-interest and so it is better to let citizens inform citizens. Some countries focus on developing pedagogical material that can be used in schools. This helps to build a common understanding of development issues and challenges among the country's future leaders, decision makers, tax payers and voters. Such institutionalised awareness building is more effective than piecemeal projects. It also circumvents the risk with development education that it mostly informs people already interested in or predisposed to providing development co-operation. This issue is particularly important for countries that both provide and receive development co-operation. Since citizens still recognise that there are many development gaps in their own country, they may be more reticent to support collaboration with other countries facing development challenges.

To bring its various public communication efforts together, the special review team recommends that the AGCI develop a communications strategy that defines and matches key messages and target audiences and clarifies the roles of different communication partners, including NGOs. Communications should focus on results - *i.e.* evidence that Chile has been instrumental in influencing the multilateral agencies it supports or examples of how Chile's development co-operation has improved the lives of poor men, women and children in developing countries. This may require greater investment in setting measurable objectives up front and monitoring for results throughout. The link between development co-operation activities and foreign policy goals can also be highlighted to promote a better understanding of AGCI's role in supporting these.

## **Recommendations**

Chile has provided development co-operation since 1993 to share its expertise and experience in response to requests from other countries mostly in its region. It now has ambitions to expand and improve its programme. The government recognises that achieving these ambitions will require a strengthening of the programme's foundations to make them more purposeful, systematic and capable of responding strategically to the growing demands from its partners. To do so, the special review team recommends that:

- a) The draft Presidential Directive be promulgated to strengthen co-ordination among all actors in Chile's system of development co-operation. Chile should also insist that its external partners in triangular co-operation reinforce and strengthen AGCI's co-ordinating role by assuring that all projects under their various co-operating mechanisms are co-ordinated with AGCI.
- b) The draft *Policy on International Co-operation* be presented to the AGCI Board of Directors, as planned, then shared with existing and potential co-operation actors in Chile, not only the line ministries, but civil society, academia and the private sector as well.
- c) Chile consider developing specific policies for key areas of its development co-operation programme, such as multilateral assistance and working with non-governmental agencies. A multilateral policy could help Chile select the issues and the fora in which it wishes to engage so as to make its multilateral assistance more strategic and effective. An NGO policy could help clarify how and when the government and NGOs would co-operate and with what objective.
- d) The *Policy on International Co-operation* could be accompanied by a medium-term (*e.g.* four to five year) master plan that sets out the vision for Chile's development co-operation and provides a common reference for all actors involved.
- e) Chile designate a high-level political champion to provide the political impetus to carry forward the transformation of the system. In parallel, the AGCI leadership can continue to manage the change process at the operational level.
- f) Chile strengthen its public awareness activities to build support for development co-operation by preparing, as planned, a communications strategy with a development education component that defines key messages, target audiences and communication partners, including NGOs, and focuses on development results achieved by all actors in the Chilean development co-operation system.



## CHAPTER 2

### THE SIZE AND SCOPE OF CHILE'S DEVELOPMENT CO-OPERATION

This chapter presents and analyses the size and scope of Chile's development co-operation, which encompasses more than the bilateral and triangular co-operation activities managed by the Chilean International Co-operation Agency and includes substantial contributions to multilateral organisations.

#### The size of Chile's development co-operation

##### *The size of Chile's development co-operation can only be estimated*

As with some other providers of South-South Co-operation, accounting for all of Chile's development co-operation presents some challenges due to much of its bilateral co-operation being provided in-kind and implementation being largely decentralised, including its contributions channelled to and through multilateral organisations. AGCI is working to develop a system so that it can compile data on the development co-operation activities of all ministries. The Agency also recently designed a method for assigning an imputed dollar value equivalent for the in-kind technical co-operation provided by public officials which it is starting to implement.

Nevertheless, AGCI has some data on Chile's concessional flows for development but does not report these data to the OECD (although it would be welcome to do so). The OECD has consequently made estimates of these flows, based on publicly available information and using the methodologies applied when compiling data on ODA, to give an indication of the size of Chile's development co-operation. According to these OECD estimates, Chile's total concessional development co-operation reached USD 42.2 million in 2012. Of this, an estimated USD 31.3 million, or 74%, were channelled to and through multilateral organisations (see Table 1).

**Table 1. Estimated volume of Chile's development co-operation (commitments, USD millions)**

	OECD estimates			AGCI estimate
	2010	2011	2012	2013
<b>Bilateral</b>	<b>10.7</b>	<b>9.9</b>	<b>10.9</b>	<b>18.8</b>
AGCI Budget	10.7	9.9	10.9	13.8
Hunger and Poverty Fund	--	--	--	1.5
National Commission for Scientific and Technological Investigation	--	--	--	3.5
<b>Contributions to and through multilateral organisations</b>	<b>4.9</b>	<b>14.2</b>	<b>31.3</b>	<b>38.3</b>
Contributions to and through multilateral organisations	4.9	14.2	31.3	37.7
Ibero-American General Secretariat (SEGIB)	--	--	--	0.6
<b>TOTAL</b>	<b>15.6</b>	<b>24.1</b>	<b>42.2</b>	<b>57.1</b>

Source: OECD and AGCI

AGCI has also prepared estimates of Chile’s development co-operation in 2013. According to these AGCI estimates, Chile’s total concessional development co-operation amounted to USD 57.1 million (see Table 1), of which an estimated USD 38.3 million, or 67%, were channelled to and through multilateral organisations. It is important to highlight that the OECD and the AGCI estimates are not comparable for two main reasons. First, the AGCI estimates include contributions to multilateral organisations that would not necessarily be considered eligible for reporting as ODA (*e.g.* contributions to agencies that promote development in Chile itself). Second, the AGCI estimates also exclude ODA-eligible funding to the World Bank’s International Development Association (IDA) and the Inter-American Development Bank (IDB).

Despite these methodological and reporting issues, it is clear that the volume of Chile’s development co-operation is substantial and probably underestimated because, amongst other reasons, the activities of several line ministries are not included. It is also clear that contributions to and through multilateral organisations make up a large share of Chile’s development co-operation, which underscores the importance of Chile giving serious consideration to developing a multilateral policy (see Chapter 1).

***A consolidated budget for development co-operation could help Chile to scale-up***

AGCI is one of the few government entities in Chile that has a designated budget for international development activities.<sup>3</sup> Its annual budget is over USD 10 million, divided between salaries and administrative costs (50%), scholarships (30%) and projects (20%) (of which 15% is for bilateral co-operation and 5% for triangular co-operation). Table 2 provides a breakdown of how AGCI’s funding for co-operation was allocated between 2010 and 2013 and shows some variations across years.

**Table 2. Budget disbursed for projects delivered by AGCI, 2010-13 (in USD millions)**

<b>MODE</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Bilateral	2.2	1.5	2.2	2.4
Triangular	1.3	0.5	0.3	0.9
Regional	0.4	0.1	0.1	0.5
<b>Total</b>	<b>3.9</b>	<b>2.1</b>	<b>2.6</b>	<b>3.8</b>

Exchange Rate: 1 USD = 520 CLP

Source: AGCI

The decentralised implementation of Chile’s development co-operation reflects the fact that Chile does not have a consolidated budget for its development co-operation. Many line ministries engage in development co-operation by using their budgets for missions abroad. As such, covering the costs associated with specific development co-operation activities competes with the need for these ministries to represent Chile in international conferences or participate in other international activities. In addition, the ministry staff providing technical co-operation have regular duties from which they must be released, and they serve on a voluntary basis. This means that co-operation assignments have a certain *ad hoc* character and depend on the availability of both staff and funding for travel. The line ministries the special review team met saw a need for more financial resources to support their activities but especially a need for greater predictability, so that activities can be conceived of and planned to be implemented beyond the current budget year.

3. The National Commission for Scientific and Technological Investigation also has a budget line for International Co-operation, some of which funds development activities (as shown in Table 1).

As with some other providers of South-South Co-operation, the allocated budget or estimated total value of Chile's development co-operation is not a good indicator of the country's co-operation effort. Rather, as an essentially demand-driven programme, Chile's capacity to respond to requests for technical co-operation also influences the size of the bilateral programme. Available human and financial resources are not commensurate with the ambitions Chile has for its development co-operation or with its emerging status as a developed country. To match these ambitions and scale up further, Chile will need to expand its delivery channels beyond the public sector (see below). A larger consolidated budget could also enable AGCI to reimburse line ministries that make staff available for extended technical co-operation assignments and enable line ministries that receive funding through AGCI to provide greater predictability and facilitate continuity in their activities. It would also help Chile to be more strategic in allocating its discretionary contributions to multilateral organisations and to adjust these to reflect each organisation's performance and its match with Chile's evolving foreign policy objectives.

***Expanding Chile's delivery channels is also necessary to support scaling up***

To scale up and match the ambitions for its development co-operation programme, Chile could explore complementary means of sharing its knowledge and experience beyond relying mainly on contributions from public officials. It has started doing this through joint funds (see Box 1) but Chile could also explore using consultancies more or working through NGOs. Bringing universities and private sector associations and firms more into co-operation activities is another way to expand delivery capacities.

**Box 1. Joint funds for development co-operation involving Chile**

Chile participates in several joint funds for development co-operation that are enabling it to expand its delivery channels beyond the public sector:

- *The Chile-Mexico Joint Co-operation Fund* began operating in 2007 and finances activities between the two countries, or by both countries in a third (developing) country. To date, 49 projects submitted by Chilean and Mexican institutions have been approved and nearly USD 10 million have been spent. Of these, 11 projects continue to be implemented and seven began in 2013. This Fund has financed co-operation projects in eleven areas, namely: environment, justice, social development, forestry, science and technology, public sector management, migration, development of commercial/productive sectors, public safety, education, culture, and post-earthquake reconstruction. Through this Fund, as well as through other initiatives, AGCI has strengthened its work with the private sector.
- *The Chilean Fund against Hunger and Poverty* was developed by the Government of Chile and the United Nations Development Programme (UNDP) in 2011 to contribute to the fulfillment of the Millennium Development Goals in countries of equal or lesser development. Chile has contributed a total of nearly USD 2.1 million to the Fund which uses three delivery mechanisms: i) calls for proposals for projects designed by Chilean civil society institutions; ii) projects presented by public institutions or United Nations institutions with representation in Chile; and iii) responses to requests for humanitarian assistance. The first call for proposals was launched in November 2012. There are currently eight projects underway with a total budget of USD 998 841. The second call for proposals ended in July 2013 and five projects were selected - two from civil society and three from government/United Nations institutions - for a total of USD 938 394. This Fund offers a laboratory for AGCI to learn more about working with civil society and strengthens the Agency's capacity to monitor and evaluate projects including multiple actors. In the medium-term, consideration could be given to transferring management of the Fund to Chilean authorities (this would require a change to the legislation governing the Fund).
- *The Chile-Spain Fund for Triangular Co-operation* began in 2011 with the objectives of contributing to efforts in Latin America and the Caribbean to: i) contribute towards the achievement of the Millennium Development Goals through triangular co-operation initiatives, ii) improve the ability of AGCI to manage triangular co-operation, and iii) systematise the sharing of experiences gained through this partnership. To date, there are projects at different stages of development in Bolivia, El Salvador and Paraguay, as well as one for members of the Caribbean Community and Common Market (CARICOM). This Fund is enabling AGCI to hone its capacities in managing triangular co-operation.
- *The Pacific Alliance Co-operation Fund*. This new fund proposed in May 2013 was agreed to by the Pacific Alliance members (Chile, Colombia, Mexico and Peru) to facilitate the implementation of projects and actions co-ordinated by a Technical Group in six areas, namely: support for small and medium-sized enterprises; environment and climate change; innovation, science and technology; social development; student/academic exchanges; and tourism. The Fund will be comprised of equal contributions from the constituent countries, as well as from third parties. Each of the Pacific Alliance countries is now in the process of passing the necessary legislation to support its participation in this Fund.

Civil society still plays a narrow role in Chile's co-operation. A few specialised NGOs have good relations with AGCI as implementers of specific projects (*e.g.* America Solidaria). Others have responded to calls for proposals under the Chile-Mexico Joint Co-operation Fund or the Chile-UNDP Hunger and Poverty Fund while others have participated in triangular co-operation activities.

The civil society organisations that the special review team met would like to see their role more fully recognised and expanded in Chile's development co-operation. They welcome AGCI's establishment of the CSO Consultative Council and hope to be consulted more on co-operation policies and positions at international meetings. They would like to co-ordinate with AGCI on attendance and participate alongside official delegations at international meetings. This practice exists already in some DAC members and could further enhance Chile's position and influence in such fora. CSOs advocate for more financing, institutionalisation, transparency, predictability and continuity in the conduct of Chile's co-operation. They welcome the window that the joint funds have opened and wish to see them expanded. They could use some core grant support, as well, to strengthen their own capacities and management systems to deliver effective co-operation. They also recommend more dialogue on policy issues, more efforts at inter-ministerial co-ordination in Chile and the establishment of an evaluation system.

As mentioned in Chapter 1, an NGO policy could help clarify how and when the government and NGOs would co-operate and with what objective. In preparing this, Chile could draw on the learning collected from DAC members set out in "Partnering with Civil Society: 12 Lessons from DAC Peer Reviews" (OECD, 2012b). A positive by-product of greater civil society engagement should be greater public and political support.

## **The scope of Chile's development co-operation**

### ***Chile's bilateral co-operation is spread widely and is mostly technical co-operation***

Chile's bilateral development co-operation is mostly provided in the form of in-kind technical co-operation, carried out by public officials, and through scholarships to universities in Chile. Several countries from Central Europe that joined the DAC in 2013 similarly provide transformation experience and know-how to neighbours in their region, as Chile does.

As a consequence of its demand-driven nature, Chile's bilateral development co-operation is spread widely, both sectorally and, to a lesser extent, geographically. Chile's bilateral development co-operation focuses on areas where Chile's own successful public policies are considered replicable elsewhere. Special emphasis is given to social protection, governance and security, institutional strengthening, poverty reduction, health, education, disaster preparedness and support to industry, innovation and competitiveness ("aid-for-trade"). Chile is focusing its bilateral co-operation increasingly on social protection and governance. Consistent with its foreign policy objectives, as well as its shared cultural, linguistic and historical background and its comparative advantages, Chile's priority partner countries are in Latin America and the Caribbean, although some activities have also been implemented in countries in Africa and Asia.

AGCI administers Chile's scholarship programme and is striving to increase the complementarity between the scholarships awarded and Chile's technical co-operation activities in the same partner countries. From 2010 to 2013, AGCI's awarded 666 scholarships (see Table 3 for the distribution by degree and subject).

**Table 3. Total scholarships in 2010-13 according to the subject and study programme**

Subject	Masters	Diplomas	Under-graduate	Pacific Alliance Exchanges	Professional Internships	International Courses	Total
Agricultural Sciences	23			1		36	60
Urban Development & Regional Planning	22						22
Economy/Management	83		1	51	2	16	153
Education	13	71					84
Technology, Engineering	21		21	19	3		64
Geography, Geology	7					37	44
Medical Sciences	18		2			84	104
Natural Sciences	20			5		52	77
Social Sciences	54			5	1		60
<b>Total</b>	<b>261</b>	<b>71</b>	<b>24</b>	<b>81</b>	<b>6</b>	<b>225</b>	<b>668</b>

Source: AGCI

Between 2010 and 2013, the greatest number of scholarships was provided to people from CARICOM countries for the diploma in Spanish language teaching methodologies which, together with the scholarships to people from Bolivia, Colombia, El Salvador, Mexico and Peru, represent 56% of scholarships awarded during the period. A recent evaluation of the scholarship programme shows high rates of return for scholarship recipients (85%) and for promotions (90%) within their own administrations – impressive rates by the standards of many DAC members.

Chile's foreign policy goals and priorities provide a useful guide for its bilateral development co-operation in terms of stressing the importance of countries in Latin America and the Caribbean as partners, of promoting regional integration and of achieving socio-economic objectives. Nevertheless, Chile could usefully focus its activities more by incorporating more explicit development goals into its development co-operation, based on partner countries' own development plans.

### ***Chile is applying international good practices in providing its humanitarian assistance***

Chile does not have a dedicated budget line for humanitarian assistance. Rather, humanitarian assistance mostly comes from budget allocations for more general purposes. This means that disbursements for humanitarian assistance need to compete for funding with expenditures for other purposes. Chile's humanitarian assistance is consequently *ad hoc* – between USD 30 000 and USD 170 000 annually in the last few years - and is mainly provided through multilateral channels. Some recent examples include:

- Chile has given regular funding to the global rapid response fund (CERF – Central Emergency Response Fund) of USD 30 000 per year over the last 5 years. (Chile also received USD 10 million in funding from this facility in 2010 for earthquake and tsunami relief.)

- Chile provides technical co-operation for disaster preparedness through the Ministry of Defence, the Military Geographic Institute and the National Emergency Office of the Ministry of Interior and Public Security.
- From the Chile-UNDP Hunger and Poverty Fund, a transfer of USD 30 000 was made to the United Nations Children’s Fund (UNICEF) in Mali and the International Federation of Red Cross and Red Crescent Societies (IFRC) in the Middle East received an allocation of USD 100 000 for the crisis in Syria.

Chile’s selective approach and limited contributions are in line with its resources and comparative advantage. Establishing a small budget for humanitarian assistance could facilitate a more purposeful and predictable approach. Channelling humanitarian assistance through multilateral organisations and pooled-funding arrangements is in line with international good practice.

### ***Chile is a leading proponent of providing triangular co-operation***

For Chile, triangular co-operation is an extension of both South-South Co-operation and ODA and combines advantages from both forms of co-operation. Triangular co-operation is based on the same principles of “horizontality”, consensus and equality that characterise South-South Co-operation. Compared to Chile’s bilateral activities, the triangular co-operation activities involving Chile can have greater continuity and sustainability and be on a larger scale, reflecting the financial, technical and institutional possibilities that ODA providers can bring to these partnerships.

Table 4 sets out Chile’s current triangular co-operation activities with various OECD members to support development in developing countries, mostly in Latin America and the Caribbean.

Initially, AGCI used triangular co-operation to scale up its activities in the same sectors or the same partner countries as its existing bilateral co-operation activities. Today, the sectoral and geographic focus of triangular co-operation activities involving Chile is more diverse, reflecting in part the fact that an increasing number of ODA providers are seeking to work with Chile in triangular co-operation. Triangular co-operation is thus providing a natural evolution in Chile’s relationship with many DAC members that originally only provided it with ODA. In effect, Chile now has a “graduate” relationship with these countries as a result of a smooth transition from being a recipient of ODA to being both an ODA recipient and a partner in triangular co-operation.

Chile’s current main triangular co-operation partners are among Chile’s major bilateral providers of ODA in recent years (*i.e.* Germany, Japan, Spain and the United States). As Chile’s *per capita* income has risen, DAC members have progressively reduced and some have phased out their ODA to Chile. Building on their effective relations with AGCI, these countries have supported AGCI’s efforts to become a provider of development co-operation in its own right, including by initiating triangular co-operation projects with AGCI in priority sectors where Chile has well established expertise and credentials. Chile’s triangular co-operation partners that the special review team met find working with AGCI to be easy and productive, given their long-standing relationships and AGCI’s flexibility, responsiveness and familiarity with DAC members’ procedures, as well as its good management practices.

**Table 4. Current triangular co-operation initiatives involving Chile and other OECD members**

TRIANGULAR PARTNER	PROJECT	YEAR INITIATED	BENEFICIARY COUNTRY
Germany	Promotion of employment skills of youth in disadvantages rural areas	2011	Dominican Republic
	Transfer of a methodology for developing a strategy for social employment and entrepreneurship	2012	El Salvador
	Project between SERNAC-Chile and DIACO-Guatemala to strengthen institutional management in the areas of consumer protection, education and information.	2012	Guatemala
	Project to strengthen waste management	2012	Colombia
	Institutional Strengthening of the Secretariat of Natural Resources and Environment in solid waste management	2012	Honduras
Germany – Australia	<i>“Paraguay entre Todos y Todas”</i>	2011	Paraguay
Japan	Technical capacity development for inclusive rehabilitation	2010	Bolivia
	Course in Sustainable Bovine Production for small and medium-sized animal husbandry	2013	ECLAC member countries
	Course in Human Resources Development for people with disabilities	2013	ECLAC
	Course on Cultivation of Shellfish	2013	ECLAC
	Course on Environment	2013	ECLAC
Mexico	Strengthening of Economy Ministry	2012	Haiti
	Construction of modular schools	2013	Haiti
	Course on Training in Spanish for Diplomats	2013	CARICOM member countries
Korea	International Course on Aquaculture	2013	ECLAC member countries
Spain	Good practices in job placement and labour information services	2012	El Salvador
	Strengthening Secretariat of Public Administration	2009	Paraguay
	Transfusion Medicine	2012	Bolivia
United States	Design and implementation of an agricultural market information system (SIMAG)	2011	El Salvador
	Strengthening epidemiological surveillance in veterinary services	2011	El Salvador
	Implementation of an agricultural food safety system (SIPA)	2011	El Salvador
	First National Youth Survey	2013	Dominican Republic
	International Law Enforcement Academy (ILEA) course on gender and intra-family violence	2013	ECLAC member countries
	ILEA course on anti-corruption	2013	ECLAC member countries
	Support for homicide investigations	2013	Honduras
	Strengthening of the Unit for Pest Risk Analysis of the General Direction of Plant Health	2011	El Salvador
	Design of a national system of phyto-sanitary inspection and certification for agricultural export products	2012	Guatemala
United States	Corruption and litigation in the criminal prosecution system	2013	Panama

Source: AGCI

Chile has clear assets and comparative advantages to offer its partners in triangular co-operation. Chilean experts are generally of high quality and well regarded by their counterparts in other countries in Latin America and the Caribbean. In addition, these professionals have well established networks with their counterparts in the region in a wide range of sectors. Chilean officials have strong cultural and linguistic ties and common interests with their counterparts in the region. These comparative advantages also help explain why some relatively new partners to the region (*e.g.* New Zealand and South Korea) have sought Chile out as a partner for triangular co-operation.

Triangular co-operation also appears to be a cost-effective way for all partners to share Chile's development experience with other countries in its region. Chilean experts are often provided in-kind (*i.e.* free of salary costs), which represents a significant cost reduction compared to providing similar technical co-operation at international rates. Chile's partners expand the reach of Chile's South-South Co-operation through their resident missions in priority countries that can provide logistical support, monitor implementation and commit financial and other resources locally to complement what Chile is able to offer. Thus, triangular co-operation brings together complementary capacities and resources.

Triangular co-operation involving Chile is generally governed by formal partnership and/or co-operation agreements – not unlike the ones AGCI signs and administers when it receives ODA. These agreements, and the co-operation funds that have been established with them, facilitate fast, flexible and tailored responses to requests from the third (partner) country. They also facilitate co-ordination and accountability among the partners involved. To date, Chile has signed:

- *General partnership agreements*, which include an article or chapter regarding development co-operation and/or triangular co-operation (*e.g.* with Spain, Mexico and the European Union).
- *Agreements between governments* regarding development co-operation specifically (*e.g.* with Australia and the United States).
- *Agreements between agencies or institutions* responsible for international co-operation [*e.g.* with the Spanish Agency for International Co-operation and Development (AECID), the United States Agency for International Development (USAID) and the Japanese International Co-operation Agency (JICA)].
- *Agreements to implement specific projects*, which in many cases are agreements among the three countries involved.

As a leading proponent of triangular co-operation, Chile could continue to seize opportunities to share its experience of this form of co-operation, which is attracting increasing interest internationally. Chile provided inputs to a survey conducted by the OECD to set out the state of play in triangular co-operation (OECD, 2013a). Chile is included in a comparative study of how development co-operation agencies enhanced their management practices to improve their co-operation, including triangular co-operation (Vasquez, 2013). AGCI has also published a working paper on its role in triangular co-operation (AGCI, 2013i). These examples highlight that Chile has much experience to share.

### ***Multilateral assistance is the mainstay of Chile's development co-operation***

The majority of Chile's development co-operation is multilateral. In 2012, Chile's contributions to and through multilateral organisations that would qualify for reporting as ODA were primarily channelled through the IDA, the IDB and the United Nations system, as shown in Table 5.

**Table 5. Contributions to and through multilateral organisations - OECD estimates for 2012**

<b>Contributions to and through multilateral organisations</b>	<b>USD millions</b>
IDA - International Development Association (World Bank)	11.5
IDB – Inter-American Development Bank	10.1
UN-system, total	6.3
Other multilateral organisations	3.4
<b>TOTAL</b>	<b>31.3</b>

Source: OECD

These figures probably underestimate Chile's total multilateral contributions because Chile also contributes to a range of regional organisations whose eligibility for inclusion in ODA statistics has not yet been considered by the DAC. In collaboration with Mexico, Chile is compiling a list of such regional organisations so that the DAC can decide on the ODA eligibility of contributions to these organisations.

Chile works with some multilateral agencies to deliver bilateral co-operation but also as partners in triangular co-operation. In addition, Chile works with multilateral agencies that promote regional integration in Latin America and the Caribbean by establishing mechanisms for information exchange and helping to co-ordinate policies. Chile's main multilateral partners in the region include: the Organisation of American States (OAS), SEGIB, the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), the Pacific Alliance, the Central American Integration System (SICA) and CARICOM, as well as the Food and Agriculture Organisation (FAO), UNDP and the World Food Programme (WFP).

As mentioned in Chapter 1, a multilateral policy could help clarify what the important issues for Chile are in its engagement with multilateral organisations and how to get the most out of Chile's support, including through coalitions of like-minded countries.

## **Recommendations**

Chile's development co-operation has become substantial in size, probably exceeding the volume provided by some DAC members. To continue building up its programme and meet the ambitions that Chile has set itself, the special review team recommends that:

- a) AGCI continue its efforts to develop the systems to compile data on the full range of Chile's development co-operation. Chile could also consider reporting the data it has available on its concessional flows for development to the OECD to provide a more complete international picture of concessional flows for development and help respond to demands from partner countries for greater transparency.
- b) Chile consider introducing a designated and consolidated fund or budget line for development co-operation to enable AGCI to support more strategic management of resources available for development co-operation, including discretionary contributions made to and through multilateral organisations. If the Agency could deploy funds in support of activities of line ministries on a cost-sharing basis, it would augment Chile's response capacity and enable successful projects to be implemented for longer periods or for broader replication. It would also motivate line ministries to collaborate more with AGCI.

- c) Chile continue to expand its delivery channels beyond the public sector and consider greater use of consultancies and expanding collaboration with NGOs. The joint funds that have been established already are a good step in this direction. A positive by-product of broader engagement in the programme should be greater public support.
- d) Chile incorporate more explicit development goals into its bilateral co-operation, based on partner countries' own development plans, to focus further its development co-operation. This will help Chile to keep in check tendencies towards a bilateral programme that is spread widely, especially sectorally.
- e) Chile continue to provide humanitarian assistance purposefully in line with its resources and comparative advantage and to channel funds to multilateral organisations or through pooled-funding arrangements, in line with international good practice.
- f) AGCI and its triangular co-operation partners document the good practices and lessons emerging from implementing triangular co-operation activities involving Chile. Sharing this experience would help to improve this form of co-operation and strengthen Chile's leading position as an active player in triangular co-operation.
- g) Chile strive to make its considerable multilateral assistance more coherent and purposeful and a more important means for Chile to complement its bilateral co-operation activities and pursue its broader development goals.

## CHAPTER 3

### THE ORGANISATION AND MANAGEMENT OF CHILE'S SYSTEM OF DEVELOPMENT CO-OPERATION

This chapter presents and analyses the actors involved and the institutional set up for managing Chile's development co-operation, focusing on the central role of the Chilean International Co-operation Agency which is going through a process of transformation. It also considers issues of performance management.

#### **Chile can better co-ordinate the various actors involved in development co-operation**

There are many actors involved in Chile's development co-operation programme. Since development co-operation is an important tool of foreign policy, and foreign policy is a responsibility of the President of the Republic, the General Secretariat of the Presidency is responsible at an overall and strategic level for assuring the performance and accountability of the foreign affairs and other ministries involved in Chile's development co-operation programme, as well as for promoting inter-ministerial co-ordination. At a political level, the Minister of Foreign Affairs is responsible for Chile's development co-operation and for the operations of AGCI. The Parliament authorises the budget and, through its Committee of Foreign Affairs, follows issues related to development co-operation.

Bilateral and triangular co-operation is implemented on a decentralised basis. The most engaged line ministries in 2013 were the Ministries of Agriculture, Health, Social Development, Interior and Economy.

AGCI does not have offices in its main partner countries but, in 2013, improved its capacity to engage with its main partner countries by appointing its first Co-operation Attaché, based in El Salvador, to cover Central America and the Hispanic Caribbean. In addition, staff at Chile's embassies act as "Chilean focal points" abroad for its development co-operation system, channelling official requests received from partner countries to Santiago and liaising with the relevant country manager within AGCI, who is responsible for communications and programme monitoring. Chilean embassies may also request small grants that may, with the approval of the Deputy Minister of Foreign Affairs, be used to fund development activities.

Chile's multilateral contributions are mostly managed by the Ministry of Finance, which has responsibility for relations with the international financial institutions (principally the World Bank and the Inter-American Development Bank). The Ministry of Foreign Affairs makes payments to the United Nations and its specialised agencies, the OAS and some other regional organisations.

The degree of fragmentation in Chile's system of development co-operation highlights a need for co-ordination mechanisms to avoid overlaps, strengthen synergies and generally improve impact. Several inter-governmental co-ordinating mechanisms exist already and these could be further developed to improve co-ordination on development co-ordination policies and implementation. For example, the Chilean government has an OECD task group to co-ordinate the participation of various Ministries in the OECD's committees and meetings; Chile's development co-operation could be included as a regular topic for consultation. AGCI's Board of Directors includes representatives from several important line ministries which could facilitate the Board extending its mandate to cover co-ordination with other actors. Recently, AGCI established a consultative group with civil society organisations whose role could be expanded to

include consultations on important policy issues. The representatives of the International Departments of several line ministries also have an informal network which meets regularly on technical co-operation. It would be consistent with AGCI's mandate for the Agency to co-ordinate this network.

### **Chile has a well-established agency at the heart of its system of development co-operation**

Within this broad institutional setting, AGCI plays the central role in Chile's system of development co-operation. The Agency operates as a decentralised, autonomous, public service agency that assumes, along with the Ministry of Foreign Affairs and relevant national stakeholders, the responsibility of defining international co-operation objectives and strategies based on foreign policy objectives and priorities for economic and social development in countries in Latin America and the Caribbean.

The Agency is governed by a Board of Directors, headed by the Minister of Foreign Affairs, which includes representatives of the Ministry of Social Development, the Ministry of Finance and four advisors appointed by the President of the Republic, at least one of whom must be a representative of a university. By law, the Board of Directors exercises the following functions focused essentially on guiding AGCI's internal operations:

- Approve the Agency's annual programmes as well as its budget and modifications thereto.
- Approve the internal organisational structure of the Agency and modifications thereto.
- Designate the Agency's administrative and professional staff.
- Adopt any agreements that are necessary for the adequate operation of the Agency.

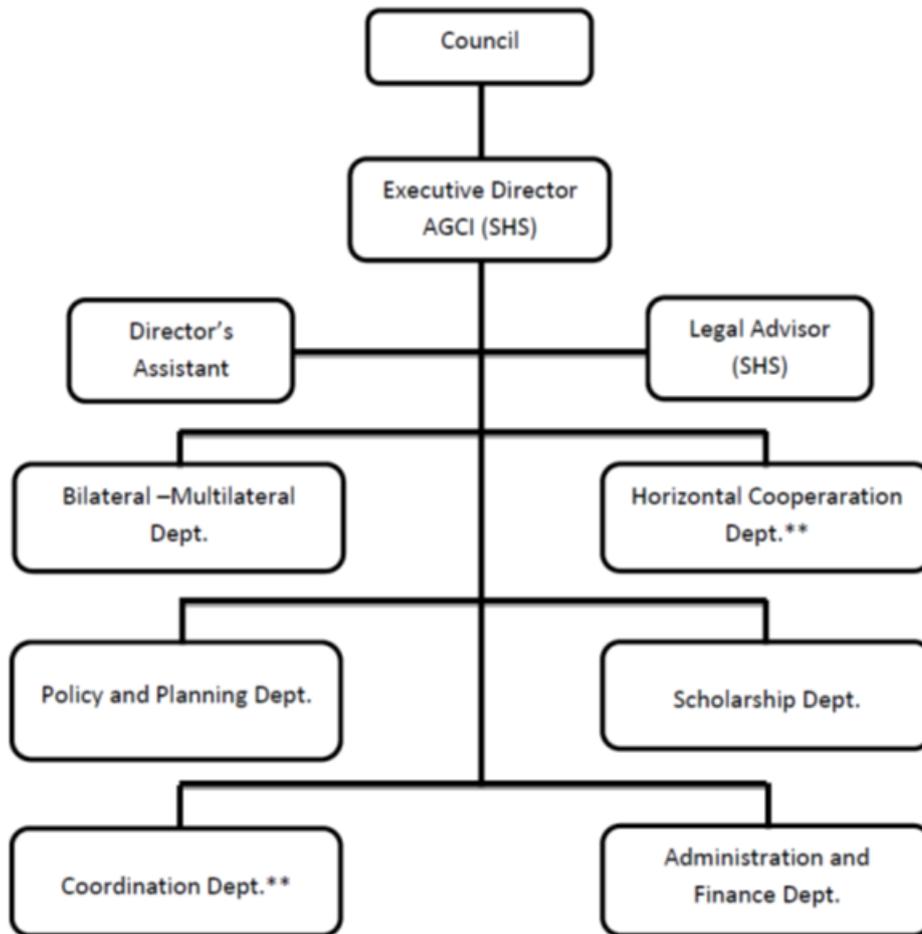
AGCI's staff of around 100 is organised into six main departments, led by the Executive Director and supported by the Legal Advisor and a section to assist the Executive Director, as shown in Figure 1. As a technical agency, the Executive Director of AGCI is selected through a public, competitive process for recruiting senior-level managers in the public sector.

### **AGCI's business model is evolving**

In 2013, AGCI managed 112 technical co-operation projects and programmes in around 30 countries, mainly in Latin America and the Caribbean. Some 37 of these are triangular co-operation. The number of activities has risen substantially in recent years, rising from 68 in 2011 and 99 in 2012.

AGCI is moving away from implementing isolated activities to the creation of Country Programmes which bring together Chile's bilateral co-operation efforts in specific partner countries. These programmes, for the moment, assemble on-going activities into a programmatic package. The next stage will be to formulate country strategies and design priority activities to implement them. The aim of these Country Programmes is to make Chile's co-operation more purposeful and to build lasting development co-operation relationships, through sectoral activities which are inter-connected and coherent. The choice of countries in which Country Programmes are established is determined by Chile's foreign policy priorities as well as an analysis of the partner country's needs and opportunities, and how these match against Chile's skills, capacities and comparative advantage. This has led to a focus on countries in Central America and the Caribbean, which includes the poorer countries in Latin America and the Caribbean, and several heavily indebted countries, that stand to benefit most from Chile's experience.

Figure 1. Organisation chart of the Chilean International Co-operation Agency



\*\* Currently, the Horizontal Co-operation and Coordination Departments are integrated within a single administrative unit.

“SHS” refers to senior management positions in the Chilean public sector.

Source: AGCI

The Country Programmes are agreed upon by both countries and are composed of a set of activities (usually four or five). Communications about these initiatives are channelled through Chilean focal points in the partner country and official authorities and are usually formalised during meetings of Joint Commissions (COMIXTAS). Country Programmes aim to strengthen the synergies among projects and help co-ordinate co-operation efforts through annual plans that take into account the public policies of partner countries. Chile’s co-operation policy is to respond to requests from partner countries, which are then developed into two or three-year programmes that are reviewed jointly by the parties through periodic meetings of the Joint Commissions. Moving forward, all relevant actors in Chile could be involved in preparing for the meetings of the Joint Commissions. If Chile could develop a network of Co-operation Attachés abroad, it could help to deepen its engagement with its main partner countries. Some specific training for the Chilean focal points could also be useful as staff stationed in embassies may not be development professionals.

The Country Programme system is still new and has to be fully institutionalised. As part of this process, AGCI has introduced and is now following a new project cycle procedure that is quite systematic and includes the logical framework methodology. An information technology system has been designed,

and is expected to start operating in March 2014, that will facilitate the integration of the processes and procedures associated with the project cycle across AGCI departments (and some external stakeholders). Box 2 presents a detailed description of AGCI's project development cycle drawn from a recent study on management practices for South-South and Triangular Co-operation. In the past, Chile provided partners with a catalogue of the types and sources of technical expertise it could offer, which also provided AGCI with a mapping of Chile's perceived comparative advantages and institutional possibilities. AGCI, using external financial support, recently hired a consultant to prepare a new catalogue of successful Chilean public policies, programmes and initiatives that can be replicated in other countries. In parallel, AGCI has been increasingly engaging in a dialogue with partner countries on their development needs and priority demands, which is in line with good practice in providing effective development co-operation.

#### **Box 2. AGCI's project development cycle**

AGCI's divisions review requests from partner countries and match them with Chile's relative capacities. Requests for Chilean co-operation come from one of the following mechanisms: i) regular meetings between Chile's line ministries, sectoral institutions and their counterparts in the partner country, which should be ratified by the AGCI focal point; ii) AGCI focal points in the partner countries; iii) regular interactions between the partner country and Chilean institutions; iv) Presidential visits; and v) direct requests from diplomatic delegations located in Chile.

AGCI co-ordinates Chile's response to these requests based on the specific areas of expertise and availability of the Chilean public and private institutions. First, AGCI's country focal points formulate the project concept based on the demand received and submit it to AGCI's Executive Director. The project concept is then submitted to AGCI's Horizontal Co-operation Department for a detailed assessment of its relevance, prospects and viability. Based on this assessment, the Executive Director approves the project concept and submits it to AGCI's Co-ordination Department. The project manager, the country focal point and the Chilean institution jointly develop the detailed project proposal. The relevant parties sign a formal agreement (e.g. Memorandum of Understanding, Record of Discussion, etc.) detailing a co-operative arrangement and committing funds to implement the specific project.

Each country programme comprises an average of four areas of technical support and specific projects defined by AGCI and the partner country based on: i) the priorities of the partner country's national/sectoral development plan; ii) the Chilean institution that provides technical co-operation according to their expertise in the area, and iii) Chile's capacity to respond. When AGCI receives a request for co-operation, the Agency consults all relevant Chilean organisations to determine whether they have the institutional capacity to respond to the demand. If this co-operative venture involves a third partner (e.g. triangular co-operation initiatives), AGCI maps the potential partners; conducts an analysis of their comparative advantages; negotiates funding arrangements; and works with national and partner country counterparts to formulate, implement and evaluate the project.

Source : Vasquez, 2013 (pages 42, 43 and 44)

### **AGCI is modernising to become more effective**

To meet the challenges of AGCI's enhanced role in providing development co-operation and to improve the quality and impact of its activities, AGCI has launched a Modernisation Plan, which includes four components:

- a) *Co-operation Management* - introducing new management tools [e.g. co-operation policies, a Project Management System (SIGEP) and a Co-operation Project Evaluation System] to improve the Agency's design, implementation, monitoring, follow-up and evaluation of its development co-operation projects and programmes.
- b) *Knowledge Management* - strengthening the institutional capacity of the Agency in order to implement development co-operation through bilateral or triangular co-operation projects and programmes. All co-operation activities implemented in the region are to be recorded and good practices documented.
- c) *Communications Management* - disseminating AGCI's work among all stakeholders and positioning the Agency in current international discussions on development co-operation.

- d) *Comprehensive Planning* - managing the changes involved in modernising the Agency in terms of human resource management, processes and instruments.

Human resources development is naturally a priority for supporting AGCI's transformation. AGCI staff appears adequate in numbers but a different mix of skills could better respond to the evolving needs of the Agency. AGCI's new role calls for more in-house expertise and new roles for its staff. For example, the Agency now has country desk officers or managers to support the Country Programmes (through regular site visits, communications and programme monitoring, together with the Chilean focal point in the partner country). Likewise, there is now a need for project managers and triangular co-operation liaison officers.

To respond to the Agency's changing needs for human resources, a Change Management Strategy is being implemented with the following main components:

- a) Developing a Human Resources Policy.
- b) Up-dating job profiles and terms of reference.
- c) Analysing existing skills and abilities and identifying gaps in relation to the new Human Resources Policy.
- d) Defining Training Programmes for 2013 to 2015, based on existing skills, identified gaps and professional requirements.
- e) Developing an international co-operation diploma for AGCI staff (with support from the Spanish Agency for International Development Co-operation - AECID).

Overall, the Modernisation Plan appears well thought out and is addressing the challenges the Agency faces.

### **Chile is working to improve the quality and effectiveness of its development co-operation**

Chile has a government-wide performance tracking system that is overseen by the Presidency. All agency budgets have performance indicators which the Ministry of Finance assesses *ex ante* and evaluates *ex post*. The Ministry of Foreign Affairs has such performance targets. AGCI's performance as an agency and its programmes were evaluated in 2012 and a number of recommendations resulted which are being followed up, including the establishment of a management information system to respond to concerns about weaknesses in AGCI's systems for monitoring and evaluation.

The challenge for Chile's co-operation is to tailor a system suitable for measuring development performance and impact that fits within this larger scheme for the Chilean public sector and covers the variety of modalities used and actors involved. While AGCI monitor its activities, it does not currently have a system of its own for project and programme evaluation. Such a system would be useful not only to demonstrate the impact of its development activities, but also to give AGCI a means of learning from and sharing its experience. AGCI recognises the need to incorporate this function into the system, as a crucial step to improving the quality and impact of Chile's development co-operation.

As part of its Modernisation Plan, AGCI has set itself the goal of putting in place a Co-operation Project Evaluation System to assess programme efficiency and effectiveness as well as variables such as relevance, sustainability, gender mainstreaming and human development. AGCI is taking steps, through its Modernisation Plan, to develop such a system, starting with the establishment of a comprehensive information system. It plans to establish a new staff position for this function.

In the medium-term, the special review team also encourages AGCI to develop an evaluation function appropriate for the size and focus of Chile's development co-operation programme. This will involve being pragmatic about when self-evaluations will be sufficient and when limited resources for independent evaluations should be used (*e.g.* to examine efforts across activities or country programmes or to look at major themes or partnerships). Given the size of its programme, it is unlikely that Chile will be able to maintain an in-house evaluation capacity but it could make use of consultants to deliver independent evaluations, with in-house capacity focused on contracting and quality control (OECD, 2010). As Chile considers how best to proceed, it can draw on the learning collected from DAC members set out in "Evaluating Development Co-operation: Summary of key norms and standards" (OECD, 2011).

In the meantime, AGCI is proceeding appropriately in a step-by-step fashion and has a useful roadmap provided by a study that it recently commissioned.<sup>4</sup> Its triangular co-operation is already being evaluated by its ODA partners using their systems. AGCI's system can draw on these evaluations and eventually build a single integrated system.

## Recommendations

Chile is modernising the management of its development co-operation programme and implementation of its projects and programmes. To continue along this path, the special review team recommends that:

- a) Chile make more use of existing mechanisms to improve co-ordination of development co-operation and/or set up a national co-operation policy group that brings all actors together in one forum for regular consultations on development co-operation. It would be consistent with AGCI's mandate for the Agency to co-ordinate the informal network of International Departments of line ministries that meets regularly to discuss issues related to providing technical co-operation.
- b) Chile pursue the introduction of Country Programmes which can be used to decide on activities that could be combined for greater complementarity and developmental impact in one or two sectors and so avoid Chile spreading its engagement too thinly. This would also facilitate evaluation of the programme.
- c) AGCI go forward with implementing its Modernisation Plan following the established timetable, paying particular attention to up-grading its human resources to meet the Agency's changing needs, following through on its human resources policy and providing training to fill identified gaps in existing skills and abilities of staff, bearing in mind the importance of maintaining institutional memory.
- d) AGCI continue to make its programming, monitoring and evaluation more systematised, while maintaining the Agency's capacity to respond flexibly and with agility to priority partner countries' requests.
- e) AGCI implement its roadmap for establishing a performance-based evaluation, information and knowledge-management system. In doing so, AGCI and its triangular co-operation partners should, to the extent possible, use and help strengthen developing countries' own evaluation systems, in line with international good practice.

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4. See: Aguilar, Claudia (2013), *Consultoría para el apoyo al Mejoramiento de la Gestión de la Agencia de Cooperación Internacional de Chile*, Chile-Spain Fund for Triangular Co-operation.

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