

# *Programs and Policies in Territorial Economic Development in Chile*

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# CHILE

**AREA: 756,946 Km<sup>2</sup>**

**POPULATION : 16.6 million**

**TYPE OF STATE:**

Unitary Republic with a presidential regime and a democratic and multi-party political system.

**GDP: USD 145.8 billion**

**GDP per capita: USD 13,042**

**Life expectancy: 78.4 years.**

**Income inequality (Gini): 54**

**Poverty incidence: 13.7%**



# TERRITORIAL ISSUES

## THREE-TIER SYSTEM OF GOVERNMENT

- 15 REGIONS → Intendant (*Intendente*) + Regional Council
- 53 PROVINCES → Governor
- 345 MUNICIPALITIES → Mayor + Municipal Council

## HIGH DEMOGRAPHIC CONCENTRATION

40% of the population lives in the Metropolitan Region;  
60% lives in the country's three central regions.

## REGIONAL PRODUCTIVE VOCATION

- North → Mining
- Metropolitan Region → Industry and Financial Services
- Centre and South → Agriculture, Forestry and Fishing

## TERRITORIAL CONCENTRATION OF POVERTY

The Araucania, Maule and Coquimbo → agricultural trends



Over the last 20 years Chile has witnessed significant economic growth and institutional stability, however...

It has experienced a relative loss of competitiveness

It has recorded lower GDP growth rates

Areas to be developed

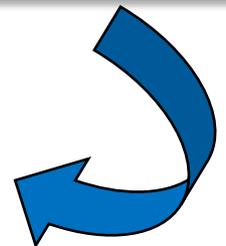
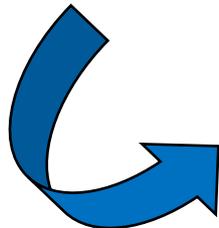
Productivity & innovation

Production diversification

Human Capital

Infrastructure & Connectivity

Public policy options?  
Territorial Economic Development



# Why Territorial Economic Development?

- ✓ The growth and development of Chile is based on the use of the productive, social and cultural potential of its regions
- ✓ Chile's regions contain a differentiated set of exogenous assets (geographical location, availability of natural resources, demography), and endogenous assets (infrastructure, human and social capital, innovation capacity and labour market conditions). These latter could be used more efficiently to generate higher levels of growth. Each region should sustain its development through its comparative advantages, determined by the complex interaction between its exogenous and endogenous assets
- ✓ Regional growth potential will depend to a great extent on how public policies are adapted to the specific characteristics of each region and the way in which different synergies, attributes and assets are integrated. Policies with a territorial focus have the ability to “activate” the potential of the regions.

*Territorial Review Chile, OECD*

# The Evolution of Chile's Territorial Economic Development Policy in recent years: Relevant milestones

## (1) CHANGE OF FOCUS

Progressive abandonment of “laissez faire” rigidity and of the market as the only guiding force ...

... and to reach agreements on a shared direction so as to guide the market and ensure the future: “*alliance capitalism*” (Dunning, 1997)

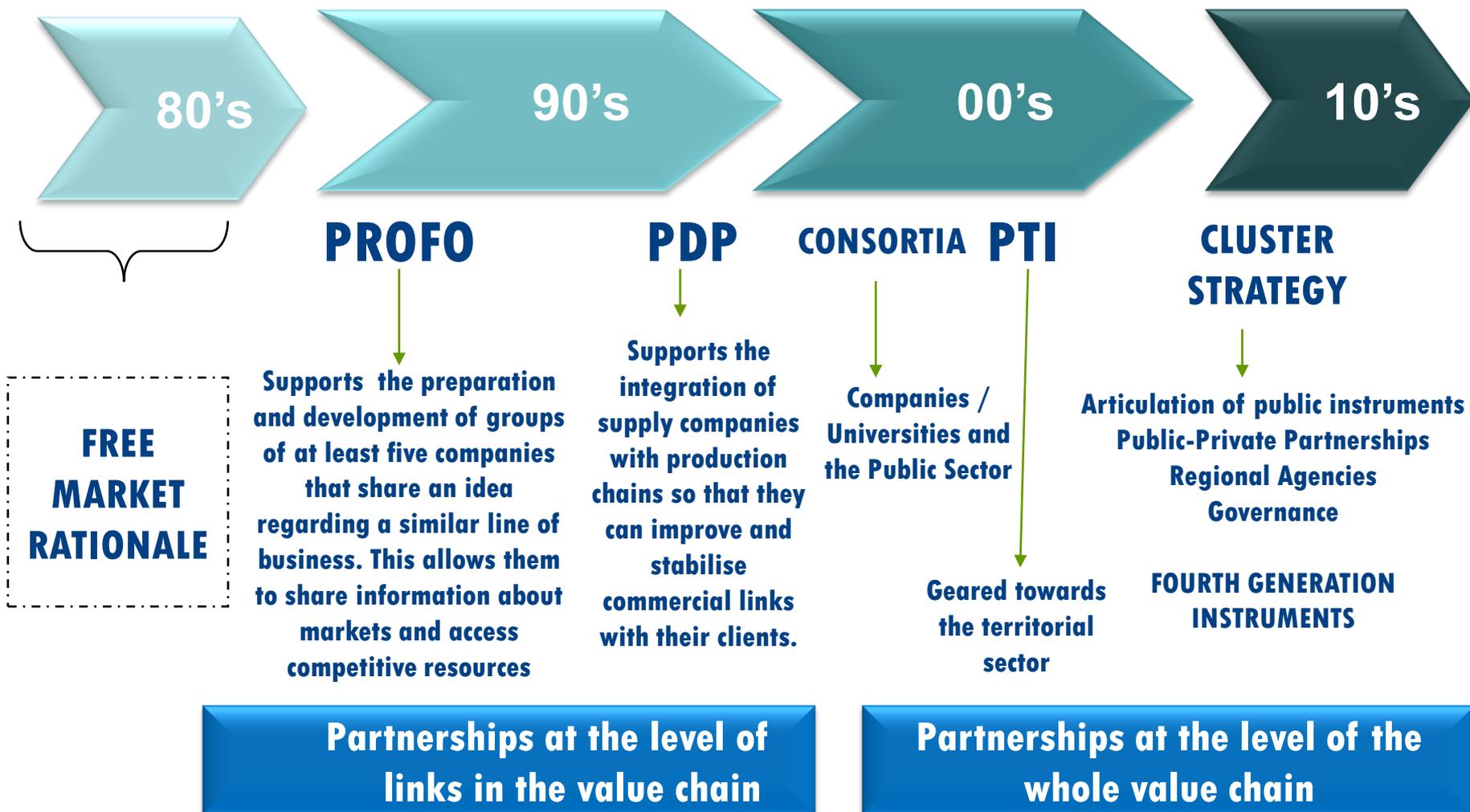
Private sector

Public sector

Society

**Consensus Vision  
Economic Sector**

## (2) DEVELOPMENT OF PUBLIC INSTRUMENTS TO SUPPORT PRODUCTION GROWTH AND INNOVATION



### (3) ESTABLISHMENT OF THE NATIONAL INNOVATION COUNCIL AND CREATION OF NATIONAL CLUSTER PROGRAMMES

Identification of 70 sectors with high growth potential in the world

Identification of the 31 most promising sectors in Chile

Priority given to 8 sectors

1. Aquaculture
2. Global Services
3. Tourism
4. Copper Mining
5. Processed Foods
6. Financial Services
7. Pig and Chicken Farming
8. Primary Fruit Industry

The Programme is implemented by means of a strategic global agenda for each one of the priority clusters through projects and initiatives that have a short- and long-term outlook, strengthening areas of innovation, human capital and knowledge.

#### ISSUE

Little attention is placed to identifying competitive *clusters* using a “bottom up” approach.

## **(4) A NEW INSTITUTIONAL STRUCTURE AND INCREASED SKILLS FOR TERRITORIAL ECONOMIC DEVELOPMENT AT REGIONAL LEVEL**

- ✓ Establishment of a Planning and Regional Development Office within Regional Governments.
- ✓ Transfer of Planning and Regional Zoning responsibilities to Regional Governments.
- ✓ Implementation of an accreditation system linked with the transfer of responsibilities, to improve management within Regional Governments.
- ✓ Setting up of Regional Development Agencies in each of the country's regions with their Public-Private Councils chaired by the Intendant (*Intendente*) organised within the Production Development and Innovation Committee.
- ✓ Setting up of Provincial Development Agencies in underdeveloped zones, with Public-Private Councils.
- ✓ Direct election of Regional Councillors.

## **(5) DEVELOPMENT AND IMPLEMENTATION OF INSTRUMENTS FOR TERRITORIAL ECONOMIC DEVELOPMENT AT REGIONAL LEVEL**

### **A) PLANNING INSTRUMENTS FOR REGIONAL GOVERNMENTS**

- ✓ Regional Development Strategy
- ✓ Regional Zoning Plan
- ✓ Regional Policies in development areas (production, innovation, rural development, etc.)

## **(5) DEVELOPMENT AND IMPLEMENTATION OF INSTRUMENTS FOR TERRITORIAL ECONOMIC DEVELOPMENT AT REGIONAL LEVEL**

### **B) PLANNING INSTRUMENTS OF REGIONAL PRODUCTION DEVELOPMENT AGENCIES**

- ✓ Formulation of Production Development Agendas and the corresponding Plans to Improve Competitiveness
  - The Agendas identify gaps in competitiveness and strategic centres of production development compatible with the Regional Development Strategy, through methodologies of participation and consensus involving regional public and private-sector actors,.
  - The Plans to Improve Competitiveness have the objective of reducing the gaps in competitiveness between companies and to strengthen business skills and entrepreneurial articulation in the dynamic sectors identified in each region by the Regional Development Agendas → territorial clusters and production chains.

## **(5) DEVELOPMENT AND IMPLEMENTATION OF INSTRUMENTS FOR TERRITORIAL ECONOMIC DEVELOPMENT AT REGIONAL LEVEL**

### **C) PLANNING INSTRUMENTS FOR INTER-SECTORAL COORDINATION**

- ✓ Infrastructure Plan for Competitiveness drafted by the Ministry of Public Works
- ✓ Territorial Economic Development Strategy for the 2006-2010 period drafted by the Ministry of Agriculture.

## **(5) DEVELOPMENT AND IMPLEMENTATION OF INSTRUMENTS FOR TERRITORIAL ECONOMIC DEVELOPMENT AT REGIONAL LEVEL**

### **D) REGIONAL INNOVATION FUND FOR COMPETITIVENESS**

- ✓ From 2008 onwards, and for the first time, a public policy in the area of scientific, technological and innovation development created a regional resource fund → Today, the Regions have access to resources to design projects in the area of innovation and entrepreneurship consistent with territorial conditions and development strategy.

## **(5) DEVELOPMENT AND IMPLEMENTATION OF INSTRUMENTS FOR TERRITORIAL ECONOMIC DEVELOPMENT AT REGIONAL LEVEL**

### **E) INCREASED INVESTMENT RESOURCES ASSIGNED TO REGIONS**

- ✓ Strengthening capacities for the implementation of regional investment (National Fund for Regional Development): an average 22% annual increase for 2006-2008
- ✓ Elimination of restrictions so as to increase the proportion of resources for regional decisions focused on production development and on the innovation and entrepreneurship of small- and medium-sized companies and territorial production chains.

## (6) COORDINATION OF PUBLIC AGENTS

- ✓ To move from a sectoral management model to a territorial management model represents a highly complex process of permanent tension requiring the effective availability of resources, the appropriate institutions, participatory and empowered public and private actors, political and technical skills and the appropriate instruments.
- ✓ Establishment of institutions and capacities for production development and innovation according to the “Power of Purchase” method (Regional Government decides, deconcentrated institutions implement), moving from the coordination of regional public institutions towards the establishment of “contracts”. → The commitment to assign sectoral resources conditioned to the signing of binding agreements (Budget Law 2008-2009).

# POLITICAL BACKING AND SUPPORT



Subscription of Regional Competition and Innovation Pacts in Chile's 15 Regions. Eight public services signed Agreements with the RPDAs, committing more than USD 83 million for 2008.

**“Because the future of the Regions and of Chile can only be planned at a collective level, with the broadest of participation, and dominated by collective interests and collaboration, because a shared vision, a good strategy and well-defined roles can only be established in this way.”**

**President Michelle Bachelet  
Regional Pacts Signing Ceremony  
Antofagasta, Chile.  
25 March 2008**



*Thank You*