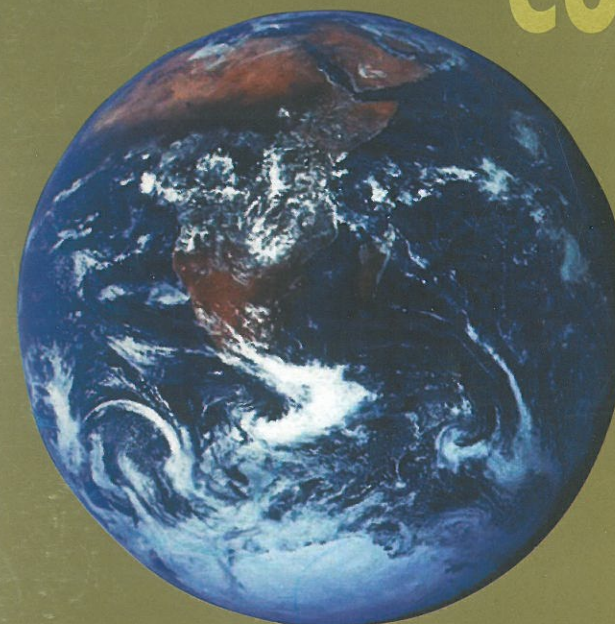


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SERIES, STUDIES & DOCUMENTS Nº 1

# CHILE: INTERNATIONAL COOPERATION POLICY 1999 - 2000



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COOPERATION POLICY**

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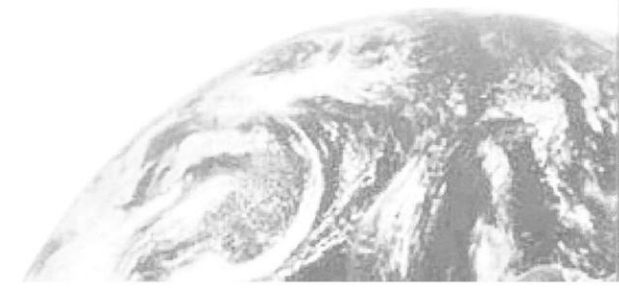


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## **I. INTRODUCTION**

Changes in the International scenario over the past two decades, mainly due to the process of globalization and internationalization, have had a direct influence on the International Cooperation system. The new situation has resulted in new areas of interest, changes in the focus of priority issues and also in the criteria for allocating financial and technical resources, among others. At the same time, the position of Chile in this framework have changed, because of its new economic and political status, due to the fact that it has achieved an important degree of development and that it has reinstated a democratic regime.

Thanks to the recovery of its democratic system, the Chilean Government has had access to different sources of traditional cooperation, which provided support during the transitional period. Nevertheless, at present Chile has to participate in international cooperation as a developing country, a fact that calls for restating the objectives and priorities it has had in force up to now.

Hence, the Chilean International Cooperation Agency has defined new guidelines for its International Cooperation Policy for the period 1999-2000. They are presented in this document as the basis upon which AGCI will develop its main course of action.

In order to organize these guidelines systematically, the document also describes the main changes that have taken place in international cooperation. It also highlights what was done in the course of the period 1990-1998. The fundamental elements of Chilean Cooperation Policy are also explained. The main objectives, modalities, features and priorities are defined as well as the instruments and actors involved in implementing them.

## II. THE EVOLUTION OF INTERNATIONAL COOPERATION

### 1. The Concept of International Cooperation

International Cooperation has traditionally and almost automatically been linked to the concept of "aid"; and more specifically, to what is known as "development aid". This approach usually is based on the more restricted interpretation of this concept, that is: as an activity linked to the transfer or exchange of resources and technical assistance, by means of grants conceded by one country to another.

However, present-day usage of the term cooperation tends to be much broader. This fact reflects the increasing complexity of International Relations, where elements of aid and solidarity go hand in hand with trade promotion and political and economic interests. Therefore, cooperation may also be understood as a series of actions through which efforts are made to coordinate policies or join efforts so as to achieve common goals in the international arena.<sup>1</sup>

By bringing up the issue of coordination and the need for joint efforts, this more general meaning emphasizes the concept of cooperation in its true semantic sense,<sup>2</sup> distancing it from the traditional idea of "aid". Thus, even if cooperation entails soft loans or non-refundable grants, it should not be understood as a one-way process whereby a country or group of countries —i.e. the donors— grant support to another country —i.e. the recipients. Instead, what prevails at present is a process of "give and take", whereby each of the countries involved, both donors and recipients, agree to cooperate in order to solve a specific problem, and by doing so, they achieve the objectives that each one has previously established for itself. In this sense, cooperation generates "mutual benefits".

The term "mutual benefits" is not necessarily linked to the gain of economic benefits, countries can also seek to attain political objectives. Some problems in the international field extend beyond the borders of a given state, and because of their nature, may pose a threat to universal values, legal regulations or international "public goods" which humanity is interested in preserving. These include, among others, environmental sustainability, human rights, the stability of democratic systems, social equity, etc.

This kind of analysis clearly places the concept of cooperation into the international field, confirming it is an important part of government's foreign policy. As such, Cooperation allows for the inclusion, into the relationships among countries, of a component that goes beyond economics and political strategies making room for solidarity, interdependency and a network on international goodwill.

<sup>1</sup> "Ensayos sobre política exterior de Chile", José Miguel Insulza, Editorial Los Andes, Santiago, 1988, p. 59.

<sup>2</sup> "To act jointly with another or others in pursuit of a common objective".

### 2. Cooperation: New trends and Developments<sup>3</sup>

Since cooperation is a reflection of the foreign policy objectives of governments, the changes that affects it necessarily have to respond to changes in the scenarios of international relations.

As mentioned above, cooperation was initially closely linked to the concept of "development aid". Its basic principles were the existence of certain structural limitations in the more backward countries. These limitations prevented those countries from having access through their own means to the process of development. Issues such as unhealthy living conditions, illiteracy, backward agriculture and a lack of basic infrastructure, were viewed as obstacles in which International Cooperation could help by contributing to their eradication.

In this context, the main eligibility criteria were based on the degree of development and on political and strategic considerations, related primarily to the geographic areas of influence of the donor countries.

At this stage, Cooperation was strongly influenced —in political terms— by the so-called "cold war", in which the major powers sought to secure areas of influence and supplies of raw materials which, to a large extent, were provided by the underdeveloped world.

The International scenario described above has been changing substantially in the course of the last few decades. At present, we are part of a world system with a new reality that has a direct influence on relations of International Cooperation. In this sense, some relevant elements to be considered are the following:

- ❖ Globalization, characterized by the integration of world markets. This fact emphasizes the scope and strengthens the links and mutual connections between states and societies. This has helped to increase interdependence, communication and interaction between governments and national civil societies, and it has also enhanced the international activities of the public and the private sectors.
- ❖ The liberalization of world trade, which increases the unity and interdependence of the international system, simultaneously places strong pressures on national economic systems by demanding faster technological development, industrial restructuring and production innovation.
- ❖ Increasing ideological convergence among the leading countries in the international political system.

<sup>3</sup> José Miguel Insulza, Op. Cit. Chapter IX.



### Effects of these Changes on International Cooperation

Due to the processes of internationalization and transnationalization which established the framework for globalization over the last few decades, basic international competition —expressed in strategic conflicts— changed focus towards a form of competition where the predominant factors are interests linked to economic and trade matters and achieving leadership in science and technology.

Consequently, the traditional donor countries reviewed their main cooperation objectives. They thus chose to favor goals linked to global economic competition (trade promotion of goods, services, technologies and capital), and those which are regarded as critical to world stability and to the sustainability of their own development (the environment, democracy, extreme poverty). As a result, Cooperation also became part of the economic relations among states, by supporting the active role they play in promoting their own economies and in the opening of new market opportunities.

At the same time, Cooperation for Development continues to exist, but it is increasingly targeted to specific issues and to less developed countries. Therefore, cooperation for countries with an average degree of development is moving away from non-reimbursable financial assistance towards technical cooperation —in which costs are shared— and economic cooperation. At present, the emphasis is on forming “partnerships” where the associates cooperate for their mutual benefit.

With respect to the amounts allocated to cooperation, they have also decreased. This affects not only Chile but also Latin America as a whole. The main reason is the emergence of new applicants, in areas such as Eastern Europe or in vast zones of Africa and Asia. An additional factor is that public resources allocated to cooperation still do not amount to one percent of the GDP of the donor countries, as agreed when international development aid started out (Notable exceptions to the above are The Netherlands and the Scandinavian countries).

Moreover, the beneficiaries of cooperation are increasingly required to comply with political or economic prerequisites in order to have access to grants. Traditional donor countries are including special clauses in cooperation agreements on issues such as respect for human rights or the existence of a democratic regime in the recipient countries.

### III. INTERNATIONAL COOPERATION IN CHILE

The Government of Chile established the International Cooperation Agency (AGCI) in March of 1990. AGCI is a public agency responsible for defining cooperation policies and programs in accordance with national development objectives and priorities, in order to supplement them with funds obtained through international cooperation.

In the framework established by the government agendas of the two administrations headed by the Concertación de Partidos por la Democracia, AGCI has supported programs aimed primarily at eradicating extreme poverty and at achieving fairness in Chilean society. It has also focused on the transfer and adaptation of technologies, on administrative decentralization at the regional and local levels, on preserving the environment, on modernizing public management and on making available to Chileans opportunities for training and further education abroad.

AGCI has also progressively carried out activities in horizontal cooperation with countries in Latin America, the Caribbean and other regions. These activities are technical cooperation programs, a scholarship program for postgraduate studies in Chile, and short training programs.

AGCI has also carried out joint cooperation actions with traditional donor sources in and for third countries in the Region, making use of local skills in areas where Chile has comparative advantages to offer. In view of the changed International scenario of Cooperation, these actions —known as “Triangular Cooperation”— are a highly promising formula for the immediate future.

When AGCI was established, it had to address the challenge of recovering the international position of the government of Chile within the world of Cooperation and of incorporating it into the management of the state. In this respect, Cooperation helped Chile to rejoin the International Community.

At present, on the threshold of the year 2000, and in the context of a globalized world, Cooperation is called upon to play an important role in supporting the policies of integration and developing of closer relationships with other nations and regional groups.



Consequently, the mission that presently lies ahead for AGCI consists of the following:

“To support the plans, programs, projects and development activities advanced by the government, by securing, providing and managing international cooperation resources and —through Horizontal Cooperation— project the scientific, cultural, technological and productive capability of Chile abroad, so as to further its inclusion in the international arena and aid the country in fulfilling its foreign policy objectives”.

This institutional mission is an expression of the period of transition that our country is going through in terms of international cooperation. Despite the fact that our macroeconomic indicators exceed the established standards for eligibility as a net recipient of cooperation, structural deficiencies still persist in our development. Cooperation is therefore needed in order to support national efforts in areas that still present a deficit. At the same time, the development attained by Chile makes possible the implementation of Horizontal Cooperation programs in areas where Chile has comparative advantages to offer.

#### **IV. BASIC PRINCIPLES OF THE INTERNATIONAL COOPERATION POLICY OF THE GOVERNMENT OF CHILE**

Starting in 1990, Chile progressively developed a sound institutional framework to coordinate and enhance cooperation from bilateral and multilateral sources, linking cooperation with Government priorities and with the national sectors involved. Important contributions to development have thus been achieved.

Another highly significant fact in this process has been the setting in motion of horizontal cooperation schemes for Latin America and the Caribbean and also for other regions.

The basic principles of Chilean international cooperation policy were established taking into account the experience accumulated in this area. These principles are:

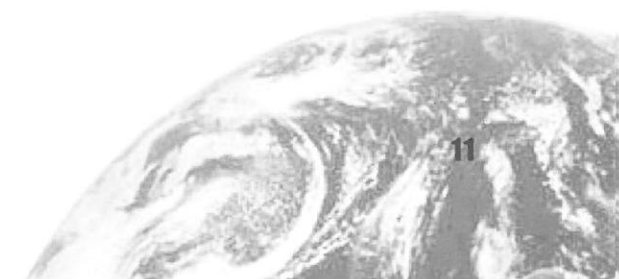
- ❖ Vertical cooperation —i.e. cooperation received by Chile— is a complement to national efforts in key areas of development still affected by deficiencies.
- ❖ Horizontal cooperation is a foreign policy instrument used by the Government. It acts as an aid in the relations that Chile has with similar countries in political, economic and cultural terms. It also helps to strengthen the image of Chile abroad and its presence in multilateral organizations.

- ❖ International cooperation is an instrument intended to aid the economic role that Chile plays on the world scene, insofar as it helps to enhance the technological and institutional capabilities needed to address the challenges posed by internationalization and globalization. International cooperation also helps to strengthen the links with extra-regional organizations (such as the European Community), interregional organizations (OPEC), and regional organizations (e.g. MERCOSUR, the Andean Community, etc.).
- ❖ International cooperation is an instrument that allows countries to address common problems and challenges by deploying collective efforts on the international arena, in relation to issues such as democracy, human rights, social and gender equity, the environment, world peace, mutual trust, etc.

#### **V. OBJECTIVES OF CHILEAN INTERNATIONAL COOPERATION POLICY**

##### **1. General Objectives**

- 1.1 To support national development with resources, knowledge and opportunities for conducting studies abroad, making use of opportunities provided by international cooperation.
- 1.2 To help achieve the foreign policy objectives defined by the Government, by encouraging actions in horizontal cooperation that help to project the technical and institutional skills available in Chile.
- 1.3 To make Chilean society aware of international cooperation as an effective instrument that enables countries to deal with common problems and challenges by implementing collective efforts.





## 2. Specific Objectives

- 2.1 To strengthen the institutional framework that Chile currently has in place to manage and coordinate international cooperation, in a manner consistent with the challenges inherent to the new national and international scenarios.
- 2.2 To reinforce and intensify the presence of Chile in the international cooperation system, by identifying opportunities in which Chile is eligible for implementing development projects and programs.
- 2.3 To attract and manage scholarships granted by bilateral and multilateral cooperation, in order to reinforce the policy of providing training and further education abroad for human resources.
- 2.4 To make known abroad, by means of horizontal cooperation, the technical and institutional skills that Chile possesses, in a manner consistent with the needs and interests of the nation.
- 2.5 To broaden and develop cooperation actions among relatively less developed countries, involving third countries and multilateral international cooperation agencies in these actions (Triangular Cooperation).
- 2.6 To position the International Cooperation Agency in the Chilean public sector as a modern, essential and efficient counterpart in international cooperation matters.

## VI. CHILE AND INTERNATIONAL COOPERATION UP TO THE YEAR 2000

In concert with the basic international cooperation policy principles and objectives established by the Government of Chile, the following paragraphs provide a description of the features, priorities and instruments of cooperation, according to the pertinent cooperation method (i.e. vertical, horizontal and triangular), and the actors responsible for implementing such measures.

## 1. Vertical Cooperation<sup>4</sup>

### a. Features

As explained above, the general panorama of international cooperation has changed significantly in the past few years. Clearly, the new criteria established by traditional donors for non-refundable cooperation has signified a progressive decrease in the eligibility of our country as a net recipient of international cooperation.

The consequences of this situation for Chilean international cooperation in the mid-term is that vertical cooperation can no longer be viewed as a source of funds to compensate for deficiencies in terms of national resources. Vertical cooperation has to be increasingly based on agreements and links among national agencies and the donor sources, requiring know-how, innovation, expertise, motivation of the capacity to take risks, and extensive involvement of decentralized Chilean and foreign agencies.

Technical cooperation shall probably be the method of choice used in this new context. Technical cooperation involves the transfer of experience and know-how, including economic and scientific cooperation that will be described further on.

Concerning non-refundable financial cooperation, the expectation is that it will continue to be targeted to specific areas and projects, and also to non-governmental organizations.

### b. Priority Issues

The priorities defined by the Government of Chile for its Agenda up to the Year 2000<sup>5</sup>, guide the allocation of cooperation received by Chile. The following issues are deemed to be the most important ones:

- <sup>4</sup> Vertical cooperation involves the transfer of technical assistance and/or financial resources from a traditional donor of international cooperation to a beneficiary from the developing world.
- <sup>5</sup> Agenda up to the Year 2000:
  - To implement a series of measures to modernize policies and institutions to enhance democracy, thus bringing decision-making closer to the people, making the justice system faster and more equitable, and improving public management.
  - A program involving the modernization of economic and production activities to ensure steady and sustainable growth and a competitive economy.
  - To reduce poverty so as to enhance equity, and the social and economic integration for all Chileans by the 21st century.
  - To reform education and provide enhanced access to training opportunities, especially for young people, so as to improve their job opportunities and economic and cultural possibilities.
  - To improve living standards, especially for the very poor, by improving social welfare, health care and the family environment.



1. Social Development and Poverty Relief: generation of innovative projects aimed at vulnerable and marginal social sectors in order to enable them to participate in the process of national development.
2. Modernization of the State: assistance for the processes of reform and decentralization, strengthening of regional and local governments, and citizen involvement by providing public information.
3. The Environment and Natural Resources: intervention in cases of environmental deterioration, either by means of direct actions, through education or institutional strengthening, in order to achieve sustainable development.
4. Development of Human Resources: expansion of programs for postgraduate scholarships and specialization, academic exchanges and traineeships, so as to increase the technical and professional skills available in the country.
5. Development of Science and Technology: to promote the transfer of knowledge to reinforce the scientific system and academic training, strengthen national research and development capabilities, and encourage universal access to knowledge through new technologies.
6. Productive Development and Technological Innovation: target technical assistance to areas that will help to strengthen the development of production centers, foreign trade, and the use of new information technologies in production and trade in which Chilean companies are involved, primarily aimed at small- and medium-sized companies (PYMES) and micro-sized companies (MIPES).

With regard to the first four priority issues (i.e. social development, modernization of the State, the environment and natural resources, and training), external support will be sought by applying for traditional technical cooperation.

In the case of science and technology, emphasis will be placed on Scientific/Technological Cooperation. This involves the joint search for knowledge and its implementation, as an action related to innovation for development to allow activities carried out in Chile —related to social, cultural, production and trade matters— to adopt new information technology and computer science instruments.

Lastly, more emphasis will be placed on promoting economic cooperation, linked to productive development and technological innovation. This line of action is considered an advanced form of technical cooperation, viewed as a set of actions geared to achieving mutual economic benefits. Actions in this field will focus especially on the productive sector and on processes of association and complementary economics partnerships among enterprises.

c. Transversal Priorities

For the period 1999-2000, AGCI has defined some transversal priority issues for the actions it intends to implement; seeking to give cooperation projects a unique feature. These priorities are: social and gender equality, non-discrimination, decentralization and modernization of the State.

These subject areas should translate into fundamental criteria to evaluate the suitability of any Chilean initiative that applies for international cooperation. These guidelines will have to be taken into account in the design of each specific program or project.

d. Instruments

Vertical cooperation is implemented by means of many instruments that are based on the experience that Chile has acquired in the course of the last few years. These include, among others:

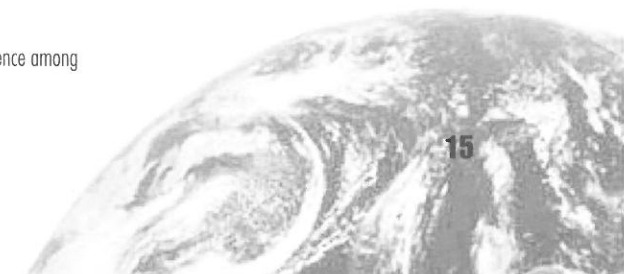
1. Grants
2. Soft loans
3. Scholarships for undergraduate, postgraduate and specialization studies
4. Academic and scientific exchanges
5. Experts and volunteers
6. Foreign missions, technical assistance, and internships
7. Development of master plans, and feasibility studies
8. Equipment donations

2. Horizontal Cooperation<sup>6</sup>

a. Features

On the threshold of the year 2000, the goal of horizontal cooperation is to contribute to the national processes in other developing countries in areas such as science, technology, economy, and culture. The idea is to make use abroad of Chile's special skills and to capitalize in Chile the experience gained

<sup>6</sup> Horizontal cooperation implies the transfer of knowledge and experience among developing countries



through this form of cooperation. An additional goal is to contribute to regional stability by promoting integration and cooperation in the region, and encourage the exchange of knowledge and experience among participants. This should make it possible to jointly develop the skills needed to solve problems and address needs.

A very important task for AGCI is to make optimal use of the resources allocated to horizontal cooperation in the national budget. This will be achieved by targeting activities and focusing on highly visible programs and projects, which are also in line with Chile's foreign policy objectives—in matters in which Chile has acquired comparative advantages.

b. Priority Issues

The most important issues defined by the Government of Chile as areas for horizontal cooperation are the following:

1. Design and evaluation of public and social development policies
2. Institutional strengthening of public administration
3. Productive development and regional integration
4. Strengthening governability and democracy
5. Training and education of human resources in Chile

In terms of geographical coverage, the following have been defined as priority areas for the period in question:

- ❖ Central American and Spanish-speaking Caribbean countries
- ❖ English-speaking Caribbean countries and Haiti
- ❖ South America and Mexico

c. Instruments

1. Seminars
2. Technical assistance and traineeships
3. Scholarships for postgraduate and specialization studies
4. Experts
5. International courses

### 3. Triangular Cooperation

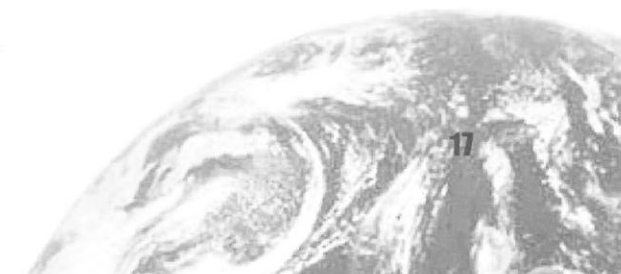
Triangular cooperation is an innovative approach to international cooperation. Basically, it consists of a partnership between a traditional bilateral or multilateral donor and a country with an average degree of development, capable of granting horizontal cooperation. Together, the partners undertake actions in favor of a third developing nation (i.e. the beneficiary).

Since this is a very recent form of cooperation there are—as yet—no outstanding examples of Triangular Cooperation. Procedures are practically in an experimental stage. However, triangular cooperation is clearly expanding and it is expected to become—in the near future—one of the most advanced and widely used forms of international cooperation.

Triangular Cooperation is becoming an increasingly interesting instrument for Chile since it makes it possible to adequately coordinate the interests of the intervening parties in response to increasing demands for horizontal cooperation from developing countries. It allows having a partner and an adequate intermediary to make more efficient use of the resources granted by traditional donors and achieve an enhanced presence in the international arena.

Triangular Cooperation implies a commitment by all the parties involved to assist the project with the resources pledged, in a manner proportional to their relative degree of development. This feature is what makes triangular cooperation unique and radically different from the mere hiring of foreign experts and consultants for projects implemented by any given source or country that is a donor of cooperation.

The priorities of triangular cooperation and the instruments used to implement it are—from the point of view of Chile—similar to those of horizontal cooperation.



#### 4. Actors of International Cooperation

The cooperation policy implemented by Chile is an issue that concerns Chilean society as a whole. Its dual nature (since it involves a recipient and a donor) implies a challenge in terms of coordinating and directing the participation of different actors. This challenge not only applies to the different government institutions but to Chilean society as a whole.

##### ❖ Public sector

The public sector will continue to be a prominent actor in the Chilean system of cooperation headed by AGCI. This role involves proposing and implementing projects and also covers the supply and demand of cooperation. Regional and local agencies and institutions have a prominent role to play in this respect. The same applies to universities and technological centers, and the institutions of the central government which generate and manage government programs.

The exchange and transfer of knowledge and experiences among Chilean and foreign institutions, under agreements of mutual collaboration, will be a privileged form of participation for actors on the central and decentralized levels.

##### ❖ Private sector

A more systematic and deliberate engagement of non-profit, non-governmental actors in the cooperation system managed by AGCI is a desirable objective. The private sector should no longer be limited to the role of implementers and should become, instead, an active participants. A concrete way of advancing towards this goal is to strengthen collaboration agreements among national and foreign peers—from the sphere of civil society—who are involved in the priorities of national development. Relationships between institutions and projects involving partnerships have a growing role to play in cooperation in future.

Specifically, the involvement of private profit-making companies will increase by engaging them in economic cooperation and its development. Thus, work will consist in organizing and enhancing the strength of the different sources of international cooperation available, so as to involve this national actor more fully in the international cooperation of Chile.

#### CONCLUSION

The international cooperation policy guidelines for the current two-year period are part of a dual context in which Chile is both a recipient and a donor of cooperation, because of its current degree of development.

In terms of vertical cooperation, Chile intends to focus on technical, scientific and economic programs, based on links between institutions. It also intends to enhance the participation of decentralized actors.

Chilean horizontal cooperation intends to emphasize the optimal use of national resources, by developing targeted programs and projects (focusing on specific geographic areas and issues), sustainable over the course of time, which shall be adequately coordinated with foreign affairs policy goals. Triangular cooperation will be a major objective in order to raise funds among traditional sources of cooperation and enhance the presence of Chile in the international arena.

These formulas of cooperation will be implemented through different instruments to make more efficient use of the resources available.

The policy established faces the challenge of coordinating and directing the involvement of the most diverse social actors and engaging them in the problems inherent to general development and their link with international cooperation.

