

# **A new player in the international development community? Chile as an emerging donor**

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## **ABSTRACT**

The world is experiencing a decline in the relevance of the traditional powers and the emergence of a strong influence from emerging countries. One of the factors that have enhanced the prominence of these countries is their involvement in the provision of international aid. The “South-South” collaboration is on the rise. How is Chile participating in this new trend? We estimate that Chile’s gross provision of ODA is 0.01% of the GDP in 2012, far below other emerging donors of similar and lower income per capita. Nevertheless, at the Latin American level Chile is one of the main regional donors, and new commitments with multilateral agencies are making the country an increasingly important donor. We analyze the main features of the Chilean international development policy, including a description of the Chilean International Cooperation Agency (AGCI), and provide suggestions for its future.

**Keywords:** Chile, Official Development Assistance, International Development, New Emerging Donors.

**DISCLAIMER:** THE VIEWS PRESENTED IN THIS WORK REPRESENT THOSE OF THE AUTHORS AND DO NOT NECESSARILY REFLECT THE VIEW OF THE INSTITUTIONS TO WHICH THEY ARE AFFILIATED.

## **1. INTRODUCTION**

While there are still many pending social and economic reforms in Chile to improve the life of the 15% of the population still living in poverty,<sup>1</sup> its remarkable macroeconomic performance in the last two decades has allowed the country to become one of the most successful examples of economic growth with fiscal equilibrium and social progress. Chile is to be envied by most European countries in terms of the reduction of foreign debt to minimum levels, becoming in practice a net creditor in recent years. A similar trend has occurred with the flows of international aid. While after the return of democracy Chile was temporarily an important recipient of Official Development Assistance (ODA), the rapid economic growth of the first half of the 90s positioned the country as one of the most developed in the region, therefore ineligible for most of the international cooperation programs, and instead progressively becoming a net donor.

By 1990 Chile established a program to provide funds for technical assistance to neighboring countries that eventually developed into the Chilean International Cooperation Agency (AGCI). Initially, AGCI was in charge of both provision and reception of international cooperation funds, but in recent years has concentrated increasingly on the implementation of technical assistance and triangular cooperation projects in less developed Latin American countries as well as the coordination of scholarships for international students. In addition, the country is a multilateral aid donor, contributing to several international development organizations.

The goal of the present paper is to describe the Chilean policy towards international aid, and its context in the new geography of the international development community – where the role of emerging economies has dramatically increased – as well as to provide recommendations and reflections for the future. One of our main contributions is to present the first quantifications of the total Chilean international development assistance and its evolution in recent years.

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<sup>1</sup> According to data from the Chilean household survey CASEN (2009).

The “South-South” collaboration is on the rise. An increasing proportion of the total ODA disbursements are granted by non-traditional donors. China is the better-known case (Wood, 2008), but the other BRICS countries (Brazil, Russia, India and South Africa) and oil rich Venezuela and Arab countries are also part of the group of emerging donors. Is Chile, as a donor, also becoming a player in the international development community? At the global level, Chile’s ODA, which we estimate as 0.01% of the GDP, is far below many donors of similar and lower income per capita. But within Latin America, Chile is one of the main providers of bilateral cooperation. Also, the country is gaining importance among the multilateral donors, particularly given its recent commitments with the Word Bank’s IDA.

The rest of this paper is organized as follows: in the next section we briefly summarize the main hallmarks of the recent history of international cooperation, with particular attention to the rise of emerging donors. Section 3 reviews the role of Chile in the international development community and Section 4 describes the approach followed by Chile in terms of multilateral and bilateral international cooperation. A final section presents reflections about the future of the Chilean international cooperation.

## **2. INTERNATIONAL AID FROM THE NORTH AND THE SOUTH**

### **2.1 A very brief history of international aid**

A comprehensive revision of the history and the main aspects of the international cooperation for development is beyond the scope of the present work, nevertheless we will attempt to briefly summarize some of the main hallmarks as an introduction to the most recent events, particularly the irruption of new emerging donors.<sup>2</sup>

While it has some antecedents, the history of foreign aid is acknowledged to have started with the Marshall Plan after WWII. The success of the plan established the basis for the support of international development cooperation. The beginning of the Cold War settled the conditions for the politicization of international aid, with the USA actively using bilateral aid in its efforts to deter communist advances in the developing world. Another important event was the wave of country independencies in the 50s and 60s, which implied that some of the former colonial institutions were transformed into international development agencies. In 1960 the Development Assistance Committee (DAC) was created as a forum to promote and coordinate bilateral aid from the Western powers.<sup>3</sup> Soon after the “0.7% ODA/GNI aid goal” was set as a target by DAC members.<sup>4</sup>

In the 1970s and 80s multilateral aid rose significantly as a consequence of the oil crises and the promotion of structural reforms, with the concession of conditioned ODA and loans from the World Bank and the IMF. Another consequence was the emergence of oil rich Arab states as new donors. In the post-cold war era the former socialist countries appeared as new recipients of foreign aid (and the USSR disappeared as a donor). The politicization of foreign aid switched from the targeted support to “West friendly countries” towards more individual goals in foreign policy from bilateral donors. As can be seen in Figure 1, after a sharp

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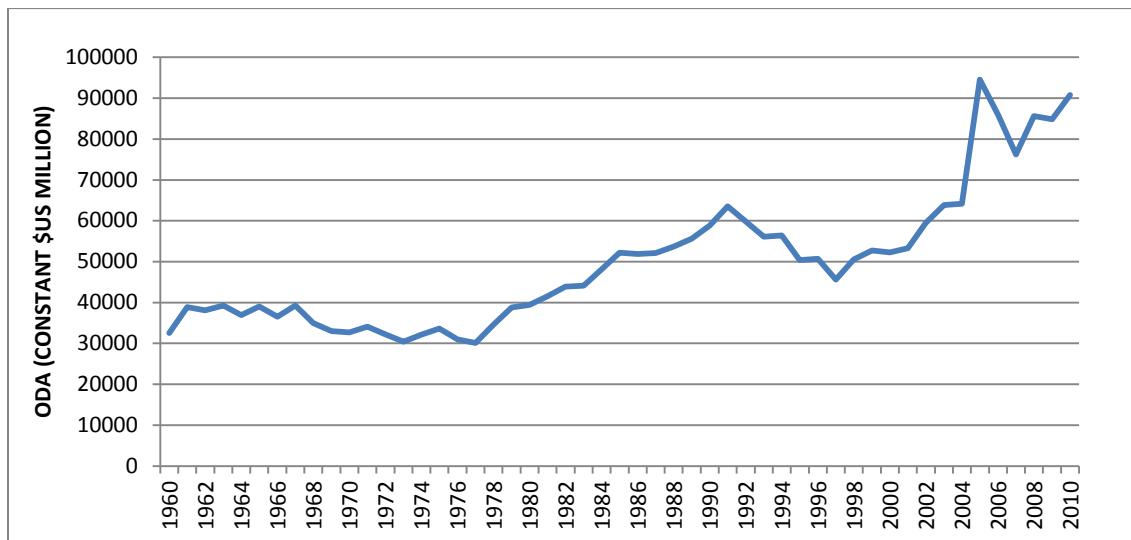
<sup>2</sup> Comprehensive historical reviews can be found in: Hjertholm and White (2000), Clemens and Moss (2005) and Mavrotas (2010).

<sup>3</sup> The original DAC members were Belgium, Canada, France, Germany, Italy, Portugal, the United Kingdom, the United States and the Commission of the European Economic Community. Japan and the Netherlands joined shortly after DAC establishment.

<sup>4</sup> Clemens and Moss (2005) provide an overview of the genesis and development of the 0.7% target.

increase in the 70s, following the fall of the Berlin wall the ODA from DAC members was reduced significantly, rising again in the 2000s, partially as a consequence of the so-called war on terrorism (with countries like Iraq, Afghanistan and Pakistan as top recipients in recent years).

**Figure 1: ODA from DAC donors**



Source: OECD-DAC database.

## 2.2 The emerging donors

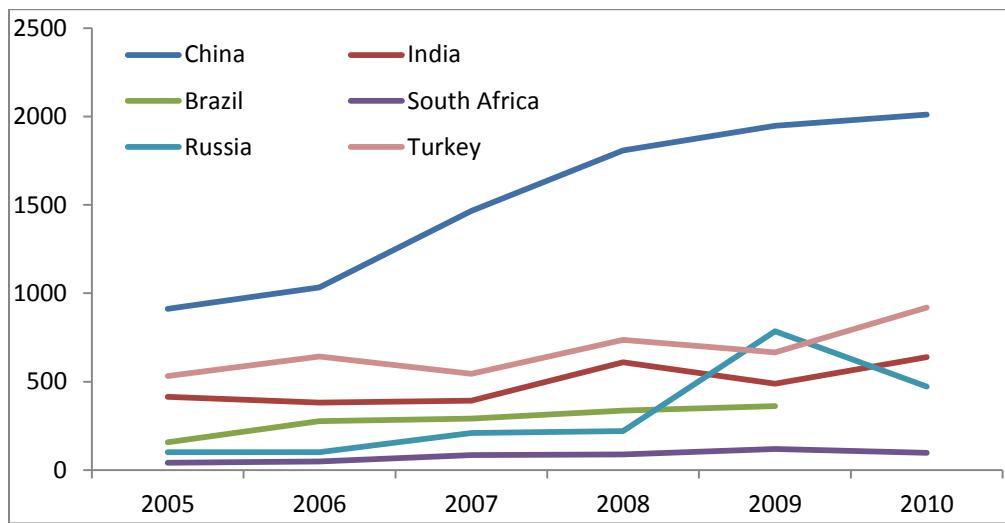
One of the most relevant events in the international development community in last years is the emergence of non-DAC donors as major players, including the re-appearance of Arab donors and Russia, as well as some new actors, among which China plays a predominant role.

Even though their contribution is not exactly known, it is estimated that in 2009 between 8 to 31 percent of global gross ODA was provided by non-DAC donors (Walz and Ramachandran, 2011). The difficulty in assessing the exact contribution of these emerging donors is related to the fact that many of them do not follow international standards for aid statistics, and in many cases confidentiality of the data is their rule.

A group of non-DAC donors actually reports their aid data to that body, and therefore its contribution can be clearly established. They disbursed around \$2 billion of gross ODA, half of which came from Turkey (Figure 2).<sup>5</sup> Some Arab donors also report to DAC and therefore, at least partially, their official ODA is publicly available. The main contribution comes from Saudi Arabia with around \$3 billion in 2009, followed by Kuwait with almost \$1 billion.

Various studies have tried to provide statistics for the foreign assistance contribution of the BRICS countries. It is estimated that their total contribution more than doubled between 2005 and 2009, going from \$1.5 billion to \$3.7 in that period (Figure 2). Around half of those contributions came from China, the country for which less official information is available. Various studies have tried to estimate Chinese foreign aid, and some claim that the real amount can be as high as 10 times the one in Figure 2 (Lum et al., 2009).

**Figure 2: Gross ODA from BRICS and Turkey (current US\$ millions)**



Source: OECD-DAC and OCHA-UN-FTC.

Statistics for the Latin-American countries are also not consolidated and several estimations exist. The most important donors from the region seem to be Brazil and Venezuela, with estimates of ODA in 2009 which range from \$0.4 to \$4 billion for the former and from \$1 and \$2.5 billion for the latter (Walz and Ramachandran, 2011).

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<sup>5</sup> The other DAC reporters are: Poland, Slovenia, Slovak Republic, Israel, Iceland, Hungary, Estonia and the Czech Republic.

Among the traditional donors, concerns exist that this new trend can create threats related to overborrowing and distorted investment (Manning, 2006), and therefore a better monitoring of new donors must be established (Paulo and Reisen, 2010). Nevertheless, empirical evidence is not clear in terms of showing that emerging donors behave systematically different from traditional ones (Dreher et al., 2011), but still there are important differences within the group. Following Zimmerman and Smith (2011) and Walz and Ramachandran (2011), it is possible to classify the non-DAC donors in three groups:

1. **The DAC model:** A group of countries (mainly OECD members) that shape their foreign aid according to DAC principles, including transparency rules and data reporting. These countries are expected to join DAC at some point (as South Korea did in 2010). A large part of the ODA from these countries is channeled through the traditional multilateral institutions. This group is mainly composed of East European countries and Turkey, and Walz and Ramachandran (2011) argue that Russia can also be considered as part of this group.
2. **The Arab model:** As mentioned, those countries already started their international aid programs in the 70s. Led by Saudi Arabia, Kuwait and the UAE, their programs have strong religious ties and concentrate on Muslim (mainly Arab) countries. Given the strong regional and ideological component of Venezuela's foreign aid, Walz and Ramachandran (2011) mention that this country could be classified as following this model too.
3. **The Southern model:** Countries that establish horizontal cooperation, where development assistance is seen as an instrument to establish trade and investment along with some political goals. In that sense, most of the assistance is tied to some kind of economic interests for the donor. On the other hand, usually no conditionality is implied. The main countries in this group are Brazil, China, India, South Africa and Venezuela. Chile is classified in this group by the above-mentioned authors.<sup>6</sup>

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<sup>6</sup> In their study, Walz and Ramachandran (2011) mention that 29% of Chile's foreign aid goes to Sub-Saharan Africa (SSA). This is a mistake, because Chile has been only involved in minor projects in SSA: \$15,000 for a triangular cooperation with the German GIZ in Mozambique during 2010 and \$6,000 for technical cooperation with Sierra Leone in 2008. Another mistake is that in the amount of Chilean international assistance reported by Walz and Ramachandran (2011), which they estimate to be around \$3 million, multilateral aid is not included.

### **3. THE ROLE OF CHILE IN THE INTERNATIONAL DONORS COMMUNITY**

As it happens with most of non-DAC countries, it is not easy to quantify Chile's foreign aid, given no consolidated data exists and many different government institutions take international cooperation actions independently. Another problem is the heterogeneity in definitions and standards. For instance, DAC directives clearly specify that expenditures in military related activities, including peacekeeping missions, are generally not considered as ODA, unless directly related to human rights, election monitoring and other direct humanitarian actions. Therefore, it is complicated to classify actions like the Chilean mission in Haiti.<sup>7</sup> For the present analysis, we will consider the data from the Chilean International Cooperation Agency (AGCI) as the only source of bilateral aid.

The same quantification problems occur in the case of multilateral aid. While some international organizations (IOs) are specifically oriented towards development or humanitarian purposes (like WFP, GAVI or UNHCR), and therefore contributions to them can be fully qualified as ODA, others have multiple purposes (ILO, UNESCO or IMF). In order to quantify Chilean multilateral aid, we will follow the directives provided by DAC (OECD 2010), where the percentages of the core contributions to each multilateral agency that can be imputed as ODA are specified.

The total international development assistance from AGCI in 2010 was around \$4 million, which considers three main categories: (i) technical assistance (horizontal cooperation), (ii) triangular cooperation, and (iii) scholarships. These items are analyzed in detail in Section 4. In terms of multilateral ODA, we estimate that the imputed value from Chilean contribution to IOs is in the order of \$10 million. Therefore, taking a total international assistance of \$14 million, Chile's ODA in 2010 is in the order of 0.007% of GDP (the magnitude is very similar if GNI is used as the denominator instead). This implies that the international development

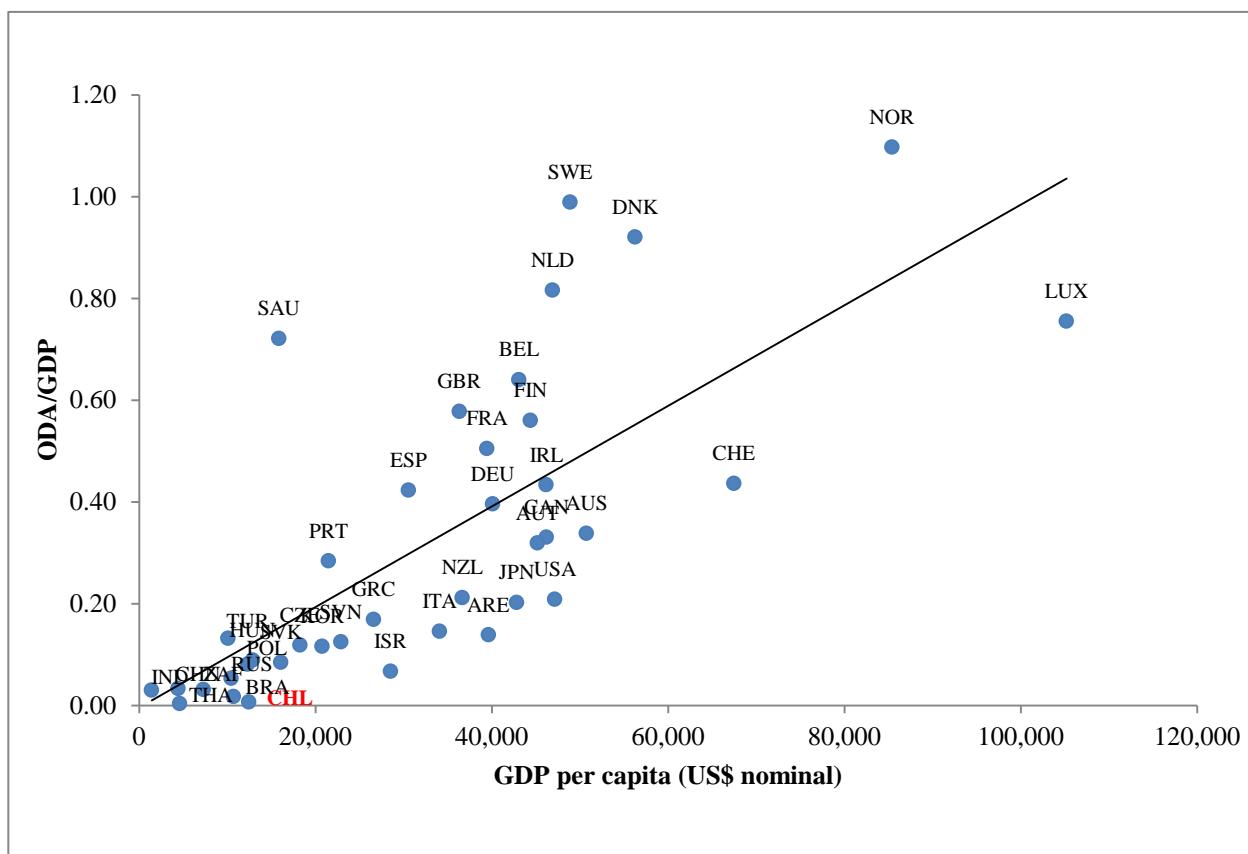
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<sup>7</sup> Since 2004 Chile has participated in the United Nations Stabilization Mission in Haiti (MINUSTAH). This is the most important contribution of Chile in international peace keeping operations. More information can be found in Feldman and Montes (2013).

assistance from Chile must increase by the factor of one hundred in order to reach the 0.7% target.

The Chilean ODA is not only very far from the UN target, but it is also well below the contribution of countries with similar levels of income per capita. As can be seen in Figure 3, countries with GDP per person lower than Chile have committed much greater proportion of their income to ODA, as in the case of the BRICS, Turkey and Eastern European countries. In other words, it can be said that Chile's ODA is very small at the international level, both in terms of absolute volume and relative size.

**Figure 3: ODA/GDP and income per capita in 2010 (current US\$)**



Source: OECD – DAC, OCHA-UN-FTC and World Development Indicators.

Nevertheless, at the regional level Chile's foreign aid is relatively important. The Ibero-American General Secretariat (SEGIB) annually reports bilateral cooperation projects among Latin-American countries, and in its 2011 summary a total of 529 projects were registered

throughout 2010, in addition to 313 actions. In this regard, most of the projects were transfer of skills from Brazil and Cuba (almost 60% of the total), Mexico and Argentina (together contributing 27%). Chile contributed with only around 5% of the total number of projects (SEGIB, 2011). Nevertheless, Chilean projects were bigger in average than those from other countries: \$40,000 compared with \$10,000 for projects from Argentina, Colombia and Mexico. The total contribution from Chile reported to SEGIB was \$724,740, higher than Mexico and Argentina, but very far from Brazil (around \$34 million).

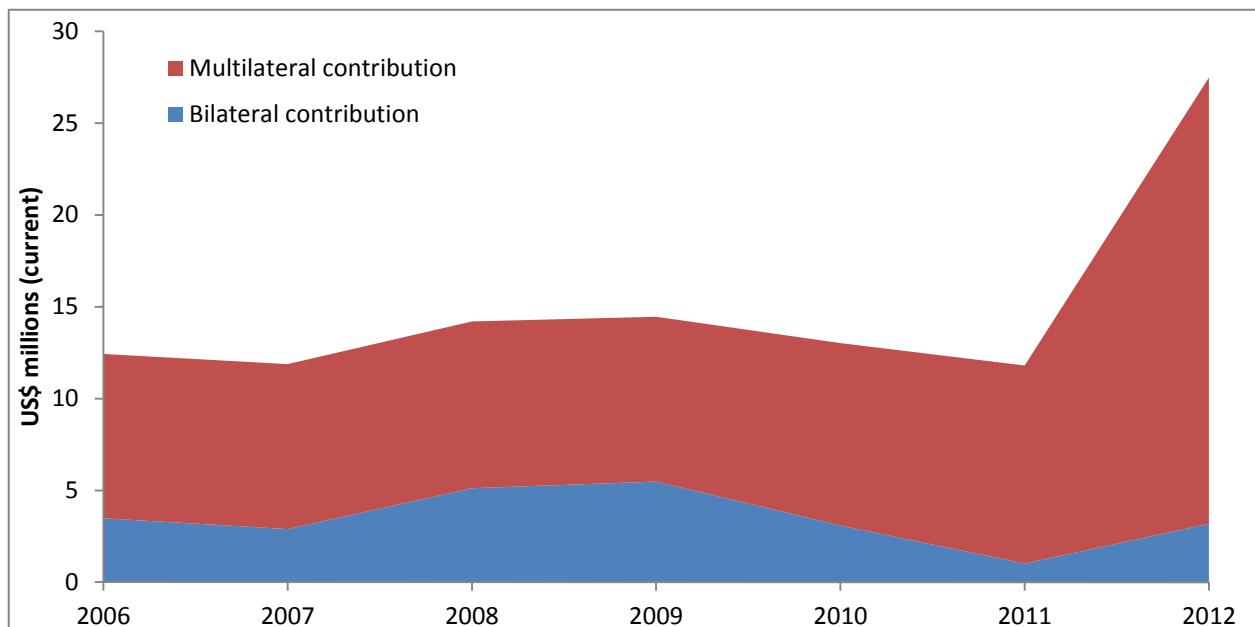
Chile has particular relevance in triangular cooperations in the region. Given the unique expertise of the country in the implementation of high quality public policies, many international donors decide to incorporate Chile as a partner into projects in third countries in the region. According to SEGIB (2011), AGCI participated in 27 of the 42 triangular cooperation projects carried out in 2010, with a contribution of around 10% of the total resources.

## **4. THE CHILEAN APPROACH TO INTERNATIONAL DEVELOPMENT**

In previous classifications of emerging donors, presented in Section 2, Chile was considered as following the *southern model*. In our view, this classification is misleading, and instead we propose that the country must be classified in the group of countries that adhere to the *DAC model*. Firstly, Chile has been a full OECD member since 2010 and also a DAC observer. Secondly, and more importantly, Chilean bilateral cooperation is rarely tied to economic preferences from the recipient country, but is mostly considered as a tool for regional integration and the implementation of foreign policies. Finally, most of the Chilean ODA is provided in the form of contributions to multilateral organizations, a distinguishing feature from the *DAC model* emerging donors. As can be seen in Figure 4, roughly 80% of Chilean international aid between 2006 and 2012 is multilateral.

In the following subsections we provide further details of the Chilean approach to international cooperation at the multilateral and bilateral level.

**Figure 4: Bilateral and multilateral Chilean ODA**



Author's calculation using data from DIPRES, MINREL and AGCI.

#### 4.1 Chilean multilateral ODA

The multilateral cooperation from Chile is mostly related to the agreements acquired for the participation in different organizations and the ratification of international conventions. As can be seen in Table 1, where multilateral ODA has been calculated using the DAC directions (OECD, 2010), one of the main items is the contributions to the UN and its related agencies, programs and conventions. For instance, in 2010 these contributions were 43% of the total multilateral ODA. Countries' dues with the UN system are negotiated every three years and are calculated mainly according to the GDP of each member. Therefore, Chile's rapid growth in the last decades automatically implied an increase in the contributions. But countries can also provide additional voluntary contributions, and this is the case for around 5% of the Chilean disbursements. Among these contributions, the one that has increased most remarkably in recent

years is the support to UN peacekeeping operations, which has grown by 271% between 2006 and 2012.

**Table 1: Chilean Multilateral ODA (current US\$ thousands)**

|  | 2006        | 2007        | 2008        | 2009        | 2010        | 2011         | 2012         |
|--|-------------|-------------|-------------|-------------|-------------|--------------|--------------|
| United Nations*                        | 457         | 461         | 432         | 549         | 669         | 735          | 739          |
| UN Peacekeeping Operations **          | 49          | 52          | 44          | 64          | 4           | 260          | 183          |
| UN Agencies***                         | 3669        | 3043        | 2986        | 2744        | 2755        | 3218         | 3920         |
| Other UN conventions/programs***       | 768         | 821         | 833         | 785         | 828         | 852          | 938          |
| OAS and related organizations          | 920         | 1401        | 1369        | 1333        | 1328        | 1365         | 1506         |
| PAHO                                   | 468         | 467         | 486         | 486         | 1036        | 1036         | 1522         |
| Other Latin-American organizations**** | 1469        | 1488        | 1516        | 1510        | 1548        | 1553         | 1550         |
| Other multilateral organizations*****  | 1144        | 1248        | 1416        | 1501        | 1762        | 1764         | 1933         |
| IADB                                   | 0           | 700         | 200         | 336         | 0           | 0            | 0            |
| World Bank's IDA                       | 0           | 0           | 0           | 0           | 0           | 0            | 12000        |
| <b>TOTAL</b>                           | <b>8944</b> | <b>9681</b> | <b>9282</b> | <b>9309</b> | <b>9930</b> | <b>10783</b> | <b>24291</b> |

Source: Author's calculation using data provided by MINREL (Chile). The imputed contribution has been calculated following OEDC (2010).

\*Includes the regular and voluntary contributions. According to OEDC (2010), 12% of the total contribution is considered.

\*\* According to OEDC (2010), 6% of the total contribution is considered.

\*\*\* Each agency has different assigned percentages according to OECD (2010).

\*\*\*\* Those institutions were not mentioned in OECD (2010) and are considered at 100%.

\*\*\*\*\* Whenever an organization was not mentioned in OECD (2010), 50% of the budget was assigned. This was the case only in small contributions (less than \$50,000).

Chile also provides important contributions as a member of regional multilateral organizations like the Organization of American States (OAS), the Pan-American Health Organization (PAHO), and others.

A different kind of contributions that are also considered as multilateral ODA are those provided to regional development banks like the Inter-American Development Bank (IADB) and the World Bank's International Development Association (IDA). In the case of the former, Chile has contributed \$1.3 since 2007 in trust funds related to aid for trade and technological

innovation, mainly targeting Central American countries. As for the contributions to IDA, in the last round of negotiations for the replenishment, which finished in February 2011, Chile agreed to contribute to the fund for the first time with \$34.5 million in the next three years, a 0.1% of the total contribution granted by the donors (IDA16, 2011).<sup>8</sup> When the first installment of IDA's contribution in 2012 is considered, Chile's multilateral aid is more than duplicated with respect to the previous year, and the total ODA/GDP ratio increases to around 0.01.

The provision of additional funds IOs has generated controversy in the Chilean National Congress. For instance, in 2006 the Senate strongly debated an increase of \$5 million in the contributions to the UN, given that the position of many parliamentarians was to use the resources in programs for fighting poverty inside Chile instead. Eventually it was decided that the additional funds for the increase in multilateral aid were going to be obtained by an increase in the boarding fees (República de Chile, Senado, 2006). This discussion is representative of the potential polemics surrounding international aid decisions. In fact, starting in 2009, the Ministry of Foreign Relations (which is in charge of paying the contribution to IOs) is obliged to provide quarterly reports to the Senate regarding the destination of the disbursed funds.

## **4.2 Bilateral aid: The Chilean Development Agency (AGCI)**

AGCI was created in 1990 by Law N° 18.989, which broadly defined its functions, among which are the planning, coordination, administration and execution of international cooperation programs, projects and activities. In addition, the institution is meant to support the transfer of knowledge to foster internal capacities, and coordinate efforts to achieve an effective international presence of Chile.

AGCI has a double dimension in its international role. The institution is responsible for both managing international aid received from developed donor countries, and for the provision of aid to countries with an equal or lower degree of development than Chile. Once democracy was restored in Chile after the military regime of 1973-1990, the newly elected government had

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<sup>8</sup> The other new donors are: Argentina, The Bahamas, Iran, Kazakhstan, Peru, and the Philippines.

keen interest in managing the great flows of international aid that the country received from several donors. Most of this aid was aimed at poverty reduction, so it became natural to place AGCI's administration in the Ministry of Planning and Cooperation, the entity that coordinated most public social programs.

The “vertical cooperation”, with Chile as a recipient, was the predominant modality during the first years of AGCI, but it has been progressively decreasing and is close to being abandoned. In recent years, the inflow of aid has reduced and most of the aid projects previously implemented in Chile are expiring. Also, the focus of the programs recently implemented has changed toward more specific areas of exchange like training, innovation and competitive strategies (EC 2007). In the face of the increasing action of AGCI as an international provider of bilateral aid, it was reallocated to the Ministry of Foreign Relations in 2005. The law that created the entity was amended, and a new role was added: to promote, manage and coordinate study agreements and scholarship for graduate and undergraduate foreign students. This change institutionalized Chile's growing capability and willingness to collaborate with its neighbors.<sup>9</sup>

The key elements of current AGCI's structure are twofold. The top authority is the Directive Council, which is presided by the Minister of Foreign Affairs and also includes the Minister of Finance and representatives of the President of the Republic. This feature establishes the political overseeing of the decisions. On the technical level, and according to its main functions, AGCI's structure includes three specialized departments. The South-South Cooperation Department is responsible for the design, coordination and monitoring of technical cooperation activities that Chile makes with equally or less developed countries. The Bilateral and Multilateral Cooperation Department coordinates AGCI with sources of international aid, negotiating programs and projects. The Department of Formation and Scholarships manages resources for master degrees and diplomas offered to countries in the region.

As in the case of most bilateral cooperation agencies in the rest of the world, international development is not the sole goal of AGCI, given internal political aspects are key to its actions. For instance, for the period 2006-2010 the President of the Republic decided on a list of “priority

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<sup>9</sup> Another aspect of the new status was the intensification of the links between AGCI and the Chilean Embassies, which were going to be crucial for the coordination with other countries in the region (Herrera, 2008, p.24).

recipient countries”, according to the goals of her foreign policy. Those countries were: Bolivia, Ecuador, Paraguay, Uruguay, El Salvador, Guatemala, Haiti, Mexico and the Dominican Republic. While in the case of the Central American and Caribbean countries, in particular Haiti, it is most likely that actual development criteria applied for eligibility, for countries like Ecuador it is fair to speculate that other aspects were more important, like support of the Chilean territorial demands in the maritime dispute with Peru (BBC, 2008).<sup>10</sup>

The bilateral cooperation of Chile with other countries through AGCI is organized in three categories:

- i. **Triangular cooperation:** Includes joint projects with other international agencies executed in third countries. The main partners are GIZ (from Germany, projects in 6 countries), WFP (UN, projects in 5 countries), JICA (Japan, projects in 4 countries), USAID (projects in Central America and Paraguay), AECID (Spain), the Quebec Community and MASHAV (Israel). The projects focus on poverty reduction and social development (55% of 2010 budget), state modernization (22%) and innovation and competitiveness programs (22%).
- ii. **Horizontal cooperation:** Technical cooperation with other countries (South-South collaboration). The main aspect of these programs is the transfer of knowledge and capacities on public policy, in areas like cultural resource management (30% of 2010 budget), social development (21%), poverty reduction (19%), and education (10%). Projects and activities include technical assistance (49% of 2010 budget), equipment provision (41%), seminars and internships (10%).
- iii. **The scholarship program:** It is aimed at professionals of Latin America and the Caribbean, and is the only public program of scholarships for foreigners in Chile. It has two modalities. The first consists in postgraduate studies (master degrees mainly), which are developed by Chilean universities. The second consists in scholarships for

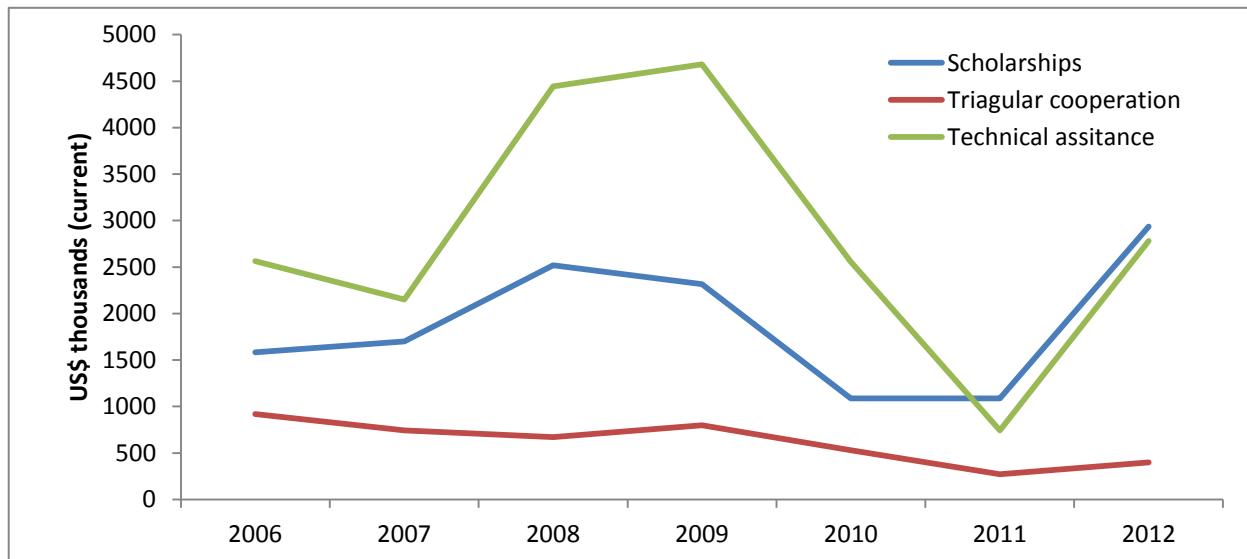
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<sup>10</sup> Even though AGCI’s actions are aligned with Chilean foreign policy, the information available does not provide evidence that Chilean international aid is tied, in terms of imposing on recipient countries conditions about the sources from which they can obtain the resources for the projects, and in particular that these must be Chilean sources.

diplomas in health and nutrition, and in methodologies for teaching Spanish as a second language.

The budget allocated to each category item between 2006 and 2012 is shown in Figure 5. It can be seen that in 2010 and 2011 all modalities reduced their budgets which is – at least partially – a consequence of a general budget reallocation after the February 2010 earthquake which caused the delay and suspension of some projects (AGCI, 2010). The peaks in technical assistance observed in 2008 and 2009 are mainly related to the implementation of a special program called the “Chile-Mexico Fund”.

**Figure 5: International development assistance from AGCI, 2006-2011**



Source: Authors' calculation based on AGCI reports.

In Table 2, detailed information of AGCI's budget for 2010 is presented, disaggregated by recipient country and modality. The priority countries received most of the aid in the different modalities. The budget is entirely destined to projects in Latin America, with the sole exception of a very small project in Mozambique. An important part of the budget relates to regional funds and to the Chile-Mexico fund established as a bilateral source for integration between them, with contributions from both countries. The single most important recipient is Haiti followed by

Bolivia, Paraguay, El Salvador and Ecuador. The fact that Haiti is by far the most important recipient relates to the long involvement of Chile in MINUSTAH and other stabilization and development initiatives in that country.

**Table 2: International development assistance from AGCI by country and modality in 2010 (current US\$)**

| Country        | Horizontal cooperation | Triangular cooperation | Scholarships     |
|----------------|------------------------|------------------------|------------------|
| Argentina      | 1,185                  | -                      | -                |
| Bolivia        | 358,513                | 38,006                 | 201,558          |
| Brazil         | 17,662                 | -                      | -                |
| Colombia       | 15,027                 | 56,381                 | -                |
| Costa Rica     | 3,785                  | -                      | -                |
| Cuba           | 15,413                 | -                      | -                |
| Dominican Rep. | 3,470                  | 29,426                 | 47,023           |
| Ecuador        | 50,000                 | 10,009                 | 134,081          |
| El Salvador    | 53,401                 | 46,750                 | 109,827          |
| Guatemala      | -                      | 10,754                 | 54,163           |
| Haiti          | 501,038                | -                      | 128,184          |
| Mexico*        | 1,034,177              | -                      | 46,376           |
| Mozambique     | -                      | 15,309                 | -                |
| Nicaragua      | -                      | 7,176                  | -                |
| Paraguay       | 23,094                 | 177,965                | 50,320           |
| Peru           | 19,011                 | -                      | -                |
| Uruguay        | 7,968                  | 5,361                  | 43,416           |
| Regional funds | 482,545                | 139,617                | -                |
| Others         | -                      | -                      | 286,682          |
| <b>TOTAL</b>   | <b>2,586,288</b>       | <b>536,753</b>         | <b>1,101,630</b> |

Source: AGCI (2010)

\*Includes Chile-Mexico cooperation fund in technical assistance.

It can be seen that AGCI's contribution seems to target mainly the poorest countries in the region like Bolivia and Haiti. The exception is Mexico, which is a particular case given the existence of a special bilateral cooperation program.

## **5. THE FUTURE OF THE CHILEAN INTERNATIONAL COOPERATION**

Chile is an emerging donor and has to assume its new position in the international development community. While the country may still be eligible as a recipient of foreign aid in some instances, as a high-mid income country integrated to the international capital markets and as a member of many IOs, a wide range of non-concessional financing is available. From a global perspective, it is inefficient to allocate scarce ODA to a country like Chile, and instead these resources must go to other countries that are heavily dependent on them.

What kind of donor does Chile want to be? As mentioned above, given the characteristics of its international integration, it would be natural to follow the *DAC-model*. But even within the DAC there is a big heterogeneity in terms of the motivation to provide foreign assistance, with donors behaving as altruistic, opportunistic, or extractive (Alesina and Dollar, 2000). Even after becoming a full member of the OECD in 2010, Chile maintained its status as a mere observer of the DAC and has made no progress towards full DAC membership. In particular, Chile has not joined the group of countries that report their foreign aid statistics to the DAC and follow its regulations and standards. The motivation for this attitude is not clear, and there are reasons to interpret it not necessarily as strategic behavior, but rather as related to a lack of capacity and budget of AGCI and other government entities. However, it might also be possible that ODA is not reported to the DAC in order to still be eligible for some programs in which official donors are not considered or simply because the flexibility of non-DAC donors is preferred.

The major challenges for AGCI are the adaptation to the new scenario for international cooperation, with the disappearance of the received foreign development assistance and an increasing role of Chile as an emerging donor. AGCI has to strengthen its institutional capacity oriented towards the provision of international assistance in many ways. In the short and medium term some of the agency's challenges are to improve the report of aid statistics adhering to international standards, and to increase the transparency in the use of resources and project assignation, the public awareness of activities, and the integration to international instances. More long term challenges include aspects like the implementation of rigorous impact evaluation

of projects and increasing its bargaining power to secure more resources and delink its technical decisions from the Ministry of Foreign Affairs.

One of the main weaknesses of AGCI is that its expenditures on international cooperation projects are pro-cyclical.<sup>11</sup> For instance, as a consequence of the 2010 earthquake in Chile international development assistance was affected by a budget reduction, following a resource re-allocation among different governmental agencies. Instead of interrupting ongoing projects, AGCI reacted by not opening new projects. In the case of an economic downturn in the Chilean economy this is very likely to be also the case. Therefore, it is important that AGCI develops a long-term perspective, in which there is enough budget flexibility to adapt to economic cyclicalities and shocks without interrupting crucial projects. Similarly, the political dependence on the central government is another obstacle for the implementation of long-term projects which go beyond the particular preferences of the government in office.

As a last statement, we would like to refer to an issue that for the sake of space we have not developed in detail in this paper, although it has crucial importance: foreign aid effectiveness. Many scholars and practitioners have criticized the implementation of foreign assistance programs and even its existence in general (see, for instance, Easterly, 2007). One of the main concerns of aid skeptics is that interventions are not properly evaluated and the alternative use of resources is not considered. The recent advances in Impact Evaluation techniques now allow the possibility to properly assess the impacts of a project, but many donors are reticent to implement them. In Chile this is an issue that needs to be debated. AGCI and other government agencies must not only keep transparent statistics and report criteria for the selection of projects, but learn from its own experience and evaluate whether the programs work effectively. Many international instances can support the government efforts in that sense, if the willingness to implement rigorous evaluations exists.

If Chile wants to play in the league of developed nations, its foreign assistance strategy must be clearly defined and expanded. To take this challenge, the experiences of sixty years of “trial and error” of the international development community must be taken into account.

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<sup>11</sup> This is not an exclusive feature of AGCI. In many countries, international cooperation is one of the first items to be reduced when austerity measures are needed. For instance, the Spanish Development Agency AECID had a reduction of 65% of its budget in 2012.

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