COMMISSION DECISION

of [...] on the Annual Action Programme 2007 in favour of Chile to be financed under Article 19.09.01 of the general budget of the European Communities

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community,

Having regard to Regulation (EC) No 1905/2006 of the European Parliament and of the Council of 18 December 2006 establishing a financing instrument for development cooperation, and in particular Article six thereof,

Having regard to Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities, in particular Article 53 thereof,

Whereas:

(1) The Commission has adopted the Country Strategy Paper for Chile and the Multi-annual Indicative Programme for the period 2007-2013, points 1, 2 and 3, which indicate the focal sectors selected to deepen the Association Agreement through cooperation and policy dialogues in the areas of social cohesion, education (academic exchanges and scholarships), innovation and competitiveness and environment.

(2) The objectives pursued by the Annual Action Programme are to address the needs acknowledged by Chile to achieve a more cohesive society, promote more efficient innovation and increase competitiveness, improve the quality in and access to higher education and develop a Strategic Environmental Assessment System.

(3) This decision constitutes a financing decision within the meaning of Article 75(2) of Council Regulation (EC, Euratom) No 1605/2002, Article 90 of Commission Regulation (EC, Euratom) No 2342/2002 and Article 15 of the Internal Rules.

_____________________
3 C/2007/1497, 11.04.2007
It is appropriate to define the term “substantial change” in the meaning of Article 90 (4) Regulation (EC, Euratom) No 2342/2002 for the application of this decision.

The measures provided for in this decision are in accordance with the opinion of the DCI Committee set up under Article 35 of Regulation (EC) No 1905/2006,

HAS DECIDED AS FOLLOWS:

Article 1
The actions “Social Cohesion Support Programme in Chile: Growth with Equity”, “Innovation and Competitiveness Support Programme”, “Support to the Strategic Environmental Assessment in Chile”, and “Erasmus Mundus External Cooperation Window (Chile)”, which constitute the Annual Action Programme in favour of Chile for 2007, the text of which is set out in the Annexes I - IV, are approved.

Article 2
The maximum contribution of the Community is set at EUR 25,420,000 to be financed from budget line 19.09.01 of the general budget of the European Communities for 2007.

Article 3
Within the maximum indicative budget of all the specific actions, cumulated changes not exceeding 20% of the maximum contribution of the Community are not considered to be substantial, provided that they do not significantly affect the nature and objectives of the Annual Action Programme.

The authorising officer may adopt such changes in accordance with the principles of sound financial management.

Done at Brussels, […]

For the Commission

[…]

Member of the Commission
ANNEX I

ACTION FICHE FOR CHILE/LATIN AMERICA/SOCIAL COHESION

1. IDENTIFICATION

<table>
<thead>
<tr>
<th>Title</th>
<th>Social Cohesion Support Programme in Chile: Growth with Equity (Programa de Apoyo a la Cohesión Social en Chile: Crecimiento con Equidad)</th>
</tr>
</thead>
</table>
| Total cost | EC contribution for this action (2007-2010): M€ 10.250.000  
Beneficiary country contribution for this action (2007-2010): M€ 10.250.000 |
| Aid method / management mode | Sector Policy Support Programme:  
- Pool fund decentralised management |
| DAC-code | 15110  
Sector | Economic and development policy/planning |

2. RATIONALE AND COUNTRY CONTEXT

2.1. Economic and social situation

Since the restoration of democracy in 1990, Chile has succeeded in reducing the poverty level from 38.6% to 18.8% and the level of extreme poverty from 12.9% to 4.7%, clearly outranking the average Latin American indices for the period indicated and achieving 10 years ahead of schedule the UN millennium development goal of cutting poverty by half.

Among the social relevant advances that have accompanied the increase of the annual income of the population is the reduction of the infant malnutrition, the increase of the population's access to adequate housing and to services such as drinking water and drainage, as well as a 100% of coverage in electricity. Also, significant progress has been made in terms of life expectancy and a reduction of infant and maternal mortality. Chile's health care indicators reflect a favourable performance within the Latin American context.

Concerning the labour situation, in July 2006 the official minimum wage was 135,000 pesos (approximately US$ 228). Unemployment fell from 9.8% in 1999 to 8.0% in 2005. Unemployment among young people (15-24 year-olds) is more than double the average unemployment rate for the working population. There is a trend towards informal and less secure employment in jobs with no social protection and greater instability at work.

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

Nevertheless, although Chile ranks 37th in the 2005 UNDP human development index (0.854), it ranks 80th or lower in terms of distribution of income. Unequal distribution of wealth is still a great concern. According to the World Bank’s 2005 development indicators, Chile ranks fourth in Latin America (after Brazil, Paraguay and Colombia) in terms of income inequality and 12th in the world, showing a worse performance than poor African countries such as Zambia, Nigeria and Malawi. The Gini index for Chile (57.1%) is worse than ten years ago (56.4%).

2.2. Cooperation policy of beneficiary country

The achievement of a more cohesive society is one of the important needs acknowledged by Chile for its overall development.

At social level, Chilean society has undergone a major modernisation process, which is still ongoing and has led to considerable progress, but significant inequalities remain in particular concerning income distribution and access to and quality of employment, health care, education and justice. Insufficient social cohesion can have a negative impact on political, social and macro-economic stability. Social cohesion is therefore a key parameter for the formulation of a development strategy.

One of Chile's main challenges is to act efficiently on relevant public policies aimed at social and fiscal redistribution, job creation, training of the workforce, education and, in particular, reducing income inequalities based on gender, ethnic origin and regional disparities.

To assist Chile in this endeavour, the EU can share its valuable range of expertise in the field of social cohesion and specifically on employment policies, including the aspects relating to civil society participation. In this regard the EU and Chile have already started a social policy dialogue in areas of mutual interest. In March 2005, the first sector dialogue meeting took place and dealt with higher education vocational training and language learning. In September 2005, the first sector dialogue on employment policies was organized in Santiago and in March 2007 the second policy dialogue was realized in Brussels and counted with the participation of the Chilean Minister of Labour. In addition, sector dialogue on the promotion of social cohesion is being addressed as a priority between the EU and Chile. These dialogues have provided useful input to the identification of the proposed activities on social cohesion. Sustained dialogue in these policy areas is expected to continue.

2.3. Government Sector Programme

The programme intends to contribute to promote social cohesion through relevant public policies aimed specifically at: (i) a more equal social and fiscal redistribution (ii) enhanced access to and better quantity of basic public services such as employment, health care, education, social protection and justice (iii) the reduction of inequalities based on gender, ethnic origin and regional disparities and (iv) the promotion of social dialogue.
The reasons behind the selection of four specific areas of intervention within the large field of possibilities that exist when addressing social cohesion are:

- First, these four sub areas within social cohesion are those to which the Chilean Government has given the strongest relevance and priority. This has been corroborated by AGCI and other concerned authorities.

- Second, the identification mission carried out in September 2006 has highlighted a number of problems that needed to be concentrated on and the corresponding actions required to address them. Annex 3 provides a detailed description of the discussions held with key Government stakeholders during the identification mission.

The proposed strategy to remedy such problems is to implement a programme with various projects selected on the basis of calls for proposals aimed at both supporting public policies and at solving specific problems related to the four areas of intervention. These actions should focus on Chilean society’s most vulnerable sectors and groups particularly addressing concerns in terms of gender, age, ethnic origin, and territorial dimension disparity/disadvantage concerns.

Since it is acknowledged that social cohesion is a complex issue which covers a wide range of policy areas, a concentration of the project on a single sector by theme (for instance fostering access to the workforce for women) or on a specific region or on a particular target group, would be very likely to lead to less effective results.

There is a very positive assessment of the institutional capacity for the implementation of the project. In this regard the Chilean Agency for International Cooperation (AGCI), which is the official counterpart and national co-ordinator responsible for EC bilateral cooperation, delegates the execution to national authorities.

Sustainability and ownership would be assured since the programme is fully consistent with essential parts of the Agenda of the Chilean government.

2.4. Lessons learnt

The main lesson learnt from the implementation of the 2002-2006 CSP is that programmes such as the Fondo de Apoyo a la implementación del Acuerdo de Asociación and Fondo de Modernización del Estado have provided a high degree of ownership to the various individual projects which have been submitted in response to calls for proposals in the relevant priority areas. In fact, under these programmes, proposals are submitted for specific policy areas by the concerned Government institutions that are close to the issues at stake and are responsible for carrying them through. Experience shows that this has been the key to the effectiveness and sustainability of programme results.

---

1 AGCI was designated this role in the Memorandum of Understanding signed between the EC and Chile on 28 March 2001.

2 President Michelle Bachelet highlighted the importance of social cohesion in her Annual Address to the Nation on 21/05/2006. She reiterated the relevance of social cohesion as a priority issue to be included in the agenda of the next Ibero-American Summit, to be held in Santiago in November 2007.
This has been reiterated by the findings of the evaluation mission on the use of these programmes for the implementation of EC cooperation in Chile, whose conclusions have been taken into account in the preparation of this fiche. During the preparation of guidelines and technical and administrative provisions of calls for proposals, which will be launched under the programme, particular attention will be given to ensure that:

- The number of selected projects is reduced in order to improve efficiency and ensure an adequate follow up.

- Project selection takes into account potential thematic synergies, common interests and complementarities in order to guarantee a comprehensive and inclusive approach by the programme.

- Project planning takes into consideration elements such as effective approval periods for national and European procedures in order to establish more accurate operational calendars.

2.5. Complementary actions

This Project will be complementary to both ongoing EC programmes under the CSP 2002-2006 and to actions proposed for the next cooperation cycle (2007-2013), namely innovation and competitiveness and education.

Furthermore, the programme is also complementary to the activities undertaken by the regional EU/LA programme EURO-SOCIAL, as well as to the initiatives undertaken by the German Technical Cooperation (GTZ) in Chile.

The proposed programme is fully consistent with the social agenda of the new programme of the Chilean Government elected in 2006, which emphasizes economic growth with a fairer and more social vision, including an enhanced social dialogue and a new relationship between the State and its citizens. The priorities aim interalia at a more inclusive society with improved quality of education, more and better quality employment, improved health care, efficient protection for the elderly through fairer pension schemes and the support of small and medium enterprises. Moreover, these areas have been highlighted as important priorities that the Government wants to address in the context of the social policy dialogue already initiated between the EU and Chile.

In this context, the expected creation in the near future of a Council for Social Dialogue in Chile, to bring about coherence and long-term stability to social policies, can be seen as a demonstration of the Chilean Government’s commitment towards social cohesion.

2.6. Donor coordination

The coordination with the beneficiary country takes place through the AGCI, which is the official counterpart and national co-ordinator responsible for EC bilateral cooperation. AGCI has been involved in the preparation process of the CSP and is in agreement with the content of this action fiche.
EU Member States' cooperation with Chile is quite limited. Germany is the only significant donor within the EU. With regard to coordination within the EU and other donors, the Delegation in Santiago holds regular meetings with them to provide information about EC activities, exchange views on issues of common interest in these areas and coordinate assistance when appropriate.

There are neither actions funded by Member States or by other donors in the specific field of social cohesion, nor are they expected to intervene at a later stage. Nevertheless, both Member States and other donors acknowledge the importance of cooperation in this area.

3. DESCRIPTION

3.1. Objectives

**General Objective:** To contribute to increase the degree of social cohesion in Chile by means of supporting public policies and enhancing social dialogue.

**Specific Objective:** To support and or improve existing and new relevant policies in the social cohesion area in Chile through various actions such as the exchange of experiences, models and the fostering of best and innovative practices.

3.2. Expected results and main activities

The identified problems the project is intended to address are mainly: (1) weak public policies in the field of social cohesion; (2) unequal and insufficient employment opportunities in the labour market; (3) insufficient awareness by both government and relevant social actors about the need to improve social protection in Chile, (4) disparities in access to and quality of primary and technical professional education in Chile, which are the Government's priorities in the education sector.

**Expected results** for the project are:

**R1:** Quality of relevant public policies has improved, includes elements of social cohesion taking into account social and regional disparities and incorporates the concerns of relevant sectors of society.

**R2:** Opportunities and conditions of employment have improved as well as the situation of vulnerable segments of the population.

**R3:** Results oriented activities, aimed at improving the social protection system, have been put in place.

**R4:** Inequality in Chilean education, in terms of quality and coverage for the population, has been reduced.

These four results are interrelated and therefore each one exerts a multiplier effect over the others. Thus on one hand, result 1 will impact positively on results 2, 3 and 4. On the other hand these last three results will allow implementing pilot actions, which might be replicated on a national scale and therefore influence result 1.
The following activities are indications of the way results could be achieved:

R1:
• Actions aimed at the creation of political awareness about social cohesion
• Actions supporting the promotion of civil society networks that promote social cohesion issues
• Exchange of experiences regarding social cohesion with EU and its Member States
• Workshops, seminars, specific studies and dialogue tables on social cohesion issues

R2:
• Actions aimed at increased employment of Chilean society's most vulnerable sectors such as the poor, disabled, women, youth, indigenous population and others
• Actions to promote employment and access to protected work for women of low and medium/low class sectors of society
• Actions to support public policies for the improvement of quality in employment
• Implementation of training actions
• Actions aimed at supporting public policies linked to labour mediation
• Actions to promote the development of social dialogue in Chile

R3:
• Actions to support social protection system policies aimed at guaranteeing specific social rights and values such as pension systems
• Actions aimed at reducing family violence and improving victims protection

R4:
• Actions to strengthen quality of technical professional education
• Actions to increase schoolteachers' professional competencies through initial training of trainers
• Actions designed to improve schoolteachers' continuous learning/training
• Actions to reduce access inequalities to preschool education

3.3. Stakeholders

The main identified stakeholders are the following:

Stakeholders:

a) The Chilean Agency for International Cooperation (AGCI), which is the official counterpart and national co-ordinator responsible for EC bilateral cooperation, will coordinate project activities and delegate implementation to concerned national authorities/institutions.

b) The Ministries of Labour, Planning and Education are expected to play a key role in the implementation of project activities. In addition, other Government institutions, study centres, think tanks, private sector and civil society organisations
may be invited to participate in the implementation. The latter in particular may provide useful contributions to help mainstream social issues in public policies.

Considering the political priority that social cohesion has in Chile, a high degree of ownership is expected from the government institutions that will implement the project.

**Target Groups:**

a) Policy makers at decision level, since it is crucial that they become more social cohesion oriented in the process of planning and formulating policies.

b) Technical teams in government institutions responsible for policy development and implementation, as they will play a key role in the process. Therefore it is useful that they benefit from relevant technical assistance and training.

**Final Beneficiaries:**

The final beneficiary is the Chilean population, especially society's most vulnerable groups.

### 3.4. Risks and assumptions

Project design is based on the following assumptions:

Since social cohesion is one of the key priorities of this government and enjoys the consensus of all political forces in Chile, it is extremely unlikely that the new government that will take over in 2010 would discontinue the efforts to be undertaken or already ongoing in this area.

The only foreseeable risks could be:

- A possible resistance of certain sectors within the Chilean establishment to support policy changes towards more social cohesion, and
- Delays in implementation due to the 2008 municipal elections and the next general elections in 2010.

However, these risks are considered to be of insignificant nature, do not jeopardise the project and do not require mitigating measures.

There is a great likelihood that the benefits achieved by the programme in the area of social cohesion will be sustained after the end of the programme. A key factor that supports this assessment is the financial commitment of the government to co-fund actions in this area.

### 3.5. Crosscutting Issues

Cooperation in this field will promote equality and equity in general, thus contributing to a more balanced and equitable development of Chilean society across the board. Particular attention will be paid to cross-cutting matters, taking on board socio-cultural issues addressing gender, age, ethnic origin, and territorial dimension concerns.
4. **IMPLEMENTATION ISSUES**

4.1. Implementation method

Decentralised management through the signature of a financing agreement with a third country.

The Commission controls ex ante the contracting procedures for procurement contracts >50,000 euro and ex post for procurement contracts ≤ 50,000 euro.

Through the programme estimates, payments are decentralised for operating costs and contracts up to the following ceilings:

<table>
<thead>
<tr>
<th>Works</th>
<th>Supplies</th>
<th>Services</th>
<th>Grants</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; € 300,000</td>
<td>&lt; € 150,000</td>
<td>&lt; € 200,000</td>
<td>≤ € 100,000</td>
</tr>
</tbody>
</table>

AGCI in its capacity as the official counterpart and national co-ordinator responsible for EC bilateral cooperation will be responsible for the coordination of the implementation. The government institutions and any other bodies that may implement project activities will be detailed in the action's technical and administrative provisions, an annex to the Financing Agreement.

Moreover, for the purpose of the implementation of this project, it is proposed to set up an Inter Sectoral Committee, integrated by high level authorities from participating government institutions, AGCI and the Delegation, which should ensure regular follow-up of the project's strategic guidelines/priorities, objectives and results throughout its implementation in order to foresee and recommend necessary adjustments. The Delegation will participate as an observer in the Committee.

4.2. Procurement and grant award procedures [programme estimates]

The procurement and grant award procedures of the beneficiary partner country will be used in conformity with the principles and requirements of the Financial Regulation applicable to the General Budget of the European Communities.

All programme estimates must respect the procedures and standard documents laid down by the Commission, in force at the time of the adoption of the programme estimates in question.

4.3. Budget and calendar

The total cost of the programme is estimated to be € 32,800,000, with an equal 50% contribution (€ 16,400,000) by each, the EC and the Chilean Government through different public institutions at all levels. A tentative breakdown of the programme amount has been prepared in agreement with the Government and should be revised and further defined in the programme's technical and administrative provisions. The

---


4 The Commission has studied and obtained evidence that the Chilean Authorities fulfil the requirements in this respect.
suggested breakdown could be as follows: Result 1: 30% (€ 9.840.000); Result 2: 30% (€ 9.840.000); Result 3: 20% (€ 6.560.000); Result 4: 20% (€ 6.560.000).

Due to the length of the cooperation period (2007-2013) and the end of the current presidential mandate in 2010, it is proposed to implement the programme in two phases. The first phase will run from 2007 to 2010 and the second phase from 2011-2013. It is expected that 62,5 % (€ 10.250.000) of available funds will be committed during the period 2007-2010; the remaining 37,5 % (€ 6.150.000) will be used during the period 2011-2013. The estimated duration for the first phase (2007-2010) of this action is expected to be 36 months.

The suggested budget allocations for the EC and beneficiary contribution during the 2007-2010 period could be as indicated below:

<table>
<thead>
<tr>
<th>Budget Items</th>
<th>EC Contribution (Euros)</th>
<th>EC Contribution (%)</th>
<th>Beneficiary Contribution (Euros)</th>
<th>Beneficiary Contribution (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. ACTIVITIES</td>
<td>9.050.000</td>
<td>88%</td>
<td>9.050.000</td>
<td>88%</td>
</tr>
<tr>
<td>1.1 Result 1 (30%)</td>
<td>2.715.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.2 Result 2 (30%)</td>
<td>2.715.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.3 Result 3 (20%)</td>
<td>1.810.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.4 Result 4 (20%)</td>
<td>1.810.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. RUNNING COSTS</td>
<td>0</td>
<td>0</td>
<td>1.200.000*</td>
<td>12%</td>
</tr>
<tr>
<td>3. AUDIT/EVALUATION</td>
<td>400.000</td>
<td>4%</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>4. VISIBILITY</td>
<td>600.000</td>
<td>6%</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>5. CONTINGENCIES</td>
<td>200.000</td>
<td>2%</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>10.250.000</td>
<td>100%</td>
<td>10.250.000</td>
<td>100%</td>
</tr>
</tbody>
</table>

*This contribution may be in kind.

In addition to funds allocated to specific projects or activities, direct funding will be necessary for actions such as studies, workshops, exchange of experiences and technical assistance, aimed at addressing specific fields of interest to support and improve public policies. Any direct funding of projects or activities will be done based on relevant EC procedures.

4.4. Performance monitoring and criteria for disbursement

The programme will be subject to annual external monitoring missions organized by the Commission's services.

The disbursements will be conditioned on the approval of the Annual Work Programmes, including the programme estimates.
4.5. Evaluation and audit

A mid-term evaluation will be carried out at the end of the first phase of implementation and in no case later than in 2010. The evaluation’s results will provide the basis for the design of the second phase of implementation (2011-2013), maintaining or adapting the overall strategy of intervention. Following standard procedures for EC cooperation a final evaluation will be undertaken at the end of phase 2 (2013).

Regarding audits, AGCI will carry out internal audits and evaluations necessary for adequate project follow up. A financial audit by external independent auditors, previously approved by the Commission, should be carried out yearly. The Commission will additionally contract a complete systems and financial audit at the end of each implementation phase.

4.6. Communication and visibility

The programme and budget for communication and visibility will be elaborated in the technical and administrative provisions of approved projects.
ANNEX II

ACTION FICHE FOR CHILE/LATIN AMERICA/INNOVATION AND
COMPETITIVENESS

1. IDENTIFICATION

<table>
<thead>
<tr>
<th>Title</th>
<th>Innovation and Competitiveness Support Programme</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cost</td>
<td>EC contribution for this action (2007-2010): M€ 9.300.500</td>
</tr>
<tr>
<td></td>
<td>Beneficiary country contribution for this action (2007-2010): M€ 9.300.500</td>
</tr>
<tr>
<td>DAC-code</td>
<td>32182</td>
</tr>
<tr>
<td>Sector</td>
<td>Technological research and development</td>
</tr>
</tbody>
</table>

2. RATIONALE AND COUNTRY CONTEXT

2.1. Economic and social situation

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

Chile's independent Central Bank pursues a policy of maintaining inflation between 2% and 4%. For 2005 the inflation rate was 3.7% and for August 2006 reached 3.8% on annual basis. Another factor in the favourable economic situation is the increase in foreign and national investment (24% of GDP for 2004 and a projected 25% for 2005), ranking third in Latin America. Chile’s economy is not only considered to be the least corrupt in Latin America but also the most competitive, ranking 19th worldwide according to a study by the Swiss-based Institute for Management Development (IMD).

Since the restoration of democracy in 1990, Chile has succeeded in reducing the poverty level from 38.6% to 18.8% and the level of extreme poverty from 12.9% to 4.7%, clearly outranking the average Latin American indices for the period indicated and achieving 10 years ahead of schedule the UN millennium development goal of cutting poverty by half.

However, it is acknowledged by both government and private sector that Chile needs to promote innovation more efficiently and increase its competitiveness if it is to reach the status of a fully developed economy, which it aspires.
2.2. Cooperation policy of beneficiary country

Chile has consistently invested in the promotion of Innovation and Competitiveness (I&C) over the last two decades. During this period, Chilean governments have progressively increased the magnitude of investment and the sectors to promote I&C through various promotion instruments and public funds such as FONDECYT, FONTEC, FIA, etc.). According to a recent estimate, the total volume of public investment in I&C was well over 500 M€ per year including the receipts from the recently approved Fund for Innovation and Competitiveness, funded from the copper mining royalty.

President Bachelet’s government programme continues in this direction, increasing the level of public investment in some specific areas such as: (i) strengthening the capacity of SME’s to innovate, (ii) strengthening the agricultural and national dimension of innovation, and (iii) boosting renewable resource technology research and application and (iv) supporting the creation of innovative enterprises.

In this regard, the National Council for Innovation and Competitiveness, (NCIC) which was recently set up under the Ministry of Economy will play a key role and be responsible for bringing coherence and long-term stability to these policies.

The NCIC will advise on I&C strategic matters and policies. It will also offer a platform to discuss and coordinate policies and evaluate institutions that fund I&C actions. In the same line, the Observatory for Science, Technology and Innovation (OSTI), which is to start operating before the end of the year, will provide relevant data to support this process.

In spite of all the efforts undertaken by Chile in this sector, the weaknesses and inefficiencies of the existing I&C policy system are due to the unstructured way in which it was put in place over the years, involving several public institutions and more importantly lacking appropriate articulation between government and private sector.

The proposed project therefore intends to contribute to the Chilean Government’s policy/strategy to promote innovation and competitiveness.

Sustainability and ownership would appear to be assured since the programme is fully consistent with the aims to support the Chilean Government in the implementation of its own political priorities linked to innovation and competitiveness.

2.3. Government Sector Programme

The main weaknesses of the I&C policy system are due to the fact that it has been put in place over the years in an unstructured way involving several public institutions and more importantly without an appropriate articulation between government and private sector. As a matter of fact, public funds proliferated over the last 10 years with different purposes and applications and are managed by various institutions through different instruments.

Some of the most important ones are the following: in the field of R&D promotion, FONDECYT, managed by CONICYT, technological innovation (FONTEC, managed
by CORFO), Innovation and Development in private enterprises (FDI also managed by CORFO), technical assistance (FAT, managed by CORFO), managerial innovation (PAG also managed by CORFO) mining research (FIM) and Agricultural Innovation (FIA in the orbit of the Ministry of Agriculture).

Duplications of efforts, failure to take advantage of the economies of scale of these actions and lack of critical resources in certain critical areas are results of these weaknesses. The National Coimcil on Innovation and Competitiveness (NCIC) was created in 2006 to resolve these problems and bring a long-term strategic view to I&C policy.

Therefore the three main problems the programme is intended to address are:

- **Limited quality and impact of I&C policies.** Although the levels of expenditure are high, the overall impact is reduced due to inter alia the following factors: (i) the lack of formal coordination mechanisms among concerned institutions, lack of coordinated strategic planning and split competencies; (ii) evaluation has not been adequately incorporated into the policy making process and, hence, not used as a tool for strategy reinforcement and to take into account the feedback from interested parties and (iii) the complexity and multitude of bodies in charge of innovation instruments and policies. In short, potential beneficiaries have difficulties to take advantage of the tools currently available in the area of I&C.

- **I&C policies are not successful to reach SME’s.** The results of these policies are not reaching the less favoured sectors of the economy as the main recipients tend to be large companies in Santiago. This is due to the fact that (i) general policies in support of SME were not adequately taken into account until now; and (ii) most I&C innovation tools are conceived for large firms in Santiago, without regional concerns, and therefore neither used by SME’s nor by regions;

- **Limited Innovativeness of Policy Instruments.** The lack of direction and priorities in R&D promotional instruments, have lead to scenarios where R&D instead of being properly articulated and planned, tends to be the product of spontaneous demand of the scientific community and of businesses resulting in dispersion and atomization of research capabilities. This situation is all the more critical given the relatively small capabilities of R&D in the country. Existing I&C policy instruments are not always appropriate to develop new innovative firms or useful to promote new key sectors. This is due to: (i) insufficient knowledge on policy alternatives and innovative ways in these areas (ii) perception of a high risk in experimenting with new policy tools and (iii) policies have been traditionally directed to a few “traditional” sectors and clusters, thus failing to promote other sectors of potential strategic interest.

The proposed strategy to remedy such problems is to implement various projects selected on the basis of calls for proposals aimed at both supporting public policies and at solving specific problems related to innovation and competitiveness.

There is a positive assessment of the institutional capacity for the implementation of the project. In this regard, AGCI which is the official counterpart and national co-
ordinator responsible for EC bilateral cooperation\(^1\) delegates the execution to national authorities.

2.4. Lessons learnt

The main lesson learnt from the implementation of the 2002-2006 CSP is that programmes such as the *Fondo de Apoyo a la implementación del Acuerdo de Asociación* and *Fondo de Modernización del Estado* has provided a high degree of ownership to the various individual projects which have been submitted in response to calls for proposals in the relevant priority areas. In fact, under these programmes, proposals are submitted for specific policy areas by the concerned Government institutions that are close to the issues at stake and are responsible for carrying them through. Experience shows that this has been the key to the effectiveness and sustainability of programme results.

This has been reiterated by the findings of the evaluation mission on the use of these programmes for the implementation of EC cooperation in Chile, whose conclusions have been taken into account in the preparation of this fiche. During the preparation of guidelines and technical and administrative provisions of calls for proposals, which will be launched under the programme, particular attention will be given to ensure that:

- The number of selected projects is reduced in order to improve efficiency and ensure an adequate follow up.
- Project selection takes into account potential thematic synergies, common interests and complementarities in order to guarantee a comprehensive and inclusive approach by the programme.
- Project planning takes into consideration elements such as effective approval periods for national and European procedures in order to establish more accurate operational calendars.

2.5. Complementary actions

This programme will be complementary to ongoing EC programmes under the CSP 2002-2006, especially with regards to the *Empresas Innovadoras* and the *Fondo de Aplicación del Acuerdo de Asociación Chile-UE*.

The proposed programme is consistent with one of the three priority sectors identified in the draft Country Strategy Paper (CSP) 2007-2013. Its specific objectives aim at integrating innovation more completely into Chilean economic production, and encouraging collaboration between the scientific world and the private sector. As mentioned in the CSP, all actions financed will be related to the overall theme of innovation and competitiveness. This will include S&T, environment and sectors that aim at trade facilitation with the EU. For the environment, a specific project to support the strategic environmental assessment in Chile has been defined. Trade facilitation will cover fields such as TBT/SPS, trade related intellectual property rights and sanitary and phitosanitary standards.

\(^1\) AGCI was designated this role in the Memorandum of Understanding signed between the EC and Chile on 28 March 2001.
It is also consistent with the two other actions proposed for the next cooperation cycle (2007-2013), namely social cohesion and education.

It is also coherent with the EU-Chile Association Agreement signed in November 2002, which based on mutual benefits, promotes innovation and technology transfer and the establishment of closer ties between the partners concerned. It is also in line with the EU-Chile Science and Technology (S&T) Agreement, which provides a framework to develop exchange of information and experiences and a permanent cooperation between the S&T communities of the EU and Chile.

The programme is coherent and complementary to objectives and activities set for the Seventh Framework Programme for Research and Development (FP7, 2007-2013), in particular with the application of the lessons learned from FP6 (2002-2006) regarding the creation of an SME friendly IST programme. It is also strongly coherent and complementary to the Competitiveness and Innovation Framework Programme (2007-2013) which is currently being discussed by the European Parliament and the Council. When approved, this programme could be open to Chilean participation by signing an ad hoc bilateral agreement.

2.6. Donor coordination

The coordination with the beneficiary country takes place through the Agencia de Cooperación Internacional (AGCI), which is the official counterpart and national coordinator responsible for EC bilateral co-operation. AGCI has been involved in the preparation process of the CSP and is in agreement with the content of this action fiche.

EU Member States cooperation with Chile is quite limited. In the innovation and competitiveness field, France is currently operating a programme aiming at supporting incubators. Additionally, there is the Chile – Sweden Partnership Fund which is a co-financing programme for projects intended to foster commercial relations and the development, transfer and exchange of technologies, innovative systems and methods applicable to goods and services with emphasis on SME's. Germany, France and Spain have a branch of their main research centres in Santiago with whom the programme will have regular contacts.

With regard to coordination within the EU and other donors, the Delegation in Santiago holds regular meetings with them to provide information about EC activities, exchange views on issues of common interest in the areas and coordinate assistance when appropriate.

More specifically, representatives of the MS in Santiago were informed of the project by the EC Delegation in order to coordinate efforts on the subject. The initiative has been seen in a very positive light.

The World Bank and the Inter-American Development Bank primarily finance economic competitiveness projects.
3. DESCRIPTION

3.1. Objectives

The general objective of the project is to contribute to increase the degree of innovation and competitiveness of the Chilean economy.

The specific objective is to improve the knowledge and experience of key players in the area of Innovation and Competitiveness (I&C), through adequate support to public policies, social dialogue and interaction between Universities and the private sector in order to promote effective economic development, innovation and competitiveness.

3.2. Expected results and main activities

Expected results for the project are:

R1: The quality and impact of Chilean I&C policies and support instruments is improved.
R2: I&C policies are adapted to allow greater SME participation.
R3: Pilot innovative projects have contributed to identify and validate new ways of promoting I&C.

The following activities are indications of the way results could be achieved:

R1:

- Actions aimed at the establishment of a sound evaluation methodology, which includes monitoring and benchmarking of innovation policies.
- Actions aimed at supporting the process of reformulating the national I&C policy system through a better definition of roles among institutions and greater coordination. Actions to support the National Observatory in monitoring the development of the I&C.
- Actions to systematise best practices and promote them to a large audience.
- Actions to develop adequate communication mechanisms between I&C institutions and to improve the quality of I&C communication materials (publications, etc.), making them understandable to all potential beneficiaries.
- Actions to exchange best practices between the EU and Latin America.
- Actions to strengthen the quality of professionals working in innovation and competitiveness institutions.
- Actions to organise workshops, seminars, specific studies, dialogue tables and study tours in Chile and in Europe on innovation and competitiveness issues.

R2:

- Actions aimed at adjusting I&C policy instruments, such as Innova Chile, to better address the needs of SME's.
- Actions to strengthen institutions potentially involved with I&C policies for SME's such as SERCOTEC, INDAP, etc.
- Actions to strengthen SME's and assist them in applying for innovation and competitiveness assistance instruments.
- Actions to organise exchange of experiences on innovation and competitiveness policies for SME's.
- Actions to organise training activities and study tours in Chile and in the EU.
R3:

- Actions to design and launch new policy instruments such as incubators, innovation centres, business accelerators, virtual incubation, etc.
- Actions to identify new target groups that have not been traditionally the main focus of I&C traditional policies.
- Actions to finance "bottom up" smaller-scale innovative projects oriented at new strategic sectors (services, renewable energies, etc.).
- Actions aimed at organising workshops, seminars, specific studies and dialogue tables on innovation and competitiveness issues and study tours in Chile and in the EU.

Care will be taken to avoid possible overlapping of actions which could also be financed by EC Framework Programmes.

The overall result of these actions has been taken into account in the elaboration of the proposed project. The results obtained in each separate component will directly generate impact and synergy on the other components, substantially increasing the potential impact of the programme. The design of the proposed programme components are also coherent with, and will reinforce, the government priorities in Social Cohesion and Education.

3.3 Stakeholders

The main identified stakeholders are the following:

Stakeholders:

The Chilean Agency for International Cooperation (AGCI), which is the official counterpart and national co-ordinator responsible for EC bilateral cooperation will co-ordinate project activities and delegate implementation to concerned national authorities/institutions.

- **The Ministry of Economy (MINECON)** is expected to play a key role in the implementation of project activities, as a coordinator of both financial instruments for the promotion of I&C and for the development of SME's.

- **The National Council on Innovation and Competitiveness (NCIC)** which is headed by the Undersecretary of Economy was set up by the previous government in November 2005 with the mandate to: (i) advise on main issues for a long-term national I&C strategy, (ii) assess the effectiveness of policy and instruments used to strengthen the National Innovation System and propose changes including institutional reorganisation, and (iii) propose criteria to set priorities, execute and evaluate public resources invested in this field. The actions proposed in the three components of the programme are central to the mandate of the NCIC. Therefore, it is expected that NCIC will play an important role in the implementation of the proposed programme.

- **The Chilean Economic Development Agency ( Corporación de Fomento de la Producción, CORFO),** established in 1939, is the state organization in charge of promoting economic development. It supports entrepreneurs, business people and innovators who need access to new technology and technical and financial assistance.
• The National Commission for Scientific and Technological Research (Comisión Nacional de Investigación Científica y Tecnológica, CONICYT), was created in 1967 as an advisory body to the Government on science and technology (S&T). CONICYT acts as a coordinator and promoter of S&T research, training of human resources and the development of new areas of knowledge and productive innovation.

• The National Observatory on Innovation and Competitiveness was created with the mandate to produce all necessary studies and data to understand the functioning of the National Innovation System and support policy making processes regarding I&C.

In addition, other government institutions, study centres, think tanks, private sector and civil society organisations may be invited to play a role in the activities carried out by the project. The latter in particular may provide useful contributions to help mainstream social issues in public policies.

Considering the political priority that I&C has in Chile, a high degree of ownership is expected from the government institutions that will implement the project. There is also a positive assessment of the institutional capacity for the implementation of the project.

Target Groups:

The target groups of the programme are the public and private institutions that MINECON will invite to participate in the activities to be carried out by this project, for example institutions dealing with financing of innovation, business promotion, S&T research, SME’s promotion and private foundations promoting innovation. However, only government institutions and non-profit organisations (associations, foundations, etc.) with a public service mission may manage projects financed under this focal action.

Final Beneficiaries:

The final beneficiary is the Chilean population, especially those interested in participating in innovation-based projects in their enterprises, research centres and public institutions. The programme will pay special attention to provide equal opportunities for the participation of the excluded and less favoured social groups.

3.4. Risks and assumptions

The recognition that the country needs to promote innovation more efficiently and increase competitiveness to face today’s economic global challenges, is shared by all concerned actors, i.e., the government, which sees these areas as one of the agenda priorities, the private sector and Universities and research centers. Given the importance of the subject and the pressure to be competitive, it is considered extremely unlikely that concerned actors will loose interest to support I&C policies and cooperation between the public and private sectors that could put the proposed project at risk.

In this regard, it is assumed that:
- Cooperation between public and private actors oriented towards I&C is bound to increase.
- The interest shown by Chilean decision makers and other actors to learn from European best practices in this field will remain.

Although there seems to be no real risks that could jeopardise the viability of the project, there are some constraints that need to be overcome to ensure its efficiency, such as:

- The complexity to implement new policies for the promotion of SME’s that deliver concrete results.
- The difficulties for MINECON to ensure leadership and efficient coordination of the institutions involved in one way or another with I&A.
- The reluctance of potential project executors to work under the implementation constraints imposed by the EC financial and administrative procedures.

3.5. Crosscutting Issues

Cooperation in this field will promote equality and equity in general, thus contributing to a more balanced and equitable development of Chilean society across the board. Particular attention will be paid to cross-cutting matters, taking on board socio-cultural issues addressing gender, age, ethnic origin, and territorial dimension concerns.

In particular, in the different implementation fields of the programme, the beneficiary will promote equality between men and women, without any kind of discrimination. It is also expected that cooperation on I&C will have a positive impact on environment-related issues, for instance by companies promoting the use of clean technologies and the development of renewable energy, hence, contributing to the development of policies encouraging compliance by private sector with environmental responsibilities.

4. IMPLEMENTATION ISSUES

4.1 Implementation method

Decentralised management through the signature of a financing agreement with a third country2.

The Commission controls ex ante the contracting procedures for procurement contracts > 50,000 euro and ex post for procurement contracts ≤ 50,000 euro.

Through the programme estimates, payments are decentralised for operating costs and contracts up to the following ceilings:

<table>
<thead>
<tr>
<th>Works</th>
<th>Supplies</th>
<th>Services</th>
<th>Grants</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;€ 300,000</td>
<td>&lt;€ 150,000</td>
<td>&lt;€ 200,000</td>
<td>≤€ 100,000</td>
</tr>
</tbody>
</table>

AGCI in its capacity as the official counterpart and national co-ordinator responsible for EC bilateral cooperation will be responsible for the coordination of the implementation. The government institutions and any other bodies that may implement project activities will be detailed in the action's technical and administrative provisions, an annex to the Financing Agreement.

For the purpose of the implementation of this programme, it is proposed to set up an Inter Sectoral Committee, integrated by high level authorities from participating government institutions, AGCI and the Delegation, which should ensure regular follow-up of the programme's strategic guidelines/priorities, objectives and results throughout its implementation in order to foresee and recommend necessary adjustments. The Delegation will participate as an observer in the Committee.

4.2. Procurement and grant award procedures [programme estimates]

The procurement and grant award procedures of the beneficiary partner country will be used in conformity with the principles and requirements of the Financial Regulation applicable to the General Budget of the European Communities\(^3\).

All programme estimates must respect the procedures and standard documents laid down by the Commission, in force at the time of the adoption of the programme estimates in question.

4.3. Budget and calendar

The total cost of the programme is estimated at € 31.8 million, with an equal 50% contribution from each, the EC and the Chilean government through different public institutions at all levels.

The suggested breakdown is as follows: for Result 1: 30% (€ 9.540 millions); for Result 2: 30% (€ 9.540 millions), and for Result 3: about 40% (€ 12.720 million). Although the tentative breakdown of the project amount has been prepared in agreement with the Government, it should be revised and further defined in the project's technical and administrative provisions.

Due to the length of the cooperation period (2007-2013) and the end of the current presidential mandate in 2010, it is proposed to implement the project in two phases. The first phase will run from 2007 to 2010 and the second phase from 2011-2013. It is expected that 60,2 % % (€ 9.300.500) of available funds will be committed during the period 2007-2010; the remaining 39,8 % (€ 6.150.000) will be used during the period 2011-2013. The estimated duration for the first phase (2007-2010) of this action is expected to be 36 months.

In addition to funds allocated to specific projects or activities, direct funding will be necessary for actions such as studies, workshops, exchange of experiences and technical assistance, aimed at addressing specific fields of interest to support and improve national policies. Any direct funding of projects or activities will be done based on relevant EC procedures.

---

\(^3\) The Commission has studied and obtained evidence that the Chilean Authorities fulfil the requirements in this respect.
The suggested budget allocations for EC and beneficiary contributions during the 2007-2010 period could be as indicated below:

<table>
<thead>
<tr>
<th>Budget Items</th>
<th>EC Contribution (Euros)</th>
<th>EC Contribution (%)</th>
<th>Beneficiary Contribution (Euros)</th>
<th>Beneficiary Contribution (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. ACTIVITIES</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1 Result 1 (30%)</td>
<td>2.460.150</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.2 Result 2 (30%)</td>
<td>2.460.150</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.3 Result 3 (40%)</td>
<td>3.280.200</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. RUNNING COSTS</td>
<td>0</td>
<td>0</td>
<td>1.100.000*</td>
<td>12%</td>
</tr>
<tr>
<td>3. AUDIT/EVALUATION</td>
<td>400.000</td>
<td>4%</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>4. VISIBILITY</td>
<td>500.000</td>
<td>6%</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>5. CONTINGENCIES</td>
<td>200.000</td>
<td>2%</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>9.300.500</strong></td>
<td><strong>100%</strong></td>
<td><strong>9.300.500</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

*This contribution may be in kind.

4.4. Performance monitoring and criteria for disbursement

The programme will be subject to annual external monitoring missions organized by the Commission's services.

The disbursements will be conditioned on the approval of the Annual Work Programmes, including the programme estimates.

4.5. Evaluation and audit

A mid-term evaluation will be carried out at the end of the first phase of implementation and in no case later than in 2010. Based on its results, the second phase will be designed maintaining or adapting the overall strategy of intervention, leading to the preparation of a new financial proposal. EC annual external monitoring missions will be carried out during the entire programme implementation, as well as a final evaluation at the end of phase II (2013).

Regarding audits, AGCI will carry out internal audits and evaluations necessary for adequate programme follow up. A financial audit by external independent auditors, previously approved by the Commission, should be carried out on an annual basis.

The Commission will additionally contract a complete systems and financial audit at the end of each implementation phase.
4.6. Communication and visibility

The program and budget for communication and visibility will be elaborated in the technical and administrative provisions of approved projects.
ANNEX III

ACTION FICHE FOR CHILE/LATIN AMERICA/ENVIRONMENT

1. IDENTIFICATION

<table>
<thead>
<tr>
<th>Title</th>
<th>Support To The Strategic Environmental Assessment In Chile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cost</td>
<td><strong>EC contribution for this Action (2007-2010) :</strong> 949,500</td>
</tr>
<tr>
<td></td>
<td>Chilean Government Contribution : 883,000</td>
</tr>
<tr>
<td></td>
<td>Total amount : 1,832,500</td>
</tr>
<tr>
<td>Aid method / Management mode</td>
<td>Project approach - decentralised management</td>
</tr>
<tr>
<td>DAC-code</td>
<td>410 10</td>
</tr>
</tbody>
</table>

2. RATIONALE

2.1. Sector context

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

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

Thus, important challenges remain in the country in order to deepen the integration of the environmental considerations into the economic decisions and to mainstream the environmental approach in public plans, programmes and projects.

During the period 1990-2004, Chile substantially strengthened its institutional and legal framework, most notably with the 1994 Ley General de Bases del Medio Ambiente, which established the National Environment Commission (CONAMA), reporting directly to the President’s office through the Ministry General Secretariat of the Presidency.

CONAMA is a public body that operates as a decentralised service under a special regime. It has responsibility in the co-ordination of government environmental policies and regulations as well as in the integration of environmental concerns in policies in general. For this purpose, the institutional structure includes an intersectoral instance which meets the Ministers of relevant sectors involved in the environmental management of the country. The government is currently considering granting CONAMA ministerial status in the very near future.
In spite of the progress achieved in environmental management in Chile since 1994, the rapid economic growth experienced by Chile has exerted considerable pressure on the natural resources, especially in successful sectors such as mining, forestry, and aquaculture. Moreover, some of the emblematic industrial projects in the country (cellulose pulp plant, mining projects) are currently being questioned due to their negative environmental impact.

An assessment of Chile’s Environmental Performance by the OECD establishes that the country is facing important environmental management challenges. One key recommendation in this regard, refers specifically to the need to carry out Strategic Environmental Assessments (SEAs).

**Strategic Environmental Assessment in Chile (SEA)**

Chile uses a wide range of instruments in connection with environmental policy including: the Environmental Impact Assessment (EIA), economic and other regulatory instruments (including trading mechanisms), voluntary approaches and planning and information instruments.

However, Chile does not have an instrument to strategically analyse the environmental situation in its development model. In addition, public policies aimed at guiding the current development model have lacked systematic strategic planning processes. This has made the strategic incorporation of the environmental dimension in the developing process difficult.

The lack of strategic planning processes has led to a case-by-case decision-making practice, that has not taken into consideration the accumulated environmental impact and externalities, thus resulting in social-environmental conflicts. This has also affected the sustainability and effectiveness of public actions, which have ended up dealing with the negative environmental aspects only after they were carried out.

The SEA is undoubtedly one of the key instruments that would enable Chile to deal with the challenge of environmental sustainability and improve the weaknesses of its decision-making model.

The SEA facilitates the early incorporation of the environmental dimension in strategic decisions, policies, plans and programmes (PPPs). This is achieved by means of an obligatory/voluntary and structured assessment procedure, in which the environmental dimension of the decision is analysed in detail, ensuring that the environmental objectives and alternatives are included in the PPPs. It also ensures the consideration of all possible environmental consequences of decisions taken, and promotes public participation in the decision process.

The SEA would significantly benefit the country, helping to upgrade the standard environmental analysis and systematically introducing a strategic and long-term perspective when considering sectoral development options. It would also help to overcome a severe weakness in the country’s environmental management, which has caused important and avoidable environmental damages. Additionally, due to its dialogue-based nature, SEA would contribute to the improvement of the planning process and methodology within the country.

As previously mentioned, the EIA of projects is a well established environmental tool in Chile, which could turn out to be a positive influence for the introduction of
SEA, for it facilitates the understanding of the need of environmental assessment tools in general.

The SEA is probably one of the most urgent needs to improve the national environmental management in Chile, helping to deal with the lack of strategic environmental consideration in the national development model. The implementation of the SEA in Chile, as in any other country, will take time since the tools need to be adapted to the national conditions. This project aims to facilitate its introduction and make its implementation a reality by means of a set of activities to empower key actors at a national level.

### 2.2. Lessons learnt

Although there has been no previous experience of cooperation on Strategic Environmental Assessments (SEA) in terms of cooperation between Chile and the EU, it appears that environmental cooperation projects are more successful when a broad base of institutional support is present. Also, the direct participation of the decision-makers seems to be particularly important in environmental projects.

Because of the absence of relevant experience in Chile, the introduction of the SEA should be treated as a matter of innovation in public policies. In this regard, lessons learnt by innovative actions in the modernisation of the State must be taken into consideration, specifically those related to the culture and procedures of public sector planning.

CONAMA (Chile's National Commission for the Environment) has for some months now established a technical committee which is analysing the country's current energy situation from an environmental perspective. This committee has made the suggestion to apply an SEA approach to deal with the issues that may arise. Moreover, CONAMA has recently (2006) concluded an analysis of the favourable perspectives of integrating the SEA into the Regional Urban and Territorial Development Plans.

The Council and the representatives of the governments of the Member States, the European Commission and the European Parliament jointly adopted the European Consensus on Development on 20 September 2005. The Consensus reflects the willingness of the European Union to make a decisive contribution to the eradication of poverty and help build a more peaceful and equitable world.

Finally, the European Union adopted the Directive 2001/42/CE\(^1\) relative to the assessment of the effects of some plans and programmes, which makes the SEA obligatory for a large number of plans and programmes for the 25 EU countries. In this regard, many SEA guidelines have been developed in the EU countries.

### 2.3. Complementary actions

The experiences of the EU in sustainable development show remarkable achievements by way of the support for the "Coastal Strip Territorial Regulations in Region IV" -- a highly interesting experience which could also be implemented in Region IX, where the EU is carrying out a rural development project. German cooperation was the first to gain experience in SEA and foster the decentralisation process in Chile. GTZ's experience gained in its "Región Activa" Project and the

---

\(^1\)Directive 2001/42/CE was approved by the European Parliament on 27 June 2001.
Solid Residues Management Project should be taken into account for future environmental actions.

2.4. Donor coordination

German cooperation represents 18% of cooperation from Member States (MS), while 8% comes from Belgium, and 6% from France. Information meetings are held monthly. In this context, the main lines of the projects were presented to representatives of the MS. In the environmental field, the German Development Cooperation is currently operating programmes that deal with the issues of energy and territorial planning - both relevant aspects in the eventual implementation of this project.

Other important bilateral donors are Canada (creating a national register of emissions and a national system of environmental taxation), South Korea, and Japan.

The World Bank and the Inter-American Development Bank primarily finance economic competitiveness projects.

Representatives of the MS were informed of the project profile by the EC Delegation to Chile in order to coordinate efforts on the subject. The initiative has been seen in a very positive light.

3. DESCRIPTION

3.1. Objectives

General objective: To enhance the integration of the environmental dimension in the decision-making processes leading to the definition of Public policies, Plans and Programmes (PPPs) in order to favour sustainable development in Chile.

Specific objective: To contribute to the implementation of the SEA in Chile.

3.2. Expected results and main activities

R-1: Recommendations and proposals for the implementation of the SEA instrument in formal decision-making processes concerning public Policies Plans and Programmes, are available.

R-2: Recommendations and proposals for the implementation of the SEA in situations where no formal decision-making process exist, are available.

R-3: The needs of information, expertise and capacities of the national human resources concerning the SEA, have been met satisfactorily.
Main Activities

Result 1
A.1.1 Development of an integrated analysis of the Strengths, Weaknesses, Opportunities and Threats (SWOT) of the implementation of the SEA in Chile
A.1.2. Development of a programmatic document establishing the specific objectives, the methodology and main criteria for the selection of the case studies for pilot experiences in SEA.
A.1.3. Elaboration of the list of relevant experiences in order to select the pilot studies to be launched.
A.1.4. Selection of the pilot case studies for the implementation of the SEA
A.1.5. Design and implementation of a comprehensive strategy applicable to the selected case studies.
A.1.6. Development of the systematisation and assessment of the experience learned for the SEA.
A.1.7. Identification of new opportunities for the implementation of the SEA in other sectors/territories in the medium-term
A.1.8. Presentation of the final proposals, guidelines and Action Plan for the development of the SEA to the Chilean Authorities.

Result 2.
A.2.1 Development of an integrated analysis of the Strengths, Weaknesses, Opportunities and Threats (SWOT) of the implementation of the SEA in Chile
A.2.2. Development of a programmatic document establishing the specific objectives, the methodology and main criteria for the selection of the case studies for pilot experiences in SEA.
A.2.3. Elaboration of the list of relevant experiences in order to select the pilot studies to be launched.
A.2.4. Selection of the pilot case studies for the implementation of the SEA
A.2.5. Design and implementation of a comprehensive strategy applicable to the selected case studies.
A.2.6. Development of the systematisation and assessment of the experience learned for the SEA.
A.2.7. Identification of new opportunities for the implementation of the SEA in other sectors/territories in the medium-term
A.2.8. Presentation of the final proposals, guidelines and Action Plan for the development of the SEA to the Chilean Authorities.

Result 3.
A.3.1. Identification of the national human resources needs to implement the SEA in Chile.
A.3.2. Conduction of appropriate training courses and internships.
A.3.3. Assistance, training and coaching activities for top management levels in government.
A.3.4. Design and implementation of the SEA dissemination activities.
A.3.5. Dissemination of the benefits achieved by SEA in national and international events
3.3. **Stakeholders**

The Agency for International Cooperation (AGCI), which is the official counterpart and national co-ordinator responsible for EC bilateral cooperation, will delegate the implementation of the project to CONAMA. CONAMA shall establish a **Project Directive Council** that will include the Undersecretariat of Regional Development (SUBDERE), the Ministry of the Presidency (SEGPRES) and, as observers, the EC Delegation and AGCI.

The Project Directive Council shall approve the project's strategic guidelines and sanction the AOPs to be submitted to the Beneficiary for approval, and subsequent forwarding to the Commission. The functions of each one of the Directive Council members are described in the TAPs.

Direct beneficiaries of the actions are:

- Public institutions that implement project activities, especially CONAMA, SUBDERE and SEGPRES; institutions responsible for conducting studies and those that will take part in the three pilot experiences.

- Institutions / people participating in training and those who will own the instrument. There is an estimated capacity to conduct 12 courses (with approximately 15 participants in each). The process of taking ownership of the instrument cannot be quantified. Based on a disseminating strategy, course participants will act as “promoters” of the idea, thus reaching out to a considerable number of people.

The capacity building activities will be available not only to benefit those institutions directly involved with environmental issues, but also to other relevant sectors such as the planning of land use.

In an indirect manner, the project will benefit Chile’s whole population, especially those who are most vulnerable to the negative environmental impacts of future projects and sectoral PPPs

3.4. **Risks and assumptions**

**Risks**

- The environmental issue becomes less important in the political agenda (for example due to the deepening of the energy crisis and related economic consequences).

- Lack of consensus over a new body of development plans (territorial/sectoral, inter-related)

**Assumptions**

- International situation and particularly that of the EU remains stable and therefore international cooperation agreements reached with Chile will not be modified.

- Political stability in the country will prevail.

- Government will develop and maintain the environmental policy as declared.

- Economic stability of the country will allow the development of the project.

- Agents of the State are willing to generate long lasting programmes.
Objective Level Assumptions: The participating institutions are in a position to commit and create the conditions for the integration of the environmental dimension into their strategic decisions.

Expected Results Level Assumptions:
- There are territorial and sectoral plans which will allow a deeper integration of the environmental aspect.
- Political decision-makers (of the corresponding level) will have the mandate to integrate environmental matters into the development plans.
- Government will be willing to deal with diffuse decision-making situations.
- An initial methodology proposal will be available.
- Catalysts for this process of innovation are clearly identified.
- The main dissemination channels to reach second level catalysts are identified.
- The Chilean development model will keep sustained development as its central objective.
- The modernisation project of the State is being carried out.

Conditionalities to be met prior to and during the implementation.
- Continuity of the Chilean innovation policy during the implementation of the project.
- Agreements signed by the national organisations to collaborate with CONAMA in the implementation of the project.
- Collaboration among the different beneficiary entities of the project.
- Availability of the necessary human and financial resources as agreed in the Administrative Technical Guidelines. Availability, on the part of the government of Chile and other institutions involved, of their financial contributions and provision of the necessary facilities to ensure the functioning of the project after external finance has ended.
- Commitment by the Beneficiary to allow the European Union, and in particular the Court of Accounts of the European Communities, to control the books and accounts related to the implementation of the Finance Agreement, during the course of the project and after its realization.
- Active integration of women, without any type of discrimination, into the different stages of the project, from the selection procedures of local personnel to the implementation and supervision of the activities of the project.

3.5. Crosscutting Issues

Cooperation in this field will promote equality and equity in general, thus contributing to a more balanced and equitable development of Chilean society across the board. Particular attention will be paid to cross-cutting matters, taking on board socio-cultural issues addressing gender, age, ethnic origin, and territorial dimension concerns.

The project will concentrate on the planning and assessment processes; it will not implement field work. Through its objectives/results the proposed project will help diminish negative environmental impacts.
Nevertheless, it is worth mentioning, that in bidding for research activities (see section DTA, section V.1.1.4) any company that does not respect the national legislation in force for the protection of the environment and for the sustainable use of the natural resources, will be excluded.

In the different fields of the implementation of the project, the beneficiary commits itself to promote equality between men and women, without any kind of discrimination, and in the general respect for human rights.

An efficient implementation of a procedure for environmental assessment developed and shared by the principal governmental and non-governmental actors can render the government's acceptance more likely, which in turn will contribute to "good governance".

On the other hand, the SEA will provide Chilean institutionalism new arguments on the consistency of its environmental policy within the framework of multilateral and bilateral trade negotiations.

For impacts affecting human beings, the SEA methodologies will consider, when available, data on women and men.

4. IMPLEMENTATION ISSUES

4.1. Implementation method

The implementation method will be partly decentralised management through the signature of a financing agreement with Chile\(^2\).

The Commission controls ex ante the contracting procedures for procurement contracts >50,000 euro and ex post for procurement contracts ≤ 50,000 euro.

Through the programme estimates, payments are decentralised for operating costs and contracts up to the following ceilings:

<table>
<thead>
<tr>
<th></th>
<th>Works</th>
<th>Supplies</th>
<th>Services</th>
<th>Grants</th>
</tr>
</thead>
<tbody>
<tr>
<td>€</td>
<td>€ 300.000</td>
<td>€ 150.000</td>
<td>€ 200.000</td>
<td>€ 100.000</td>
</tr>
</tbody>
</table>

AGCI in its capacity as the official counterpart and national co-ordinator responsible for EC bilateral cooperation will be responsible for the coordination of the implementation\(^3\). The government institutions and any other bodies that may implement project activities will be detailed in the action's technical and administrative provisions (annex of the Financing Agreement).

4.2. Procurement and grant award procedures

All contracts implementing the action must be awarded and implemented in accordance with the procedures and standard documents laid down and published by

---


\(^3\) AGCI was designated this role in the Memorandum of Understanding signed between the EC and Chile on 28 March 2001.
the Commission for the implementation of external operations, in force at the time of the launch of the procedure in question.

The essential selection and award criteria for the award of grants are laid down in the Practical Guide to contract procedures for EC external actions. The maximum possible rate of co-financing for grants is 50%. Full financing may only be applied in the cases provided for in Article 253 of the Implementing Rules of the Financial Regulation where financing in full is essential to carry out the action in question.

All programme estimates must respect the procedures and standard documents laid down by the Commission, in force at the time of the adoption of the programme estimates in question.

4.3. **Budget and calendar**

- Duration of the action: 48 months
- The global budget for the project is €1.832.500.
- The headings 1.1 (*International technical assistance*) and 1.2 (*Local Technical assistance*) will be managed directly by AGCI and CONAMA
- The heading 1.3 (*Monitoring, evaluation and audit*) will be managed directly by the Commission.
- The Community's contribution to the “Contingencies” heading may be used only with the Commission’s prior agreement.

<table>
<thead>
<tr>
<th>Budget Items</th>
<th>EC Amount</th>
<th>%</th>
<th>Beneficiary country Amount</th>
<th>%</th>
<th>Total Amount</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1 International Technical Assistance</td>
<td>243 000</td>
<td>25,6</td>
<td>243 000</td>
<td>13,3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.2 Local Technical assistance</td>
<td>84 000</td>
<td>8,8</td>
<td>90 000</td>
<td>10,2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.3 Evaluations</td>
<td>97 500</td>
<td>10,3</td>
<td>120 000</td>
<td>6,5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.3.1 Evaluation</td>
<td>97 500</td>
<td>5,3</td>
<td>120 000</td>
<td>6,5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.3.2 External Audit</td>
<td>120 000</td>
<td>12,6</td>
<td>120 000</td>
<td>6,5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.4 Studies Assessments</td>
<td>200 000</td>
<td>21,1</td>
<td>30 000</td>
<td>3,4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.5 Formation Training</td>
<td>45 000</td>
<td>4,7</td>
<td>45 000</td>
<td>5,1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.6 Exchange of experiences</td>
<td>40 000</td>
<td>4,2</td>
<td>40 000</td>
<td>2,2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Supplies</td>
<td>20 000</td>
<td></td>
<td>20 000</td>
<td>1,1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1 Equipment</td>
<td>20 000</td>
<td>2,1</td>
<td>20 000</td>
<td>1,1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.2 Others</td>
<td></td>
<td></td>
<td>20 000</td>
<td>1,1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Works</td>
<td></td>
<td></td>
<td>20 000</td>
<td>1,1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 Information and Visibility</td>
<td>80 000</td>
<td>8,4</td>
<td>80 000</td>
<td>4,4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Operating costs</td>
<td></td>
<td></td>
<td>80 000</td>
<td>4,4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.1 local Staff</td>
<td></td>
<td></td>
<td>80 000</td>
<td>4,4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>48 000</td>
<td>5,4</td>
<td>48 000</td>
<td>2,6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-Director</td>
<td>120 000</td>
<td>13,6</td>
<td>120 000</td>
<td>6,5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Senior Professionals</td>
<td>231 840</td>
<td>26,3</td>
<td>231 840</td>
<td>12,6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Junior professionals</td>
<td>139 200</td>
<td>15,8</td>
<td>139 200</td>
<td>7,6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administration and Finances</td>
<td>88 000</td>
<td>9,9</td>
<td>88 000</td>
<td>4,8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.2 Other costs</td>
<td>90 960</td>
<td>10,3</td>
<td>90 960</td>
<td>5,0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6 Credit Funds</td>
<td></td>
<td></td>
<td>90 960</td>
<td>5,0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 Other</td>
<td></td>
<td></td>
<td>90 960</td>
<td>5,0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8 Contingencies</td>
<td>949 500</td>
<td>100</td>
<td>949 500</td>
<td>50,0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9 Total</td>
<td>1 832 500</td>
<td>100</td>
<td>1 832 500</td>
<td>100</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4.4. Performance monitoring

Key indicators for measuring progress.

Specific Objective:
- A document with a comprehensive proposal and Action Plan for the development of the SEA in Chile submitted to the national authorities.
- Number of relevant public institutions endorsing the proposal and Action Plan.
- Percentage of people, in charge of the implementation of pilot cases, trained.
- Number of concerned institutions that are exposed to the dissemination activities about SEA.

R-1:
- Recommendations for the application of the SEA in territorial and sectoral PPPs are based on case studies selected under the project proceedings and criteria.
- Systematisation on the case studies, duly elaborated.
- Conclusions and recommendations, approved by the Public-Private Consultative Council and the Technical Committee.

R-2:
- Recommendations for the application of the SEA in situations where no formal decision-making exist are based on case studies selected under the project proceedings and criteria.
- Systematisation on the case studies, duly elaborated.
- Conclusions and recommendations, approved by the Public-Private Consultative Council and the Technical Committee

R-3:
- Number of man/hours of training in the framework of the SEA
- Number of meetings with high-level sectoral managers
- Existence of collaboration agreements among training programmes in the SEA in the country.
- Number of publications produced
- Number of seminars organised
- Attendance to national and international events

4.5. Evaluation and audit

Given the new aspect of the matter (strategic environmental assessment) and the need to adapt the concept to the realities of a country in the process of modernising its State, the following is contemplated:
- a mid-term mission
- a final mission

Audits: The Beneficiary will ensure the necessary audits.

4.6. Communication and visibility

The project considers an important number of public activities related to the dissemination of the EAE pilot experiences, as well as training events and seminars addressed to the academic, the private and the public sectors.
ANNEX IV

ACTION FICHE FOR CHILE:
ERASMUS MUNDUS EXTERNAL COOPERATION WINDOW,
LATIN AMERICA

1. IDENTIFICATION

<table>
<thead>
<tr>
<th>Title</th>
<th>Erasmus Mundus External Cooperation Window (CHILE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total cost</td>
<td>EC contribution 2007-2010: M€ 4,920,000</td>
</tr>
<tr>
<td></td>
<td>100% EC contribution</td>
</tr>
<tr>
<td>Aid method / Management mode</td>
<td>Project approach – centralised indirect management</td>
</tr>
<tr>
<td>DAC-code</td>
<td>11420</td>
</tr>
<tr>
<td>Sector</td>
<td>Higher education</td>
</tr>
</tbody>
</table>

2. RATIONALE

2.1. Sector context

The European Union recognises the importance of higher education for economic and social development. Higher education plays a crucial role in producing high quality human resources, in disseminating scientific discovery and advanced knowledge through teaching and educating future generations of citizens, high level professionals and political leaders, who in turn can contribute to better development and governance.

In spite of the achievements recorded in Chilean education, where coverage for basic and secondary education has expanded dramatically, there remain problems regarding quality and performance (a problem still remains regarding quality and performance). In the field of higher education, the low number of postgraduates (masters and doctorates) is seen as an obstacle for the development of the country. Although the number of doctorates doubled between 1999 and 2003 and the rate of doctorates per million inhabitants rose from 5 to 9, Chile still lags behind OECD countries where the rates range from 85 in Greece to 284 in Finland. Chile has a low number of postgraduate teachers involved in research. Of the 40,000 academic staff in higher education, only 7,000 are also researchers who work mainly in public and private universities. To reach the level of Greece or Portugal, the figure would have to be around 15,000 or 22,000 respectively. Also, the number of Chilean students who are exposed to the EU through post-graduate and doctorate studies there, is lower than the number of Chilean students who go to the US for further education. In short, the number of doctorate and master programmes is limited, focused on a small number of institutions and has a very low annual graduation rate.

Among the national entities which are currently offering scholarships for postgraduate studies are:
MIDEPLAN – Ministry of Planning: Through the program “Presidente de la República” MIDEPLAN is currently supporting over 750 scholarships for domestic and international studies, half of which are doctorates.

CONICYT: This entity awards research and postgraduate scholarships for studies abroad. MECESUP – Ministry of Education: A 230 million USD scholarship fund co-financed by the World Bank and the Chilean Government is currently being managed by MECESUP, a national programme aimed at improving the quality of Higher Education Institutions. Although the first stage of the program is about to end, the fund’s renewal has been agreed.

AGCI – Chilean Agency for International Cooperation: In the framework of one of the projects within the State Modernization Programme co-funded by the EU, AGCI is awarding exchange programmes and professional training/upgrading scholarships benefitting public servants.

In addition, EU Member States and other donors provide an interesting number of scholarships in this field.

2.2. Lessons learnt

Even though Chile is eligible for Actions 2 and 3 of the Erasmus Mundus Masters Programme, the participation of Chilean students and academics has been rather low. (As a matter of fact in 2006 11 persons were selected by the Consortia offering EM Masters Courses). This situation seems to be related partly to the lack of visibility for the programme in the country, but also to the competition with an increasing number of scholarship programmes available for post-graduate studies.

In the light of the experience with the Erasmus Mundus Masters Programme, it would be quite important for the success of the EMEWC program to give it ample visibility within the country.

2.3. Complementary actions

To date there have been two EC regional programmes in the field of higher education with impact in Chile:

ALFA: This academic cooperation programme is aimed at enhancing mutual understanding and at improving quality of higher education programmes from Europe and Latin America. Chile has been an active participant in the two phases of the programme. Regarding ALFA II, Chile ranks third in participation after Brazil and Argentina. 31 different eligible Higher Education Institutions (HEI) from Chile are involved in 95 of the 197 approved projects. The European Community's financial contribution to the activities carried out by the 95 projects, where Chile participates, is 24.5 M€.

ALBAN: Concerning this scholarship programme, Chile has also performed quite dynamically, considering the number of students interested in participating and the final number of Chilean grant-holders that are selected. Master and Doctorate programmes are Chilean grant-holders’ most demanded options. Up to date, 185 Chilean professionals have been selected to initiate studies mainly in the areas of social sciences, medicine and architecture and urbanism.
ERASMUS MUNDUS PROGRAMME: It is expected that this programme will continue to attract a number of Chilean scholars and students.

EU-CHILE AGREEMENT FOR SCIENCE AND TECHNOLOGY. The Chilean Government through the National Council for Science and Technology (CONICYT) is currently enhancing the implementation of projects aimed at strengthening scientific and technological capacities through the generation of joint applied research projects that will address different problems of interest for Chile. In addition to conducting joint research, these initiatives will foster the creation of networks and exchanges between European and Chilean scientific institutions. It is expected that Chile improves its participation in the Seventh Framework Programme for Research and Technological Development (FP7).

An important number of scholarships is also provided by the following EU Member States: Germany (DAAD), Spain (AECI), United Kingdom (British Council), France (EDUFRANCE) and Italy.

Other donors in this field are USA, Japan, Korea, Canada, and Australia as well as the OAS.

2.4. Donor coordination
In line with the Paris Declaration on Aid Effectiveness indicators, it is underlined that Chile is a group 2 country where few donors continue to implement cooperation programmes.

In general, the EU Member States cooperation with Chile is quite limited. As already indicated some Member States offer scholarships programs in their countries and remain active in cooperation in higher education, in particular in areas related to exchanges. Regular co-ordination in this field is held with Germany, Spain, France and United Kingdom.

The EU coordination with the beneficiary country takes place through AGCI, which is the official counterpart and national co-ordinator responsible for EC bilateral cooperation.

3. DESCRIPTION

3.1. Objectives
The overall objective of the EU-Chile Erasmus Mundus External Cooperation Window (EMECW) is to achieve better understanding and mutual enrichment between the EU and Chile through the exchange of persons, knowledge and skills at higher education level, with a view to fostering better social cohesion and sustainable development in line with the Milennium Development Goals.

More specifically, the EU-Chile EMECW aims:
- To provide students from academic institutions in socio-economically disadvantaged regions with higher education opportunities;
- To enhance the skills and qualifications of Chilean higher education staff from the academically least privileged HE institutions;
- To enhance international capacity and promote cooperation between sending and hosting institutions of these HE institutions
• To promote cooperation in the framework of the Bologna process and the construction of the Common Higher Education Area of the Latin America, the Caribbean and the EU (ALCUE).

3.2. **Expected results and main activities**

This action will involve the organisation of different kinds of mobility, the provision of education/training and other services to foreign students and teaching/training and research assignments and other services to academic staff.

The expected results are:

- Multilateral exchange of students and academic staff between Europe and Chile.
- Enhanced international cooperation capacity of Higher Education institutions in Chile through cooperation with high quality European institutions (Erasmus Charter).
- The spreading of the experience of European universities in the framework of the Erasmus exchange, the implementation of the Bologna process and the Common Higher Education Area of the ALC and the EU (ALCUE).
- Enhanced role for the higher education sector from the least developed regions in Chile, in line with the Millennium Development Goals.

The project will be composed of two main parts:

1. **The organisation of the mobility partnership.**

   Organisation of mobility will focus in particular on the provision for selection of students and academic staff to take part of the individual mobility activities, provision of adequate linguistic support; provision of information, assistance and accompanying and monitoring measures to students from vulnerable groups and academic staff.

   Specific events for the diffusion and to promote constructive dialogue in the field of higher education between EU and Chile will be developed with the national authorities, in particular with the Programme for the improvement of the HE in Chile - Ministry of Education (MECESUP), the National Council for the Accreditation of the Higher Education in Chile (CNAP), CONICYT and other entities related to scholarships programmes.

2. **The implementation of individual mobility of students and academic staff**

   The programme will focus on three target groups and different types of mobility:

   **Target groups.**

   **GROUP 1-** EU and Chilean national students and academic staff registered in one of the universities member of the partnership. The types of individual mobility flows will include: undergraduate, master, doctorate, post-doctorate and academic staff exchanges.

   **GROUP 2-** Chilean nationals, registered in a Chilean higher education institution not included in the partnership or having obtained in a Chilean institution a university degree or equivalent. This includes the possibility of providing mobility opportunities to Chilean nationals working in public administration, public and private enterprises. The types of individual mobility flows will include: master, doctorate and post-doctorate.
GROUP 3- Chilean nationals who are in particularly vulnerable situations. The types of individual mobility flows will include: undergraduate, master, doctorate and post-doctorate.

Minimum requirements

- Target Group 1 must represent at least 50% of the individual mobility covered by the project.

- Within each proposal, a maximum of 30% of the individual mobility flows can be reserved to cover the mobility of students and/or academic staff from the European institutions towards one or more of the third-country institutions involved in the partnership. (Note: there is no minimum percentage set)

- Within each proposal, at least 70% of the individual mobility flows must concern Chilean nationals.

- No specific requirements involve the academic staff mobility.

Mobility flows for students and academic staff between the European or between Chilean institutions involved in the partnership is not eligible.

The partnership agreements shall integrate at least five European universities from at least three different European countries and at least one Chilean HEI. The Chilean HEIs participating in a Consortia must have obtained the quality accreditation by the CNAP\(^1\), unless the Universities concerned (European and Chilean) agree to integrate a non accredited university.

The action will fund five types of individual mobility flows:

- Undergraduate (6-34 months)
- Master (6-22 months)
- Doctorate (6-34 months)
- Post-doctorate (6-10 months)
- Academic staff mobility (1-3 months)

Academic staff mobility will consist principally of exchange for the purposes of teaching, practical training, research and cooperation activities performed by invited academic staff in host institutions and cooperation activities between partner universities which are members of the consortiums. The mobility flows scheme will include language training for students and academics when necessary.

3.3. Stakeholders

The main stakeholders are universities from Chile and the EU, and higher education students and academic staff benefiting from mobility grants. Additional stakeholders are higher education authorities in Chile (MECESUP – CNAP – CONICYT) which will be consulted on priorities and will be represented on a Joint Committee.

Direct beneficiaries will be Chilean universities as well as students and teachers who will benefit through funding to carry out mobility activities with an aim to complete studies or to carry out research or training. European universities will also benefit from greater international contacts at institutional and individual level, and the increased close cooperation that this generates.

\(^1\) In Chile, the accreditation of both Higher Education institutions (universities) and university studies themselves is voluntary. The accreditation is not a requirement to provide educational services.
3.4. **Risks and assumptions**

Information on EMECW will be provided to specific institutions and higher education authorities to create awareness of the new programme, and boost demand for mobility.

A transparent selection process that respects appropriate objective criteria (academic merit, economic situation, gender balance and favourable treatment of disabled students) will be put in place to ensure fairness and efficiency.

Considering the important expertise that Erasmus Mundus has built within European universities to select the most appropriate candidates and the interest by students and academics in Chile, there should be no risk for the implementation of this action.

3.5. **Crosscutting Issues**

Proposals for mobility schemes must demonstrate how they respond to gender equality and social equity issues (specific criterion in the evaluation grid will be designed). The calls for proposals will need to explain the mechanism foreseen for the selection of individual mobility (participation of economically disadvantaged students, rules of transparency, equitable treatment, gender-balance, equal opportunities.)

4. **IMPLEMENTATION ISSUES**

4.1. **Implementation method**

Centralised indirect management through the signature of grants contracts following calls for proposals. The programme will be implemented via calls for proposals. The executive Agency for Education, Audiovisual and Culture (EACEA) will be responsible for the management of theses calls for proposals and the assessment and management of grant awards.

The modification of the delegation to the EACEA Agency of the management is a prerequisite for any budgetary action undertaken by the latter with regard to the funds reserved for the Erasmus Mundus External Cooperation Window -- Chile. This procedure will modify two decisions by the European Commission (Decision 2005/56/EC establishing the Executive Agency of EAC and Decision 2007/EC concerning the delegation of certain tasks to the EACEA Agency regarding the management of community programmes). The work on the modification of these decisions implies the intervention of the Regulatory Committee of the Executive Agencies. It is estimated that the procedure should be concluded before the end of 2007.

The costs of the management of the programme by the EACEA Agency will be financed by credits inscribed under the draft budget 2008 under budget-line 19.01.04.30.

4.2. **Procurement and grant award procedures**

The programme will be implemented via calls for proposals for consortia of European\(^2\) HE institutions plus HE institutions from Chile. Applicants may only be European HE institutions.

\(^2\) From the 27 Member States, plus Croatia, FYROM, Turkey, Iceland, Liechtenstein and Norway.
All contracts implementing the action will be awarded and implemented in accordance with the procedure and standard documents laid down and published by the commission for the implementation of external operations in force at the time of the launch of the procedure in question. Any adaptation of the models will need to be published in the call of proposals.

4.3. **Budget and calendar**

The total maximum cost of this action is EUR 4,920,000 wholly funded by the EC. The total duration of the action is 82 months. Nevertheless, the budgetary execution is expected to be committed in compliance with the N+1 Rule. The remaining period is necessary for doctorates selected under the last Call, who will be concluding their studies in a maximum of 34 months.

4.4. **Performance monitoring**

The EACEA will monitor this new mobility scheme. The number of institutions participating, the number of students and academic staff, the establishment of recognition mechanisms, the award of double or joint diplomas and/or extension of the diploma supplement will be used as performance indicators. Additional key indicators are the return of students to their countries of origin and the impact on their employability and career opportunities: this will be the object of a thorough assessment by Commission services.

4.5. **Evaluation and audit**

The EC will carry out an evaluation of the programme once the second group of students have finished their studies in Europe.

The EACEA will carry out audits of projects financed under this scheme.

All the contracts concerning monitoring, evaluation and audit will be carried out within the framework contract available for the EACEA.

4.6. **Communication and visibility**

All the projects presented in the calls for proposals will aim to provide visibility for the European HE sector and must therefore include a solid visibility and networking strategy aimed at reaching as many universities as possible in the less developed regions of Chile and at increasing the HE opportunities of vulnerable groups.

Appropriate visibility and credits will be given to the grant awarded by the EU for example in reports and publications stemming from the action, during public events associated with the action, web pages of counterparts, etc.