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**AND INTERNATIONAL FINANCE CORPORATION**

**AND MULTILATERAL INVESTMENT GUARANTEE AGENCY**

**COUNTRY PARTNERSHIP FRAMEWORK**

**FOR**

**THE REPUBLIC OF CHILE**

**FOR THE PERIOD FY24–FY27**

**May 17, 2023**

**Bolivia, Chile, Ecuador, and Peru Country Management Unit  
Latin America and the Caribbean**

**The International Finance Corporation  
Latin America and the Caribbean**

**The Multilateral Investment Guarantee Agency**

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The date of the last Country Partnership Strategy was January 11, 2011 (Report No. 57989-CL).

### CURRENCY EQUIVALENTS

(Exchange rate effective as of May 17, 2023)

US\$ 1.00 = Ch\$ 794.44

### FISCAL YEAR

January 1–December 31

### ABBREVIATIONS AND ACRONYMS

ASA	advisory services and analytics	MIGA	Multilateral Investment Guarantee Agency
CAF	Corporación Andina de Fomento	MMA	Ministry of the Environment
CASEN	Encuesta Nacional de Caracterización Socioeconómica	MoH	Ministry of Health
CLIARs	Country-Level Institutional Assessment and Reviews	MPI	multidimensional poverty index
CPF	Country Partnership Framework	MSMEs	micro, small, and medium enterprises
CPI	consumer price index	NBFIs	nonbank financial institutions
CPS	Country Partnership Strategy	NDC	nationally determined contribution
CPSD	Country Private Sector Diagnostic	OECD	Organisation for Economic Co-operation and Development
DGA	Dirección General de Aguas	PCM	private capital mobilization
FY	fiscal year	PforR	Program for Results
GBV	gender-based violence	PHC	primary health care
GDI	graduation discussion income	PLR	Performance and Learning Review
GDP	gross domestic product	PPP	purchasing power parity
GHG	greenhouse gases	PRAS	Partnership Reimbursable Advisory Services
GRID	green, resilient, and inclusive development	RAS	Reimbursable Advisory Services
GSL	Gestión Social Local	SDG	sustainable development goal
HFPS	high-frequency phone surveys	SCD	Systematic Country Diagnostic
HIC	high-income country	TFP	total factor productivity
HLO	high-level outcome	TVET	technical and vocational education and training
IBRD	International Bank for Reconstruction and Development	UN	United Nations
IDB	Inter-American Development Bank	WBG	World Bank Group
IFC	International Finance Corporation	WSMEs	women-owned small and medium enterprises
INE	National Statistics Institute	y/y	year on year
IPF	Investment Project Financing		
LAC	Latin America and Caribbean Region		
MDB	multilateral development bank		
MDSF	Ministry of Social Development and Family		

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# FY24–27 COUNTRY PARTNERSHIP FRAMEWORK FOR THE REPUBLIC OF CHILE

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## I. INTRODUCTION

1. **This Country Partnership Framework (CPF) sets the strategic direction for the World Bank Group (WBG) program for Chile during FY24–27.** The CPF comes at a critical moment for Chile. After a protracted period of low growth and stagnating productivity and the social unrest of 2019, the Boric administration was elected with a mandate to build a more equitable society. The government faces the task of reinvigorating Chile’s long-term growth prospects and boosting income in an increasingly complicated global context. At the same time, the country is engaged in the process of drafting a new constitutional text to be negotiated by a democratically elected constitutional council.

2. **The CPF builds on analytics and lessons from the deepening engagement with Chile during the interim period FY17–22.**<sup>1</sup> Following the Country Partnership Strategy (CPS) FY11-16<sup>2</sup> there was a Systematic Country Diagnostic<sup>3</sup> (SCD) prepared in 2017 that remains relevant today, despite changes in the country context. The SCD identified slow productivity growth, inequality, poor management of natural resources, and vulnerability to climate change as the main challenges that Chilean society faces. In recent years, the country has made limited progress in developing an agenda that places the country on a trajectory that effectively addresses these challenges. The CPF is also informed by a recent Country Private Sector Diagnostic (CPSD) that examined how the private sector can be a more effective partner in building a more inclusive society.<sup>4</sup> It emphasizes the need to boost innovation and to transition to a greener economy, notably through greater digitalization, the development of green hydrogen, and the expansion of climate-smart agriculture.

3. **The CPF will focus on selective interventions to strengthen the institutions needed for sustainable IBRD graduation.** It is aligned with WBG corporate priorities, particularly on promoting global public goods, sharing knowledge, and addressing climate change. Chile is a high-income country (HIC), with a per capita gross domestic product of US\$14,322 in 2021, above the graduation discussion income (GDI) threshold. However, Chile’s income and wealth distribution are among the most unequal worldwide, with half of workers earning less than US\$6,600 per year.<sup>5</sup> Its labor market has not yet recovered from the unprecedented shock caused by the pandemic, real wages are falling amid double-digit inflation, and the growth outlook (less than 2.5 percent) over the CPF period is modest. Even before the pandemic, Chile’s growth was on a declining trend with largely stagnant total factor productivity (TFP).

4. **The CPF is in line with IBRD’s graduation policy and is consistent with the priorities outlined in the Global Crisis Response Framework (GCRF).** It selects two pillars of focus on protecting vulnerable people and strengthening resilience. This will be done through improvements to policies, institutions, and investments for rebuilding better. It will support lending in (1) areas where (1) there is strong government demand, (2) that is critical for the country to advance toward sustainable development in line with the WBG green, resilient, and inclusive development (GRID) approach, and (3) that promotes progress and learning on global public goods and testing of innovative solutions to

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<sup>1</sup> A summary of the WBG engagement from FY17 to 22 is presented in appendix B. The program primarily consisted of a Reimbursable Advisory Services (RAS) program and one \$50 million loan for improving the quality and equity of public universities. IFC activities included \$524 million in investments, as well as upstream and advisory services.

<sup>2</sup> The Completion and Learning Review of the CPS FY11–16 (Appendix 1) rated the development outcomes of the program as “moderately satisfactory” and the WBG’s performance as “good.”

<sup>3</sup> World Bank, *Transitioning to a Prosperous Society: Republic of Chile Systematic Country Diagnostic* (Washington, DC: World Bank, 2017).

<sup>4</sup> World Bank, *Creating Markets in Chile: Country Private Sector Diagnostic* (Washington, DC: World Bank, 2022).

<sup>5</sup> INE, *Encuesta Suplementaria de Ingresos* (Santiago: National Statistics Institute, 2021).

generate transferable knowledge. The WBG's engagement aims to be of direct relevance to the global public goods agenda through the strategic piloting of policy and institutional reforms of relevance to other developing countries. High-level outcome (HLO) 1 focuses on investments and institutional reforms aimed at improving equity, through access to quality social services and financial inclusion. HLO 2 interventions seek to help Chile reach carbon neutrality, enhance climate resilience, and achieve more equitable access to natural resources. Four loans are currently under preparation to support a green hydrogen industry, improve water resource management, promote health care access, and improve social service delivery. These areas of engagement serve as the basis for this CPF. The CPF outcomes and relevant indicators are expected to be further solidified at the performance and learning review (PLR) stage.

5. **Generation and exchange of knowledge will continue to play a central role in the WBG's program in Chile, but more can be done to maximize its impact.** The CPF work program in Chile represents themes that resonate with global challenges in climate change, natural resource management, and sustainable growth. Chile also serves as a testing ground for interventions that improve the efficiency and quality of public and private sector support to better people's lives. As such, learning and dissemination opportunities of relevance for other emerging economies will be built into program design across products. Learning from Chile will provide important knowledge spillovers for the WBG and lessons and approaches to potentially replicate with clients globally. Chile is already a frequent study tour destination and a source of government-to-government learning on best practices facilitated by the World Bank (appendix B, figure B.1). Chile itself has benefited from WBG-facilitated exchanges in Asia, Europe, and beyond. During this CPF period, additional efforts will be made to document the WBG's knowledge transfers in a more systematic manner.

6. **IFC is expanding its presence in Chile while focusing on private capital mobilization to catalyze sustainable investments.** IFC has built a strong investment pipeline of over US\$1 billion to support green, innovative, and inclusive private sector-led growth. In line with the IFC Strategy and Business Outlook Update FY23–25, Chile's HIC status, and the GDI policy, IFC will assess financial and non-financial additionality for each engagement; catalyze investments to create markets; mobilize private capital in underserved segments; support digitization to expand access to markets and opportunities; transfer knowledge; help set environmental, social, and governance (ESG) standards; provide innovative financing structures; and play a countercyclical role. Following the recent CPSD, IFC will support Chile's private sector to (1) enhance environmental sustainability; (2) increase connectivity and innovation; and (3) support socioeconomic inclusion. As private companies continue to value IFC's contributions to financing and knowledge, IFC will also focus on global public goods for climate change mitigation and adaptation and will continue to promote international best practice standards, including ESG standards in the financial and real sectors to promote social inclusion and gender equality.

7. **IFC will complement the IBRD program with strategic investments in prioritized sectors, aimed at delivering effective results on the HLOs.** To this end, IFC operations will focus mostly on the following sectors, provided that appropriate market conditions are present: clean energy, electric mobility, hydrogen mobility, transport and logistics, water supply and sanitation (including seawater desalination), waste management, sustainable and responsible mining, green hydrogen and ammonia, green and social finance (such as micro, small, and medium enterprises [MSMEs], gender, forcibly displaced populations, and so on), climate-smart agribusiness, aquaculture and forestry, green real estate (including affordable housing and warehouses), high-quality and affordable health care and education, green manufacturing, the blue economy and the circular economy.

8. **Similarly, MIGA, in close collaboration with IFC and IBRD, will continue to seek opportunities to de-risk foreign private investment flows into Chile.** In line with MIGA’s strategic priorities, MIGA will pay particular attention to projects that enhance market development; promote green, resilient, and inclusive development; and encourage additional inflows of foreign investments. MIGA’s program in Chile will focus on impactful projects in the financial and sustainable infrastructure sectors, including green transport. MIGA will continue to support the financial sector by increasing access to finance for small- and medium-sized enterprises (SMEs), including women-owned SMEs, and for climate finance through its existing project in support of Banco Santander Chile. In addition, MIGA will look for opportunities to provide credit enhancement solutions in support of the country’s state-owned enterprises (SOEs).

## II. COUNTRY CONTEXT AND DEVELOPMENT AGENDA

### A. Sociopolitical and Institutional Context

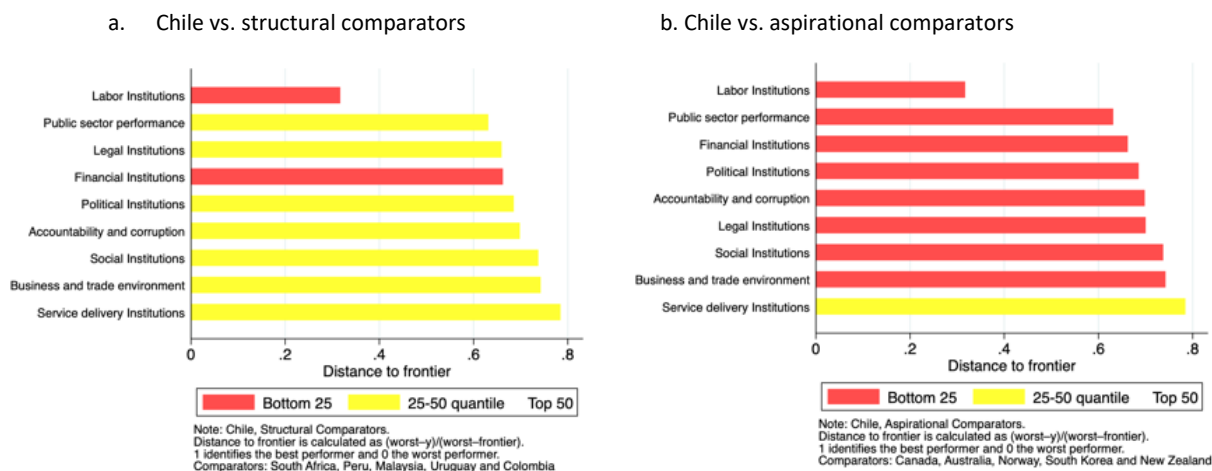
9. **Chile is in a social and political transition resulting from popular pressure to build a more equitable society.** This pressure came to the fore with massive protests throughout the country in October 2019. Protesters’ demands included better access to quality social services such as health care, education, and pensions. An agreement signed by a wide spectrum of the political establishment in November 2019 charted a path toward changing the constitution adopted under dictatorship. In December 2021, Chile elected Gabriel Boric with a mandate to implement significant social reforms. However, a constitutional proposal produced by a constitutional assembly after a year of deliberations was rejected by voters on September 4, 2022. A new constitutional framework is underway, in which the Congress will elect experts to design a new draft. Constitutional advisers, selected by popular election under gender parity criteria, will then be tasked to turn this draft into a final text that will be put to a plebiscite in December 2023.

10. **The Boric government’s ambitious program to expand high-quality social services, reduce territorial inequalities, and transition to a net-zero economy is a challenge even to Chile’s generally well-developed institutions.** Expansion of the role of the State in building a more equitable and sustainable economy requires institutional capacity to deliver services directly and to set appropriate rules and incentives for households and firms. Examples include (1) strengthening the role and capacity of subnational governments, including municipalities, in delivering social services, taking into account the needs of specific populations such as indigenous people, women, LGBTI+, people with disabilities and migrants; (2) implementing policies to promote high value-added growth opportunities for lagging regions and those experiencing accelerated population growth due to migration; (3) reinforcing public auditing efforts; (4) developing tools to attract “green finance”; (5) developing institutional capacity and embedding equity criteria to channel public finance to priority development projects such as green hydrogen; and (6) further developing frontier fiscal instruments to promote decarbonization.

11. **A benchmark analysis of Chile’s institutional quality compared with that of structural and aspirational peers highlights the gaps that still exist when it comes to labor, financial, and public sector institutions.** An analytical exercise mapped strengths and weaknesses across nine institutional clusters. For each cluster, the average distance to frontier of all available indicators was calculated to

measure institutional performance (figure 1).<sup>6</sup> Even though Chile does relatively well with respect to its structural peers (Colombia, Malaysia, Peru, and Uruguay), it is still far from aspirational peers (Australia, Canada, New Zealand, Norway, and Republic of Korea). Moreover, in recent years Chile's institutional performance has deteriorated; thus, the path toward convergence that prevailed since the 1990s has reversed, leading to a widening of the institutional gap with aspirational peers. Chile faces increasing challenges to address the growing economic and social inequalities present in the country.

Figure 1. Chile Institutional Benchmarking



Source: World Bank staff.

Note: This benchmarking exercise was conducted in accordance with the methodology proposed for Country-Level Institutional Assessment and Reviews (CLIARs) as described in the methodological note on CLIARs by the World Bank Group published in April 2002

12. **Surveys and comparative data show gaps in social and environmental indicators.** According to Latinobarómetro's most recent Chile survey,<sup>7</sup> 79 percent of respondents ranked access to quality health care services as the main source of inequality, followed by education (69 percent) and access to justice (64 percent). In health, Chile lags farthest behind OECD averages<sup>8</sup> in population satisfied with availability of quality health care and financial protection. In its 2021 report on Latin America<sup>9</sup> Latinobarómetro identified Chile as an outlier in the region in the perception of environmental protection. Only 29 percent of respondents considered Chile environmentally protected, compared with a regional average of 38 percent. According to the Green Future Index 2023<sup>10</sup> rankings, Chile is making progress on most dimensions relative to comparator countries but has shown a decline in clean innovation. Chileans' perceptions of lagging performance in the social and environmental fields suggests that the choice of interventions proposed under the CPF program is well aligned with citizens' concerns.

<sup>6</sup> The benchmarking exercise was undertaken by the Governance Global Practice of the World Bank in December 2022 and adopts *closeness to frontier* methodology. This methodology allows assessment of a country's performance across institutional indicators by comparing it with the *global frontier*, which is the world's best performer.

<sup>7</sup> Latinobarómetro, a regional think tank sponsored partly by the Inter-American Development Bank and the United Nations Development Programme, conducts annual opinion surveys in 18 countries in Latin America and the Caribbean. Information cited from "Informe Chile 2020", (Latinobarómetro, Santiago, 2021), 11.

<sup>8</sup> "Health at a Glance 2021: OECD Indicators", (OECD, Paris, 2021). <https://doi.org/10.1787/ae3016b9-en>.

<sup>9</sup> "Informe Latinobarómetro 2021", (Latinobarómetro, Santiago, 2021).

<sup>10</sup> "The Green Future Index, 2023", (MIT Technology Review, Boston, 2023).

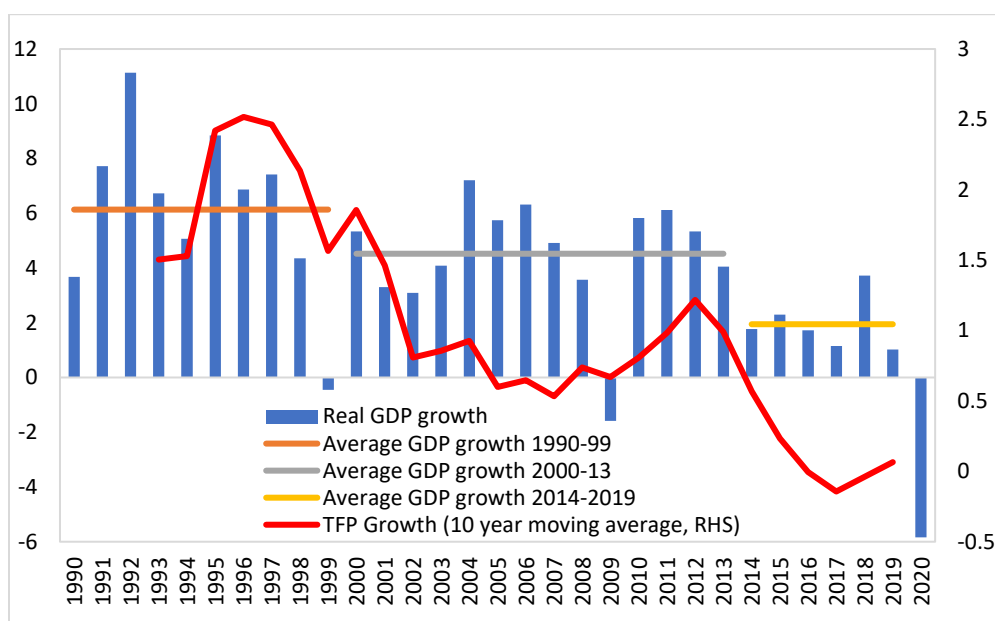
<https://www.technologyreview.com/2023/04/05/1070581/the-green-future-index-2023/>



## B. Recent Economic Developments and Outlook

13. **Before the COVID-19 pandemic, Chile’s per capita growth slowed, and stagnating productivity growth limited opportunities for better-paying jobs, reversing gains toward convergence with the United States.** Between 2013 and 2019, per capita growth was just 0.6 percent, and Chile’s per capita gross domestic product (GDP) relative to that of the United States. declined from 29.7 to 20.6 percent, matching its 2006 level. This slowdown was the result of stagnating TFP, which limited opportunities for better and higher-paying jobs.<sup>11</sup> Social discontent peaked in 2019, giving rise to the idea to codify a renewed social contract through a new constitution. While the onset of the COVID-19 pandemic quickly came to dominate the economic and social agenda in 2020, reinvigorating productivity growth in an inclusive manner remains critical to put the country back on a sustained growth trajectory.

Figure 2. Real GDP Growth Has Been on a Declining Trend



Source: Central Bank of Chile and World Bank Group staff calculations.

Note: GDP = gross domestic product; RHS = right-hand side; TFP = total factor productivity.

14. **Chile has a track record of sound macro fiscal management which allowed the country to deliver a strong fiscal response to the Covid-19 pandemic.** For many years, fiscal policy has been guided by the cyclically adjusted fiscal balance rule implemented in 2001. This contributed to asset accumulation in the Sovereign Wealth Fund and to low debt by international standards. Prudent policies have allowed Chile’s economy to remain resilient to shocks, including the 2019 social unrest and the still unfolding Covid-19 pandemic. To mitigate the effects of the pandemic the authorities implemented a broad set of fiscal measures that were effective in protecting incomes at a time when employment was lagging and buttressing the recovery. However, the combination of fiscal stimulus with three pension fund withdrawals, initiated and approved by Congress, overcompensated the loss of income and contributed to the overheating of the economy in the aftermath of COVID-19.

<sup>11</sup> World Bank, *Creating Markets in Chile: Country Private Sector Diagnostic* (Washington, DC: World Bank, 2022).

15. **Chile experienced one of the fastest post-COVID-19 recoveries worldwide, but a sharp adjustment began in 2022 and is expected to continue in 2023.** Fueled by a strong fiscal response to the COVID-19 pandemic and pension fund withdrawals, real GDP growth peaked in the third quarter of 2021 (Table 1). After increasing 11.7 percent year-on-year (y/y) in 2021, growth in 2022 slowed to 2.4 percent as both fiscal and monetary policies were tightened significantly. Economic adjustment is expected to continue in the first half of 2023 led by a further drop in consumption amid contractionary policies, depleted household liquidity, and a weakening labor market. Investment will likely remain hindered by tight financing conditions, but declining political uncertainty should cushion its decline. The economy is projected to recover in the second half of the year leading to an annual decline of 0.7 percent for 2023, while a gradual re-acceleration is expected in the second half of the CPF period.

16. **The labor market has weakened.** The unemployment rate increased by 0.7 percentage points year on year in 2022, and job creation has stagnated along with the economic growth slowdown, despite government hiring incentives.

17. **In the face of high inflation, the Central Bank reacted quickly through aggressive monetary tightening that put inflation on a receding path by early 2023.** After a peak of 14.1 percent in August 2022, y/y inflation fell back to single digits (9.9 percent) in April 2023. Inflation had started to increase mid-2021, driven by strong demand pressures amid an overheated economy. High energy prices, global supply shocks and the currency depreciation added new price pressures. Since Russia's invasion of Ukraine in February 2022, inflation drivers switched to a larger contribution from food prices. The Central Bank gradually increased interest rates from 0.5 to 11.25 percent between July 2021 and November 2022. High inflation has caused a drop in real wages. Inflationary pressures are expected to wane in 2023, as macroeconomic imbalances are addressed, and the external shock subsides.

18. **Chile's current account accumulated a decades-high deficit due to economic imbalances.** The current account deficit reached 9 percent of GDP in 2022, driven by continuously high imports and a deterioration in terms of trade. The currency depreciated sharply after June 2022, because of a strong dollar globally and the decline in copper prices<sup>12</sup>, exacerbated by domestic uncertainty. The Central Bank intervened aggressively in the foreign exchange market until the end of September; together with some improvement in external conditions, the move led to a recovery of the peso. The credibility of the Central Bank response was further bolstered by the signature of a new flexible credit line with the International Monetary Fund for US\$18.5 billion in August 2022. The slowdown in consumption ahead should facilitate a significant narrowing of the current account balance.

19. **Public spending increased significantly in 2021 but the adjustment in 2022 returned the country to a sustainable fiscal policy path.** The Central Government fiscal deficit closed at 7.7 percent of GDP in 2021, and public debt reached 36.3 percent of GDP, the highest in three decades. However, a combination of comprehensive fiscal consolidation and stronger than expected revenue performance led to a 1.1 percent of GDP surplus in 2022, with spending declining by 23 percent y/y in real terms and debt reaching 37.4 percent of GDP. In the medium term, the government remains committed to a path of fiscal responsibility that would reduce the structural deficit by 0.75 percentage points of GDP per year, taking it from an expected 2.1 percent of GDP in 2023 to almost balanced by 2027.

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<sup>12</sup> Chile is the largest producer of copper in the world, accounting for 26.6 percent of global production in 2021. Chile is also the largest exporter of copper in the world, accounting for 56 percent of the total value of Chile's exports. "Anuario de la minería en Chile 2021," National Geology and Mining Service -SERNAGEOMIN (Santiago, 2022).

20. **While the public debt-to-GDP ratio has risen; the debt stock is still low by international standards and remains sustainable.** Authorities estimate that the envisaged fiscal path would stabilize the debt-to-GDP ratios below 40 percent in the forecast horizon. However, subpar medium-term growth prospects and rising social demands might make fiscal consolidation challenging. To this end, the government proposed a substantive tax reform bill that was rejected in Congress in March 2023 and is currently exploring alternatives. Other tax reform proposals to raise mining royalties and to raise excise taxes on unhealthy products and on fossil energy are also under discussion with Congress. Chile has a long record of strong policies and institutions to maintain fiscal sustainability and to ensure that new expenditures are contingent upon corresponding increases in revenue.

21. **Chile's access to global financial markets remains solid, despite increases in borrowing costs and reduced depth in the domestic capital market.** Chile's unrestricted access to external markets springs from decades of macroeconomic stability, a prudent fiscal stance, inflation-targeting regimes, and flexible exchange rates. This has maintained the sovereign credit rating at investment grade and currently averaging an "A." Nevertheless, Chile's average rating has been downgraded by two notches since the last country partnership strategy (CPS) over a decade ago. Withdrawals of pension savings to cope with the impact of the pandemic reduced the depth of the domestic capital market, affecting access and financing costs for the government and private sector investments. Pension fund assets fell from 84 percent of GDP in the second quarter of 2020 to 59 percent in the first quarter of 2022. These withdrawals coupled with the rise in interest rates globally have deteriorated Chile's medium- and long-term financing conditions. Pockets of vulnerability are concentrated among indebted low-income households, smaller firms, and sectors more affected by the pandemic and by cost increases, such as construction. Against the backdrop of tightening financial conditions and the unwinding of the COVID-19 liquidity measures, vulnerable areas require attention.

22. **Financing spreads experienced increased volatility, but levels have moderated recently and are expected to remain contained.** The 2019 social unrest led to an increase in sovereign credit spreads. This was followed by the start of the pandemic, when Chile's country risk spread jumped from 143 to 388 basis points in March 2020, in line with increases in interest spreads across emerging markets. Despite rising financing costs, in 2021 the government issued bonds in international capital markets worth US\$10.5 billion and €4.3 billion to finance the large fiscal deficit. The country risk spread has moderated since then and returned to 140 basis points by May 2023. Notwithstanding the downgrades since the last CPS, Chile still holds high to upper-medium ratings on its sovereign debt and has the highest sovereign debt credit rating of any Latin American country. The central government debt-to-GDP ratio remains well below that of its rating peers, the "A" median at 57 percent.

Table 1. Key Macroeconomic Indicators and Projections

	2017	2018	2019	2020	2021	2022 e	2023 f	2024 f	2025 f	2026 f
<b>Real GDP growth, at constant market prices</b>	1.4	4.0	0.8	-6.0	11.7	2.4	-0.7	2.1	2.2	2.3
Private Consumption	3.6	3.8	0.7	-8.0	20.3	2.5	-4.4	2.0	2.1	2.5
Government Consumption	4.7	3.1	0.5	-4.0	10.3	3.5	1.3	2.9	2.1	2.3
Gross Fixed Capital Investment	-3.3	6.5	4.7	-9.3	17.6	2.3	-4.1	0.3	1.8	2.4
Exports, Goods and Services	-1.0	4.9	-2.5	-1.1	-1.5	0.8	3.0	2.9	2.8	2.6
Imports, Goods and Services	4.5	8.6	-1.7	-12.7	31.3	1.5	-7.0	1.4	2.0	2.2
<b>Real GDP growth, at constant factor prices</b>	1.1	4.0	0.9	-5.9	10.5	2.4	-0.7	2.1	2.2	2.3
Agriculture	3.8	3.7	-0.7	-1.6	2.4	-6.9	5.0	2.3	2.3	3.3
Industry	-0.7	5.1	-0.5	-3.5	5.8	-1.9	-2.1	2.1	2.2	1.2
Services	1.8	3.5	1.7	-7.3	13.4	5.0	-0.4	2.1	2.2	2.5
<b>Inflation (Consumer Price Index)</b>	2.2	2.3	2.3	3.0	4.5	11.6	7.5	3.6	3.1	3.0
<b>Current Account Balance (% of GDP)</b>	-2.8	-4.5	-5.2	-1.7	-6.4	-9.0	-3.6	-2.6	-2.1	-2.0
<b>Net Foreign Direct Investment (% of GDP)</b>	1.0	2.1	1.2	1.0	0.3	2.5	1.9	1.9	2.0	2.0
<b>Fiscal Balance (% of GDP)</b>	-2.6	-1.5	-2.7	-7.1	-7.5	1.1	-2.2	-2.2	-1.4	-1.2
<b>Debt (% of GDP)</b>	23.6	25.6	28.2	32.5	36.3	37.4	37.8	39.5	40.4	40.8
<b>Primary Balance (% of GDP)</b>	-1.8	-0.6	-1.8	-6.2	-6.6	2.1	-1.2	-1.1	-0.4	-0.2

Source: World Bank, Poverty and Equity, and Trade and Investment Global Practices.

Note: e = estimate. f = forecast.

### C. Poverty and Shared Prosperity

23. **Chile experienced a substantial decline in income poverty and an expansion of its middle class before the COVID-19 pandemic, achieving one of the lowest poverty rates in Latin America.** The population living on less than US\$6.85 per day (2017 Purchasing Power Parity [PPP])—a standard poverty metric used in international comparisons—dropped from 29.9 percent in 2006 to 7.5 percent in 2017.<sup>13</sup> Poverty measured against Chile’s national poverty line declined from 29.1 to 8.6 percent.<sup>14</sup> During the same period, the population at risk of falling into poverty also declined from 37.6 to 31.1 percent, while Chile’s middle class expanded quickly, rising from 31.0 percent to 57.5 percent of the population.<sup>15</sup>

24. **Progress was also made in shared prosperity.** Between 2013 and 2017, income growth was pro-poor. The average per capita income of the bottom 40 percent of the income distribution grew at an annualized rate of 4.9 percent, faster than that of the overall population (3.8 percent). In line with the faster-than-average income growth at the bottom 40 percent, the Gini index fell from 45.8 to 44.4 percent—still high in comparison with that of other Organization for Economic Cooperation and Development (OECD) countries. Indeed, Chile had one of the most unequal distributions of disposable income (income after direct transfers and taxes) among OECD countries in 2017.<sup>16</sup>

25. **Although income poverty and inequality declined before the pandemic, progress in other areas lagged.** Chile’s multidimensional poverty index (MPI)<sup>17</sup> shows that one in five Chileans experienced deprivation in at least one dimension of poverty in 2017. Deprivation in work and social security was most common and experienced by 31 percent of those considered multidimensionally poor. Furthermore, limited opportunities for social mobility, linked to low economic growth in the pre-pandemic years, contributed to dissatisfaction and social unrest in the period leading up to the COVID-19 pandemic.

<sup>13</sup> International poverty is measured against income in U.S. dollars, 2017 PPP.

<sup>14</sup> National poverty is defined as the percentage of the population with an equivalized income below the minimum income necessary to satisfy a set of basic needs. It allows for comparisons over time but not across countries.

<sup>15</sup> The population at risk of falling into poverty is defined as those with daily per capita income between US\$6.85 and US\$14 in 2017 PPP.

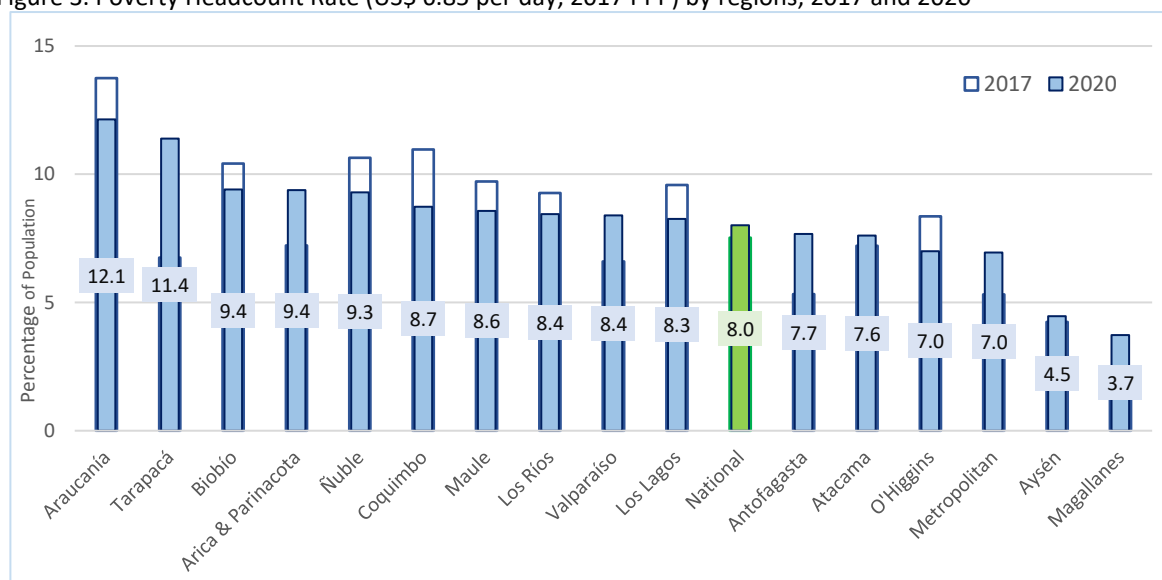
<sup>16</sup> OECD Income Distribution Database, 2017.

<sup>17</sup> The MPI in Chile is calculated by the Ministry of Social Development and Family using the national survey of income and living conditions, “Encuesta Nacional de Caracterización Socioeconómica” (CASEN).

26. **The economic contraction caused by the pandemic significantly affected household welfare.** Emergency social protection programs implemented in 2020 partially helped cushion the income losses of poor and vulnerable families. Poverty (US\$6.85 a day in 2017 PPP) slightly increased to 8.0 percent in 2020, meaning that more than 1.5 million people were considered poor in 2020. However, using the national definition of poverty, the share was 10.8 percent of the population (more than 2.1 million people). The pandemic also reversed gains in shared prosperity. The average per-capita income of the bottom 40 percent of income distribution grew by 1.9 percent annually between 2015 and 2020, slower than the average per capita income nationwide (2.5 percent) causing the Gini index to grow to 44.9 percent in 2020.

27. **Regional disparities persist.** Despite progress in reducing poverty and inequality, some regions of the country have persistently shown high poverty incidence. The poorest regions in 2006 were La Araucanía, Biobío, and Coquimbo. While these regions saw a poverty decline of around 30 percentage points between 2006 and 2017, they continue to experience poverty rates higher than the national average (figure 3). Chile’s poorest region of La Araucanía is also where the largest concentration of indigenous people lives. Between 2017 and 2020, poverty increased mainly in northern Chile in the regions of Tarapacá and Arica and Parinacota. These regions have a higher population of recently arrived migrants. CASEN 2020 reported that poverty rates among migrants increased from 10.9 percent in 2017 to 17 percent in 2020<sup>18</sup>.

Figure 3. Poverty Headcount Rate (US\$ 6.85 per day, 2017 PPP) by regions, 2017 and 2020



Source. World Bank staff based on Chile’s survey of income and living conditions. Ministry of Social Development and Family “Encuesta de Caracterización Socioeconómica Nacional (CASEN)” 2017 and 2020.

28. **Poverty (US\$6.85 per day in 2017 PPP) is concentrated among youth, women, and low-skilled individuals.** In 2020, 13.2 percent of children under age 15 and 10.5 percent of people ages 15 to 24 years were poor, accounting for more than half of the poor population (31.2 and 19.3 percent, respectively). Gender gaps were also marked, as 55.1 percent of the poor were women, and 9.9 percent of people living in female-headed households were poor, compared with 6.3 percent for those with a

<sup>18</sup> “Encuesta Nacional de Caracterización Socioeconómica” (CASEN) 2020.

male head. Of the poor in 2020, 64.7 percent had less than complete secondary education or no education. Furthermore, Chile is currently hosting some 1.5 million migrants, equivalent to 7.5 percent of the country's population, most of whom are economically vulnerable.

29. **The pandemic deepened pre-existing inequalities.** High-frequency phone survey (HFPS) data collected in 2020 and 2021 by the World Bank to monitor households' socio-economic situation during the pandemic showed that women, youth, the elderly (65+), and low-skilled workers accounted for most of the job losses resulting from lockdown measures. Income losses and food insecurity were more prominent among rural and poor households. By the end of 2021, 19.3 percent of those living in rural areas experienced at least one food insecurity event, versus 11.5 percent in urban areas. Migrants were also disproportionately affected by the COVID-19 pandemic because of the dynamics of job informality, exacerbated by the lack of formal recognition of their education and professional experience and by lack of access to the social protection system.<sup>19</sup> Although some 73 percent received pandemic-related cash transfers through the Ingreso Familiar de Emergencia Universal program, only 3.8 percent received other subsidies during the pandemic.<sup>20</sup>

30. **Women were especially affected by the crisis.** The pandemic undid more than a decade of growth in female labor force participation, which declined from an already very low 52.7 percent in 2019 to 45.3 percent in 2020 since many women were engaged in occupations most affected by lockdowns. Consequently, poverty rates were exceptionally high among female-headed households. In addition, HFPS data collected at the end of 2021 showed that women experienced a significant increase in time dedicated to domestic work and childcare responsibilities. Unequal intra-household arrangements resulted in 54.6 percent of women versus 34.6 percent of men reporting an increase in time spent supporting children's education during the pandemic. The pandemic also saw an increase in gender-based violence (GBV). For example, during the lockdown, calls to domestic violence helplines increased by 81 percent and cases of attempted femicide increased by 22 percent between 2020 and 2021.<sup>21</sup>

31. **The 2021 high-frequency phone surveys also show potential long-lasting losses in human capital accumulation, especially among rural and vulnerable households.** Although 96 percent of school-age children reported attending school either in person or virtually in mid-2021, the lack of access to a reliable internet connection undermined the quality of distance learning: of 74.2 percent of households with an internet connection, 66.5 percent reported having problems of poor access, quality, or speed, with greater incidence among households in rural areas (70.8 percent) or with limited assets (76.3 percent). Nonetheless, the percentage of school-age children attending school, either in person or virtually, remained the highest in the Latin America and Caribbean region (97.3 percent). By the end of 2021, 93.4 percent of those attending school engaged in learning activities supported by a teacher. However, more than half of parents perceived that their children were learning less.

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19 The United Nations High Commissioner for Refugees High Frequency Survey 2020 (which includes migrants in irregular situations) shows, for example, that 66.3 per cent had precarious working conditions (informal jobs, unemployment or street selling jobs). World Bank analyses show that Venezuelan migrants with higher education and years of experience can earn as little as 70 percent less than Chileans. Furthermore, only some 7 per cent of all registered migrants have been able to validate their professional titles, and the percentage is even lower for Venezuelans, who have higher educational levels (2.8 per cent)

20 Banco Mundial, Servicio Nacional de Migraciones and Centro UC de Encuestas y Estudios Longitudinales 2022. *Encuesta Nacional de Migración*, 2022. National Migration Survey.

21 Servicio Nacional de la Mujer y la Equidad de Género

32. **With growth decelerating significantly and high inflation, poverty is expected to have increased in 2022.** In mid-2021, the government delivered Chile’s most extensive and generous cash transfer to date (Ingreso Familiar de Emergencia Universal). This transfer, received by 85 percent of the overall population, is estimated to have significantly reduced poverty and inequality in 2021. However, emergency cash transfers were removed in 2022 and replaced by targeted support to vulnerable households in line with fiscal consolidation efforts. Amid the economic slowdown, high inflation, and the end of extraordinary cash transfers implemented in 2021, poverty (US\$6.85 per day in 2017 PPP) is expected to have increased to 11.4 percent and the Gini index is expected to have risen to 46.4 in 2022. Poverty levels are expected to remain equally high in 2023 without returning to pre-pandemic levels in the medium term. Poverty reduction and sustainable income growth will require boosting job creation, increasing female labor force participation, facilitating access to economic opportunities for the poor and vulnerable, closing gaps in endowments, and making the middle class more resilient to shocks. The tax and pension reforms currently being discussed and the second attempt at rewriting the constitution represent a crucial opportunity to set the country on a more sustainable and inclusive growth path.

#### D. Main Development Challenges

33. **Chile faces challenges in productivity and economic diversification to reinvigorate its long-term growth prospects.** Weak TFP growth and limited economic diversification have raised concerns over future economic growth. Reforms to improve the quality of human capital, foster innovation, and boost female labor force participation are essential to improve productivity. Chile ranks only 55th globally in the human capital and research pillar of the Global Innovation Index. A lack of technical skills is the main challenge firms face in filling positions. Addressing the gap in managerial skills and human capital in scientific and technological areas could facilitate firms’ innovative activities. Chile’s investment in innovation has stagnated or declined, depending on measurement. Only 14 percent of firms innovated in 2017-18, down from 23.7 in 2011-12. The limited resources invested in research and development are concentrated in universities with limited links to industries. Insufficient competition in some sectors may also discourage innovation. Finally, low female labor participation (12 percentage points lower than that of men) implies a failure to tap into a larger productive workforce. Furthermore, Chile has limited participation of women in corporate leadership positions, which is directly linked to improved earnings, return on investment and productivity. Of the largest 100 companies in Chile’s stock market, women occupy only 11 percent of board seats, and only 5 of these CEOs are women.<sup>22</sup>

34. **Chile is struggling to provide both its expanded middle class and its vulnerable population with access to high-quality social services.** Based on averages, the segmentation in education, health care, and social security between expensive high-quality private provision and lower quality, cheaper or free, publicly provided options has led to disparities between the better off and the rest of the population. It is a major obstacle to the country’s goal of reaching the standards of shared prosperity enjoyed by advanced economies. This is especially true for traditionally marginalized groups such as migrant, indigenous, disabled and LGBTI+ populations. While there is broad consensus that the government should ensure improved quality social services for all, this remains an elusive goal.

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<sup>22</sup> Gender equality in corporate leadership (regional analysis, 2022): <https://sseinitiative.org/wp-content/uploads/2022/12/SSE-IFC-Regional-Analysis-Women-in-Corp-Leadership-2022.pdf>

35. **Chile’s high levels of inequality are also seen in the limited access to finance for MSMEs, particularly for women entrepreneurs.** The MSME finance gap totals US\$8.4 billion in Chile, or 4 percent of GDP. About 22.2 percent of MSMEs are either underserved or partially underserved in terms of access to financial products<sup>23</sup>. According to OECD data, only 21.4 percent of business loans are channeled to SMEs, one of the lowest levels among OECD countries and below regional comparators such as Brazil (42 percent) and Colombia (25 percent)<sup>24</sup>. This has significant implications for growth and job creation because MSMEs represent 97 percent of all Chilean enterprises and employ some 44 percent of the workforce<sup>25</sup>. Women-owned SMEs face a larger financing gap and increased interest rate cost than those of men, limiting their ability to contribute fully to the economy. The number of women owned MSMEs that received commercial financing was 8 percent lower than those owned by men, and men received a loan amount that was 1.7 times higher<sup>26</sup>.

36. **Lower availability of long-term financing in the Chilean private sector has contributed to the gap in overall access to finance.** The combination of pension fund withdrawals and interest rate hikes by the Central Bank to control rising inflation have also reduced the availability of long-term financing and risk appetite for investments. In this context, creating broader, deeper, and more inclusive financial markets beyond banking will be important for the Chilean private sector to continue to expand, provide access to finance, and create jobs. Stronger ESG standards will be an important element of the financial sector deepening going forward and can serve as an example to other countries as it moves toward more sustainable financing.

37. **The current economic growth outlook is insufficient to lift the living standards of the bottom 40 percent, who are threatened by pressures on Chile’s natural capital, particularly water resources, and are vulnerable to the effects of climate change.** GDP growth of less than 2.5 percent per year will be insufficient to provide more economic opportunities and address the social demands of the population. At the same time, this growth path is subject to downside risk in terms of environmental sustainability. The country’s dependence on water-intensive productive sectors has generated ever-increasing water stress and a growing need to reconcile conflicting water uses. Chile is among the countries whose water security is most at risk because of climate change: it has been ranked as the most water-stressed country in Latin America as it enters the 13<sup>th</sup> year of a record-breaking drought.<sup>27</sup>

38. **Chile is a heavily centralized country compared to others in Latin America and the Caribbean and in the OECD.**<sup>28</sup> Public investments are driven by sectoral ministries’ priorities and often do not necessarily reflect the cross-sectoral, local priorities of subnational authorities. Regional governors were elected for the first time in 2021, but they have limited powers and institutional capacity. Inter- and intraregional disparities in access and quality of services and opportunities remain a significant

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<sup>23</sup> MSMEs Finance Gap – Country Profile: Chile: <https://www.smefinanceforum.org/data-sites/msme-finance-gap>

<sup>24</sup> Financing SMEs and Entrepreneurs 2022: An OECD Scoreboard: <https://www.oecd-ilibrary.org/sites/e9073a0f-en/1/3/3/index.html?itemId=/content/publication/e9073a0f-en&csp=f3c512744374df0f64f9df449eb7e26c&itemIGO=oeecd&itemContentType=book#section-d1e23224>

<sup>25</sup> Ministerio de Economía & Instituto Nacional de Estadística: Quinta Encuesta Longitudinal (2019): <https://www.economia.gob.cl/2019/03/12/quinta-encuesta-longitudinal-de-empresas-ele5.htm>

<sup>24</sup> Financial Market Commission (CMF): <https://www.cmfchile.cl/portal/estadisticas/617/w3-propertyvalue-29525.html>

<sup>27</sup> Tianyi Luo, Robert Young, and Paul Reig, “Aqueduct Projected Water Stress Country Rankings” (technical note, World Resources Institute, Washington, DC, 2015).

<sup>28</sup> In terms of fiscal decentralization, for instance, the share of Chile’s subnational government’s expenditure in relation to general government spending was almost half of OECD countries’ average (15.1 versus 29.8 percent) in 2020, as was the share of Chile’s subnational government’s revenue in proportion to general government revenue (17.4 versus 33.9 percent). Source: OECD, World Observatory on Subnational Government Finance, and Investment, 2020 <https://stats.oecd.org/Index.aspx?DataSetCode=SNFG>.



barrier to development and social cohesion. Chile is highly urbanized, with almost 9 in 10 Chileans living in cities. However, the country's cities are facing severe demographic, economic, social, and environmental forces that may negatively affect residents' quality of life. These forces include an increase in the urban population that is expected to continue for the next 30 to 40 years, coupled with a demographic shift that will lead to an increased share of people older than 60 years from 18.1 percent in 2022 to almost double that by 2050.<sup>29</sup> These demographic trends will continue to put pressure on existing resources, space, and public services available, but they will also require a redesign of urban form and public services. There has been a persistent rise in regional disparities and spatial inequality.<sup>30</sup> Challenges include housing problems that have remained unsolved despite various initiatives to address them, with the proportion of people living in slums hovering around 9 percent since 2005,<sup>31</sup> a quantitative housing deficit of at least 400,000 units, about 1.2 million housing units of substandard quality,<sup>32</sup> and the near doubling of the number of informal settlements (*campamentos*) since 2011.<sup>33</sup>

**39. The accelerated arrival of vulnerable migrants, particularly from the República Bolivariana de Venezuela and Haiti, presents both short-term challenges and long-term development opportunities.** In the 1990s, the share of migrants in Chile was less than 1 percent of the country's inhabitants. By 2018 it had increased to 6.7 percent, and by the end of 2022, it is estimated to be 7.5 percent of those in Chile. The arrival of a significant number of particularly vulnerable people in a short period of time creates policy challenges to addressing the migratory shock. These can include unexpected pressure on institutional capacities to deliver administrative and social services and sudden increases in labor informality. Vulnerable migrants tend to settle in areas with precarious development and welfare conditions, as they have fewer resources. Nonetheless, despite their vulnerability, migrants can accelerate economic growth in Chile since they are often younger and, on average, have higher levels of education than locals.<sup>34</sup> World Bank estimates show that migrants have effectively contributed to Chile's overall economic growth and have generated high fiscal returns, with the State receiving more from their income generation than the social benefits they claim.<sup>35</sup> These returns could be even higher if obstacles to migrants' integration, such as lack of documentation, precarious jobs, lack of access to social protection services, lack of certification of their educational degrees, and negative public perceptions and discrimination, among others, were overcome.

**40. Gender-based violence remains a challenge throughout Chile despite government efforts, limiting women's access to education and economic participation and hindering endeavors to achieve gender equality overall.** According to the 2020 Survey on Intrafamily Violence, 41 percent of Chilean women reported having suffered some type of violence at some point in their lives, while 22 percent reported suffering violence in the past year.<sup>36</sup> An average of 130,000 cases of domestic

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<sup>29</sup> According to INE, the share of people older than 60 years will reach 32.1% by 2065.

<sup>30</sup> Chile remains the most unequal country among OECD country members, with an income gap 65 percent wider than the OECD average. Half of Chilean workers earn US\$550 a month or less, according to the National Statistics Institute (INE, 2019). World Bank staff estimates based on CASEN data show that the income of the richest was 7.3 times greater than those of the poorest in 2020.

<sup>31</sup> See [World Bank, Development Research Group, World Development Indicators](#).

<sup>32</sup> According to Ministry of Housing and Urbanism (MINVU) recent estimates.

<sup>33</sup> Recent estimates suggest that more than 80,000 households are grouped in more than 1,000 *campamentos*, according to official data from 2019 and from TECHO Foundation, *Cadastró de Campamentos 2020-2021*, (Santiago, 2021). This trend might be associated with the increase in migrant population, which has grown from 200,000 migrants in 2002, to more than 1.5 million in 2019.

<sup>34</sup> World Bank analysis and compared population pyramids based on INE-DEM statistics on migrant populations in 2020 and CASEN 2020. <sup>35</sup> Banco Mundial - Holz, M. Análisis de la Inserción Laboral y del Aporte Fiscal de la Población Migrante en Chile. 2022 (working draft), and, Banco Mundial, Consideraciones sobre la situación de las personas migrantes en Chile y recomendaciones sobre posibles acciones de política (working draft).

<sup>36</sup> "IV Encuesta de Violencia contra la Mujer en el Ambito de Violencia Intrafamiliar y en Otros Espacios (ENVIF-VCM)," Undersecretariat for Crime Prevention, Ministry of the Interior and Public Security.

violence are reported in Chile each year.<sup>37</sup> In its most extreme form GBV takes the form of femicide, with at least 44 femicides and 164 attempted femicides in 2021.<sup>38</sup> The Chilean government has developed programs and public policies to eliminate all types of GBV and has created institutional channels to provide support, protection, and reparation services to survivors. Nonetheless, rates of violence have not improved, few survivors file complaints, and significant challenges and quality gaps in providing an effective, coordinated response to violence remain.<sup>39</sup> This is especially true for those in rural areas which are not fully covered by government services and those who experience intersectional inequality based on their gender identity, minority status, or both (for example, indigenous or migrant women, or those who have experienced human trafficking, are sex workers, or have some degree of physical or mental disability).

**41. Building a green, knowledge-based, inclusive economy will inevitably require the private sector to play a potent role as a partner in development.** As discussed in the CPSD, Chile needs a strong public-private collaboration to build an inclusive society, harness greater innovation and productivity, and transition to a green economy. Access to finance is one of the main barriers to adoption of climate-smart agricultural technologies, especially for small companies, and it can help increase productivity, water efficiency, and adaptation to climate change. Chile has ambitious climate goals and was the first country in Latin America and the Caribbean to comply with the provisions of the Paris Agreement, committing to achieve carbon neutrality by 2050. The authorities estimate that a total of US\$50 billion in investments are required to reach Chile’s mitigation goals<sup>40</sup>.

**42. The success of the proposed expansion of the direct and indirect roles of the state in product and services markets will rest on increased trust in the effectiveness and responsiveness of public institutions.** Recent trends in public opinion have shown a significant drop in the population’s trust in governmental institutions, from 50 percent approval in 2010 to 18 percent approval in 2020.<sup>41</sup> Active policies to transition to a more equitable and sustainable growth path will require public sector institutions that can provide effective responses to the population’s perceived needs. For example, proper data infrastructure, including for the upcoming census, will be critical to effectively target social policies and efficient intersectoral coordination and interoperability will help determine the success of policies such as tackling GBV or integrating LGBTI+, disabled, tribal, indigenous people, and migrants. Further, ramping up public investment to address unmet social needs and to accelerate the transition to a net-zero economy requires proper selectivity and evaluation criteria across the public investment management cycle.

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37 Red Chilena contra la Violencia Hacia las Mujeres, Dossier Informativo 2018-2019,

38 Femicide is defined as the killing of a woman or girl by a man on account of her gender. Source: RUSSELL, Diana y HARMES, Roberta (2006). *Feminicidio: Una Perspectiva Global*. México DF: Centro de Investigaciones interdisciplinarias en Ciencias y Humanidades de la Universidad Autónoma de México, p. 74.

39 Report “Femicidios 2019”, Servicio Nacional de la Mujer y la Equidad de Género <https://www.bancomundial.org/es/country/chile/publication/Gestion-Violencia-Mujeres-Chile>

40 WBG FSAP – Technical Note on Climate Risks and Finance (2021): <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099455007152291147/p172020004a2e80c3092960fbcc796be817>

41 Latinobarómetro, “Informe Chile 2020” (Latinobarómetro, Santiago, 2021).

### III. WORLD BANK GROUP COUNTRY PARTNERSHIP FRAMEWORK

#### A. Government Program and Medium-term Strategy

43. **President Gabriel Boric’s *Programa de Gobierno Apruebo Dignidad 2022-2026* envisions a state that plays a more active role in the provision of quality social services while ensuring inclusive and sustainable economic growth.** The ambitious reform agenda centers on fostering economic growth based on digital transformation and greener, more sustainable, and innovative growth; ensuring that the state has a central function in delivering improved pensions and equitable access to quality education and health services; and preserving fiscal discipline. The program assigns a critical priority to ensuring gender parity in all spheres of social, economic, and political activities.

44. **There is significant progress in restoring a post-pandemic macroeconomic framework that ensures underpins stability and sets the basis for resumed growth.** The government program focuses on fiscal discipline and inflation control, reinforcement of Chile’s open trade policies and efforts to ensure increased productivity of existing industries while promoting innovative new opportunities in energy and emerging industries. In parallel, the country is attempting to build broad consensus around a social and sustainability agenda that would improve the country’s equity performance that includes areas such as reduced labor hours, the establishment of regional watershed management councils, and initiatives that may contribute to achieving the national objective of becoming carbon neutral and climate resilient by 2050.

45. **There is strong alignment between the government program and the medium-term WBG objectives as identified in the SCD and in the HLOs.** The government program is focused on social inclusion and enhanced sustainability as critical priorities, and these are also the two HLOs to which the WBG program will contribute over the coming period. It is expected that as the administration makes further progress in the implementation of its program, new areas for support could be explored.

#### B. World Bank Group Country Partnership Framework

46. **The CPF has benefitted from consultations with international organizations, civil society, think tanks, academia, youth, and the private sector.** These meetings, in which stakeholders validated the overall approach to the CPF, took place in November and December 2022. The CPF reflects the government’s priorities for WBG engagement over the next two years as determined through extensive engagement with ministries identified by the Ministry of Finance as being of strategic importance. Additionally, as part of the [Chile Policy Notes](#) (P175346) outreach, a range of stakeholders participated in a process that has informed and validated the priority areas for World Bank engagement with the government.<sup>42</sup>

47. **The proposed lending program builds on Advisory Services and Analytics (ASA), including Reimbursable Advisory Services (RAS), which will continue to be an important tool for partnering with Chile to provide advisory, analytical and implementation support services outside of the context of ongoing financing.** As of April 1, 2023, there are three RAS worth US\$4.24 million under

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<sup>42</sup> This consisted of 10 two-page articles in *Diario Financiero*, reaching 1.3 million people; 4 webinars attended by 663 individuals and 896 viewers on YouTube and 2,110 visits to the policy landing page with 1,500 downloads. The topics proposed were also discussed on social media, with 13,586 interactions and 1,810 direct mentions of policy notes with opinions.

implementation, with several others under discussion and expected to be signed soon. There are four loans under preparation for an expected total of US\$750 million. Three of the four loans are Program for Results (PforR) financing instruments, and one is an Investment Project Financing (IPF) instrument, reflecting the value the government places on World Bank expertise in accompanying the design and implementation of important multi-dimensional reforms. As projects are approved and implemented, further refinement of the CPF program is expected, particularly for outcome indicators, at the time of the PLR anticipated for late FY25.

48. **The SCD concluded that the main development challenge that Chile faces is the achievement of a new consensus on equity and productivity, and it underscored the need to further strengthen both adaptation to climate change and the management of critical environmental challenges.** The CPF is focused on the selected areas of the SCD that have been prioritized by the government of Chile and in which the WBG has had previous and ongoing engagement in Chile: health, water, and municipal social assistance. Areas where the WBG can contribute by bringing to bear relevant global knowledge and experience, as with the nascent green hydrogen industry, were also prioritized. Productivity issues are complex and multi-layered in Chile, and the CPF will contribute to this agenda where feasible under the prioritized objectives, for instance through better access to finance for SMEs (objective 3), ongoing ASA exploring the links between decarbonization efforts and productivity (objective 4), and by promoting more efficient use of water resources (objective 5). Given Chile's rich firm level data, and in line with the Global Public Goods agenda, the WBG will also explore opportunities for knowledge collaboration with Chile in the areas of productivity and green growth. For other issues identified in the SCD, such as slow growth, economic diversification, and access to finance, WBG involvement will continue primarily through support from IFC to the private sector, to foster innovation that will contribute to increased productivity, and specific knowledge contributions through analytical and advisory services, including RAS.

49. **The planned expansion of the engagement with Chile will benefit from the various lessons learned during the previous interim periods.** One such lesson is the benefit of building on knowledge engagements to develop pilot projects. These projects can then be evaluated and scaled up to the national level. One such example has been the experience with the Gestión Social Local delivery system, which creates a one-stop shop for users to access both national and local social services (appendix B). Further lessons from the interim period include the value of RAS as a tool for knowledge initiatives, the importance of sustained IFC engagement with the private sector, as well as the benefits of a World Bank presence on the ground to foster a robust dialogue and support the delivery of technical expertise and policy advice in specific sectors.

50. **IFC's investments and advisory services will also gain from the various lessons learned in the recent past.** Lessons from IFC's (1) support of innovative technologies, such as renewable energy, (2) promotion of nontraditional financial instruments and entities that create a wide development impact, and (3) recent success with agricultural and women-owned MSMEs and the support of non-traditional banking sectors, such as factoring, will all shape the future IFC program. In addition, IFC has been able to provide fast and flexible financing to meet rapidly evolving needs in areas such as renewable energies, climate change, and MSMEs, as well as risk management with guarantees, risk-sharing facilities, and other innovative financial instruments. Leveraging these experiences, IFC will focus on "first-of-its-kind" projects with demonstration effect features, incorporating lessons learned in Chile and from other countries.

51. **The high-level outcomes and program pipeline meet the selectivity criteria for countries above the IBRD GDI level.** The proposed projects to enhance social inclusion and resilience to climate change help address issues that are critical for the country to advance toward a level of sustainable development. Each of the proposed programs include an important component of institutional strengthening (such as in water, health, and social protection) which helps to bring the public sector closer to Chile’s aspirational comparator countries. CPF objectives have been identified by using selectivity filters that include the WBG’s comparative advantage derived from longstanding knowledge work in those areas, as well as their potential relevance to other national contexts, such as the transition towards a universal health care system, improved social service delivery, improved access to finance for underserved people, stronger government capacity to manage water resources while also improving the private sector’s role in sustainable water management, and development of a green hydrogen industry.

52. **The CPF reflects a coordinated approach with other development partners.** The Inter-American Development Bank (IDB) is Chile’s largest development partner. Chile joined the Corporación Andina de Fomento (CAF) as a full member in 2023. Through an active dialogue, and under the guidance of the Ministry of Finance, there are joint multilateral development bank (MDB) efforts in some areas, such as support for the development of a green hydrogen industry and electric mobility. In other areas, a differentiated work program helps insure efficiency and strategic alignment. For example, the IDB leads on the public sector SME development agenda to increase productivity, and CAF is supporting Chile’s decentralization efforts. In addition to reflecting the current MDB division of labor, the CPF reflects the priorities set forth in the UN’s Sustainable Development Cooperation Framework for Chile. The CPF has been discussed with representatives of the various UN agencies operating in Chile. In the implementation of the CPF, the WBG will continue to coordinate closely with the UN, IDB, CAF and other development partners.

### C. Objectives Supported by the WBG Program

53. **The Chilean government has indicated its interest in World Bank lending to help with its complex reform agenda.** Specifically, it has sought support in selected areas where the World Bank’s global expertise and on-the-ground experience in Chile were deemed critical to address complex challenges—notably developing a green hydrogen industry, health care, social protection, and water resource management. The CPF supports two HLOs through five CPF objectives. HLO 1 will accompany efforts to increase equitable access to quality social and financial services. HLO 2 supports improved environmental outcomes and resilience to climate change through an ambitious climate change adaptation and mitigation agenda in the face of significant national vulnerability (table 2).

Table 2: High-level Outcomes and CPF Objectives

High-Level Outcomes (HLOs)	HLO 1: Improved quality and inclusiveness of social and financial services	HLO 2: Improved environmental sustainability and climate change resilience
CPF Objectives	<ol style="list-style-type: none"> <li>1. Improve inclusiveness of health services.</li> <li>2. Increase quality and access to social protection programs.</li> <li>3. Improve access to inclusive finance.</li> </ol>	<ol style="list-style-type: none"> <li>4. Promote decarbonization of the energy, transport, and industrial sectors.</li> <li>5. Increase water security through strengthened water resource management.</li> </ol>

Source: World Bank staff.

Note: CPF = Country Partnership Framework; HLOs = high-level outcomes.

54. **Increased access to quality and inclusive social services (HLO1) is expected to enhance equity and inclusiveness in Chilean society.** The approach supported by the World Bank is to replace the prevailing segmentation in the delivery of social services and programs with an integrated one-stop shop placed in municipalities that enables more equitable access by vulnerable people to quality health care, education, employment, child protection, and other social protection programs. It will include measures to address the needs of highly vulnerable populations (women, LGBTI+, indigenous peoples, migrants, older adults, and people with disabilities) who face additional obstacles in accessing these services. In addition, specific CPF development objectives will focus on the government of Chile’s efforts to transition to a more inclusive and accessible health system, with a focus on primary health care and will help scale improvements in the delivery of social services at the municipal level. Discussions are ongoing for further collaboration on providing more integrated service support to victims of gender-based violence.

55. **IFC will support the private sector in the provision of quality health and education and both IFC and MIGA will support financial services that boost productivity and benefit vulnerable and underserved populations through more inclusive, affordable, and innovative business models.** Given the slowing economic backdrop and tightening financial conditions in Chile, investments in human capital development can also enable increased productivity and competitiveness. Building on earlier advisory work, IFC will explore support for expanding digitalization for the delivery of quality health, education, and financial services. IFC and MIGA will also support underserved market segments by increasing access to finance, and, together with the World Bank will investigate implementation of regulations for open banking to boost competition, innovation, and development of the financial system. To promote gender equality and female economic participation, IFC will support financial institutions and real sector companies that are committed to advancing women’s leadership and entrepreneurship, by providing investment and advisory products with ESG-targeted metrics that incorporate a gender lens. MIGA’s engagement in the financial sector will support Banco Santander Chile to scale up its gender loans, as a portion of the loans enabled by the MIGA guarantee are allocated toward women-SME lending.

56. **Under HLO2, which aims to support Chile’s decarbonized and climate-resilient development, the CPF reflects Chile’s commitment to reach decarbonization by 2050 while achieving sustainable productivity-driven growth.** The HLO focuses on key outcomes which are expected to improve Chile’s environmental sustainability, enhance climate resilience, and generate growth from new carbon-

neutral sources. This includes development of a domestic green hydrogen industry, together with regulatory and tax instruments (including carbon-pricing instruments) to promote decarbonization and productive efficiency of firms, thereby improving land and water resource management. Chile's performance in environmental management lags that of its OECD peers. The carbon-dependent energy sector—the foundation of Chile's growth for decades—accounts for 76 percent of Chile's total greenhouse gas (GHG) emissions. Despite considerable progress in the development of a renewable energy industry, Chile is still heavily dependent on fossil fuels. Fiscal and economic policies can play a key role in promoting greater energy efficiency and a further switch to renewable energy. If Chile is to achieve GHG neutrality by 2050, it needs to intensify its energy transition, through massive expansion of renewable energy and accelerated development of the green hydrogen industry as a substitute for fossil fuels in key energy-intensive sectors, particularly in the transport, mining, and industrial sectors. In addition, the World Bank will support Chile to improve the institutional framework and investments in the water sector to enhance resilience and ensure equitable access to water and sanitation services by strengthening institutional capacities for an integrated management of water resources, considering environmental, social, and economic requirements. The focus will be on institutional strengthening at the national and basin levels to enhance the sustainability and resilience of rural water supply and sanitation service providers, as well as to improve integrated water resource management and planning, in view of climate change impacts.

**57. IFC will support HLO2 through climate-related innovative investments, advisory services, and upstream services, leveraging private capital mobilization to tackle mitigation and adaptation challenges.** These services will be in sustainable infrastructure, such as water supply and sanitation (including seawater desalination and equitable wastewater infrastructure), clean energy, low-carbon mobility, transport, and logistics, green hydrogen and ammonia, and other financial sector innovations to enable greater climate finance, such as blue, green and sustainability linked instruments. IFC will also look at wider decarbonization opportunities to support the circular economy, greening of the financial sector, climate-smart agriculture, sustainable forestry, aquaculture, green commercial and housing buildings, waste management, manufacturing, and sustainable and responsible mining. MIGA will support this HLO by mobilizing foreign private capital through political risk insurance and credit enhancement products in strategic sectors such as sustainable infrastructure and climate finance. MIGA will also look to support Chile's state-owned enterprises in energy intensive sectors to adopt renewable sources of energy.

#### **IV. IMPLEMENTING THE FY24-27 COUNTRY PARTNERSHIP FRAMEWORK**

**58. The World Bank will use the full range of available tools to support Chile's development.** The government has identified PforRs as an instrument for institutional strengthening within line ministries, and as a tool for designing and implementing cross-sectoral approaches to particularly complex challenges. The government has also asked the World Bank to support a program of catastrophe bond issuances to financially protect the country against earthquakes that was initiated with a US\$630 million transaction in March 2023. For the World Bank, assisting Chile in ambitious next-generation reforms will provide valuable learning opportunities and experiences that can then be useful in other country contexts. The financing envelope within the CPF period will be between approximately US\$900 million and US\$1.5 billion with the current pipeline in consideration and does not including support for bond issuances. Actual IBRD lending will depend on performance of the existing portfolio, demand from other World Bank borrowers, and factors including global economic developments that affect IBRD's financial capacity. RAS will continue to serve as an important

complement to the lending portfolio and will provide targeted technical and implementation support in areas such as social protection, health, and statistical capacity building.

59. **The proposed use of PforR financing is based on the strength of Chile's country systems in the areas of public financial management, procurement, and external auditing.** Chile scores well on these fiduciary functions, thus ensuring that the public sector activities meet the highest accountability, efficiency, and transparency standards. Most recently, the World Bank has supported the Comptroller General's Office in a series of RAS aimed at further improving accountability and oversight of public funds.

60. **IFC and MIGA are stepping up their efforts in private capital mobilization (PCM) to boost effective private investments and to provide broader support for Chile.** IFC will focus on PCM to deliver solutions for CPF strategic areas while maximizing opportunities for WBG synergies. IFC has a pipeline of over US\$1 billion in planned investments in Chile. IFC will ensure that these planned activities are in sync with Chile's ongoing efforts to increase social equity and to decarbonize. These efforts will contribute to green, resilient, and inclusive development (GRID), by potentially supporting strategic projects that are paired with IBRD's agenda. Strengthening digitalization, IFC will focus on supporting digital infrastructure, digital platforms, digital financial services, digital business, and digital skills to spur innovation and increase access to markets. Additionally, IFC will explore opportunities in other critical sectors, including telecommunications, sustainable and responsible mining, electric transmission, electric battery storage, waste management, climate-smart agriculture, forestry, aquaculture, health care, venture capital, affordable housing, the circular economy, and the blue economy. MIGA will explore opportunities to provide political risk guarantees and credit-enhancement solutions in strategic sectors of the economy, prioritizing projects that support green, inclusive, and resilient recovery. In line with MIGA's strategic priorities and the GRID strategy, MIGA will aim to support the scale up of foreign direct investment for high-development-impact projects that promote climate resilience, job creation, and financial inclusion in Chile. In addition, during the CPF period, through its guarantees in support of Banco Santander in Chile, MIGA will continue to assist in increasing access to finance for underserved segments, such as SMEs and women-owned enterprises, as well as increasing access to credit for climate change adaptation and mitigation projects.

## **V. MANAGING RISKS TO THE CPF PROGRAM**

61. **The CPF's overall risk is rated as moderate** (table 3). Chile has faced significant social and political instability in recent years, mostly due to popular discontent with the lack of progress in achieving improved equality and shared prosperity. There also has been increased violence in the Araucanía Region, reflecting a long-standing dispute over ancestral land claims. An increase in drug trafficking, theft, and violent crime has led to high levels of perceived insecurity. However, these changes have not impaired the normal functioning of political institutions or the continued adherence of the citizenry to democratic rules, thus providing a stable mid-term outlook.

62. **A deepening engagement with Chile will allow the country to benefit from a broader range of the WBG's tools but will require a learning curve associated with project lending and implementation.** Delivering the expected results lies with the government's ability to build robust strategies and work across sectors. However, there are likely to be challenges associated with the lack of familiarity with Bank lending policies and procedures. These challenges will be addressed through continuous implementation support from the WB teams and early appointment of key focal points in



the relevant line ministries to ensure smooth coordination. These risks will also be mitigated by the strong relationship between the WBG and the government of Chile and by the flexibility in the CPF's design to respond to changes in a fluid context. The WBG will continue to strengthen interactions with the ministerial teams implementing the various programs and will work closely with the Ministry of Finance in monitoring effective project implementation.

Table 3: Risks to the CPF Program

Risk categories	Rating
Political and governance	Moderate
Macroeconomic	Low
Sector strategies and policies	Moderate
Technical design of project or program	Low
Institutional capacity for implementation and sustainability	Moderate
Fiduciary	Low
Environment and social	Low
Stakeholders	Low

## Appendix A. Chile CPF FY24-27 Results Matrix

High-Level Outcome 1 (HLO 1) – Improved Quality and Inclusiveness of Social and Financial Services		
<p><i>This is a new HLO reflecting the critical role of social services and access to finance to improve equity and inclusion in Chilean society. The proposed reforms seek to replace the prevailing, purely market-driven, delivery mechanisms with systems that allow equitable access to quality health, social protection, and financial services. This includes introducing innovative solutions for a universal health system and social protection “one-stop shop” located at the municipal level, as well as improving access to finance for underserved populations.</i></p>		
High-level Outcome indicators	Data source	Current value
1. Survival to age 65, male and female (% of cohort)	1. WDI	83% for males (2020), 90% for females (2020)
2. Reductions in avoidable hospital admissions due to diabetes in adults	2. OECD Stats, 2022	2. 111 age-sex standardized hospitalization rate per 100,000 population (2019)
3. Average loan amount to MSMEs (CL\$)	3. Chile’s Financial Market Commission database	3. CL\$ 18,991,000 (2022)
<p><b>High-Level Outcome Description</b></p> <p><b>Rationale:</b> While Chile has made important progress in eradicating extreme poverty and boosting shared prosperity, a significant share of the population—including much of the middle class—still lacks access to quality public services. Only the better off can bypass the limitations of publicly provided services in health care, social protection, and finance. Access challenges have been exacerbated by the rapid population growth in some municipalities due to the arrival of vulnerable migrants. The massive protests that flared across Chilean territory in October 2019 were in large part the result of frustration with the government’s inability to respond to popular demand for more equitable access. The new administration’s program <i>Propuestas para un nuevo Chile: Cambios para vivir mejor</i> has made the reform of social services a critical priority, with a particular emphasis on the universalization of the health and social protection systems. Chile’s inequality is also seen in the limited access to finance for MSMEs, with women-owned MSMEs facing a larger financing gap. In addition, to improve access and quality of financial services, there is a need to increase the financing to MSMEs, including the average amount of loans MSMEs will get.</p> <p><b>WBG engagement:</b> On social protection, an ongoing collaboration via RAS with the Ministry of Social Development and Family (Municipal One-Stop Shop Pilot RAS, P170754), contributed to the design and initial implementation of the <i>Gestion Social Local</i> platform which allows for the integrated provision of national and local social protection services at the municipal level. This pilot phase will be followed by a Program for Results operation intended to expand and consolidate the program at the national level. On health, the government has asked for the WBG’s assistance in designing a universal health system that unifies the governance and financing of the current public and private health sectors. A series of analytical pieces are planned in the near term to be followed by a Program for Results operation to support the implementation of the proposed reforms. Since 2020, the Bank has been working with the Ministry of Women and Gender Equality to assess and improve the gaps in the state’s response to –and prevention of– gender-based violence. On migration, the WBG has been providing technical assistance to the Ministry of Interior for the integration of vulnerable migrants, informing the formulation of a National Policy. IFC had</p>		

invested in the financial sector to expand financial and social inclusion (access to finance for MSMEs, women-owned MSMEs, micro-entrepreneurs and underserved and vulnerable individuals through the microfinance sector and non-bank financial institutions). IFC support to boost financing volume for MSMEs will result in better access and financing options for them.

**Knowledge gaps:** The proposed health reform presents some substantial knowledge gaps. The WBG is discussing with the administration a wide-ranging ASA pipeline to analyze the complex technical and policy issues involved in the transition toward a universal health system and help identify the pathways through which the proposed health reform will be designed and implemented. In the case of the Gestion Social Local (GSL) platform, there has been significant progress in addressing the various knowledge gaps through the series of RAS that helped design and initiate the pilot implementation of the program.

SDGs (Sustainable Development Goals) associated: HLO-1 relates to SDG 1 – No Poverty, SDG 3 – Good Health and Well-Being, SDG 10 – Reduced Inequalities, and SDG 16 – Peace, Justice, and Strong Institutions

#### **CPF Objective 1: Improve inclusiveness of health services**

*This is a new CPF objective. Unequal access to health services is identified by the population as the single most significant contributor to inequality. Chile's efforts to move toward universal health coverage have failed to resolve significant structural issues. One such issue is the dual insurance schemes: a public subsystem providing coverage to 77 percent of the population, and a private one covering the wealthiest 17 percent of the population, including a much larger share of young and healthy population. Per capita financing per beneficiary under the public subsystem is almost half that under the private scheme. Public health expenditures increased from 6.8 percent of GDP in 2010 to 9.4 percent a decade later. However, out-of-pocket health costs average 32.8 percent of total costs, among the highest in OECD countries. This effectively constrains access to health services, creates a significant economic risk for households, or both. The new administration has requested WBG assistance through knowledge contributions and eventual lending for the design and implementation of a universal health system.*

#### **Intervention Logic**

**Rationale:** Limited supply of healthcare services in the public sector and in primary health care (PHC) remains one of the main challenges for the Chilean health system. Improvements in the access to quality and affordable health services, particularly of systematically excluded groups such as women, indigenous peoples, migrants, people with disabilities, and the LGBTI+ population, would directly contribute to the HLO's outcome. The World Bank has had a long-term engagement with the Chilean health sector both in terms of analytical support and in specific investment projects. The government's current request to support its health reform reaffirms such engagement.

**Lessons learned and new knowledge:** From previous operations in the health sector, strong implementation support through increased communication with MINSAL (*Ministerio de Salud* -Ministry of Health) and training provided to local Project Implementation Units (PIUs), will ensure project sustainability. A substantial portfolio of analytical work will support project implementation and knowledge generation for the proposed reforms, collaborating closely with the Ministry of Health (MoH), Fondo Nacional de Salud (FONASA), and the Health Superintendent.

**WBG engagement:** On health, World Bank assistance will include the modeling of different health reform scenarios, a review of payment mechanisms to public and private providers, the evaluation of new institutional roles for different public health sector actors, the regulation of private insurers, and the integration of public and private healthcare service providers. In recent months, the Macroeconomic, Trade and Investment (MTI), Poverty (POV), and Health, Nutrition and

Population (HNP) teams have been providing analytical support on tax reform to fund increased social expenditures and the use of health taxes. IFC will continue engaging in investment activities to expand access, quality, and affordability in the provision of services in social sectors, such as health and education.

**Key risks and mitigation:** The speed of implementation can be affected by the political scenario in which health is a top priority for the population and the political consensus for health reform has been elusive. This will be mitigated by working in the policy areas having wider support across actors in the country and by keeping the policy dialogue around consensus points. In addition, the MoH has not had experience implementing a lending operation for more than 20 years, which represents a risk related to the institutional arrangements needed during preparation and implementation of projects. To mitigate this risk, an implementation support team and plan will be elaborated and agreed upon with the counterparts, including the appointment of key staff as focal points in the relevant directorates of MoH to ensure timely coordination and reporting.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>Indicator 1.1 Share of the population registered with a primary healthcare center. Baseline (2023): 73.3%. Target (2027): 85%. Source: FONASA 2023 for registered population and INE 2022 for Chile population.</p> <p>Indicator 1.2 Primary Health Care enrollment rate (as disaggregated by gender) Baseline (2022): 70.1% for men, 75% for women Target (2027): 77.4% for men, 80% for women</p> <p>Indicator 1.3 Out-of-pocket spending as a percentage of total health expenditure. Baseline (2021): 28.9% of total health spending Target (2027): 27% of total health spending Source: OECD Stats, 2022</p>		<p><b>Financing Pipeline:</b> Support to the health system reform in Chile (<a href="#">P179785</a>)</p> <p><b>Ongoing ASA:</b> Assessment and recommendations' study of the National Immunization Program (IO)</p> <p><b>ASA Pipeline:</b> Equity and sustainability of the Chilean Health System (RAS) (<a href="#">P179958</a>)</p>

**CPF Objective 2: Increase quality and access to social protection programs.**

*This is a new CPF objective. It reflects the Ministry of Social Development and Family's commitment to expanding and consolidating the Gestion Social Local (GSL) delivery system to improve the efficiency and effectiveness of delivery through the integrated provision of social protection services by municipalities to their vulnerable constituencies. The GSL comprises various thematic modules (social assistance, social subsidies, employment and employability, social care services) corresponding to the various social policies and programs carried out through municipalities as key players in the nation's social protection system. The*

*expansion and consolidation of GSL to all of Chile's 345 municipalities would constitute a critical contribution toward the achievement of the HLO as it would ensure that beneficiaries have an expedient and effective way of obtaining assistance.*

#### **Intervention Logic**

**Rationale:** The provision of effective and efficient social protection constitutes a key component of the efforts to ensure access to quality social services. In 2020, the Chilean Social Protection System consisted of 469 social programs across 12 ministries for a total of \$35 billion per annum. While municipalities are the channel of delivery for most social benefits, they did not have the ability to offer an integrated response to beneficiaries.

**WBG engagement:** Support for GSL began in 2018 through a RAS that included design options for a social protection municipal one-stop-shop, followed in 2019 by a pilot phase covering six municipalities. The GSL is now in its fourth phase and is operative in over 250 municipalities. GSL has improved the interface between municipalities and beneficiaries by coordinating the response to the beneficiaries' needs through a single municipal window. The GSL, as a multi-function service platform, facilitates the interface between municipal staff and beneficiaries and provides a one-stop shop to access government programs and subsidies administered by municipalities. The phased build-up of the GSL, its built-in monitoring and evaluation mechanisms, and the strong interest and positive evaluation of the GSL by the 250-plus municipalities that have already joined the system, provide a foundation for the expansion of the GSL program. Finally, the innovative nature of the program makes GSL potentially replicable in countries facing similar issues in the administration of social protection programs.

**Lessons learned and new knowledge:** A series of ASAs and RASs since 2015 analyzed the challenges of social service provision. The GSL implementation in more than 200 municipalities in Chile has been a systematic effort over a period of four years, based on a diagnosis of the functioning of the Intersectoral Social Protection System at the local level, from whose results arose an adaptable technical assistance methodology, constantly revised in its results, which allows a significant change in the relationship between the central level and the local level. It is in this context that GSL contributes to the improvement and effectiveness of social management in municipalities, from the particularities of each one. The projection for this program is related to the expansion of coverage of the modules currently in operation. In addition to the creation of new thematic modules, expansion of the program will allow, in the future, to complete a reorganization of benefits and services in terms of social protection at the local level, based on processes of integrated provision of services to users through more efficient and effective social interventions. This process includes new challenges, such as the application of the Law to Guarantee the Rights of Children and Adolescents, which gives municipalities the responsibility of organizing and operating the Local Offices for Children (OLN) and which will imply a complete reorganization of the services that local governments currently provide to this group of the population. To promote the integration of services in favor of children, adolescents, and their families at the local level, the OLN will be implemented as a new GSL thematic module.

**Key risks and mitigation:** Risks arise from legal and regulatory issues affecting the ability of GSL to continue improving access and quality services to citizens, while ensuring data security, privacy, and reliability. There is also a need to incorporate GSL into the digital ecosystem to improve the coordination of efforts involved in its management; to generate technical operating rules that protect data protection procedures, access to information, and maintenance of a registry of certified GSL operators (which will ensure the quality of social interventions supported by this new methodology); and to consider ongoing training processes for operators. Finally, although the Ministry of Social Development and Family is the institution that created and must consolidate GSL, there is a lack of effective coordination and articulation with other institutions that could prevent the delivery of comprehensive interventions. It is possible to identify two actors with whom it is necessary to coordinate with GSL in the short term: (1) the Regional Development Undersecretariat (SUBDERE), with the Municipalities Division, and (2) the Ministry of Labor and Social Security, as responsible for employment and training policies.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>Indicator 2.1 Share of municipalities evaluated as “good performers” in providing social assistance services. Baseline (2022): 40% Target (2026): 75% Source: GSL dashboard performance indicators, 2022</p> <p>Indicator 2.2 Share of municipalities evaluated as “good performers” in providing integrated social services for children. Baseline (2022): 0 Target (2026): 75% Source: GSL dashboard performance indicators</p> <p>Indicator 2.3 Number of individuals/households beneficiaries of integrated services at local level. Base line (2022): 120.000 individuals each month in average – 1,4 million yearly Target (2026): 350,000 per month in average Source: GSL dashboard performance indicators, 2022</p> <p>Indicator 2.4. Number of women beneficiaries of integrated services. Baseline (2022): 51.000 women each month in average. Target (2026): 150.000 women per month in average Source: GSL dashboard performance indicators, 2022</p>	<p>SI 2.1.1. Number of municipalities using GSL integrated service provision model for social assistance programs. Baseline (2022): 250 (72.4% of municipalities) End target (2026): 345 (100%)</p> <p>SI 2.2.1. Number of municipalities using the GSL integrated service provision model for children. Baseline (2022): 15 (72.4% of municipalities) End target (2026): 345 (100% of municipalities)</p> <p>SI 2.2.2. Percentage of municipalities using GSL integrated service provision model for children that use intervention plans for child protection case management. Base line (2022): 4.5% End target (2026): 90%</p> <p>SI 2.3.1. Number of individuals/households beneficiaries of integrated social assistance services at the local level. Baseline (2022): 120,000 individuals per month on average Target (2026): 350,000 individuals per month on average</p> <p>S.I. 2.3.2 Number of individuals beneficiaries of integrated social services to children at the local level. Base line (2022): 0 children per month in average Target (2026): 100.000 children per month in average</p> <p>S.I. 2.3.3. Number of individuals beneficiaries of integrated employment services at the local level. Baseline (2022): 3,500 individuals per month on average</p>	<p><b>Ongoing Financing:</b> N/A <b>Financing Pipeline:</b> <a href="#">Strengthening the Social Protection System in Chile (P180253)</a></p> <p><b>Ongoing ASA:</b> <a href="#">Implementation of the SP Municipal one-stop-shop pilot. (P170754)</a></p> <p><a href="#">Venezuelan Migration Policy Dialogue in LC6 countries (P179262)</a></p> <p><a href="#">Local Implementation of Children’s Rights Guarantees’ System of the Children and Adolescents’ Rights (P179171)</a></p> <p><a href="#">Preventing and responding to GBV in WB operations in the Andean countries (P177759)</a></p> <p><b>ASA Pipeline:</b> N/A</p>

	Target (2023): 10,000 individuals per month on average.	
<b>CPF Objective 3: Improve access to inclusive finance</b>		
<i>This is a new CPF objective. Micro, small and medium enterprises (MSMEs) play an important role in the economy of Chile. MSMEs account for over 97 percent of all Chilean enterprises and generate 44 percent of the country's total employment. However, the absence of affordable financial services tailored to their needs limits their growth and thus their ability to contribute to the country's employment and prosperity.</i>		
<p><b>Intervention Logic</b></p> <p><b>Rationale:</b> According to IFC's Micro and SME Finance Gap database (2017), Chile's MSME finance gap totals US\$8.4 billion, or 4 percent of GDP. About 22.2 percent of MSMEs are either unserved or underserved in terms of financial products. The gap is estimated to have increased sharply during 2020, raising concerns on MSMEs' liquidity and credit quality. Women own only 14 percent of the total MSMEs in Chile and face an estimated US\$131 million formal financing gap.<sup>43</sup> For Chile, as in many countries, although women save more than men, have better payment behavior and a healthier composition of their debt than men, there are still significant gaps in terms of access, which ultimately leads to women facing greater financial constraints to start their own businesses. Women also receive less financing., not only was the share of women commercial borrowers (MSMEs) is 8 percent lower than among their male counterparts, but also the loan amounts for men were 1.7 times higher.<sup>44</sup> Chile has a large gender gap in entrepreneurship.<sup>45</sup> The total early-stage entrepreneurial activity for women is 22.1 percent, versus 29.9 percent for men. Chile's low-income women are far less likely to be entrepreneurs than men are, a sign of the need for financial and business training support for low-income women.</p> <p><b>WBG engagement:</b> Between FY17 and FY22, IFC committed a total of \$524 million in long-term funding to increase access to finance and sustainable inclusive agriculture for underserved market segments in Chile, such as MSMEs, WSMEs, and climate finance. The combination of pension fund withdrawals and interest rate hikes by the Central Bank to control rising inflation have reduced the availability of long-term financing and the risk appetite for investments. Within this context, IFC is exploring how to support banks and nonbank financial institutions (NBFIs) through innovative financing mechanisms in critical areas with strong development impact. Additionally, IFC has been promoting stronger ESG standards in the financial sector, through advisory work and knowledge-sharing activities. Chile is a member of IFC's Sustainable Finance Banking Network (SFBN). Since 2016, IFC has been providing advisory services to the former Superintendence of Banks and Financial Institutions, superseded by the Financial Market Commission (CMF), for its sustainable finance initiatives and capacity building, in partnership with the Facility for Investment Climate Advisory Services. Together with the World Bank, IFC is exploring ways to support Chile in cutting-edge areas such as open finance and, green and social finance. MIGA will continue to support the financial sector by increasing access to finance to SMEs, including women-owned SMEs, through its existing guarantee.</p> <p><b>Lessons learned and new knowledge:</b> IFC has supported the financial sector in Chile both before and during the pandemic and has established relationships with various financial institutions. Macroeconomic, political, and social events, such as the social unrest in October 2019 and pension fund withdrawals between 2020 and 2021, affected the private sector's access to long-term funding and capital markets. IFC learned that this new context presents an opportunity to play a bigger role in Chile by filling this gap and increasing support to the private sector within the CPF time frame. IFC's interventions that focus on increased access to finance</p>		

<sup>43</sup> SME Finance Gap: <https://www.smefinanceforum.org/data-sites/msme-finance-gap>

<sup>44</sup> CMF gender disaggregated data as of December 2022: <https://www.cmfchile.cl/portal/estadisticas/617/w3-propertyvalue-29525.html> <https://www.cmfchile.cl/portal/estadisticas/617/w3-propertyvalue-29525.html>

<sup>45</sup> Report on Women's Entrepreneurship 2020/2021 (Global Entrepreneurship Monitor): <https://www.gemconsortium.org/report/gem-202021-womens-entrepreneurship-report-thriving-through-crisis>

for SMEs, WSMEs, and NBFIs, will be aligned with IFC’s Fiscal Year 2022 Financial Institutions Group strategy, which focuses on three strategic pillars: (1) increasing financial access and inclusion, especially to underserved groups such as women and SMEs; (2) boosting sustainability and climate finance; and (3) creating broader, deeper, and more inclusive financial markets beyond banking.

**Key risks and mitigation:** Chilean financial institutions may require additional IFC resources that become available in a fast and flexible manner to support their lending operations, especially on social and green finance. To address the changing needs of private sector clients, IFC has been working on streamlining internal procedures to achieve faster decisions that will enable IFC to deliver more efficiently to clients. By working with strategic partners, IFC can leverage its know-how and operational readiness in the MSME market to expand in this segment.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>Indicator 3.1 Access to finance for underserved market segments (MSME and WSME): Chile outstanding MSME portfolio of loans (CL\$) disaggregated by gender</p> <p>Baseline MSME finance (2022): CL\$ 25,784,601 million</p> <p>Baseline MSME finance for women (2022): CL\$ 6,168,720 million</p> <p>Target MSME finance (2026): nominal average growth of 5% between FY23 and FY27</p> <p>Target MSME finance for women (2026): nominal average growth of 5% between FY23 and FY27</p> <p>Source: Chile’s Financial Market Commission database (the CMF): <a href="https://www.cmfchile.cl/portal/estadisticas/617/w3-propertyvalue-29525.html">https://www.cmfchile.cl/portal/estadisticas/617/w3-propertyvalue-29525.html</a></p>		<p><b>IFC Financing:</b> Commitments with financial institutions and nonbank financial institutions (Partners No. 799837, 741040, 798707, 632804, 1023322, 1056133, 1068515)</p> <p><b>IFC Pipeline:</b> Support to financial sector and access to finance for underserved and vulnerable populations, MSMEs, women-owned MSMEs, microfinance, micro-entrepreneurs, and NBFIs</p> <p><b>MIGA Guarantees:</b> Santander Chile capital optimization guarantee</p>

**High-Level Outcome 2 (HLO 2) – Improved environmental sustainability and climate change resilience.**

*This is a new HLO. It is reflective of Chile’s commitment to reach carbon neutrality by 2050 and to promote green and resilient development while fostering productivity growth through innovative new technology and higher resource use efficiency. The proposed HLO focuses on the key outcomes expected to improve*



*Chile's environmental sustainability, mitigation, and adaptation to climate change, namely, the decarbonization of major greenhouse gas sources and improved water resource management.*

High-level Outcome indicators	Data source	Current value
1. Reduction of estimated greenhouse gas emissions	Climate Watch Data	1. 91,370 metric tons of CO2 (2019)
2. Increase in the share of households in rural areas with improved water services.	CASEN; <a href="http://observatorio.ministeriodesarrollosocial.gob.cl/storage/docs/casen/2017/Resultados_vivienda_casen_2017.pdf">http://observatorio.ministeriodesarrollosocial.gob.cl/storage/docs/casen/2017/Resultados_vivienda_casen_2017.pdf</a>	2. 43.5 percent (2017)

**High-Level Outcome Description:**

**Rationale:** Chile's performance in managing the environment lags that of its OECD peers and has proven especially vulnerable to the effects of climate change. Poor management of water resources and landscapes has magnified the climate change related mega droughts that have plagued Chile since 2010. Strengthened management of land and marine coastal ecosystems will be critical to improving resilience to climate change and greenhouse gas (GHG) absorption capacity. Despite considerable progress in greening its energy matrix through the development of a renewable energy industry (i.e., solar, wind, biomass, run-of-river hydroelectricity, and geothermal), the energy sector is still heavily dependent on fossil fuels and accounts for three quarters of Chile's emissions. If Chile aims to achieve its goal of carbon neutrality by 2050, it needs to intensify its energy transition through the phasing out of coal and the massification of renewable energy to enable the electrification of the transport and industrial sectors. But Chile's energy transition also offers an opportunity to revive productivity growth through investments in innovative new technology and resource use efficiency. Decarbonization will require a major scale-up of resources and investments from the private sector.

**WBG engagement:** The WB has long supported the government in implementing energy reforms and provided climate policy advice. Similarly, over the past decade, IFC has provided financing support to renewable energy projects and was a first mover in Chile's renewable energy market. With World Bank support for innovative approaches, Chile signed the first Emission Reduction Payment Agreement (ERPA) of any country in LCR. This CPF will move a step further in supporting the creation of a new industry by continuing the diversification of the electricity matrix toward renewables with the promotion of public and private investments in green hydrogen. It will also include efforts to promote sustainable growth through the transition to electric mobility and through improved management of Chile's water resources. In addition, the WBG could build on successful cooperation with Chile to improve capacity for disaster-risk management.

**Knowledge gaps:** The WBG has been engaged in the areas of climate change and renewable energies in Chile for a decade. Adaptation and mitigation strategies in energy, agriculture, transport, mining, and industry have been a recurrent area in CPS/CPFs. A body of knowledge has been developed in the areas of long-term strategy, nationally determined contributions (NDCs), clean energy, geothermal, green hydrogen, and carbon pricing instruments between 2019-2022. Targeted analytical work and technical assistance provided through, and in parallel to, the World Bank's financing program in Chile will support updating and

refining climate change investments and policies, based on the recently approved climate change framework law and ratification of the Escazú Agreement.<sup>46</sup> In particular this would include support to foster innovations in sustainable and climate-related financing, protecting biodiversity and promoting a just transition to balance economic development and climate change mitigation and adaptation.

SDGs associated: HLO-2 relates to SDG 6 – Clean Water and Sanitation, SDG 7 – Affordable and Clean Energy, SDG 11 – Sustainable Cities and Communities, SDG 12 – Sustainable Consumption and Production, SDG 13 – Climate Action, SDG 14 – Life below Water, and SDG 15 – Life on Land

**CPF Objective 4: Promote decarbonization of the energy, transport, and industrial sectors.**

*This is a new CPF objective. Firm level decisions on technology, investment, and input usage will be important factors in addressing Chile’s sustainability challenges and realizing its ambition of carbon neutrality by 2050. But such decisions are heavily influenced by fiscal and economic policies (green taxation, support for innovation, regulation) that need to ensure that firms’ commercial incentives align with the country’s sustainability goals. At the same time, green fiscal and economic policies need to promote overall inclusive growth.*

**Intervention Logic**

**Rationale:** An innovative and versatile energy sector such as green hydrogen is required to help tackle emissions in hard-to-abate sectors including the extractives (e.g., mining, lithium), industrial (e.g., steel, cement, refineries, chemical, fertilizer, etc.), and heavy and long-distance transport sectors. Green hydrogen can provide an opportunity for a just transition as established under Chile’s latest energy agenda (*Agenda Energia 2022–26*). The government has a focus on ensuring that the energy transition is well managed and is beneficial for the Chilean population, especially for women and the vulnerable. Chile has successfully developed a robust low-cost, high-capacity renewable energy industry with currently 13.5 GW of installed capacity and 23.8 GW of new projects, thus ensuring the availability of cheap, clean energy necessary to compete in the emerging global green hydrogen industry—an industry that could make substantial contributions to growth and employment in the country in the medium term. Green hydrogen could also contribute significantly to Chile’s decarbonization agenda, with cargo transport and mining key initial beneficiaries. In addition, Chile's National Electromobility Strategy seeks to electrify the entire public urban transit fleet by 2050 (transport contributes nearly 25 percent of the country's CO2 emissions and 40 percent of air pollution in the capital city Santiago). More generally, Chile is continuing to work on decarbonization policies, including a green tax reform and the development of carbon pricing instruments (CPI) and firm-level incentives to promote carbon neutrality.

**WBG engagement:** Together with the government and other international partners, the World Bank is developing a Green Hydrogen Financing Facility to attract and crowd-in private sector funding to this nascent industry. Support from the Partnership for Market Implementation (PMI) will continue the work started by the Partnership for Market Readiness (PMR) to help develop Chile’s carbon pricing instruments and the implementation of a roadmap for future developments to accelerate a “Just Transition.” IFC will invest to fund the procurement of electric buses (e-buses) to decarbonize Chile’s public transportation system in the Santiago region the Red Metropolitana de Movilidad, reducing Santiago’s bus fleet carbon footprint by replacing diesel buses with e-buses. IFC is working upstream to attract, co-develop, and finance private investments in the production of green hydrogen and green ammonia. Additionally, IFC will explore financing opportunities to decarbonize and reduce GHG emissions through innovative projects in transport (electric mobility, hydrogen mobility, logistics), renewable

<sup>46</sup> The Regional Agreement on Access to Information, Public Participation and Justice in Environmental Matters in Latin America and the Caribbean, better known as the Escazú Agreement, is an international treaty signed by 25 Latin American and Caribbean nations concerning the rights of access to information about the environment, public participation in environmental decision-making, environmental justice, and a healthy and sustainable environment for current and future generations.

energy (including electric battery storage), the circular economy, the blue economy, and climate finance for decarbonization. MIGA will explore opportunities to mobilize foreign private capital in areas such as sustainable transport, climate finance and renewable energy.

**Lessons learned and new knowledge:** Despite Chile’s comparative advantages in green hydrogen, there are some risks involved in the development of this new industry. The uncertainty regarding the industry’s profitability, which is heavily dependent on technological and regulatory developments, could constitute a disincentive for investors since such projects are capital intensive and have high up-front costs. The World Bank is currently assisting the Ministry of Energy with an ASA ([P176310](#)) to further define the path for green hydrogen development in Chile. In parallel, an ASA is assessing the impact of higher energy prices at the firm level to inform the design of appropriate green tax instruments such as a carbon tax. Going forward, a broader engagement on green and inclusive taxation is envisaged.

**Key risks and mitigation:** To partially mitigate the cited risks and as a follow-up to the ASA on green hydrogen, the World Bank will support the creation and financing of a credit facility to help mobilize commercial finance and strengthen the enabling environment for the development of a domestic green hydrogen industry.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>Indicator 4.1 Installed electrolyzer capacity to produce green hydrogen (MW) Baseline (2023): 0 MW Target (2026): 90 MW Source: CORFO</p> <p>Indicator 4.2 Commercial finance mobilized for green hydrogen related projects (USD) Baseline (2023): US\$0 Target (2026): US\$110 million</p> <p>Indicator 4.3 Share of e-buses operating in the Red Metropolitana de Movilidad with private sector provider Baseline (2022): 25% of bus fleet Target (2026): 60% of bus fleet Source: Project Document</p>		<p><b>Ongoing Financing:</b> N/A</p> <p><b>Financing Pipeline:</b> Chile Green Hydrogen Facility to Support a Green, Resilient and Inclusive Economic Development (P177533)</p> <p><b>Ongoing ASA:</b> Green Hydrogen Development in Chile. (P176310) Decarbonizing Maritime Transport Phase 2. (P177583) Analytical support on firm responses to energy price changes and green taxes (<a href="#">P178364</a>)</p> <p><b>ASA Pipeline:</b> Modernization and interoperability of urban transport systems</p> <p><b>IFC Financing Pipeline</b> Lending to the e-mobility sector (Project 44610)</p>

		<b>Potential IFC Financing Pipeline:</b> Green hydrogen and green ammonia projects; Scaling up renewable energy projects.
<b>CPF Objective 5: Increase water security through strengthened water resource management.</b>		
<i>This is a new CPF objective, which will be supported by the implementation of the new PforR ‘Chile’s Water Transition’. The increase in water security in targeted areas relates to the improvement of safely managed water supply and sanitation (WSS) in rural areas and the improvement of climate resilience through the development of gray and green infrastructure. It will also include private sector support to improve the sustainability of water resources through interventions in water supply and sanitation, seawater desalination, climate smart agribusiness and the blue economy.</i>		
<p><b>Intervention Logic</b></p> <p><b>Rationale:</b> The country lives under a permanent state of drought, and global climate models warn that water stress will be a recurring scenario. In August 2020, the government decreed a drought-related agricultural emergency with concerns of land desertification; as of June 2022, 168 out of 346 communes fall under this decree which allows expediting support to the (farming) communities. Water is crucial for strategic productive activities such as agriculture, mining, and hydroelectricity. Copper mining, which is critical both to Chile’s economy and for global decarbonization efforts, requires sustainable and cost-competitive access to water. Underpinned initially by dedicated facilities for mining companies, desalination is now evolving as a solution (water as a service) also available to Chilean industrial, agricultural, and domestic users raising the need to develop a national, sustainable, desalination strategy. Water scarcity and climate change are also affecting domestic use, particularly in rural areas where service gaps persist. More than half of Chile’s population live in a region with severe water scarcity. In rural areas of the country, drinking water is provided by small cooperatives or Rural Potable Water Committees. At present, there are 1,902 organizations supplying an estimated population of 1,735 million people, leaving a semi-concentrated rural population of about 150,000 people without service and an estimated 700,000 people without access to adequate drinking water. To bridge the water service gap in water scarce areas, the government has turned to costly solutions such as water trucks. In addition, only 17 percent of rural households have access to sewerage, while 83 percent have diverse in-situ solutions of unknown quality.</p> <p>Chile’s institutional and legal framework hinder its ability to tackle water security issues effectively. The Chilean system has 42 agencies that participate directly and indirectly in the management of water resources. Limited coordination among actors to allow for interinstitutional and intersectoral decision-making, as well as scarce monitoring of groundwater, prevents planning and distribution of the resource among all its uses and limits integrated water resources management at the basin level. Institutional weaknesses are also evident at the basin level, hence the need to create river basin councils that are equipped with participatory and inclusive coordination and decision-making mechanisms to tackle water user conflicts. Moreover, the Water Code does not foresee River Basin Councils or Committees that would represent public and private basin stakeholders in the planning and management of water resources and play a central role in the implementation of basin-scale, participatory, integrated water management and in strengthening inter-institutional coordination at the basin level.</p> <p><b>WBG engagement:</b> Through a PforR, the World Bank will (1) help foster a paradigm shift in water resources management through the implementation of integrated water resources management principles at national and basin levels, including the creation of River Basin Councils in selected areas; (2) enhance the sustainability and resilience of rural water supply and sanitation service providers, while continuing to close access gaps; and (3) build climate resilience through</p>		

the development of gray and green hydraulic infrastructure. IFC will explore opportunities to support investments and private capital mobilization for water supply and sanitation, seawater desalination, climate smart agribusiness with a focus on irrigation, blue bonds in the financial sector, and the blue economy.

**Lessons learned and new knowledge:** The World Bank is building its engagement in the water sector with more than 10 years of knowledge work. A compilation of the findings and lessons-learned and policy recommendations can be found in *El Agua en Chile – Elemento de Desarrollo y Resiliencia*.<sup>47</sup> Additional knowledge work planned in support of the proposed reforms will help fill in gaps identified in project preparation.

**Key risks and mitigation:** In a referendum held in September 2022, Chileans rejected the newly drafted constitution, which set boundaries for future changes to the political and economic framework. The new constitution had proposed an end to the privatization of water and the existence of tradable water rights. Today, sectoral uncertainty remains as a new constitutional reform roadmap is discussed, which will again consider water reforms to address pressing water scarcity issues. Activities such as those concerning the institutional strengthening of integrated water resource management at the national level, among others through the creation of a new water authority, could experience delays and setbacks while discussions are ongoing within the framework of a possible new constitution. The World Bank-financed program will be implemented within the existing legal framework of the recently revised Water Code. The new water code declares water a public good for human use and acknowledges climate change as a threat to Chile’s water availability. The code also establishes the principle of joint management of surface and groundwater resources. In parallel, as a mitigation measure, the World Bank will provide technical assistance towards the creation of new river basin councils and a new water authority (or alternatively the strengthening of the *Direccion General de Agua*) As a mitigation measure, the Bank team will also continue fostering stakeholder engagement with other ministries including the Ministry of Agriculture, among others) to successfully introduce a participatory system which addresses environmental considerations, inclusiveness, and conflict resolution mechanisms.

CPF Objective Indicators	Supplementary Progress Indicators	WBG Program
<p>Indicator 5.1. Integrated (water resource management) WRM basic conditions are being adopted in ten priority river basins. Baseline (2022): 0 Target (2027): 10 river basins Source: Ministry of Environment.</p> <p>Explanation: Basic conditions for sound WRM as defined in UN Development Report.</p> <p>Indicator 5.2</p>	<p>SPI 5.1.1: Legal framework for the creation of river basin councils developed (2026). <i>Source: Ministry of Environment</i></p> <p>SPI 5.1.2: Legal framework for Water User Organizations (OUA) and the river basins councils harmonized (2026). <i>Source: Ministry of Environment</i></p> <p>SPI 5.2.1 Basic Rural Water Supply and Sanitation Information System in place <i>Source: Sub-Direccion de Agua Potable Rural (SSR)</i> Baseline (2022): zero</p>	<p><b>Ongoing Financing:</b> N/A</p> <p><b>Financing Pipeline:</b> Chile’s Water Transition (P179117) IFC investments in water supply and sanitation, seawater desalination</p> <p><b>Ongoing ASA:</b> N/A</p> <p><b>ASA Pipeline:</b> N/A</p>

<sup>47</sup> <https://documents1.worldbank.org/curated/en/857121632811878667/pdf/El-Agua-en-Chile-Elemento-de-Desarrollo-y-Resiliencia.pdf>

<p>Number of people in rural areas with improved water services</p> <p>Source: Sub-Direccion de Agua Potable Rural (SSR)</p> <p>Baseline: zero</p> <p>Target: 80,000 beneficiaries</p>	<p>Target (2027): RWSS Information System in place and operational</p> <p>SPI 5.2.2 SSR team strengthened with 95 new staff (2026).</p> <p><i>Source: SSR</i></p>	
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## Appendix B. The WBG Program in Chile Fiscal Year 2017–2022

### Introduction

1. The latest World Bank Group (WBG) strategy for Chile, the Country Partnership Strategy FY11–16,<sup>48</sup> was approved by the Board on February 11, 2011. Following the completion of the Chile Systematic Country Diagnostic (SCD),<sup>49</sup> a Country Partnership Framework (CPF) for the period FY19–24 was initiated. Given the uncertainty of the definition of the program and the fluidity of the context, it was decided to postpone the CPF preparation. Subsequent developments in Chile (such as the October 2019 social unrest, the COVID-19 outbreak in March 2020, the 2021 presidential elections, and the ongoing process to draft a new constitution) limited the possibility of developing a medium-term dialogue with the authorities and critical stakeholders on the priorities for WBG collaboration.

2. This appendix helps fill the CPF coverage gap by providing a description and an assessment, including lessons learned, of WBG activities in Chile during FY17–22.

### Political and economic context

3. *The 2017 SCD identified social sustainability as a potential binding constraint in the Chilean transition to ensuring a prosperous future.* Chile experienced a substantial decline in income poverty in the last decades and an expansion of the middle class.<sup>50</sup> However, the progress made by the country in enhancing household incomes did not prevent a growing sense of discontent and disenchantment among the populace. Average gross domestic growth in the three years preceding the pandemic (2017–2019) was just above 2 percent, equivalent to 0.7 percent in per capita terms and insufficient to reduce unemployment, which remained above 7 percent throughout this period. The combination of a lack of economic opportunities and an increasing disconnection between the political establishment and the citizenry contributed to a plunge in the confidence in governmental institutions. These issues partially explain the massive protests and bursts of violence across Chile in October 2019, which created a level of institutional instability and political uncertainty not witnessed since the return of democracy in 1990.

4. *This volatile political situation was calmed in November 2019, when a consensus was reached with the signing of an agreement that set forth the option of a constitutional assembly to draft a new constitution.* This consensus was ratified in a national plebiscite in October 2020, with an overwhelming 78 percent of voters supporting the reform path proposed. In May 2021, a 155-member Constitutional Convention with gender parity and reserved seats for representation of indigenous communities was elected to draft the new constitution within 12 months. On September 4, 2022, a national plebiscite rejected the proposed document and set the stage for a new constitutional process.

5. *Further complicating the situation, measures introduced by the government in March 2020 to control the rapid spread of COVID-19 infections had drastic social and economic impacts.* The economy plunged into the worst recession in decades. GDP contracted 6.0 percent in 2020. More

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<sup>48</sup> Chile: Country Partnership Strategy for the Period FY11–FY16.

<https://documents.worldbank.org/en/publication/documents-reports/documentdetail/12831146822271645/chile-country-partnership-strategy-for-the-period-fy11-fy16>

<sup>49</sup> *The Republic of Chile Systematic Country Diagnostic*: <https://openknowledge.worldbank.org/handle/10986/27150>

<sup>50</sup> The middle class is defined as the household populace with daily per capita income between US\$13 and US\$70 in 2011 purchasing power parity (PPP). By 2020, 61.5 percent of the populace was middle class.

than one million jobs were lost, mainly affecting women and workers in commerce, agriculture, and the hospitality sector. In conjunction, the fiscal deficit increased to 7.1 percent of GDP in 2020, the largest acceleration in more than three decades. Although the authorities tapped into fiscal buffers, public debt rose from 28.3 percent in 2019 to 34.1 percent in 2020.

6. *Emergency transfers in 2020 helped partially mitigate the effects of the pandemic on the income losses of poor and vulnerable families.* However, poverty (measured by the prevailing international standard of \$5.50 a day in 2011 PPP)<sup>51</sup> slightly increased to 4.4 percent in 2020. Furthermore, poverty rates were especially high among female-headed households since many women were previously engaged in occupations most affected by lockdowns. In addition, income inequality as measured by the Gini index increased to 44.9 percent in 2020.

7. *Fueled by a strong fiscal response, Chile's GDP grew at 11.7 percent in 2021, one of the fastest economic recoveries worldwide.* All sectors surpassed February 2020 activity levels by the end of 2021, with a strong rebound in services. Growth was driven by consumption, amid pension fund withdrawals and direct fiscal support worth 10 percent of GDP. One of the fastest vaccination rates globally also contributed to the rapid normalization of economic activity. However, the job market recovery was slower than expected, with only 60 percent of the jobs lost in 2020 regained in 2021 and with many previously economically active women (primarily low-skilled) still out of the workforce. The World Bank high-frequency phone survey conducted in Chile in mid-2021 evidenced potential long-lasting losses in human capital accumulation, especially among rural and vulnerable households.

Table B.1. Macro poverty indicators

	2017	2018	2019	2020	2021
<b>Real GDP growth, at constant market prices</b>	1.4	4.0	0.8	-6.0	11.7
Private Consumption	3.6	3.8	0.7	-8.0	20.3
Government Consumption	4.7	3.1	0.5	-4.0	10.3
Gross Fixed Capital Investment	-3.3	6.5	4.7	-9.3	17.6
Exports, Goods and Services	-1.0	4.9	-2.5	-1.1	-1.5
Imports, Goods and Services	4.5	8.6	-1.7	-12.7	31.3
<b>Real GDP growth, at constant factor prices</b>	1.1	4.0	0.9	-5.9	10.5
Agriculture	3.8	3.7	-0.7	-1.6	2.4
Industry	-0.7	5.1	-0.5	-3.5	5.8
Services	1.8	3.5	1.7	-7.3	13.4
<b>Inflation (Consumer Price Index)</b>	2.2	2.3	2.3	3.0	4.5
<b>Current Account Balance (% of GDP)</b>	-2.8	-4.5	-5.2	-1.7	-6.6
<b>Net Foreign Direct Investment (% of GDP)</b>	1.0	2.1	1.2	1.0	0.3
<b>Fiscal Balance (% of GDP)</b>	-2.6	-1.5	-2.7	-7.1	-7.7
<b>Debt (% of GDP)</b>	23.7	25.8	28.3	32.3	36.3
<b>Primary Balance (% of GDP)</b>	-1.8	-0.6	-1.8	-6.2	-6.4
<b>International poverty rate (\$1.9 in 2011 PPP)<sup>a,b</sup></b>	0.3	0.3	0.3	0.7	0.0
<b>Lower middle-income poverty rate (\$3.2 in 2011 PPP)<sup>a,b</sup></b>	0.7	0.6	0.6	1.4	0.1
<b>Upper middle-income poverty rate (\$5.5 in 2011 PPP)<sup>a,b</sup></b>	3.6	3.4	3.3	4.4	0.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD. Notes: e = estimate. f = forecast.

(a) Calculations based on SEDLAC harmonization, using 2020-CASEN. Actual data: 2020. Nowcast: 2021.

(b) Projection using microsimulation model for 2021.

<sup>51</sup> Unless otherwise specified, the currency cited throughout this document is the U.S. dollar.



## WBG Program FY17–22

8. *IBRD lending during FY17-22 was limited, as Chile had ready access to capital markets pre-pandemic.* On October 20, 2017, the Board approved a \$50 million investment project financing (IPF) Strengthening of State Universities in Chile (P163437), to improve quality and equity among public universities and to strengthen their institutional capacity to address regional and national development challenges. This is the only active loan to Chile and is expected to close in June 2023. On June 8, 2017, an \$80 million Health Sector Support IPF (P161018) to improve the efficiency of the public health care sector and the quality of health-care services for non-communicable diseases was approved. The loan was never signed by the client and was subsequently canceled in January 2019.

9. *On February 7, 2018, the World Bank issued a \$1.36 billion catastrophe bond for earthquake protection for the Pacific Alliance countries of Chile, Colombia, Mexico, and Peru.* This was the largest sovereign risk insurance transaction at the time and was the second-largest issuance of the catastrophe bond market. It was the first time that Chile accessed the capital markets to obtain insurance against natural disasters. Under this bond, Chile received \$500 million in coverage for three years based on parametric triggers.

10. *However, the knowledge-based program in Chile expanded and evolved during the period.* Advisory Services and Analytics (ASA) activities expanded through three channels: (1) a co-financed Joint Studies Program that was renamed the Partnership Reimbursable Advisory Services (PRAS), (2) a standalone RAS program, and (3) a small traditional World Bank–funded ASA component consisting of reports on sectors or issues as well as regular monitoring and assessment. In this context the learning generated from the World Bank’s collaboration with Chile has been of interest to other client countries, as evidenced in part by Chile’s hosting of government delegations (figure B). The selectivity criteria for ASA, regardless of the client, was based on relevance to the development challenges identified in the SCD, mainly contributing to the establishment of an equity-productivity agenda that places the country on an inclusive growth trajectory and a sustainability and climate-change adaptation agenda.

Figure B: Selected Knowledge Exchange Programs in Chile (2018–22)



Source: World Bank Group Chile office records

11. *A Framework Agreement for Partnership Reimbursable Advisory Services was agreed to on December 5, 2018.* This agreement provided for a total technical assistance of \$2.4 million between FY19 and FY21, funded equally and jointly agreed by the World Bank and the Government of Chile with the Budget Office from the Ministry of Finance as the primary counterpart. Ultimately, the PRAS was only used for two studies outlined below (P169926 and P171774) for a total amount of \$695,000, of which \$300,000 was funded by the Chilean government and \$395,000 by the World Bank. Given the limited uptake, the Country Office agreed with the Budget Office in FY20 to discontinue the instrument and focus instead on the direct demand from clients.

12. *The Extending Protection to the Middle Class (P169926) project responded to the growing vulnerability of middle-class families.* The Chilean government announced a flagship initiative *Red de Clase Media Protegida* to extend protection from catastrophic events to middle-class households. The Chilean government requested assistance in the development of this initiative, including the initial diagnostic of losses from specific events, the design of an integrated intersectoral case-management model, and an evaluation of the initial implementation phases and institutional model. Each of the tasks were completed successfully, other than the evaluation of the initial implementation, which was only partially completed because of the social crisis and the pandemic. This PRAS-funded ASA provided the Ministry of Social Development and Family with almost three years of analytic, advisory, and implementation technical assistance and generated critical knowledge assets to support the broader policy consensus of the need to expand the social protection system to cover catastrophic and impoverishing events, as highlighted by the pandemic.

13. *Fiscal Decentralization: Lessons from International Experience (P171774) was also funded jointly through the PRAS.* In February 2018, the Chilean Parliament adopted a law that regulates the election of regional governors, a transformational institutional change to the heavily centralized Chilean governance model. The Chilean government requested that the World Bank help inform the design of the fiscal decentralization framework for regional governments by providing (1) case study presentations of relevant decentralization models from Colombia, the Republic of Korea, Spain, and Poland, and (2) a comprehensive report summarizing lessons from fiscal decentralization reforms globally. The analytical content of the work was also reinforced through face-to-face interactions with policy makers and the authors of and academics from case study countries. Progress stalled as priorities shifted. The decentralization agenda has regained importance since the historic July 2021 elections of regional governors. The comparative policy experiences on fiscal decentralization will be important inputs as country moves ahead with the decentralization agenda.

14. *Direct RAS engagements became the most dynamic component of the FY17–22 knowledge-based program in Chile,* responding to the demands from multiple stakeholders, including line ministries, regional governments, and agencies such as the Comptroller General that were interested in customized technical assistance or analytics. The RAS program grew significantly from \$250,000 for one RAS in FY18 to \$4.7 million in four programs under implementation in FY23. Although it is expected that the RAS program will not continue to play a leading role in our engagement with Chile, it will remain an important tool for providing targeted support. The program has covered a wide range of development challenges, from supporting regions in thinking about ways to better link to global value chains to leveraging accountability and oversight of public funds. One particularly successful example is the RAS with the Ministry of Social Development and Family on the Implementation of the Social Protection One-Stop-Shop (P170754). This RAS has been extended in terms of objectives and budget four times during the program period and is scheduled to close in June 2023, with a total budget of \$3.04 million (see box B.1).

15. *In addition to RAS, the World Bank has completed some core analytics in support of the Chile program.* This includes the Financial Sector Assessment Program Update, which provided a comprehensive and in-depth analysis of the conditions of the country's financial sector and served as a basis for engagement and dialogue with the authorities. Similarly, the Country Private Sector Diagnostic (CPSD) has pointed to the opportunities to harness the private sector as a partner in development and transform the Chilean economy through greater digitalization, the development of the green hydrogen industry, and the expansion of climate-smart agriculture. The CPSD provides an assessment of key economy-wide and sector-specific constraints and opportunities for private sector led growth and recommends policy reforms that could catalyze private investment. Both reports are valued contributions to the policy dialogue and formulation. Analytics and policy dialogue in specific challenges that emerged during this period were also advanced, including the accelerated arrival of vulnerable migrants, producing a comprehensive set of policy recommendations that are being considered by the government in the formulation of a national policy (P179262).

16. *Trust funds and Externally Financed Outputs (EFOs) are also an important source of funding for analytical work in Chile.* In 2017, the World Bank was able to support technical assistance for geothermal development in Chile (P152820). This trust fund assisted the government in improving market conditions for geothermal energy with a grant of \$1.78 million. In 2019, the World Bank supported Chile's COP25 presidency through analytical work that included the report on local action for Chile's Nationally Determined Contribution and a Country Forestry Note, among other analytical trust-funded support. In 2019, the REDD+ (Reducing Emissions from Deforestation and Forest Degradation) Emissions Reductions Program (P160277) for \$26 million in grants was signed with the Chilean government to incentivize reduced deforestation, forest degradation, and the enhancement of forest carbon stocks (REDD+) in selected regions of southern Chile, through payment of verified emission reductions and to ensure that paid amounts are distributed according to an agreed-upon benefit sharing plan. Another example is a study funded by the Spanish Fund for Latin America and the Caribbean on green hydrogen development in Chile to support relevant assessments identified in the National Green Hydrogen Strategy. This 2023 ASA, which started in August 2021, is expected to provide some critical elements toward the preparation of a Chile Green Hydrogen Facility to Support a Green, Resilient and Inclusive Economic Development (P177533) IPF that would finance green hydrogen investments in Chile. Other trust-funded work is supporting the results framework for the implementation of the national human rights strategy. Similarly, a combination of trust funds and EFOs is supporting data collection and analysis of Venezuelan migrants to Chile, as well as other migrant groups.

**Box B.1. RAS for Results: the Chile Social Protection One-Stop-Shop Pilot**

In 2018 the Ministry of Social Development and Family requested that the World Bank help identify the critical issues the delivery of social protection benefits at the municipal level. The study's conclusions pointed towards the need to develop a better management tool. From this, the *Gestion Social Local* (GSL) management tool was born. It enables the rationalization and integration of municipal social services by establishing a one-stop shop enabling the interaction between the actors demanding, administering, and delivering social services.

Its implementation implies the installation of basic modules and the training of the relevant municipal teams in the use of the GSL. A pilot phase was conducted in six municipalities during 2019. In 2020, 147 municipalities chose to participate in the program, covering almost half the municipalities in Chile. In fact, the pandemic, and the substantial increase in demand for social services became additional incentives for municipalities to improve the management of their social services portfolio. Over the course of 2021, the program was expanded to include 3,000 social workers, and cover more than 200 municipalities (60 percent of the total). It introduced GSL operating at a provincial level that would improve the interface between the provincial authorities and the municipalities and introduced a module in 52 municipalities that provides employment support to vulnerable populations, incorporating the Ministry of Labor and Social Security into the program.

The various phases of execution of this \$3.04 million RAS series have proved the effectiveness of RAS as a practicable tool to accompany the implementation of government programs. The design and implementation of a valuable management tool, and the mutual accountability that comes with the RAS engagement, have contributed to a more effective and efficient delivery of benefits to the vulnerable, most of which are delivered at the municipal level. As of June 2022, a total of 1.9 million transactions to 1.3 million unique users have been provided through the GSL platform, corresponding to the provision of social subsidies, social assistance, family protection, and employment assistance.

The successful implementation of this RAS program has opened the opportunity for a longer-term engagement that would ensure the consolidation and further refinement of this tool as a strategic vehicle for the delivery of local social protection services on a national scale.

*Source: World Bank project documents*

17. *The World Bank Development Economics Vice Presidency and the government of Chile agreed in October 2019 that the World Bank Research and Development Center in Chile<sup>52</sup> would be fully devoted to financial sector work.* The center conducts research on financial development relevant to Chile and generates knowledge to inform policy makers, practitioners, and the academic community on how the financial sector can foster growth across the economy for a more prosperous and equitable society.

18. *The WBG's International Finance Corporation (IFC) has been strategically focused on inclusion, innovation, and sustainability.* IFC's investment portfolio in Chile includes mobilization across 16 active projects in areas such as clean energy (renewables), MSME and gender financing, sustainable agriculture, and tertiary education. Between FY17 and 22, including amid the COVID-19 pandemic, IFC committed a total of \$524 million in long-term commitments to support access to finance and sustainable agriculture. Notably, IFC provided a \$300 million risk-sharing facility to Santander Chile for financing climate-related projects and SMEs; \$25 million to agribusiness company Copeval, through the Real Sector Crisis Response COVID-19 Fast-Track Facility, to support financing to farmers; and \$10 million in Fondo Esperanza, a microfinance organization, through an anchor

<sup>52</sup> World Bank Research and Development Center in Chile. <https://www.worldbank.org/en/research/brief/world-bank-research-and-development-center-in-chile> (P166722).

investment in Chile's first commercial paper (social bond) issued by a nonbanking financial institution. Additionally, IFC provided advisory services to Universidad Santo Tomás through IFC's Employability Tool and to Chile's Association of Banks and Financial Institutions on Open Banking.

19. *The WBG's Multilateral Investment Guarantee Agency (MIGA) has focused on supporting the financial sector of Chile with a focus on SMEs, particularly women-owned SMEs, as well as increasing the availability of financing for climate activities.* In December 2018, MIGA issued a capital optimization guarantee of \$1,500 million to provide regulatory capital relief to Banco Santander, Spain, which enabled it to increase its lending activities in its Chilean subsidiary, supporting green growth and employment in Chile. The guarantee was cancelled in March 2019, on the back of an upgrade of Chile's sovereign credit rating from a Japanese credit rating agency, which reduced the regulatory capital relief available through the MIGA guarantee.

20. *In March 2021, Chile's sovereign credit rating was downgraded by S&P after an erosion of the sovereign's public finances, thereby requiring Banco Santander Spain to re-apply the higher risk-weight to its Chilean subsidiary's mandatory reserves.* In this context, in June 2021, MIGA issued a capital optimization guarantee of \$400 million to Banco Santander, Spain for a period of up to five years covering the risk of expropriation of Banco Santander's mandatory reserves held at the Central Bank of Chile. The resulting capital relief freed up lending headroom which was targeted to mitigate the effects of the COVID-19 pandemic on SMEs (including women-owned SMEs) while supporting a green economic recovery, with 50 percent of the cover allocated toward climate finance lending. The timing of the MIGA intervention was opportune, given the effects of the COVID-19 pandemic, and calibrated to complement the Chilean authorities' emergency measures to re-ignite economic growth.

#### **Assessment of the FY17–22 Gap**

21. *The WBG's engagement during the gap period took place in the absence of a meaningful medium-term dialogue with the authorities that precluded the possibility of preparing a CPF given the authorities' limited interest in the WBG financial offerings, followed by the pressing demands of the social crisis and the pandemic response.* The WBG had an effective and strategic response in the context of a client that prioritized the WBG's knowledge services to help respond to development challenges, while maintaining the selectivity criteria set forth in the SCD. This portfolio of knowledge work has facilitated and informed the policy notes produced for Chile at the time of the 2021 elections, helped position the WBG as a valued partner with a wide range of stakeholders (including the current authorities), and laid the foundation for the forthcoming CPF. As part of the WBG's support, IFC invested a total of \$524 million in long-term financing between FY17 and FY22, focused on bringing innovative financing mechanisms to support sustainable private sector development in Chile.

#### **Lessons Learned**

22. *In a context of limited interest in the WBG's product offer, ASA—including RAS—has proven to be an attractive and valuable tool of engagement with Chile.* Engaging potential counterparts has opened the possibilities of engagement with a broader scope of clients than under the PRAS. This has not relaxed the criteria for selectivity of the knowledge services, which have remained fully in line with the areas of development challenges identified in the SCD. It has enabled an intensive engagement with line ministries and opened cooperation initiatives directly with some subnational governments. Further, analytics funded through World Bank budget and trust funds provide an important basis to engage on upstream issues (such as those described in the CPSD), global goods

(such as on climate and hydrogen), and critical issues where the World Bank might not initially have a champion on the client side who can pay for RAS (such as the case on the institutional support to survivors of gender-based violence which is currently trust funded).

*23. The RAS tool has proven versatile to adjust to the needs of the client, from implementation to more traditional knowledge advisory and analytics.* Despite the shorter-term nature of the RAS instrument in the context of the client's annual budget processes, some engagements have taken on a programmatic nature, through series and extensions, converting the RAS into a de facto medium-term development tool. In the case of GSL, the assessment, design, capacity building, implementation, and evaluation helped support and expand the program year by year. A different modality has applied in the assistance to the Office of the Comptroller General. In this case, a series of four RAS have been designed sequentially to meet the evolving demands of the Office as the work has progressed.

*24. The World Bank's Country Office, which opened in December 2017, plays a key role in ensuring an effective interface between government authorities, potential clients, and World Bank teams.* Having a small local team has proven critical in ensuring the development and expansion of the knowledge program in Chile. Clients have a meeting point to access the World Bank's knowledge offer and explore the opportunities for engaging the World Bank as a knowledge service provider. The team helps guide the administrative steps required for the signing and implementation of the engagement, as well as the necessary consultation and dissemination tasks involved in bringing visibility to the World Bank's work, both in Chile and beyond.

*25. During the COVID-19 pandemic, IFC was able to offer fast and flexible financing to meet the rapidly evolving needs of emerging markets.* Supporting clients in difficult times has enabled IFC to strengthen ties with the private sector in Chile and be countercyclical. Lastly, thanks to IFC's long-standing presence in Chile's financial sector, IFC was able to also offer the COVID-19 Fast-Track Facility to local financial institutions. However, they had sufficient liquidity at the time.

## Appendix C. World Bank Group ASAs FY17-22

Pcode	Project Name	Global Practice	Counterpart	Source of Funds	Amount (\$M)	Status
<b>FY17</b>						
<a href="#">P156824</a> (closing in FY17)	Study on the Insurance Model and the Regulatory Capacity in the Health Sector in Chile	Health, Nutrition & Population	Ministry of Health	RAS	0.189	Completed
<a href="#">P158693</a> (closing in FY17)	Chile Public Expenditure Review	Macroeconomics, Trade and Investment	Ministry of Finance	RAS	0.278	Completed
<a href="#">P159331</a> (closing in FY17)	Technical assistance for phased implementation of National System for Social Care	Social Protection & Jobs	Ministry of Social Development	RAS	0.08	Completed
<a href="#">P160716</a>	Chile RAS IPSAS and ISSAI implementation	Governance	Comptroller General of the Republic	RAS	0.21	Completed
<a href="#">P161077</a>	Chile Assessment of Special Economic Zones	Macroeconomics, Trade and Investment	Directorate of Budget	RAS	0.3	Completed
<b>FY18</b>						
<a href="#">P164848</a>	Evaluating first phase of implementation of Social Care System (SNAC)	Social Protection & Jobs	Ministry of Social Development	RAS	0.124	Completed
<a href="#">P164273</a>	Chile Population Ageing Joint Studies Program	Social Protection & Jobs	Ministry of Finance	PRAS	0.15 (RAS) BB	Completed
<a href="#">P166011</a>	Study on Hospital Concessions in Chile	Health, Nutrition & Population	Ministry of Finance	PRAS	0.14 (RAS) BB	Completed
<a href="#">P166563</a>	Chile IPSAS and ISSAI implementation RAS III	Governance	Comptroller General of the Republic	RAS	0.25	Completed
<a href="#">P164517</a>	Local Action for Chile's NDC Achievement	Energy & Extractives	Ministry of Energy / Ministry of Housing and Urbanism	TF	0.5	Completed
<b>FY19</b>						
<a href="#">P168936</a>	CL RAS - SP Municipal One-Stop-Shop	Social Protection & Jobs	Ministry of Social Development	RAS	0.113	Completed
<a href="#">P169460</a>	Chile Regional Development in Nuble RAS	Finance, Competitiveness and Innovation	Regional Government of Ñuble	RAS	0.15	Completed
<a href="#">P169926</a>	Extending Protection to the Middle Class	Social Protection & Jobs	Ministry of Social Development	RAS	0.2	Completed
<a href="#">P170622</a>	Evaluation of the Local Offices for Children's pilot implementation	Social Protection & Jobs	Ministry of Social Development	RAS	0.15	Completed

<a href="#">P170983</a>	Chile IPSAS/ISSAI implementation RAS IV	Governance	Comptroller General of Chile	RAS	0.25	Completed
<a href="#">P170754</a>	Implementation of the SP Municipal one-stop-shop Pilot	Social Protection & Jobs	Ministry of Social Development and Family	RAS	2.435	Active
<a href="#">P170997</a>	Chile - Support to Global Value Chain Upgrading and Regional Development Strategy in Nuble RAS II	Finance, Competitiveness and Innovation	Regional Government of Nuble	RAS	0.441	Active
<a href="#">P171055</a>	Chile Country Forest Note and High-Level Forest Event	Environment, Natural Resources & the Blue Economy	Ministry of Agriculture / National Forestry Corporation of Chile	TF	0.25	Completed
<b>FY20</b>						
<a href="#">P171774</a>	Chile Fiscal Decentralization: Lessons from International Experience - Partnership RAS	Macroeconomics, Trade and Investment	Ministry of Finance	RAS	0.1	Completed
<a href="#">P171712</a>	Innovations to support Chile water agenda	Water	General Water Directorate	BB	BB	Completed
<a href="#">P172219</a>	Financial protection for rare diseases	Health, Nutrition & Population	Ministry of Health	BB	BB	Completed
<a href="#">P173130</a>	Improving Subnational Public Investment Management in Chile	Governance	Undersecretariat of Regional and Administrative Development	RAS	0.2	Completed
<a href="#">P173794</a>	Incorporating Equity Criteria in Chile's National Public Investment System	Governance	Ministry of Social Development and Family	BB	BB	Completed
<a href="#">P172020</a>	Chile Financial Sector Assessment Program Update	Finance, Competitiveness and Innovation	Central Bank	BB	BB	Active
<a href="#">P173411</a>	Women, Business and the Law			BB	BB	Completed
<a href="#">P173433</a>	Support to Chilean Ministry of Agriculture for Priority Initiatives	Agriculture and Food	Ministry of Agriculture	BB	BB	Completed
<a href="#">P173910</a>	Chile - Territorial Development and Disaster Risk Management	Urban, Resilience and Land	Ministry of Housing and Urbanism / Ministry of Environment	BB	BB	Completed
<a href="#">P160277</a>	Chile REDD + Emissions Reduction Program	Environment, Natural Resources & the Blue Economy	Chilean Agency for International Cooperation / National Forestry Corporation / Forestry Institute	TF	26	Active
<b>FY21</b>						
<a href="#">P085621</a> (closing in FY21)	Sustainable Land Management Project	Environment & Natural Resources	Chilean Agency for International Cooperation / National Forestry Corporation	TF / CF	11.73 (TF)	Closed



<a href="#">P174519</a>	Roadmap for the creation of an integrated platform for survivors of violence against women	Social Sustainability and Inclusion	Ministry of Women and Gender Equity	BB	BB	Completed
<a href="#">P175576</a>	CL - Designing a municipal MIS for child services	Social Protection & Jobs	Municipality of Peñalolén	RAS	0.05	Completed
<a href="#">P175346</a>	Chile Policy Notes	Macroeconomics, Trade and Investment	Government of Chile	BB	BB	Completed
<a href="#">P175938</a>	Analytics in support of Chile's migration response	Poverty and Equity	Ministry of Interior, Migration Department	EFO	0.2	Active
<a href="#">P176139</a>	Equity Criteria in Public Investment	Governance	Ministry of Social Development and Family	RAS	0.05	Dropped
<a href="#">P176310</a>	Green Hydrogen Development in Chile	Energy & Extractives	Ministry of Energy	TF	0.35	Active
<a href="#">P176853</a>	CL - Integrated delivery of employment services at municipal level	Social Protection & Jobs	Ministry of Labor	RAS	0.17	Completed
<a href="#">P176884</a>	Chile CGR RAS. Leveraging accountability and oversight of public funds in Chile	Governance	Comptroller General of Chile	RAS	0.25	Active
<a href="#">P175668</a>	Support for the Chile Population and Housing Census	Poverty and Equity	National Statistics Institute	RAS	0.531	Active
<a href="#">P175703</a>	CL RAS - Reducing the housing deficit through sustainable timber social housing	Urban, Resilience & Land	Regional Housing and Urban Planning Service of O'Higgins	RAS	0.546	Active
<a href="#">P176708</a>	Strengthening Delivery of the National Human Rights Action Plan (NHRAP)	Social Sustainability and Inclusion	Undersecretary of Human Rights	TF	0.25	Active
<b>FY22</b>						
<a href="#">P152820</a> (closing in FY22)	Technical Assistance for Geothermal Development in Chile	Energy & Extractives	Chilean International Cooperation Agency for Development / Ministry of Energy	TF	3.5	Completed
<a href="#">P177659</a>	Chilean Cities in 2050: Supporting Regional Operationalization of the Cities 2050 Initiative	Urban, Resilience & Land	Ministry of Housing and Urban Development	EFO	0.3	Active
<a href="#">P177196</a>	Developing a Market Makers Framework in Chile	Finance, Competitiveness and Innovation	Ministry of Finance	RAS	0.2	Active
<a href="#">P177405</a>	The response of the education public sector to the Covid-19 crisis in Chile	Education	Ministry of Education	RAS	0.1	Completed
<a href="#">P178364</a>	Chile policy priorities for sustainable, productivity-driven growth	Macroeconomics, Trade and Investment		BB	BB	Active
P179262	Venezuelan Migration Policy Dialogue in LC6 Countries	Social Sustainability and Inclusion	Ministry of Interior	BB	.25	Active

#### Appendix D. IFC Long-Term Commitments in Chile FY17-23

(as of February 2023)

IFC Investments in Chile - Fiscal Year 2017-2023 (as of February 2023)						
Long-Term Finance Commitments (\$ Millions)						
FY	Project Name	Industry	Primary Sector	Own Account	Mobilization	Total
2023	Santander RSF II	FIG	Finance & Insurance	\$ 300	\$ 150	\$ 450.0
2023	Agunsa	INFRA	Transportation and Warehousing	\$ 35	\$ 35	\$ 70.0
2022	Itaucorpbanca - RI	FIG	Finance & Insurance	\$ 5.1	\$ -	\$ 5.1
2021	RSE COVID Copev	MAS	Agriculture and Forestry	\$ 25.0	\$ -	\$ 25.0
2021	DCM Esperanza SB	FIG	Finance & Insurance	\$ 10.0	\$ -	\$ 10.0
2020	Los Heroes CL	FIG	Finance & Insurance	\$ 10.0	\$ -	\$ 10.0
2020	Santander CH RSF	FIG	Finance & Insurance	\$ 150.0	\$ 150.0	\$ 300.0
2020	Lauca RI	FIG	Finance & Insurance	\$ 6.4	\$ 1.6	\$ 8.0
2018	Los Heroes CL	FIG	Finance & Insurance	\$ 30.0	\$ -	\$ 30.0
2018	Consortio B Loan	FIG	Finance & Insurance	\$ -	\$ 105.5	\$ 105.5
2017	Consortio RE	FIG	Finance & Insurance	\$ 21.0	\$ -	\$ 21.0
2017	Consortio RE	INFRA	Finance & Insurance	\$ 9.0	\$ -	\$ 9.0
<b>Total LTF Commitments</b>				<b>\$ 601.5</b>	<b>\$ 442.1</b>	<b>\$ 1,044</b>

IFC Upstream & Advisory Services in Chile - Fiscal Year 2017-2023 (as of February 28, 2023)					
ID	Project/Initiative/Idea	Industry	Summary	Status	Calendar
606150	Hydrogen Global Market Study [Chile, Mexico, the Middle East, Morocco]	INFRA/MAS	Assess the economic and financial viability of green hydrogen investment opportunities, feasible applications, business models, and local players.	Completed (Pending Project Completion report)	Start Date: 3/08/2021 End Date: 12/17/2022
605581	Country Private Sector Diagnostic (CPSD)	CERDR	Analysis and policy recommendations for crowding-in private sector investment to support productivity, inclusiveness, and sustainability.	Completed	Start Date: 7/31/2020 End Date: 8/2/2022
603362	Digital payments (Banco Consorcio)	FIG	Assist Banco Consorcio to develop a strategy and roadmap for digital payments.	Completed	Start Date: 5/23/2022 End Date: 7/4/2022
605777	Digitalization of Power Utilities in LAC	INFRA	Support the integrated planning and investment prioritization of key electric utilities in the LAC region	Completed	Start Date: 6/30/2020 End Date: 7/1/2022
605780	Logistics Mapping in LAC	INFRA	Market assessments of the third-party logistics (3PL) and temperature-controlled logistics (TCL) in Chile, Colombia, Peru, and the Central America to develop an investment pipeline.	Completed	Start Date: 1/13/2021 End Date: 7/1/2022
602732	LAC Digital LAB – Association of Banks and Financial Institutions	FIG	Provide capacity training sessions to the Association of Banks and Financial Institutions in Chile, focused on Open Finance, Open Banking, Open APIs, and Fintechs.	Completed	Start Date: 10/7/2021 End Date: 10/11/2021
603362	Digilab - Fondo Esperanza	FIG	Provide capacity building (virtual) to Fondo Esperanza with a methodology and a hands-on work framework that will allow their participants to build, refine, or accelerate their digital transformation strategy and roadmap.	Completed	Start Date: 5/20/2021 End Date: 9/13/2021
601920	Employability Tool - Universidad Santo Tomas	MAS	Improve the processes and operations of Universidad Santo Tomas to provide improved employability services, by assessing institutional capacity building, operations, and systems to incorporate employability into instruction and services.	Completed	Start Date: 10/28/2020 End Date: 6/30/2021

607433	Rental Housing Chile	MAS	Explore potential opportunities for the Chilean rental housing market by gaining a thorough understanding of the sector from key stakeholders.	Completed	Start Date: 8/22/2022 End Date: 2/1/2023
605995	Chile Social Bond Microfinance - Fondo Esperanza	FIG	Support Fondo Esperanza on the requirements from the local Securities Exchange Commission for the bond to be considered a Social Bond, following ICMA's Social Bond Principles.	Completed	Start Date: 7/1/2019 End Date: 12/20/2020
605777	Plastics CE LAC [Brazil, Chile, Colombia, Peru]	MAS	Identify opportunities to support key stakeholders in delivering sustainable circular economy solutions to address plastic waste (reduce, reuse, recycle). In addition, to develop a pipeline of bankable circular economy projects.	Completed	Start Date: 10/16/2020 End Date: 3/2/2021

## Appendix E. IFC's Investment and Advisory Portfolio

### IFC's Investment Portfolio (As of February 28, 2023)

Includes the committed amount of debt (own account plus mobilization), equity, plus undisbursed equity commitments. All amounts in US\$ million.

Client	Product	Description	First and Most Recent Comm FY(s)	Committed Amount
<b>Financial sector (FIG)</b>				
Santander	Loan	Two Risk Shared Facilities: (1) Unfunded risk sharing facility (50/50) to cover Trade assets; (2) Unfunded risk sharing facility (50/50) to cover SME/Corporate loan assets	FY2020, FY2023	307.3
Consorcio Financiero	Equity	Support entity's growth in the banking and insurance sectors in Chile	FY2016, FY2020	74.1
ItauCorpbanca	Equity	(i) Back the bank's expansion plan in LAC (ii) Boost regional financial markets	FY2013, FY2022	27.7
Banco Consorcio	Loan	Support access to finance for non-conventional renewable energy projects	FY2015, FY2018	25.7
BICE CHILE	Loan	Support access to finance for non-conventional renewable energy projects	FY2014	20.7
Los Heroes	Loan	Foster SME financial inclusion in Chile	FY2018	11.9
<b>Manufacturing, Agribusiness and Services (MAS)</b>				
Copeval	Loan & Equity	Support the company's expansion and foster financing for local farmers	FY2014, FY2021	35.4
Duoc	Loan	Provide a long-term finance facility for infrastructure expansion	FY2007, FY2010	0.2
<b>Infrastructure and Natural Resources (INR)</b>				
Agunsa	Loan	Finance AGUNSA's planned capex program at Terminal II in Port of Valparaiso	FY2023	70
La Confluencia	Loan	Support the construction of Chile's La Confluencia hydropower project	FY2008	36.5
TFSA	Equity	Legacy equity investment in a rail transport project	FY2000	4.4
La Huayca	Loan	Finance the construction of a 30.5MW solar power plant	FY2014	4.3
<b>TOTAL</b>				<b>618.3</b>

IFC Upstream & Advisory Services in Chile (as of February 28 <sup>th</sup> , 2023)					
ID	Project/Initiative/Idea	Industry	Summary	Status	Calendar
607122	CnC MASPD Green Ammonia Chile	INFRA/MAS	Assess the economic and financial viability of a \$2.1 billion two-phase green ammonia production facility.	Implementation	Start Date: 8/30/2021 End Date: 7/01/2025
606150	Hydrogen Global Market Study – Regional Project**	INFRA/MAS	Assess the economic and financial viability of green hydrogen investment opportunities.	Implementation	Start Date: 8/30/2021 End Date: 7/01/2025
606507	Blue Bonds UP [Brazil, Chile, Colombia, Ecuador, and Peru]	FIG	Establish the Blue Finance market by formalizing definitions, setting standards, and driving private sector investments.	Implementation	Start Date: 9/15/2021 End Date: 9/15/2024
601920	Employability Tool - Universidad Santo Tomas	MAS	Assist Santo Tomas in implementing employability strategies to strengthen the school's career services.	Implementation	Start Date: 11/17/2022 End Date: 8/17/2023
606696	Battery Storage Global Platform	INFRA	Assess the applicability of stationary energy storage systems vis a vis other alternative (if any), for integrating more renewable generation capacity in the grid.	Implementation	Start Date: 10/19/2021 End Date: 7/1/2025

## Appendix F. MIGA's Guarantee Portfolio

MIGA Portfolio (As of February 28, 2023)

Effective Date	Expiry Date	Project	Guarantee Holder	Business Sector	Investor Country	Gross Exposure (USD mm)
Jun-21	Jun-26	Santander Chile Capital Optimization	Banco Santander, S.A.	Financial	Spain	400

## Annex 1. Completion and Learning Review FY11-FY16

Disclaimer: This CLR has been added as a stand-alone annex to the CPF.

**Date of the CPS FY11-FY16:** January 11, 2011 (Report No. 57989-CL)

**Date of PLR:** January 22, 2015 (Report No. 94271-CL)

### ABBREVIATIONS AND ACRONYMS

**Completion and Learning Review prepared by:** Gaston Blanco, Jimena Jesus Mejia, Emmy Yokoyama, Luis Alvaro Sanchez (LCC6); and Luciana Harrington (IFC) with inputs from the Chile Country Team.<sup>53</sup>

ATI	Access to Information
CAE	State scholarship Program for Higher Education ( <i>Credito con Aval del Estado</i> )
CFT	State-owned Network of Vocational Formation Centers ( <i>Centros de Formacion Tecnica</i> )
CORFO	Chilean Economic Development Agency ( <i>Corporacion de Fomento de la Producción</i> )
CPF	Country Partnership Framework
CPS	Country Partnership Strategy
GoC	Government of Chile
CHCC	Chile Grows with You ( <i>Chile Crece Contigo</i> )
DUOC UC	<i>Dirección Universitaria Obrera y Campesina de la Universidad Católica</i>
ECLAC	Economic Commission for Latin America and the Caribbean
ENCCRV	National Strategy for Climate Change and Native Vegetation ( <i>Estrategia Nacional de cambio Climatico y Recursos Vegetacionales</i> )
FCPF	Forest Carbon Partnership Facility
GEF	Global Environment Facility
IDB	Inter-American Development Bank
IDF	Institutional Development Fund
IFC	International Finance Corporation
IT	Information Technology
JSP	Joint Studies Program
MINAGRI	Ministry of Agriculture ( <i>Ministerio de Agricultura</i> )
MFM	WB Macroeconomics and Fiscal Management Global Practice
MOE	Ministry of Education ( <i>Ministerio de Educacion</i> )
MOF	Ministry of Finance ( <i>Ministerio de Finanzas</i> )
MOPW	Ministry of Public Works ( <i>Ministerio de Obras Publicas</i> )

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<sup>53</sup> The CLR was revised to provide additional detail during March-July 2020 and finalized in September 2021. The team includes Virginia Brandon (Representative LCCCH), Pilar Maisterra (Operations Manager, LC6), Francisco Winter (Operations Officer, LCCCH), Francisca Corona (Operations, LCCCH), María Antonieta Podesta (Anchor Operations, LC6), Luis De Pool (Operations, IFC Chile), Luciana Harrington (Strategy, IFC) and Bexi Jimenez (Economics, MIGA)



MOSD	Ministry of Social Development ( <i>Ministerio de Desarrollo Social</i> )
MSMEs	Micro, Small and Medium Enterprises
NCD	Non-Communicable Diseases
NDC	Nationally Determined Contribution
PMR	Partnership for Market Readiness
RAS	Reimbursable Advisory Services
RSH	Household Social Registry ( <i>Registro Social de Hogares</i> )
SIGFE	Central Government Financial Administration System ( <i>Sistema de Generacion de Estados Financieros</i> )
SIIS	Social Information Integrated System ( <i>Sistema Integrado de Informacion Social</i> )
SIFIM	Municipal Financial Administration System ( <i>Sistema de Informacion Financiera Municipal</i> )
SNAC	National Social Care Sub-system ( <i>Subsistema Nacional de Apoyos y Cuidados</i> )
SVS	Chile's Securities and Insurance Superintendence ( <i>Superintendencia de Valores y Seguros de Chile</i> )
UDP	<i>Universidad Diego Portales</i>
UNDP	United Nations Development Program
WB	World Bank
WBG	World Bank Group

	<b>IBRD</b>	<b>IFC</b>	<b>MIGA</b>
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**Chile Country Partnership Strategy Completion  
and Learning Review FY11-16**

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## I. INTRODUCTION

**This Completion and Learning Review (CLR) is a self-evaluation by the World Bank Group (WBG) of the joint IBRD-IFC-MIGA Country Partnership Strategy (CPS) for the Republic of Chile for the period FY11-FY16 (Report No. 57989-CL dated January 11, 2011)<sup>54</sup>.** The CLR aims to: (i) assess the extent to which the CPS program was successful in achieving the CPS objectives identified in its results framework; (ii) assess WBG performance in the design and implementation of the CPS program; and (iii) identify key lessons learned to inform a future Country Partnership Framework (CPF). The FY11-FY16 CPS was designed in coordination with the Government of Chile (GoC, the Government) and implemented under the governments of President Piñera (2010-2014) and President Bachelet (2014-2018).

1. **The achievement of CPS objectives was Satisfactory.** The WBG program was designed to support Chile's efforts to boost economic growth and eliminate extreme poverty. The program was grouped under three result areas: (i) Public Sector Modernization; (ii) Creation of Jobs and Equity Improvement and; (iii) Promoting Sustainable Investment. The World Bank's and the International Finance Corporation's (IFC) interventions under the CPS were limited in scope and focused in those areas where they could provide value-added to design and implement reforms crucial to increasing shared prosperity in the country. The program was focused on cutting-edge advisory and knowledge services, complemented while maintaining the potential for investment lending in cases where the bundling of financial and knowledge services was considered appropriate by the GoC and the World Bank (WB). Further, the CPS program aimed also to respond to a dynamic private sector, with projects that were prepared to have strong potential to foster innovation and generate jobs.

2. **A Performance and Learning Review (PLR) dated January 22, 2015 (Report No. 94271-CL) was prepared after the change in administration in March 2014.** The PLR's objective was to align the CPS program's objectives and outcomes with the priorities of the new administration. While it maintained the CPS' overall result areas as they remained valid, the results matrix was simplified and updated to facilitate monitoring and evaluation of the CPS implementation. The PLR's eleven objectives (Annex 1) were to: (i) improve availability of timely information on budgetary outcomes; (ii) improve access of information for citizens regarding legislation, national budget, and overall public sector information; (iii) strengthen the insurance market regulation; (iv) improve the availability of quality options for higher education services; (v) enhance accountability of tertiary education system by broadening performance-based funding; (vi) increase access to social services for the poor; (vii) improve access of rural population to basic public services and markets; (viii) increase access for Micro- Small- and Medium-Sized Enterprises (MSMEs) to innovative, short-term financing products to overcome working capital limitations; (ix) improve the institutional design for engaging the private sector in public infrastructure development; (x) enhance the institutional basis for sustainable and efficient management of natural resources (soil, water, and forests), and (xi) diversify the energy resources matrix to allow for electricity cost reduction. Of these eleven objectives, eight were achieved, and three were mostly achieved.

3. **WBG performance in designing and implementing the CPS was Good.** The design of the CPS proved effective in responding to the specific demands of a middle-income country and in supporting two different government administrations. The WBG engaged in selective areas: those prioritized by the Government for substantive reforms and, within that set, only those for which the WBG had a comparative advantage relative to other development partners. The WB and the International Finance Corporation (IFC) provided high-quality technical, advisory and financial assistance, supporting the Government's efforts to design and implement selected reforms seeking to increase inclusion and productivity nationwide (public financial management, education, social protection, integrated management of water resources, and infrastructure development). Knowledge sharing remained at the core of the WBG program, especially since 2014, when the WBG stepped up the mobilization of global knowledge and technical resources to support the

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<sup>54</sup> Annexes include information on the WBG's engagement since FY16 for reference.

Government's efforts to identify, develop and/or implement new policies to try to boost prosperity and inclusion in the country. IFC's engagement focused on bringing innovative financing mechanisms to test new solutions in education, energy, and MSME finances. Through this approach, IFC invested US\$1.4 billion across sectors throughout FY11-16, specifically focusing on contributing to increased access to tertiary education among lower- and middle-income households, generation of renewable energy, and access to finance among MSMEs in niche sectors.

## II. PROGRAM PERFORMANCE

4. **The CPS was prepared when Chile was recovering from the impact of the 2009 financial crisis and the strong earthquake in February 2010.** President Piñera had taken office on March 11, 2010, breaking with twenty years of different governments led by the *Concertación*, a coalition of center-left parties. His administration launched an ambitious development agenda, aiming to bring the country to a high-income level by prioritizing a growth agenda through increased private investment, jobs, and productivity to help mitigate the impact of the 2009 financial crisis and to put in place a reconstruction program after the 2010 earthquake.

5. **Sound macroeconomic policies, aided by an upswing in commodity prices, contributed to an economic recovery between 2010 and 2012.** The macroeconomic stance and a sharp upswing in commodity prices resulted in a fast and strong economic recovery between 2010 and 2012. Countercyclical fiscal and monetary policies and a sound banking system all contributed to unleash a growth spurt while maintaining macroeconomic stability. Prudent fiscal policy and well-managed inflation targeting regime cushion volatility from negative and positive external shocks. Growth during the 2010-12 period was around 5.8 percent per annum<sup>55</sup> on average driven by a sustained level of high copper prices (supercycle), large capital inflows, and rising domestic demand (supported by stable levels of private consumption and rising private and public investments, the latter associated to the earthquake reconstruction program).

6. **The economy entered a period of slow growth thereafter, mainly due to a deterioration of external factors, which led to a sharp reduction in private investment.** The end of the commodity supercycle, particularly for copper, induced a postponement of new mining projects and a sharp fall in overall private investment. This, coupled with the deactivation of countercyclical policies, led to a contraction in total investment during the 2013-16 period. Economic growth was still significant in 2013, at 4.0 percent<sup>56</sup>, but decelerated to an average of 1.9 percent between 2014 and 2016.

7. **Despite the strong volatility associated with the business cycle, Chile reduced moderate and extreme poverty rates to single digits during the CPS period, but inequality has remained among the highest in the world.** Moderate poverty measured at the official rate decreased from 14.1 to 8.1 percent between 2011 and 2015, while extreme poverty fell from 8.1 to 3.5 percent during the same period, near the Government's zero target. Chile's Gini coefficient also declined from 0.504 to 0.495 between 2011 and 2015, a commendable trend, but its inequality rate is still among the highest among OECD countries and regional peers.

8. **The PLR was prepared when a new administration took office, emphasizing social inclusion in its policy platform.** President Bachelet assumed office on March 11, 2014 and from the outset faced tensions originating from rising expectations of a growing middle class and the deceleration of the economy. In response, the administration proposed an ambitious reform agenda to address persistent high rates of inequality and improve access to and quality of public services. The administration's key priorities included tax reform, education reform, and political system reform.

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<sup>55</sup> <http://bibliotecadigital.dipres.gob.cl/bitstream/handle/11626/16240/EFP%202007-2016.pdf?sequence=1&isAllowed=y>

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<http://bibliotecadigital.dipres.gob.cl/bitstream/handle/11626/10804/Estadisticas%20de%20las%20Finanzas%20Publicas%2004-2013.pdf?sequence=1&isAllowed=y>

9. **This CLR, based on the Results Framework as adjusted in the PLR, concludes that the FY11-FY16 CPS Development Outcome is Satisfactory.** The PLR retained the original three result areas but revised the Results Framework and adjusted the objectives to align them with the priorities set by the new administration. A brief overview of the CPS result areas, updated objectives, and ratings is presented below. A detailed description of progress towards outcome targets is provided in the summary of CPS Results Framework (Annex 2).

<b>Chile FY11-FY16 CPS Result Areas as updated at PLR, Rating for Outcomes</b>	
Objectives	Proposed rating
<b><i>Pillar 1: Public Sector Modernization</i></b>	
Objective 1: Improve availability of timely information on budgetary outcomes	Mostly Achieved
Objective 2: Improve access of information for citizens regarding legislation, national budget, and overall public sector information	Achieved
Objective 3: Strengthen the insurance market regulation	Achieved
<b><i>Pillar 2: Job Creation and Equity Improvement</i></b>	
Objective 4: Improve the availability of quality options for higher education services	Mostly Achieved
Objective 5: Enhance accountability of tertiary education system by broadening performance-based funding	Achieved
Objective 6: Increase access to social services for the poor	Achieved
Objective 7: Improve access of rural population to basic public services and markets	Achieved
Objective 8: Increase access for MSMEs innovative, short-term financing products to overcome working capital limitations	Mostly achieved
<b><i>Pillar 3: Promoting Sustainable Investment</i></b>	
Objective 9: Improve the institutional design for engaging the private sector in public infrastructure development	Achieved
Objective 10: Enhance the institutional basis for sustainable and efficient management of natural resources (soil, water, and forests)	Achieved
Objective 11: Diversify the energy resources matrix to allow for electricity cost reduction	Achieved

#### Pillar 1: Public Sector Modernization

10. The CPS Pillar 1 comprised three objectives to: (1) improve the availability of timely information on budgetary outcomes; (2) improve access of information for citizens regarding legislation, national budget, and overall public-sector information; and (3) strengthen the insurance market regulation. The first objective is considered as *mostly achieved* due to delays in the roll-out of the public financial administration system (*Sistema de Generación de Estados Financieros, SIGFE II*<sup>57</sup>). However, the other two objectives were exceeded.

<sup>57</sup> SIGFE, Budget Directorate: <http://163.247.45.21/590/w3-channel.html>

*Objective 1: Improve availability of timely information on budgetary outcomes*

11. **Information on budgetary outcomes improved by increasing its frequency.** The Ministry of Finance (MOF) led the efforts to enhance and expand the central government financial administration system through the design and implementation of a new system called SIGFE II. A change in the management model and the simplification of processes, both reduced the time needed to aggregate data from 20 to 8 days, thereby strengthening financial management capacity. Although implementation took longer than expected, 87 percent of central government agencies were using SIGFE II by 2017, only slightly below the CPS target of 90 percent. At the municipal level, a financial administration system (*Sistema de Información Financiera Municipal*, SIFIM<sup>58</sup>) was developed to cover budgeting, accounting, treasury, procurement and personnel remuneration and rolled out in 104 municipalities (almost 30 percent of all municipalities), surpassing the CPS target of 100 municipalities. The SIFIM contributed to greater efficiency in budget formulation and execution. Both SIGFE II and SIFIM facilitated timely access to information, which improved mechanisms to support oversight and transparency.

12. **The WB supported these efforts through the Public Expenditure Management Project II, which closed in June 2014.** From 2009 to 2014, the Public Expenditure Management Project II<sup>59</sup> contributed to the design and roll-out of these public administration systems, including the procurement of Information Technology (IT) equipment and training of all relevant personnel. Delays in the SIGFE II system's design, coupled with the change in the administration, resulted in the CPS target for all the central government entities (CGE) to adopt the upgraded system by 2014 not being achieved at the time. The first roll out was postponed to 2011 and afterwards the MOF opted for a more gradual approach to bring new entities into the system. This allowed for a more effective implementation. In 2014, once the project was closed, the GoC continued the SIGFE II roll out with its own resources, signaling the high level of ownership and commitment to improve the timeliness of information for budgetary management. One important lesson learned from this experience is that planning for the implementation of state-of-the-art technologies for financial information systems requires adequate time for testing, user feedback, and implementation. Still, despite the delays, Chile offers an excellent model for other countries embarking on the development and introduction of Public Financial Management (PFM) systems, as this project's implementation was one of the best performers in the WB's portfolio.

*Objective 2: Improve access of information for citizens regarding legislation, national budget, and overall public-sector information*

13. **Chile has made considerable advances in transparency through improved access to public information for citizens.** The Access to Information Law (ATI) was promoted and implemented under the leadership of Chile's Council for Transparency (2008), providing all citizens with the opportunity to easily access legislation and general public sector information through the State Transparency Portal. Since 2013, the portal has registered more than 760 public institutions<sup>60</sup> that managed different requests of information online. By December 2017, 323 municipalities (94 percent of all municipalities) had been registered in the portal and had processed more than 170,000 requests for information in that single month, while at the end of 2012, municipalities were processing only 150 requests.<sup>61</sup>

14. **While the WB provided the thrust for the initial implementation of the Access to Information Law, the Government followed through with its own resources to increase transparency and accountability.** The WB supported the initial stages of implementation of the ATI through an Institutional

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<sup>58</sup> SIFIM, Subdere: <http://www.subdere.gov.cl/programas/divisi%C3%B3n-municipalidades/sistema-de-informaci%C3%B3n-financiera-municipal-sifim>

<sup>59</sup> Second Public Expenditure Management Second Public Expenditure Management <http://operationsportal.worldbank.org/secure/P103441>

<sup>60</sup> Including Municipal Associations, Municipalities, Autonomous institutions such Judicial Power, General Controller and Constitutional Jury, Municipal Corporations, Universities, Central Government Entities, and Political parties.

<sup>61</sup> <https://portaltransparencia.cl/PortalPdT>.

Development Fund (IDF) assigned to Chile's Council for Transparency<sup>62</sup>. This IDF provided a diagnostic of the implementation status of the ATI in the public administration and supported the design of methodologies to help institutions comply with the ATI guidelines. The IDF also supported pilot implementation in 50 municipalities. Finally, the IDF supported the creation in April 2011 of the Regional ATI Network (RTA Network<sup>63</sup>) with six other Latin American countries. Chile's Council of Transparency has been the chair of the RTA Network since its inception.

15. **In addition, the WB facilitated access to peer knowledge and good practices from other countries, as well as the expansion of the regional network on transparency.** The WB continued supporting the strengthening of the Council of Transparency's oversight role and the RTA Network by facilitating access to peer knowledge and good practices from ATI oversight bodies in OECD countries. Although the IDF closed at the end of 2012, the Council for Transparency continued with the initiative and signed a cooperation agreement with the Viceministry of Regional Development (SUBDERE) from the Ministry of the Interior to ensure the roll-out of the ATI management system in all municipalities. By 2017, the RTA Network included 28 institutions from 17 Latin American countries and three international organizations. The RTA Network relies on an online platform ([www.redrta.org](http://www.redrta.org)) to share information, hold regional conferences, and conduct collaborative work (e.g., on jurisprudence, indicators, training and dissemination, and archives). As a recognition of the WB's support to the Council and the RTA Network since 2013, the GoC requested the WB's participation in the 2015 Presidential Advisory Committee on Integrity and Transparency of Public Officials (Engel Commission) as an external advisor on how to best address issues of conflict of interest, compliance with systems and ethics coordination, and public procurement. The Engel Commission's final report was adopted by the Government to create the Government Agenda on Probity and Transparency which led, at the end of 2016, to ten new laws (e.g., the law of political parties including the reform on the financing of electoral campaigns (Law N°20.900), the strengthening of the National Election Service and the establishment of its constitutional autonomy (Law N°20.860), restoration of compulsory civic education in schools, and strengthening probity in public administration, among others).

### *Objective 3: Strengthen the insurance market regulation*

16. **The Securities and Insurance Superintendence (*Superintendencia de Valores y Seguros de Chile, SVS*) and the MOF prepared a regulatory reform that included a risk-based approach to supervise the insurance sector.** Advances have been made in strengthening insurance market regulation, following recommendations of the Financial Sector Assessment Program (FSAP)<sup>64</sup>. A key objective of the initiative was to better align capital obligations to the economic merits of business decisions, thus, creating incentives for the insurers to better manage the risk of their operations. The overhaul of current capital and solvency rules to be more risk-sensitive was a key pillar of the initiative. A draft bill containing these initiatives was approved by the House of Representatives in October 2012. The WB provided key inputs to the draft bill (*Boletín 7958-05*)<sup>65</sup> through an advisory activity delivered under the Joint Studies Program<sup>66</sup> (JSP). A risk-based capital methodology proposed by the SVS is already being used by, allowing to fine-tune the draft bill experience from its implementation<sup>67</sup>. The relevant industry and other stakeholders have actively sought to ensure that the bill and its implementation reflect industry practices, leverages expertise and data, and ensures that all participants understand the initiative.

## Pillar 2: Job Creation and Equity Improvement

17. Pillar 2 of the CPS supported the following five objectives, to: (4) improve the availability of quality options for higher education services; (5) enhance accountability of tertiary education system by broadening

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<sup>62</sup> IDF Strengthening Chile's Council for Transparency for improved transparency and accountability (P117937).

<sup>63</sup> Known by its Spanish name, Red de Transparencia y Acceso a la Información (RTA).

<sup>64</sup> FSAP Update Chile (P122798)

<sup>65</sup> <http://www.svs.cl/portal/principal/605/w3-propertyvalue-18623.html>

<sup>66</sup> Study on the Insurance (P156824)

<sup>67</sup> [http://www.svs.cl/portal/principal/605/articles-16371\\_recurso\\_4.pdf](http://www.svs.cl/portal/principal/605/articles-16371_recurso_4.pdf)

performance-based funding; (6) increase access to social services for the poor; (7) improve access of rural population to basic public services and markets; and (8) increase access for MSMEs innovative, short-term financing products to overcome working capital limitations. Objectives 5, 6, and 7 were successfully achieved reaching their targets of (5) increasing Retention Rate and performance agreements between the Government and tertiary education institutions; (6) implementing a new integrated social protection information system; (7) increasing use of quality and sustainable electricity and water and sanitation services in selected territories; while objectives 4 and 8 were mostly achieved.

*Objective 4: Improve the availability of quality options for higher education services*

18. **Access to higher education in Chile has expanded rapidly, despite challenges related to internal efficiency, academic readiness, and heterogeneity in the value of degrees.** Since the beginning of the 2000s, the number of students who entered higher education expanded rapidly, with the gross enrollment rate increasing from 37 percent in 2000 to 86 percent in 2016, a level comparable with that of other OECD countries. This rapid increase was driven by demand and supply factors. The demand for higher education rose with the growth in the number of high school graduates and the removal of liquidity constraints through scholarships and loans. Supply of higher education grew with the expansion of existing programs, the introduction of new programs and the creation of new higher education institutions, primarily led by the non-university sector (such as technical professional institutes) and private suppliers of education services<sup>68</sup>. However, since the rapid expansion of tertiary education was accompanied by a low completion rate, limited academic retention and low labor market returns, the objective has only been considered as Partially Achieved. Students from low-socioeconomic backgrounds were particularly affected.

19. **The WBG contributed to the expansion of higher education services supporting both the supply and demand sides.** On the supply side of technical education, the WB helped analyze the technical and professional job market (2015) and identified practices and programs that, based on international experience, were relevant to the goals of the state-owned network of vocational formation centers (*Centros de Formación Técnica*, CFT) that the Government sought to put in place. In 2016, Law 20910 created 15 State CFTs throughout the country and, in 2017, they gradually initiated their academic activities. During the CPS period, IFC provided a \$30 million loan to DUOC UC<sup>69</sup>, an accredited, nonprofit, private institution with industry-focused educational programs, including two-year technical and four-year professional degrees. These resources enabled DUOC UC to expand from nine to 15 campuses, double the number of programs, and triple the number of students<sup>70</sup>, especially students in low and middle-income households. It is worth noting that DUOC UC benefitted from the demonstration effect of an IFC investment in the education sector in the previous CPF Period: IFC's backing through a partial credit guarantee of the Universidad Diego Portales (UDP) bond issue. UDP is also a not-for-profit private college in Chile. IFC committed US\$7 million in 2003 in a project that securitized the UDP's student tuition payments in Chile, which in turn expanded access to affordable technical and professional education for low- and middle-income students and helped the institution refurbish its facilities. The original UDP issue demonstrated local institutional demand for debt issued by high-quality private colleges, opening the way for subsequent capital market issuances. On the demand side, the Ministry of Education (MOE) requested a Reimbursable Advisory Service (RAS), delivered by the WB in 2011<sup>71</sup> that recommended key changes to increase the overall financial efficiency and sustainability of the *Credito con Aval del Estado* (CAE), a scholarship program for higher education. Based on recommendations in this RAS, the CAE introduced several changes, including a financially sustainable policy for defining the referential college fee, a reduction in the interest rate charge by financial institutions and the introduction of an income- contingent repayment scheme. These policy innovations were superseded later when President Bachelet's administration in 2016 adopted a free tuition scheme for the students coming from lower 60 percent of the income distribution.

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<sup>68</sup> Ferreyra, Maria Marta; Avitabile, Ciro; Botero Alvarez, Javier; Haimovich Paz, Francisco; Urzua, Sergio. 2017. At a Crossroads: Higher Education in Latin America and the Caribbean. World Bank.

<sup>69</sup> Dirección Universitaria Obrera y Campesina de la Universidad Católica (DUOC UC).

<sup>70</sup> Student enrollment increased by 23,000 students total, surpassing IFC's expected target. Female student enrollment increased by 60%.

<sup>71</sup> State-Guaranteed Student Loan Program (CAE) (JSP, FY11).



20. **The WB also had a strong collaboration with the MOE to set the basis for improvements in the quality of higher education.** To address quality challenges, the GoC promoted several reforms to improve equity and quality in higher education. The GoC's approach to these reforms evolved throughout the CPF period, building on the lessons from the various initiatives. Two RAS requested by the MOE served to review the accreditation criteria for higher education and proposed a new institutional accreditation structure, as well as procedural reforms to improve the quality assurance system<sup>72</sup> (2015) and to create a monitoring and evaluation strategy for the higher education reform process, creating 16 key indicators on equity, quality, pertinence and system consolidation<sup>73</sup> (2016). A proposed Law for Higher Education reform was presented to Congress in late 2016 (and was later approved on January 24, 2018). The reform law includes provisions for improving quality, such as the new quality assurance standards for accreditation and a revision of financing frameworks, that was recommended by the WB's RAS. Additionally, a \$100 million Development Policy Financing (DPF), approved in late 2015, supported actions to promote equal opportunities in primary and tertiary education, including the creation of a program to increase access to higher education (*Programa de Acompañamiento y Acceso Efectivo a la Educación Superior*, PACE<sup>74</sup>). PACE sought to increase access by increasing the number of highly vulnerable students making the transition from secondary education to tertiary education<sup>75</sup>. Finally, in 2015, the WB, under another a RAS with the MOF, evaluated the incidence of the 2014 Tax Reform on Chile's income distribution<sup>76</sup>. Although the WB did not provide direct support for the tax reform approved on September 26, 2014, it did help inform the financing of the free tuition scheme for higher education that was previously mentioned.<sup>77</sup>

*Objective 5: Enhance accountability of tertiary education system by broadening performance-based funding*

21. **The expansion of mechanisms linking the funding of tertiary education institutions to performance exceeded expectations, and the retention rate has increased.** By 2016, a total of 179 performance agreements on quality were signed with tertiary education institutions, as follows: Teacher Training (19), Academic Innovation (24), Technical and Professional (17) and Small Projects (119). Participating institutions concentrated their efforts on: (i) redesigning the pedagogy curricula, including mandatory teacher training on pedagogy and the introduction of remediation classes for students; (ii) changing vocational training curricula centered on skills aligned with labor market needs and including internships to complete training, and (iii) revising curricula for a wide variety of degree study programs to be more skills-based, innovative and entrepreneurial. The institutions where these initiatives were implemented, have shown a shorter graduation time, a higher graduate employment rate, and a higher first-year retention rate of students.

22. **The WB supported the improvements in quality and relevance of tertiary education through an IPF.** The Tertiary Education Finance for Results Project III<sup>78</sup> (MECESUP III) implemented by the MOE, provided continuity to a close partnership with Chile that began in 1997. The project partially financed the cost of performance agreements signed with tertiary education institutions from 2013 to 2016. Upon project completion, the Government continued financing for performance agreements with its own resources. Lessons that emerged from the expansion of results-based financing to educational institutions included the following: (i) implementation timelines longer than three years are needed to facilitate implementation of large performance agreements and reach intended goals, and (ii) remedial classes help increase academic readiness

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<sup>72</sup> HE Quality Assurance Design (P152353)

<sup>73</sup> M&E strategy for HE reform (P157268)

<sup>74</sup> PACE, Mineduc: <https://pace.mineduc.cl/sobre-el-programa-pace/que-es-el-pace/>

<sup>75</sup> Implementation Completion and Results Report (IBRD-85510) for the Social Inclusion for Shared Prosperity Development Policy Financing Project (P154213), July 2017.

<sup>76</sup> Tax Reform (P151824)

<sup>77</sup> The WB has since supported the process of the higher education reform through an Investment Project Financing (IPF) operation for strengthening state universities. A \$50 million loan for Strengthening of State Universities in Chile (P163437), approved in late 2017, is under implementation and aims to improve quality and equity of public universities and to strengthen their institutional capacities to address regional and national development challenges.

<sup>78</sup> Tertiary Education Finance for Results Project III (P111661)

and first-year retention, especially among students from less advantaged backgrounds.

*Objective 6: Increase access to social services for the poor*

23. **Access to social benefits and services for vulnerable populations has expanded, and the Chilean Intersectoral Social Protection System remains as one of the best among developing countries, though there remains space for continued improvement.** The Government's approach to improving access to social services included the consolidation and streamlining of the multiple schemes in place, and the sharpening of the eligibility criteria to reduce transaction costs and errors of inclusion and exclusion. The consolidation and streamlining of social benefits led to the introduction in 2009 of the Intersectoral Social Protection System (*Sistema Intersectorial de Protección Social*, SIPS) as a management model of a "life-cycle" social services for vulnerable populations, combining three subsystems that have been created or expanded during the CPS period. The subsystem Chile Grows with You (*Chile Crece Contigo*, CHCC) supports childhood development that used to target children under four years old but was expanded in 2016 to target children up to nine years old or until they finish basic education. A second system called Solidary Chile (*Chile Solidario*), in place since 2002 and intended to aide individuals and families living in extreme poverty, was redesigned in 2013 to include a conditional cash transfer program that reaches almost 70,000 families per year. Finally, a third system, the National Social Care sub-system (*Subsistema Nacional de Apoyos y Cuidados*, SNAC), was launched as a pilot program in 12 municipalities (six regions) in 2016, supporting 1000 households whose dependent members required permanent care due to age and/or disability.

24. **Chile has innovated and successfully improved the means-testing tools for the allocation of social benefits.** As part of the improvements in the Integrated Social Information System (*Sistema Integrado de Información Social*, SIIS), the Government created, in 2015, the Social Household Registry (*Registro Social de Hogares*, RSH) combining in a single database of information self-reported by households with information from administrative databases. The administrative data includes taxes, health insurance, contributions to social security, pensions, earned income, real estate, and vehicles, among others. The RSH replaced the previous Social Protection Scorecard (*Ficha de Protección Social*, FPS) as the targeting instrument for social benefits and services. Having integrated, good quality and updated information allows the Government to increase the efficiency and effectiveness of social programs and achieve greater harmonization of its Social Protection System. The RSH was launched in January 2016 with data from 12.3 million people grouped in 4.2 million households, approximately 70 percent of the country's population.

25. **The WB supported the improvement of Chile's Social Protection System through a series of RAS instruments<sup>79</sup>.** The WB provided technical assistance through four RAS, supporting the Ministry of Social Development (MOSD) on the conceptual and pilot designs of the System for Social Care, the redesign of the social information system, and the strengthening of the SIPS. This included critical inputs for the design of the expanded CHCC, an assessment of the design and implementation of the securities and opportunities sub-system (*Subsistema Seguridades y Oportunidades*<sup>80</sup>) with recommendations adopted in 2016-2017. Specifically, the WB conducted in 2015 a comprehensive evaluation of the social information system and provided technical assistance to the Ministry of Social Development on an implementation strategy for rolling out the new targeting instrument for social benefits and services. The WB also supported the evaluation of its implementation at the subnational level. Through this series of RAS, the CPS target was achieved and surpassed.

26. **Finally, the WB provided advice to the Government on how to improve the institutional framework for poverty measurement, and consequently, the quality of the data.** In 2014, the WB assisted the Government in improving the poverty measurement process, including methodology, institutional framework, and the development of a Multidimensional Poverty Index (MPI) that complements the monetary

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<sup>79</sup> TA for strengthening the Inter-sectoral SPL System improving delivery systems (P156591), Redesigning Integrated Social Information System for the new model of selection of social protection beneficiaries (P152289), Chile National System for Social Care - RAS (P154266), CL Social Information System JIT (P152295)

<sup>80</sup> Intended for individuals and families living in extreme poverty (this subsystem replaced *Chile Solidario* program in 2013)

poverty estimate, providing a richer set of tools for characterizing poverty, inequality, and deprivations. Finally, a \$100 million Social Inclusion for Shared Prosperity DPF<sup>81</sup>, approved in 2015, supported the GoC in improving the measurement and monitoring of poverty by implementing and releasing: (i) a revised official methodology for measuring monetary poverty, and (ii) launching and implementing an official Multidimensional Poverty Index (MPI). These actions, supported in coordination with Economic Commission for Latin America and the Caribbean (ECLAC) and the United Nations Development Program (UNDP), enhanced the quality of information to effectively monitor poverty and other social welfare indicators of equity and to strengthen transparency of poverty measurement.

*Objective 7: Improve access of rural population to basic public services and markets*

27. **There has been significant progress towards improving access of rural communities to infrastructure services in selected regions.** Between 2006 and 2011, the GoC undertook a pilot to increase the effective and productive use of infrastructure services in poor rural communities of the regions of Coquimbo, Maule, Bio-Bio, Araucania, and Los Lagos. During this period, 250 subprojects, including roads, water supply, sewage, energy, and ports were financed, within the framework of territorial development plans. Regional Councils led the efforts of participatory planning and included voices from small farmers and indigenous communities. By the end of 2012, 90 percent of the population (around 320,000 people) living in the pilot areas benefited from quality and sustainable energy, water, and sanitation services. The pilot led to the development of a well- tested mechanism for the delivery of infrastructure to rural areas. This institutional mechanism was rolled out first to regions located in the north, center, and south of the country, and by 2014, the program had reached nationwide coverage. The design and the implementation of the pilot were supported by the WB under a \$50.2 million infrastructure for Territorial Development Project (P076807). Since completion of the project, the Government has financed the roll-out of this successful initiative with its own resources.

28. **The pilot and its roll-out yield lessons that apply to similar challenges in Chile and in other countries.** First, an above-average allocation of resources is needed to put in place the infrastructure and institutions (e.g., mechanisms of participatory planning, defining and managing multi-layered institutional arrangements) that are needed to link and empower rural (often isolated) communities to the market and to the Government. Second, a right amount of flexibility is key to respond to a bottom-up planning process and a decentralized implementation. Third, over the period of implementation, institutions with a national reach can provide coordination and oversight and help develop a culture of participation and accountability in rural communities.

*Objective 8: Increase access for MSMEs innovative, short-term financing products to overcome working capital limitations*

29. **Financing available to MSMEs has increased.** IFC provided long term financing of \$396 million under four projects to support lending operations to MSME, focusing on agribusiness, renewable energy, and women-owned firms. IFC also provided \$197 million in short-term finance through commitments to support trade financing with three active corresponding banks. The WB complemented these efforts through knowledge activities on MSME finance supporting the Chilean Economic Development Agency<sup>82</sup> (*Corporación de Fomento de la Producción*, CORFO). These knowledge activities focused particularly on the rationalization of MSME financing and support schemes. Finally, the WB provided support to the Ministry of Agriculture in the establishment of a new Agriculture Innovation Unit to strengthen its national agriculture innovation system, thereby, further enhancing the country's competitiveness in the agriculture sector.

Pillar 3: Promoting Sustainable Investment

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<sup>81</sup> CL Social Inclusion for Shared Prosperity DPL (P154213)

<sup>82</sup> CORFO SME Finance (P151964)

30. The CPS' Pillar 3, Promoting Sustainable Investment, supported three objectives, to: (9) improve the institutional design for engaging in the private sector in public infrastructure development; (10) enhance the institutional basis for sustainable and efficient management of natural resources (soil, water, and forests), and (11) diversify the energy resources matrix to allow for electricity cost reduction. Objectives 9, 10, and 11 were achieved.

*Objective 9: Improve the institutional design for engaging the private sector in public infrastructure development*

31. **Since joining the OECD in 2010, the GoC has increased its efforts to reduce gaps in the quality and quantity of infrastructure and the severe social and territorial inequalities, which remain particularly high in vulnerable communities and in general in Chile compared to other OECD members and present a major impediment for the country's future development.** Since 2010, the Ministry of Public Works (MOPW) has led a program of infrastructure-related investments in transport, dams, and coastal development, mainly attracting private sector investments into infrastructure. In parallel, the GoC set as a priority the strengthening of MOPW's capacity and models for infrastructure planning and concessions development and management.

32. **The institutional capacity of the MOPW and the model for concessions has improved.** A draft bill to modify the MOPW and create the General Concessions Directorate (*Dirección General de Concesiones de Obras Públicas*) was submitted to Congress in June 2015 and approved on November 17, 2017. The law strengthens the institutional capacity of the previous concessions unit by providing functions and responsibilities to improve the design and supervision of Public-Private Partnerships (PPPs) and, thereby, to develop and accelerate infrastructure investments.

33. **The WB supported the mobilization of technical assistance to the GoC on options for the modernization of the MOPW.** The WB provided technical advice on enhancing the institutional capacity, focusing on further improving the benefits of public-private partnerships (including concessions) for the provision of key infrastructure services. Under a \$11.7 million Technical Assistance Loan (TAL)<sup>83</sup>, closed in January 2014, the WB contributed to the GoC's efforts to make changes in infrastructure planning and project appraisal (e.g., methodologies for cost-benefit, value for money, and road pricing among others), as well as standardization of procurement processes to make the provision of infrastructure more competitive and transparent. Through two JSP studies<sup>84</sup>, the WB also provided examples to the Government of best practices in planning and contract design, including one of the first road concessions in the world based largely on in-service standards rather than on engineering features. The WB's involvement with this resulted in a request for an IPF to finance reforms in the integrated management of water resources and infrastructure development. A \$40.89 million IPF for an Integrated Water Resources Management and Infrastructure Development Project was approved in late 2015<sup>85</sup> with the objective of strengthening the planning and implementation of the concession program. Shortly after its approval, and for reasons of fiscal consolidation embedded in the 2016 National Budget Law, the GoC withdrew its request for this loan in March 2016, and the Loan Agreement was never signed.

*Objective 10: Enhance the institutional basis for sustainable and efficient management of natural resources (soil, water, and forests)*

34. **Given its arid endowment, the efficient use of water has been critical for Chile's economic development.** Chile has achieved remarkable coverage of water and sanitation services, including for irrigation and industrial uses. However, growth has been pressuring scarce water resources. The growing challenge has been to better manage water as a public good, reconciling economic efficiency with the protection of the public interest. Therefore, the GoC set to reform the institutional and legal framework for water resources, managing

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<sup>83</sup> Ministry of Public Works Institutional Strengthening (TAL, P102931)

<sup>84</sup> CH-Institutional Strengthening PPP unit (JSP, FY15) and Concession Study (JSP, FY13)

<sup>85</sup> CL Integrated Water Resources Management and Infrastructure Development (P152319)

water in a more integrated way, creating a stronger water authority, expanding the State functions and tools for water resources management, and increasing investments in hydraulic infrastructure and the provision of water information. After a period of intensive design and consultation, the Government drafted several amendments to its 1981 Water Code, including strengthening the auditing (*fiscalizaciones*) and sanctions capacity of the Directorate-General for Water (*Dirección General de Aguas*). The Law N°21.064 was enacted in January 2018.

35. **The WB provided technical advice from 2012 to 2015 through a series of RAS activities that addressed some of the weaknesses in the water sector's institutional framework**<sup>86</sup>. WB assistance began with a diagnosis of the water resources management, which informed the National Water Resources Strategy in 2012. This was followed by an assessment to improve the institutional framework for water resources management and an evaluation to strengthen the planning process and help the Government prioritize water infrastructure investments. In 2014 and 2015, the WB provided recommendations for a plan to improve the institutional framework for water resources management and enhance its legal framework. The results of the knowledge work on the reform program, with a clear identification of short- and long-term interventions, were discussed with relevant stakeholders and presented in national and international workshops and provided input to the drafting of the several amendments to the Water Code (1981)<sup>87</sup>.

36. **The WB provided technical assistance to support carbon emission sequestration through forest management via a series of trust fund operations.** With support from the Forest Carbon Partnership Facility (FCPF), Chile's National Forestry Corporation (*Corporación Nacional Forestal, CONAF*) conducted a series of diagnostic studies which helped elaborate the National Strategy for Climate Change and Native Vegetation (*Estrategia Nacional de Cambio Climático y Recursos Vegetacionales, ENCCRV*) in 2016, putting native forests at the center of the sector's mitigation and adaptation efforts. The ENCCRV is a cornerstone of the country's commitments to meet its 2020 updated Nationally Determined Contribution (NDC) targets in the forestry sector aligned under the Paris Agreement and presented to the UNFCCC. The ENCCRV was validated by the Ministerial Council on Sustainable Development on November 14, 2016. Finally, The WB is also piloting the use of an innovative financing instrument, namely an Emission Reductions Payment Agreement (ERPA), to provide results-based payments to Chile for the GHG Emission Reductions achieved through the implementation of the ENCCRV.

37. **Chile has committed to protecting its forest and soil resources in order to reduce the risk of degradation and ensure the long-term sustainability of its natural resources.** Through a combination of public and private sector financing, Chile has become a global player in the forestry sector over the course of the past three decades with rapid expansion of planted forests (mostly pine species) and an export-oriented industry. However, in response to an increasing risk of desertification and drought affecting two-thirds of the national territory, the GoC set to reform the institutional and legal framework for forest resources, creating a stronger forest authority, expanding state incentives for forest plantations, and establishing a concerted forest policy with key stakeholders. The GoC constituted the Forest Policy Council in 2015, which adopted the Forest Policy 2015-2030 in 2016, and drafted bills to create a National Forest Service. On the international front, Chile has committed to restore and sustainably manage 100,000 hectares and to reforest another 100,000 hectares of mainly native forests as part of its NDC to the UNFCCC and has voluntarily joined the Land Degradation Neutrality initiative under the UNCCD. Given its experience and commitment, Chile has been a learning case of regional, and even global, relevance in the sustainable use of natural resources under climate change. With support from the Global Environment Facility (GEF),<sup>88</sup> the WB is supporting the Government in developing a Sustainable Land Management Framework to address the serious issues related to desertification, land degradation, and drought that the country is facing, by strengthening the coordination among the Ministry of Agriculture's (MINAGRI) agricultural extension services and piloting its use in 30,000 hectares of degraded land in five regions of the country.

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<sup>86</sup> CL Integrated Water Resources Management and Infrastructure Development (P152319), CL RAS Strengthening the legal framework for IWRM (P151686), CL Support to the Inst Reform Plan IWRM (P150671), CL RAS Planning Water Infrastructure (P133289), CL RAS Institutional Framework of Water Sector in Chile (P143440)

<sup>87</sup> [https://www.bcn.cl/obtienearchivo?id=repositorio/10221/26721/2/Informe\\_Codigo\\_de\\_Aguas.pdf](https://www.bcn.cl/obtienearchivo?id=repositorio/10221/26721/2/Informe_Codigo_de_Aguas.pdf)

<sup>88</sup> Sustainable Land Management Project (P085621)

*Objective 11: Diversify the energy resources matrix to allow for electricity cost reduction*

38. **During the past decade, non-conventional renewable energy had the highest rate of growth from among Chile’s different sources of electricity generation.** Since 2008, the Government has taken important steps to increase the contribution of non-conventional renewable energy (NCRE) into its energy matrix to help increase security of supply. In 2013, a new law introduced new incentives for the incorporation of NCRE sources by doubling the non-renewable- energy target from the previous goal of 10 percent by 2024 to 20 percent by 2025. In 2015, another law introduced regulatory changes to the electricity supply auctions for regulated clients that included having the regulator hold the auctions, introducing new incentives for NCRE, increasing the notice of the auction to one year and its completion time to five years, and increasing the contracts to 20 years. Finally, in late 2015 the GoC launched its Energy Policy 2050 (EP2050), which established a renewable energy target of 60 and 75 percent by 2035 and 2050, respectively. As a result of those changes and priorities, the auctions bid in 2016 under the new law resulted in price reductions of 63 percent from 2013 levels, and an increase in NCRE installed capacity from 9 to 15 percent. NCRE are expected to reach 25 percent by 2020, five years ahead of the Government’s target.

39. **Consistent with the country’s objective of discouraging the use of carbon-intensive fuels, the Government took a pioneer step to establish a carbon tax.** As part of the 2014 tax reform, the Government decided to establish a carbon tax to support its climate change agenda, making it the first country in South America to tax carbon dioxide (CO<sub>2</sub>) emissions. The law established an annual tax on CO<sub>2</sub> emissions from fixed sources made up of boilers and turbines with a thermal power greater or equal to 50 MWth (megawatt thermal capacity). The tax is equivalent to \$5 for each ton emitted and covers about 40 percent of total greenhouse gas (GHG) emissions in the country, affecting mostly larger electricity generators. The Chilean carbon tax came into effect in 2017. The WBG support has continued with the collaboration with the carbon tax within the Ministry of Energy and Housing specifically with the Measuring (and monitoring), Reporting and Verification (MRV) of the tax and support for the development of geothermal energy.

40. **The WB supported both the efforts to diversify the energy matrix as well as discourage the use of carbon-intensive fuels.** In terms of energy matrix diversification, the WB supported the preparation of the energy policy note, provided technical assistance for reforming the distribution and tariff scheme of residential natural gas<sup>89</sup> and has provided technical assistance for Sustainable Geothermal Development to help identify the technologies’ main barriers and recommend ways forward to unleash this NCRE<sup>90</sup>. In addition, the GoC received support from the WB through technical assistance provided by the Partnership for Market Readiness (PMR)<sup>91</sup> that was instrumental to design the implementation of the carbon tax, including its Monitoring, Reporting and Verification (MRV) framework and registry system, capacity building on its implementation for the private and public sector, and assessments of its impacts. The assistance also supported the GoC in developing the Mitigation Plan for the Energy Sector, which sets out the recommended measures and actions to take in the energy sector to achieve the EP2050 and the NDC’s mitigation targets.

41. **IFC has actively supported Chile’s solar and hydro program to improve the country’s energy matrix.** IFC demonstrated the bankability of very large scale non-conventional renewable energy projects (solar) and incentivized greater participation in the Chilean and greater Latin American market, particularly by local banks. Over the CPS period, IFC closed financings for a total installed generation capacity of an additional 1,007 MW in the country, consisting of: (i) an aggregate of 686 MW in two run-of-river hydropower projects, and (ii) an aggregate of 321 MW in four solar photovoltaic (“PV”) projects. Most of these projects made first-of-a-kind, significant contributions to project-financed power generation in the country. Among these projects stood the largest solar PV project in all of Latin America and the largest solar PV project worldwide, which would sell its output to the system at spot market prices, without any government designated feed- in tariffs.

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<sup>89</sup> Improving Natural Gas Distribution Project (P152065)

<sup>90</sup> Technical Assistance for Geothermal Development in Chile (P152820) was approved by the Bank on August 31, 2016, although it became effective in April 2017.

<sup>91</sup> Partnership for Market Readiness (PMR) Technical Assistance for Market Instruments for Climate Change Mitigation (P130378).

IFC's support in scaling up the penetration of commercially viable technologies in the country's energy matrix, including hydropower and solar, provided a national and regional demonstration effect of the viability of financing. Nevertheless, these projects started facing difficulties due to challenges of the Chilean electricity market, including a slowing of electricity demand growth, constrained transmission capacity, and a decline in spot market prices. As of June 30, 2018, IFC had commitments of US\$460 million<sup>92</sup> (including through mobilization) in four solar photovoltaic and two large hydro projects.

42. **In summary, the achievement of CPS objectives was Satisfactory, with 8 out of the 11 objectives having been achieved, and 3 having been mostly achieved.** The delivery under the first pillar (Public Sector Modernization), was strong and included: the modernization and roll-out of public financial systems across national agencies and municipalities; substantial gains in the transparency of government actions; and improvements in adapting insurance regulation to the risks faced by the industry. The delivery under the second pillar (Job Creation and Equity Improvement) was likewise strong. The engagement in higher education has been fruitful to improve both access and quality, while the analytical and advisory work has supported the government in fine-tuning reforms. As a result, several recommendations for quality improvement have been rolled into legislation in both government administrations, such as the introduction of performance-based funding and enhanced accountability in education. Social assistance programs have been strengthened through improved eligibility criteria, increased coverage for the most vulnerable, and integrated information systems for targeting decision-making. Additionally, access of MSMEs to finance improved. Under the third pillar (Promoting Sustainable Investment), the adoption of a revised legislation for concessions and the submission to the Congress of revised Water legislation were accompanied by institutional changes that support the strengthening of the investment climate and the participation of the private sector. The supply of renewable energy increased at a much faster pace than initially foreseen, leading to substantial improvements in the energy matrix. Finally, the support provided to develop and implement an agenda to mitigate climate change enabled the introduction of carbon taxes, launched work on green growth, and supported the progress the country made towards fulfilling national and international commitments.

### III. WBG PERFORMANCE

43. **Overall, WBG performance in designing and implementing the FY11-FY16 CPS was Good.** At the strategic level, the CPS covered two administrations and the PLR introduced timely adjustments to reflect changes in emphasis and in the pace of the implementation of reforms. It focused selectively on those fields in which the WBG could provide more value-added to the Government. At the level of projects and knowledge activities, WBG teams were heavily involved in supporting reforms in areas such as public financial management, education, social protection, and infrastructure.

#### Design and Relevance

44. **The CPS' areas of engagement were congruent with the Government's priorities, over both of the government administrations.** The development agenda of the first administration (2010-14), was organized around three objectives: (i) achieving greater competitiveness, including through modernization of the state; (ii) improving job creation and job quality, and (iii) promoting investment. The Government also committed to strengthening social policies and protecting the environment. In line with these priorities, the CPS structured its program around three results areas that targeted selected aspects of the Government's development agenda: (i) Public Sector Modernization; (ii) Job Creation and Equity Improvement, and (iii) Promoting Sustainable Investments. These engagement areas remained valid as a new administration came to office in 2014, but adjustments were needed. The new administration (2014-2018) maintained broad continuity with the national development agenda but highlighted three priorities within that framework. These are: (i) a tax reform that aimed to increase revenue and reduce inequality; (ii) an education reform that aimed to improve quality of education results and facilitate access to high-quality education for the poor, and (iii) a constitutional reform that would substantially alter Chile's political system. The PLR aligned the CPF's design to the new priorities by

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<sup>92</sup> IFC portfolio figures include investments reported at cash cost value.

fine-tuning the objectives and indicators and adjusting the supporting program, but the CPS' overall structure remained in place.

45. **The CPS objectives were both aligned with areas of high government ownership and supported by a well-targeted assistance program.** The eleven CPS objectives coincided with national priorities and programs, which facilitated dialogue and coordination with the Government. Throughout the CPS period, the WBG valued the opportunity of working with Chile to advance in the development of innovative solutions to the challenges that the country faced. Since the expected financial contribution from the WB was very small, the bulk of its supporting program was anchored in knowledge products that would be delivered on demand over the CPS period. The JSP, which used the cost-sharing approach, and sectoral RAS program, would continue to be relevant tools to respond effectively to a very well-structured demand for knowledge services. The IFC program was likewise driven by demand in selected sectors, aligned with country priorities and opportunities. The CPS Results Framework also benefitted from the contribution of several activities that were nearing completion when the CPS was prepared. Given the reliance on an evolving knowledge program, there were inherent difficulties in pinning down precise indicators to be met by the end of the six-year period. Therefore, the initial set of indicators was mostly notional, with very few precise quantitative indicators. It would be the PLR, once the demand-driven program had been fully defined, that introduced a precise set of indicators to track and measure the contribution of the WBG program. The Results Framework, included in the PLR, reflected well the objectives and the results which the WBG program could reasonably help achieve. The IFC contribution was also fully embedded in the Results Framework.

46. **The CPS design heeded the lessons from the implementation of the previous CPS.** These lessons included: (i) focusing the Results Framework at a level that is consistent and aligned with the contribution of the WBG, given the WBG's limited financial contribution and its focus on knowledge work; (ii) opting for a flexible design, such as the JSP and RAS activities that respond to emerging priorities and contribute with timely inputs to the Government's policy decisions; (iii) embedding that flexibility in the design of the Results Framework and tracking the evolution of the program to capture its impact, and (iv) finding a way to share Chile's development experience and lessons.

47. **The risk to the CPS program was identified as low, but some areas were tagged for close monitoring.** The PLR maintained overall risk to the program as low but acknowledged the risks associated with the implementation of sector strategies or policies. The Government embarked on an ambitious reform agenda, and the PLR identified correctly that a strong opposition could cause a delay in the pace of the WBG program's implementation, particularly with the education reform. As predicted, the education reform took longer than expected, and the tax reform received much criticism and was adjusted after its approval. The WBG teams were aware of these risks and worked very closely with the Government, to ensure that changes during the reform process were incorporated in their assessments.

### **Alignment with the WBG Corporate Strategy**

48. **The program in Chile was aligned with the WBG's twin goals of ending extreme poverty and boosting shared prosperity from several perspectives.** First, there was assistance for social protection (Objective 6) that sought to reduce errors of exclusion by using administrative rather than subjective criteria and by consolidating programs to facilitate access. Efforts were also made to tailor the design of social protection interventions to the needs of the poor. Second, the assistance program for education (Objectives 4 and 5) centered on increasing access from the primary to tertiary levels, improving the quality of services, and helping to boost shared prosperity. The number of beneficiaries has improved greatly across the board. Third, efforts at connecting the backward regions (Objective 7) also addressed inclusion.

### **Program Implementation**

49. **During the CPS period, the WBG delivered an effective package of advisory and financial services that supported effectively the achievement of expected CPS outcomes.** The WBG has moved towards a more comprehensive involvement through operations, advisory services, trust funds, and innovative



financial instruments. As an institution of global knowledge, the WBG program allowed for improvements in the delivery of services, the efficient allocation of reduced public resources, the sustainable management of natural resources for climate change mitigation, and the managing of risks from natural disasters.

50. **The emphasis on cutting-edge knowledge, including effective use of Trust Funds, in critical areas of reform, anchored the WBG program in Chile.** The knowledge program was delivered through two main instruments, the JSP and the stand-alone RAS program. The WB provided 45 advisory and analytical services (Annex 4). The WBG used WB-executed and recipient executed Trust Funds to support and supplement key aspects of the program, project design and implementation with GEF, FCPF, Partnership for Market Readiness (PMR), IDF grants, among others. The Trust Fund program opened a window of opportunity to position both Chile and the WB to lead the policy agenda on climate change, achieve international commitments, and build stronger alliances with key donors. A total of \$33 million was approved for 11 trust fund operations during the CPS period (Annex 5).

51. **The knowledge program became an effective instrument for Chile's partnership with the WBG, as it has helped strengthen the strategic policy dialogue and decision-making.** The JSP was formally launched in 2008 with the signing of the first Framework Agreement for Advisory Services between Chile and the WB. MOF was the main counterpart on the Framework Agreement, taking strong ownership of the overall JSP by funding and monitoring results. Given the effectiveness of the JSP, the Government and the WBG agreed twice to extend the agreement during the CPS period<sup>93</sup>. Given that some demand from sectoral ministries could not be covered with JSP funding, an additional Framework Agreement was jointly designed in 2015 and implemented by the Government and the WB, allowing for faster processing of stand-alone RAS activities requested by any public entity that were funded with its own resources. This stand-alone sectoral RAS program and the JSP have been agile instruments to address the demand for advisory services relevant for the WB's assistance strategy. Since FY11, the knowledge program has supported the Government in fine-tuning structural reforms, namely in higher education, the incidence of the tax reform, the national water sector reform, the infrastructure concession strategy, the national system of social safety-nets, the financing of health expenditures, and the efficient management of the public sector, among others (Annex 4).

52. **The Government found in the WBG a valuable source in the exchange of knowledge and transfer of know-how.** Global reports produced by the WBG have been particularly relevant for the international development agenda and for the positioning of Chile as a leader in policy discussions on sustainable development, among other areas which discussed Chile's experience, such as job creation and labor productivity, health promotion and prevention of Non- Communicable Diseases (NCDs), energy efficiency, higher education, and regional integration. Lessons from Chile were shared in operational workshops, technical seminars, and global initiatives. Chile positioned itself as a leader in the South-South knowledge exchange (SSKE), sharing know-how with government officials from Ecuador, Haiti, Afghanistan, Romania, Madagascar, and Viet Nam among other countries. Increased results have been possible in Chile and elsewhere thanks to policy dialogue with organizations such as the Inter-American Development Bank (IDB), the UNDP and the ECLAC, and guidance from prominent academics, think-tanks, civil society representatives and experts. Additionally, Chile hosted and co-organized global and regional conferences (e.g., Productivity and Inclusive Growth Conference 2017 and Regional Perspectives on the Implementation of Carbon Instruments Conference 2016). Activities funded under the South-South Knowledge Exchange are estimated at \$1,440,643.37.<sup>94</sup>

53. WB lending totaled \$181 million over the CPS period, of which \$81 million was for investment projects, including education (\$40 million) and Infrastructure Development (\$41 million) and U\$100 million for a Development Policy Financing (DPF) to support the Government's policy reform agenda to address the persistent high rates of inequality through social sector reforms (Annex 3).

54. **The WBG portfolio in Chile showed good performance during the CPS period.** Between FY11

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<sup>93</sup> In 2011, a new two-year Framework Agreement was signed between Chile and the World Bank, and it was extended until 2014. In that year, both parties decided to sign for the first time a four-year Framework Agreement for the period 2014-2018.

<sup>94</sup> <https://www.southsouthfacility.org/>

and FY16, seven projects closed in the portfolio, including six investment projects and one DPF for a total of \$244 million. The achievement of objectives of the seven projects that closed during the CPS period was substantial. The evaluation of the WB's Internal Evaluation Group<sup>95</sup> confirmed that overall outcome ratings for WB-financed projects were either satisfactory or moderately satisfactory—four were rated satisfactory, and three moderately satisfactory (Table 2). There were no issues with financial management or safeguards, and technical assistance was provided on procurement to all Project Implementation Units on a regular basis.

**Table 2: Chile Portfolio and Project Performance Ratings during CPS period (FY11-FY16)**

ID	Project name	Amount (US \$m)	Appr oval date	Closin g date	Outc ome Rati ng		Risk to DO		Ban k perfo manc e		Borro wer perfor mance	
					R	G	R	G	R	G	R	G
P082037	Social Protection Technical Assistance 1/ P076807 Infrastructure for Territorial Development	137.50	12/18/2003	1/31/2013	S	S	Low	Low	S	M	S	S
P086689	Santiago Urban Transport Technical Assistance Project P102931	4.8	7/5/2005	12/31/2011	S	M	Low	Low	M	S	S	S
	Ministry of Public Works Institutional Strengthening P103441	11.7	6/14/2007	1/31/2014	S	S	Mod	Mod	S	S	S	S
	Second Public Expenditure Management	24.8	8/28/2007	6/30/2014	M	S	erate	Low	M	M	M	M
	Tertiary Education Financing for Results Project III P154213	40.0	3/13/2012	10/31/2016	S	S	Low	Low	S	S	S	S
	CL Social Inclusion for Shared Prosperity DPL	10.0	11/16/2015	12/30/2016			Mod	Mod	S	M	S	M
<b>Total</b>		<b>245.3</b>								S	S	S

1/ Original project approved in FY14 included US\$10.7 million. US\$3 million additional financing was approved in FY10

55. **IFC has built a strong portfolio that supports Chile's dynamic private sector.** Over the CPS period, IFC made a total of \$1.4 billion in new long-term commitments, including \$927 million for IFC's own account and \$466 million from third parties. IFC committed \$145 million and \$130 million, respectively, in equity, mostly in financial institutions. In terms of short-term finance, IFC committed close to \$200 million in trade finance with three correspondent banks. Most of IFC's investments, including mobilization, over this period, have been focused on the financial services (\$715 million) and the infrastructure (\$553 million) sectors. IFC investments in manufacturing and agribusiness totaled \$76 million. As of January 31, 2018, IFC's committed portfolio from own account and mobilization in Chile was \$1.3 billion, consisting of \$864 million from IFC's own account and \$480 million in mobilization with a focus on MSMEs, agribusiness, extractives, education, and the financial sector. During the CPS period, MIGA started to reengage with the Chilean authorities to further incentivize foreign inflows to support the country's dynamic private sector. MIGA started conversations with a foreign-owned commercial bank to provide political risk insurance to reduce the risk of some of its assets, which could, in turn, allow the bank to extend more credit in Chile, including in the climate finance space, thereby supporting growth and employment in the country. Nevertheless, this transaction became effective after the CPS period concluded.

<sup>95</sup> [http://ieg.worldbankgroup.org/ieg-search-icrr?search\\_api\\_fulltext=&field\\_country%5B%5D=83](http://ieg.worldbankgroup.org/ieg-search-icrr?search_api_fulltext=&field_country%5B%5D=83)

56. **The WBG's partnership with Chile is a good example of knowledge exchange with an advanced country that has achieved OECD membership.** The WBG has facilitated productive exchanges between the Government and its peers in Latin America, Europe, and Central Asia, Africa, and Asia on policies aimed at reducing poverty and boosting shared prosperity. Through this exchange, the WBG has benefited from Chile's experiences, as Chile has become one of the top knowledge providers for WBG members. These exchanges have shown that governments across the world value learning from Chile's experiences in the operationalization of reforms, where Chile seems to have an edge. Areas of collaboration have included the design of integrated systems for social assistance delivery to poor and vulnerable households, macro and fiscal management, water management, concessions, pensions, health, climate change, and energy, among others.

#### IV. KEY LESSONS LEARNED

57. **Lesson 1: Alignment of CPS objectives with priority government programs helps leverage the impact of small (pilot) projects or knowledge engagements.** Several objectives illustrate how the Government scaled up successful initial engagements or pilots undertaken with the support of the WB. Objective 1, on creating a modern public financial management system at the national and the local levels, built on the work undertaken with a WB-financed project that was completed in June 2014. The Government's commitment to its objective has been critical to reach the original goal of nationwide coverage. For Objective 2, the WB supported the thrust for the initial implementation of the Access to Information Initiative, taking stock of its implementation, building an initial prototype and conducting a pilot in 50 municipalities. The scale-up nationwide was carried out by the Government. Objective 7 built on a pilot to increase the effective and productive use of infrastructure services in poor rural communities with the support of the WB. Then, with budget resources, the Government expanded the pilot nationwide, generating important lessons on how to incorporate poor and isolated communities, an area of considerable relevance outside Chile.

58. **Lessons 2: Program designs that facilitate quality and timely responses to Government requests for technical support drive impact and enhance the credibility with a demanding client that has options.** WB engagement in Chile has been supporting broad initiatives where the WB's role has been selective, strategic, and focused on knowledge products, with a premium on quality and timeliness. A considerable share of the WB's engagement has been on improving diagnostics, evaluating policy options, supporting the drafting of legislative initiatives, and testing designs. In these ways, the WB accompanied the Government throughout the design, implementation, evaluation cycle, including in venues such as dialogue with Congress, consultations with stakeholders, and national budget preparation. The JSP and the RAS enabled a flexible approach to deliver key inputs for decision making and policy management, in accordance with the client's budget cycle and national legislation<sup>96</sup>. The RAS Agreement eased and reduced significantly the time required to process RAS contracts (from more than six months to an average of three months). In addition, this instrument reinforced the capacity of each sector to invest public funds in their prioritized areas, while remaining accountable to the MOF as the signatory of each RAS, even when requested by a sectoral ministry. In addition, this framework made possible the development of products highly customized to Chile's realities that brought to bear cutting-edge international expertise, as needed. Examples include the advice provided on enhancing education quality assurance and costing of education services, in response to highly targeted and focused requests from the Government. The work on the Public Expenditure review, involved integrated collaboration across the WB. The advice provided on the potential distributional effects of a comprehensive tax reform that was enacted in September 2014 was a cutting-edge exercise, using a variety of informational sources, that not

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<sup>96</sup> Some aspects of the RAS legal agreements prevented contracting directly with sectoral ministries, which was delaying the implementation of the program. There were certain clauses in the agreement that conflicted with the national regulation applied to line ministries. To solve the problem, DIPRES and the Bank discussed and agreed on a multi-ministerial framework agreement in which the MOF is the legal counterpart and the ministries the beneficiaries of the technical advice.

only delivered valuable advice for Chile but that put forth a technical approach that can be used in other countries. These and other products have continued to enhance the WB's reputation in Chile, which was highlighted in IEG's assessment on knowledge-based country programs<sup>97</sup>.

59. **Lesson 3: The definition of the results for a knowledge-oriented CPS should be revised, if necessary, at PLR stage, to take into consideration changing client demands.** While the knowledge program was guided by the CPS result areas, it was defined as a result of exchanges with the client during CPS implementation. Therefore, the composition and outcomes of knowledge could not be fully foreseen at the beginning of the CPS period as the program was composed by client-driven products addressing emerging needs for short and medium-term policy-decisions. Not surprisingly, the original CPS outcomes were simply outlined with limited details. The PLR afforded the opportunity to introduce precision as the knowledge program was implemented. Still, the PLR's revisions of expected results remained frail, as evidenced in Objective 4 (education). In this case, while the results provided for the implementation of a new teaching and research cost methodology for Higher Education, the outcome of the study was not directly implemented (thereby compromising the achievement of the result objective) but was used as an input to the Higher Education Reform Law which has been approved by Congress<sup>98</sup>.

60. **Lesson 4: WB lending is constrained by the perceived costs of borrowing directly from the WB relative to the market, as well as the country's budget rule.** Chile's carefully crafted fiscal policy imposes a budget constraint on borrowing from the WB. Moreover, given that project implementation proceeds in accordance with available fiscal space, implementation can be delayed to a point that a project is eventually canceled (e.g., the Integrated Water Resources Management and Infrastructure Development Project (P152319)). This could shift with the country's decentralization process.

61. **Lesson 5: There is ample scope for the WB to support an advanced country like Chile in advancing global agendas and leading innovative measures to address climate change challenges.** Chile has been highly committed to climate change mitigation initiatives in the areas of energy, forestry, land management, and biodiversity. Lessons learned from experiences on climate change initiatives have been shared with other countries in the Latin America Region, including Panama, Mexico, and Uruguay. The WB has also collaborated with Chile under the Pacific Alliance (PA) on a \$1.3 billion joint catastrophe bond issuance. The WB mobilized modeling services to provide seismic risk profiles for Colombia, Chile, and Peru, and to merge the risk profiles of these countries (including Mexico). The modeling enables the PA countries to make informed decisions on managing disaster risk.

62. **Lesson 6: Chile's engagement with the WBG is rich and have fed an active South-South cooperation, but there is much more room to benefit from Chile's experience.** Chile has been a leading contributor to the South-South agenda because it has a broad experience that can be transferred and adapted to other developing country settings. During this CPS period, Chile continued to deliver innovation through the CPS program, including through programs to strengthen poor municipalities and regions, to assess eligibility for social assistance on administrative rather than subjective criteria, to access to information tools, etc. The benefits from these innovations contribute to increase the WBG's knowledge base, and, through that channel, to contribute to other countries' development efforts.

63. **Lesson 7: Supporting innovative technologies for renewable energy, even in high-income countries, still poses significant market and project risks for IFC.** Despite IFC's innovative approach in financing the first merchant solar projects in a country like Chile - with a stable policy environment, strong regulatory frameworks and evidence of long-standing support to solar PV projects - rapid changes in the energy market resulted in substantial challenges for the IFC's portfolio in this sector. Thus, market conditions for new technologies can change rapidly, potentially undercutting areas where the IFC expected to have a demonstration effect in a new sector. As a lesson applicable in other markets, IFC should continue to exercise extreme care when assessing project-specific risks in markets where

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<sup>97</sup> G Knowledge-Based Country Programs, and evaluation of the World Bank Group Experience (July 2013).

<sup>98</sup> <https://www.leychile.cl/Navegar?idNorma=1119253>

technologies can change rapidly.

64. **Lesson 8: Even in a more developed business environment, such as Chile, IFC can create high developmental impact for MSMEs, by selecting the right projects.** For IFC, it can be challenging to find suitable partners and projects in a developed market such as Chile. To meet Chile's needs in the MSME space, IFC had to be creative by reaching out to non-traditional banking sectors, such as factoring, and helping develop new portfolios targeting agri- and women-owned MSMEs with traditional banks. By supporting businesses in factoring, IFC could target primarily small businesses that were underserved by the traditional banking sector in Chile. In addition, IFC helped local traditional banks to streamline operations targeting pools of agricultural export and women owned MSMEs.

## Annex 1: Matrix of changes to original CPS Results Matrix

RESULT AREA I – PUBLIC SECTOR MODERNIZATION	
Original CPS Results Matrix	Revised CPS Results Matrix
<p><b>Improving performance and public financial management</b></p> <ul style="list-style-type: none"> <li>❖ Inform policy debate on a new model of performance management incentives, including an assessment of management tools to improve institutional performance accountability mechanisms to align incentives to staff at all levels.</li> <li>❖ Upgraded Financial Administration System (<i>SIGFE</i>) used by most (90 percent) of the Central Government Entities (CGE) that currently use <i>SIGFE</i>.</li> <li>❖ Financial and public expenditures information from CGE updated online and consolidated in <i>SIGFE</i> on a timely manner.</li> <li>❖ Aggregated municipal financial and public expenditures information available at the central level within 30 days.</li> <li>❖ Financial and expenditure information of 100 municipalities available through the system.</li> <li>❖ Inform policy debate on proposals to improve management and accountability mechanisms in education and health sectors.</li> <li>❖ Strengthen the design and implementation of health, education, and social protection policies and programs.</li> </ul>	<p><b>1.1 Improve availability of timely information on budgetary outcomes:</b></p> <ul style="list-style-type: none"> <li>i) Financial and expenditure information at subnational level is available through the municipal financial management system: Baseline (2009): 0 Target (2014): 100 municipalities</li> <li>ii) Central Government Entities use an upgraded <i>SIGFE</i>: Baseline (2009): 0; Target (2014): 90%</li> </ul>
<p><b>Increasing transparency</b></p> <ul style="list-style-type: none"> <li>❖ Implementation of the Access to Information legislation.</li> <li>❖ Strengthened oversight role of the Council for Transparency.</li> <li>❖ Improved record management practices in the public administration.</li> <li>❖ Strengthened capacity of the Supreme Court to design and implement a change management and communications program built on transparency and integrity.</li> </ul>	<p><b>1.2 Improve access of information for citizens regarding legislation, national budget, and overall public sector information:</b></p> <ul style="list-style-type: none"> <li>i) Raise information requests responses through the Municipal information management system: Baseline (2009): Information requests not processed through an information management system. Target (2012): 100 information requests regarding legislation, national budget, and overall public sector processed through the Municipal information management system</li> </ul>
<p><b>Strengthening monitoring and evaluation systems</b></p> <ul style="list-style-type: none"> <li>❖ Design of scorecard methodology and pilot test of scorecard methodology for selected social programs.</li> <li>❖ Methodologies for evaluation of social programs developed.</li> </ul>	<p><b>Dropped.</b> Two outputs were dropped. RAS on monitoring and evaluation system for social programs did not materialize with MIDEPLAN. However, more work on social protection information systems is expected in the remainder of the CPS period and is reported in result 2.2.</p>
<p><b>Strengthening financial system and capital markets regulation</b></p> <ul style="list-style-type: none"> <li>❖ Assessment of the draft bill to enhance the regulatory framework and supervision of the insurance sector.</li> <li>❖ Inform policy debate on legislative reform to advance effective risk based supervision in the insurance sector in Chile.</li> <li>❖ Assessment of the financial sector and regulatory development since 2004.</li> <li>❖ Inform policy discussions on pension funds incentive structure, SME</li> </ul>	<p><b>1.3 Strengthen the insurance market regulation:</b></p> <ul style="list-style-type: none"> <li>i) Bring regulatory practices in line with the international standards in the insurance sector: Baseline (2011): No regulation for risk-based supervision. Target (2014): Draft bill for risk-based supervision submitted for public consultation.</li> </ul>

<p>financing, and bank and insurance regulation and supervision.</p> <ul style="list-style-type: none"> <li>❖ Potential hybrid financing and innovative financial instruments by IFC.</li> </ul>	
<p><b>Boosting the efficiency of resources in the public sector</b></p> <ul style="list-style-type: none"> <li>❖ Inform policy debate on individual and institutional incentives scheme in the provision of health services and review of procurement management and information systems in the health sector.</li> </ul>	<p><b>Dropped.</b> The Government changed priorities on health sector financing.</p>
<p><b>RESULT AREA II – JOB CREATION AND EQUITY IMPROVEMENT</b></p>	
<p><b>Original CPS Results Matrix</b></p>	<p><b>Revised CPS Results Matrix</b></p>
<p><b>Improving quality, financing, and equitable access to tertiary education services</b></p> <ul style="list-style-type: none"> <li>❖ Increased accountability for quality through broadening of performance-based funding model linked to targeted indicators.</li> <li>❖ Extension of Performance Contracts to all subcategories of tertiary education institutions (both public and private universities, professional institutes, and centers for technical education).</li> <li>❖ Enhanced equity and improved access through more options for students from low-income backgrounds and through improved remediation of skills in tertiary education.</li> <li>❖ Impact assessment of the state-guaranteed student loan program on improved tertiary education’s coverage and equity.</li> <li>❖ Inform policy debate on the future public financial obligation and potential cost-effectiveness of the intervention, and provide recommendations for improvements going forward.</li> </ul>	<p><b>2.1 Improve the availability of quality options for higher education services:</b></p> <ul style="list-style-type: none"> <li>i) Number of new public technical higher education institutions in operation: Baseline (2014): 0 Target (2016): 5</li> <li>ii) Higher education institutions apply new teaching and research cost methodology: Baseline (2014): 0 Target (2016): 5 institutions</li> <li>iii) New quality assurance standards applied successfully in tertiary education programs: Baseline (2014): 0 Target (2016): 5 programs</li> </ul> <p><b>2.2 Enhance accountability of tertiary education system by broadening performance-based funding:</b></p> <ul style="list-style-type: none"> <li>i) Number of signed performance agreements between the Government and tertiary education institutions: Baseline (2010): N.A. Target (2016): Performance agreements on Teacher training: 18; Academic Innovation: 19; Technical and Professional: 15; and, small projects: 38</li> <li>ii) Retention Rate: first-year undergraduate students that remain at the institution in the second year. Baseline (2010): 68.4% Target (2016): 72%</li> </ul>

<p><b>Improving the social protection system for the poor</b></p> <ul style="list-style-type: none"> <li>❖ Implementation of the new minimum income proposal (Ingreso Etico Familiar).</li> <li>❖ Improved targeting system for social programs and enhanced monitoring and evaluation capacities at MIDEPLAN.</li> <li>❖ Assessment of Chile Solidario and Chile Crece Contigo programs' results.</li> <li>❖ Strengthen the design and implementation of social protection policies and programs.</li> </ul>	<p><b>2.3 Increase access to social services for the poor:</b></p> <ul style="list-style-type: none"> <li>i) Consolidated existing programs into an integrated social protection information system. Baseline (2014): N.A. Target (2016): new social protection information system implemented.</li> </ul>
<p><b>Increasing the access of rural population to basic public services and markets</b></p> <ul style="list-style-type: none"> <li>❖ Increase the effective and productive use of sustainable infrastructure services by poor rural communities as evidence in: <ul style="list-style-type: none"> <li>✓ Rural infrastructure projects approved through the new integrated economic evaluation of MIDEPLAN</li> <li>✓ Increased use of transportation services along rehabilitated road infrastructure in the area of influence of the Bank financed project</li> <li>✓ Increased use of electricity and sustained access and effective use of water and sanitation services for economic activities in the area of influence of the Bank financed project</li> <li>✓ Economic activities promoted through the use of the financed infrastructure and pre-investment for productive activities.</li> </ul> </li> </ul>	<p><b>2.4 Improve access of rural population to basic public services and markets:</b></p> <ul style="list-style-type: none"> <li>i) Increased use of quality and sustainable water and sanitation services in selected territories: Baseline (2005): 0 Target (2012): 90% of population benefiting from project PMDTs</li> <li>ii) Increased use of quality and sustainable electricity services in selected territories: Baseline (2005): 0 Target (2012): 90% of population benefiting from project PMDTs</li> </ul> <p><b>2.5 Increase access for MSMEs to innovative short-term financing products to overcome working capital limitations:</b></p> <ul style="list-style-type: none"> <li>i) Total jobs (% o/w female) supported by IFC projects: Baseline (2011): 19,127 (43%) Target (2016): 33,000 (45%)</li> <li>ii) MSMEs reached by IFC projects: Baseline (2011): 87,000 loans, US\$10.7 billion Target (2016): 150,000 loans, US\$33 billion</li> </ul>
<b>RESULT AREA III – PROMOTING SUSTAINABLE INVESTMENT</b>	
<b>Original CPS Results Matrix</b>	<b>Revised CPS Results Matrix</b>
<p><b>Strengthening regulations and further development of productive infrastructure</b></p> <ul style="list-style-type: none"> <li>❖ Increased share of projects administered with an integrated project management approach.</li> <li>❖ Enhanced competition in bidding processes for concession contracts.</li> <li>❖ Inform policy decisions on the best strategy for sustainable and integrated approach to infrastructure planning.</li> <li>❖ Improvement measures for the public transport system for Metropolitan Santiago implemented.</li> <li>❖ Information on payment obligation to public transport operators available in real time.</li> <li>❖ Assessment of a model city (Talca) for the reconstruction of urban transport systems of other cities in the area hit by the earthquake.</li> <li>❖ Inform policy debate on recommendations on public transport service organization.</li> </ul>	<p><b>3.1 Improve the institutional design for engaging the private sector in public infrastructure development:</b></p> <ul style="list-style-type: none"> <li>i) Enhanced concession's regulatory framework to increase incentives for further infrastructure investments: Baseline (2014): N/A. Target (2016): concession agency implemented</li> </ul>



<p>transport infrastructure, technological solutions, and management of transport operations in Talca.</p> <ul style="list-style-type: none"> <li>❖ Inform policy debate on feasible options of financial instruments for the Chilean urban transport projects.</li> <li>❖ Improve regulatory and institutional framework for concessions.</li> <li>❖ Strengthen public investment planning to facilitate foreign trade.</li> <li>❖ Improve foreign trade logistics and competitiveness.</li> <li>❖ Remote damage assessment contributes to the Government's reconstruction plan for the areas affected by the earthquake and tsunami of February 27th, 2010.</li> <li>❖ Assessment of long-term challenges and responses of the agri-food and forestry innovation sub-systems (AFFIS).</li> <li>❖ Inform policy debate on building a vision for Chile's rural, agri-food and forestry sectors towards 2030.</li> </ul>	
<p><b>Sustainable use of natural resources</b></p> <ul style="list-style-type: none"> <li>❖ Analytical review of property rights administration and water market structure.</li> <li>❖ Impact assessment of economic incentives and subsidies on water resources sustainability.</li> <li>❖ Inform policy debate on best strategy to address short-term and medium-term challenges on water resources management.</li> <li>❖ Strengthened dialogue mechanisms between the private sector and the indigenous communities on sustainable mining investment.</li> <li>❖ Strengthened capacity of the Ministry of Mining's staff on managing consultations.</li> <li>❖ Technical assistance to develop Chile's Readiness Preparation Proposal (R-PP), including preparing the national REDD strategy.</li> <li>❖ Development of a national incentive program for mainstreaming sustainable land management planning and practices in order to combat land degradation, conserve biodiversity of global importance and protect vital carbon assets.</li> <li>❖ Purchase of carbon emission reductions linked to renewable energy-based electricity production and afforestation and reforestation of degraded land.</li> </ul>	<p><b>3.2 Enhance the institutional basis for sustainable and efficient management of natural resources (soil, water, and forests):</b></p> <ul style="list-style-type: none"> <li>i) Comprehensive water regulatory framework: Baseline (2011): N.A. Target (2016): Comprehensive Water Code submitted to Congress for approval.</li> </ul>
<p><b>Support to private sector investment</b></p> <ul style="list-style-type: none"> <li>❖ Increased innovative renewable energy investment and energy efficiency projects.</li> <li>❖ Support to Chilean companies, particularly those operating in advanced fields or developing innovative business models.</li> </ul>	<p><b>3.3 Diversify the energy resources matrix to allow for electricity cost reduction and lower environmental impact:</b></p> <ul style="list-style-type: none"> <li>i) New capacity of renewable energy: Baseline (2011): 0; Target (2016): 460 GwH</li> <li>ii) Development of carbon market mechanisms and market registry and verification system in the energy sector: Baseline (2011): N.A. Target (2016): Purchase mechanism of carbon emission reductions in place.</li> </ul>

Annex 2: Chile CPS CLR Results Framework

RESULTS AREA I – PUBLIC SECTOR MODERNIZATION			
CPS Outcome Indicators	Status and Evaluation Summary Progress during FY11-FY16	WBG Activities that Contributed to the Outcome	Lessons and Suggestions for the new CPF
<b>Objective 1. Improve availability of timely information on budgetary outcomes</b>			
i) Financial and expenditure information at subnational level is available through the municipal financial management system:  Baseline (2009): 0 Target (2014): 100 municipalities	<b>Achieved.</b> By 2016, the Municipal Financial System ( <i>Sistema Financiero Municipal</i> , SIFIM) was fully operational in target institutions at subnational level in 104 municipalities, which has improved the quality and timeliness of municipal information.	<ul style="list-style-type: none"> <li>Public Expenditure Management II (P122527) (SIL, FY08-FY14)</li> <li>Assessment of the Performance Management Incentives (P122527) (JSP, FY11)</li> <li>Chile Road Map for the Modernization of Human Resource Management in the Public Sector (P127135) (JSP, FY12)</li> <li>Strengthening Chile's Public Senior Executive Service System IDF (P131141)</li> <li>Chile's Decentralization Agenda (P122526) (JSP, FY11)</li> <li>Chile Public Policies Evaluation System JIT (P149027) (FY14)</li> </ul>	Adequate time to introduce the system in entities should be planned, state-of-the-art technologies provide benefits but also requires more time of initial implementation, gradual implementation can reduce risk of overall system failure, and a leading project agency with all capabilities is recommended.
ii) Central Government Entities use an upgraded SIGFE:  Baseline (2009): 0; Target (2014): 90%	<b>Mostly Achieved.</b> By 2016, 75% of the total Central Government Entities (CGE) used the upgraded SIGFE (from a total planned of 173 CGEs). Software performance challenges delayed the roll-out of the system at the CGEs.		
<b>Objective 2. Improve access of information for citizens regarding legislation, national budget, and overall public sector information</b>			
i) Raise information requests responses through the Municipal information management system:  Baseline (2009): Information requests not processed through an information management system. Target (2012): 100 information requests regarding legislation,	<b>Achieved.</b> Through an IDF activity to the Chilean Council for Transparency, the WB supported the implementation of the Access to Information and Transparency legislation (Law 20285). By the end of 2012, municipalities processed through the portal almost 150 request of information every month. In December 2017, 323 municipalities (or 94% of total municipalities in the country) were registered in the portal, and they had processed more than 170,000 requests for information in the month. In order to be	<ul style="list-style-type: none"> <li>Strengthening Chile's Council for Transparency (P117937) (IDF, FY10-FY13)</li> <li>Strengthening the Transparency and Accountability of the Judiciary (P121813) (IDF, FY11-FY14)</li> </ul>	A well-focused IDF activity allowed the Bank to make an important contribution in the initiation of the transparency agenda y Chile through the Council for Transparency. However, the impact of this intervention was not captured fully in the indicator set in the CPS. For example, the

national budget, and overall public sector processed through the Municipal information management system	registered in the portal, municipalities signed a cooperation agreement with the Council for Transparency to adopt the transparency management model.		strengthening of the ATI bodies and network in the region or the strengthening of the records management in the public administration.
<b>Objective 3. Strengthen the insurance market regulation</b>			
i) Bring regulatory practices in line with the international standards in the insurance sector: Baseline (2011): No regulation for risk-based supervision. Target (2014): Draft bill for risk-based supervision submitted for public consultation.	<b>Achieved.</b> The Bank advised the Government in the design of the risk-based capital methodology to enhance the approach to insurer governance and solvency regime. The study was well-received by the SVS and the methodology provided key inputs for the draft bill for Risk-based supervision for the insurance industry ( <i>Boletín 7958-05</i> ) and draft methodology for risk-based capital for the insurance market. The draft bill was submitted to the House of Representatives in 2011 and was approved in 2012. SVS made public the draft methodology for risk-based capital for the insurance market.	<ul style="list-style-type: none"> <li>• Insurance Sector Review (P119023) (JSP, FY11)</li> <li>• Risk Based Capital (RBC) model for insurance companies (P125810) (JSP, FY12)</li> <li>• Financial Sector Assessment Program -FSAP (P122798) (joint assessment with IMF, FY11)</li> <li>• Advisory on Fuel Price Volatility (P144761)</li> </ul>	
<b>RESULT AREA II – JOB CREATION AND EQUITY IMPROVEMENT</b>			
<b>CPS Outcome Indicators</b>	<b>Status and Evaluation Summary Progress during FY11-FY16</b>	<b>WBG Activities that Contributed to the Outcome</b>	<b>Lessons and Suggestions for the new CPF</b>
<b>Objective 4. Improve the availability of quality options for higher education services:</b>			
i) Number of new public technical higher education institutions in operation: Baseline (2014): 0 Target (2016): 5	<b>Achieved.</b> During the CPS period, the government of Chile created 15 new <i>Centros de Formación Técnica</i> - CFTs (Technical higher education institutions in English), appointed their authorities and provided the operational budget. Gradually, all new CFTs initiated the provision of their academic activities. Furthermore, the WBG completed in 2015 a report that proposed, based on international best practices, models to improve the governance, value chain, transition of students into the labor market, and funding mechanisms for public technical higher education institutions. The report become a relevant input in the ongoing process of	<ul style="list-style-type: none"> <li>• Strengthening of State Universities in Chile Project (P163437) (IBRD, IPF, FY18)</li> <li>• Monitoring &amp; Evaluation Strategy for HE reform (P157268) (JSP, FY16)</li> <li>• HE Quality Assurance Design (P152353) (RAS, FY16)</li> <li>• Public Financing of HE Institutions: (P152095) (JSP, FY15) <ul style="list-style-type: none"> <li>• HE Public Technical Education Network: Comparative Analysis of Models (P152352) (RAS, FY15)</li> </ul> </li> </ul>	The provision of high level technical and financial support from the WBG to the GoC and the private sector served to consolidate a reform agenda in the HE and resulted in the strengthening of a partnership between the WBG and Chile of more than 20-years. Despite some delays in the implementation, the GoC has already completed the diagnosis and selected based on the

	implementation of a reinforced and enlarged nationwide network of CFTs.		
ii) Higher education institutions apply new teaching and research cost methodology: Baseline (2014): 0 Target (2016): 5 institutions	<b>Mostly achieved.</b> Through a RAS with the MOE, the WBG recommended the adoption of a financing formula to allocate funding to Higher Education Institutions (HEIs) based on their cost of training and their research activities. While recommendations were well accepted by counterparts, its implementation was challenged by the lack of adequate accounting and monitoring capacities in a large number of HEIs. As such, the revision of financing frameworks for HEIs is still an ongoing process. The new WBG project “Strengthening of State Universities in Chile Project”, includes activities to improve information systems and facilitate the gradual implementation of more adequate and equitable financing model.	<ul style="list-style-type: none"> <li>• Tertiary Education: Quality Assurance and Tuition Reference Rate (P133640) (JSP, FY13)</li> <li>• Tertiary Education Student Financial Aid System (P127921) (JSP, FY12)</li> <li>• State-Guaranteed Student Loan Program (CAE) (P123150) (JSP, FY11)</li> <li>• IFC projects: DUOC and Universidad Diego Portales.</li> </ul>	international experiences of key measures to improve of key elements for improving quality in HEIs. The decision to work in an overall reform of HE in Chile was identified as the best channel to frame the introduction of more equitable costing methodology and improved quality assurance standards.
iii) New quality assurance standards applied successfully in tertiary education programs: Baseline (2014): 0 Target (2016): 5 programs	<b>Mostly achieved.</b> The WBG provided technical advice to the MOE on comparative analysis of international models of Quality Assurance Systems and provided a set of policy recommendations to improve the current system of quality assurance.		

<b>Objective 5. Enhance accountability of tertiary education system by broadening performance-based funding:</b>			
<p>i) Number of signed performance agreements between the Government and tertiary education institutions:            Baseline (2010): N.A.            Target (2016): Performance agreements on Teacher training: 18; Academic Innovation: 19; Technical and Professional: 15; and, small projects: 38</p>	<p><b>Achieved.</b> Competitively awarded performance agreements link public funding and accountability for results at TEIs. By 2016, targets were exceeded in all interventions, totalizing 179 signed performance agreements, with the following distribution: Teacher Training (19), Academic Innovation (24), Technical and Professional (17) and Small Projects (119).</p>	<ul style="list-style-type: none"> <li>• Tertiary Education Financing for Results Project III (P111661) (IBRD IPF, FY13 – FY17)</li> </ul>	<p>The expansion of performance agreements with tertiary education institutions has increased the quality and relevance of tertiary education. One of the lessons learned is that TEI requires more time to implement large agreements to reach results, as more than 40% of agreements required extensions. Other lessons learned is the importance of remedial classes, especially in the first years, as a mechanism of increasing academic readiness and improving the first year retention.</p>
<p>ii) Retention Rate: first-year undergraduate students that remain at the institution in the second year.            Baseline (2010): 68.4%            Target (2016): 72%</p>	<p><b>Achieved.</b> Retention rate was 71.3% in 2016.</p>		

<b>Objective 6. Increase access to social services for the poor</b>			
<p>i) Consolidated existing programs into an integrated social protection information system. Baseline (2014): N.A. Target (2016): new social protection information system implemented:</p>	<p><b>Achieved.</b> A new targeting instrument for social benefits and services called Social Household Registry (RSH) was introduced in 2016. The new system optimized the use of existing information in the public sector for household targeting, improving the efficiency and efficacy of the Government in providing access to social services for the poor. 51 social programs started using the new system to target beneficiaries. The social targeting mechanism were enhanced through increased transparency, improved information quality and larger population coverage by using administrative data. In addition, the Inter-sectoral social protection system was improved and expanded with the introduction of new programs such as the System for Social Care and the Ethical Family Income.</p> <p>This was supported by the Social Inclusion and Shared Prosperity DPF (FY16), as well as by a series of JSP activities implemented in FY15.</p>	<ul style="list-style-type: none"> <li>• Social Inclusion for Shared Prosperity DPF (P154213) (FY16)</li> <li>• Social Information System Redesign (P152289) (JSP, FY15)</li> <li>• CL Social Information System JIT (P152295) (FY15)</li> <li>• Chile Tax Reform (P151824) (JSP, FY15)</li> <li>• CL Poverty JIT (P149038) (FY14)</li> <li>• Social Protection TA Additional Financing 2010 (P114774) and Social Protection Technical Assistance 2013 (P082037)</li> </ul>	<p>The combination of self-reported information from households and information from administrative databases for targeting households for social benefits and services proved to be less costly and more accurate, in line with similar results of the international experience. The WB disseminated key lessons learned from the Chilean SP System to other countries in Europe, Asia and Latin America, especially in areas such information system, multisector social programs and social care.</p>
<b>Objective 7. Improve access of rural population to basic public services and markets</b>			
<p>i) Increased use of quality and sustainable water and sanitation services in selected territories: Baseline (2005): 0 Target (2012): 90% of population benefiting from project PMDTs</p>	<p><b>Achieved.</b> The PMDT project became a well-established mechanism for the delivery of sustainable infrastructure to rural areas. After completing the financial and technical support from the WB in 2012, the Government has continued financing the project and increasing its coverage nationwide. 31 PMDT were approved by Regional Councils. Social considerations were fully embedded in project design, including both indigenous and gender issues. By 2012, 100% of population</p>	<ul style="list-style-type: none"> <li>• Infrastructure for Territorial Development (P076807) (SIL, FY05-FY12)</li> <li>• IFC projects: Copeval Bc International<sup>99</sup></li> </ul>	<p>Participatory planning process together with effective coordination among institutions at different level of Government plus an ample social capital and potentially viable economic undertakings of the communities selected to participate in this type of projects are key aspects for</p>

<sup>99</sup> COPEVAL, IFC: <https://disclosures.ifc.org/#/projectDetail/ESRS/32777>

<p>i) Increased use of quality and sustainable electricity services in selected territories: Baseline (2005): 0 Target (2012): 90% of population benefiting from project PMDTs</p>	<p>benefited from project PMDTs with sustained access and effective use of water and sanitation and electricity services provided by the project. The project benefitted 320,000 inhabitants in poor dispersed rural communities.</p>		<p>effective project implementation and sustainability.</p>
<p><b>Objective 8. Increase access for MSMEs to innovative short-term financing products to overcome working capital limitations</b></p>			
<p>i) Total jobs (% o/w female) supported by IFC projects: Baseline (2011): 19,127 (43%) Target (2016): 33,000 (45%)</p>	<p><b>Mostly achieved.</b> Across all sectors, IFC projects contributed to job creation in Chile, but slightly short of target. By 2016, 32,000 jobs were created, of which 44% were female.</p>	<ul style="list-style-type: none"> <li>• IFC projects: BCI Chile, BC Internacional, Tanner, Corpbanca</li> <li>• Chile Corfo SME finance (P151964) (JSP, FY15)</li> <li>• Developing a vision for agricultural innovation (P118631) (RAS FY11)</li> <li>• Design of Agricultural Innovation Unit (P145777) (FY14)</li> </ul>	<p>For IFC, it can be challenging to find suitable partners and projects in a developed market such as Chile. In order to meet Chile's needs in the MSME space, IFC needs to be creative by reaching out to non-traditional banking sectors, such as factoring, and helping develop new portfolios targeting agri- and women-owned MSMEs with traditional banks. In this way, IFC's support to local banks complement Chile's effort to grow its agricultural export business and expand gender-disaggregated financing.</p>
<p>ii) MSMEs reached by IFC projects: Baseline (2011): 87,000 loans, US\$10.7 billion Target (2016): 150,000 loans, US\$33 billion</p>	<p><b>Mostly achieved.</b> While access to MSME finance through IFC on-lending came short of target (128,000 loans, US\$13 billion), IFC still made progress towards achieving this objective and was able to find a more complex niche in a sophisticated market.</p>		
<p style="text-align: center;"><b>RESULT AREA III – PROMOTING SUSTAINABLE INVESTMENT</b></p>			
<p style="text-align: center;"><b>CPS Outcome Indicators</b></p>	<p style="text-align: center;"><b>Status and Evaluation Summary Progress during FY11-FY16</b></p>	<p style="text-align: center;"><b>WBG Activities that Contributed to the Outcome</b></p>	<p style="text-align: center;"><b>Lessons and Suggestions for the new CPF</b></p>
<p><b>Objective 9. Improve the institutional design for engaging the private sector in public infrastructure development</b></p>			
<p>i) Enhanced concession's regulatory framework to increase incentives for further infrastructure investments:</p>	<p><b>Achieved.</b> Through JSP studies, the Bank advised the Government to reinforce its concession sector's normative, functional, and organizational framework. This work built on the contributions of the TAL to the MPW and the JSP program in concessions. The concession</p>	<ul style="list-style-type: none"> <li>• Ministry of Public Works Institutional Strengthening (P102931) (TAL, FY08-FY14)</li> <li>• Infrastructure development and IWRM (P152319) (IPF, FY16)</li> </ul>	

<p>Baseline (2014): N/A. Target (2016): concession agency implemented</p>	<p>agency, however, was not implemented yet. The draft bill that creates the General Concessions Agency (<i>Dirección General de Concesiones de Obras Públicas – Boletín 10126-15</i>) was submitted to Congress in June 2015.</p>	<ul style="list-style-type: none"> <li>• CH-Institutional Strengthening PPP unit (P152393) (JSP, FY15)</li> <li>• Concession Study (P128064) (JSP, FY13)</li> <li>• Santiago Urban Transport (P082412) (TAL, FY06- FY12)</li> <li>• Chile Earthquake CL Remote Sensing Damage Assessment (P121366)</li> <li>• Integration of Disaster Risk Management into Territorial Planning of Chile, (P126416) (TF, FY11)</li> </ul>	
<p><b>Objective 10. Enhance the institutional basis for sustainable and efficient management of natural resources (soil, water, and forests)</b></p>			
<p>Comprehensive water regulatory framework: Baseline (2011): N.A. Target (2016): Comprehensive Water Code submitted to Congress for approval.</p>	<p><b>Achieved.</b> The Bank provide advice to the Government through a series of studies under JSP between FY11-FY14. The Bank advised on the implementation of reforms to restructure the institutional framework for water resources management and the Water Code, to improve water rights regulation and the quality of and access to water services. The Bank presented before the Senate the main recommendations of the studies. The draft bill that modifies the Water Code related to the strengthening of the Directorate-General for Water (<i>Dirección General de Aguas</i>) in terms of auditing and sanctions (<i>Boletín 8149-09</i>), which benefited from the WB advisory work, was submitted to Congress in 2012.</p>	<ul style="list-style-type: none"> <li>• Chile: Strengthening the legal framework IWRM (P151686) (JSP, FY15)</li> <li>• CL Infrastructure development and IWRM (P152319) (IPF, FY15)</li> <li>• Institutional Reform Plan for Water Resources Management (P143440) (JSP, FY14)</li> <li>• Sustainable Land Management (P085621) (GEF, FY14-FY20)</li> <li>• Institutional Framework of Water Sector in Chile (P143440) (JSP, FY13)</li> <li>• Water Resources Assessment (P123699) (JSP, FY11)</li> <li>• Chile FCPF Readiness Preparation Grant (P124908) (FCPF, FY10-FY12)</li> </ul>	



<b>Objective 11. Diversify the energy resources matrix to allow for electricity cost reduction:</b>			
<p>i) New capacity of renewable energy: Baseline (2011): 0; Target (2016): 460 GwH</p>	<p><b>Achieved.</b> Non-conventional renewal energy capacity increased in an average annual growth rate of 25.5 percent during the CPF period, totalizing 9,187 GWh produced in 2016.</p>	<ul style="list-style-type: none"> <li>• Conventional renewable power: La Higuera. Solar PV power: La Huayca II, Sun Edison CAP<sup>100</sup>, Sun Edison MER<sup>101</sup>, Small Hydro and other NCRE: Credit line to banc BICE<sup>102</sup></li> <li>• Market Instruments for Climate Change Mitigation in Chile (P111918) (PMR)</li> </ul>	<p>The increased presence of non-conventional renewal energy requires a combination of regulation and incentives plus the advances in new technologies that allow to equate the cost of energy production with conventional sources.</p>
<p>ii) Development of carbon market mechanisms and market registry and verification system in the energy sector: Baseline (2011): N.A. Target (2016): Purchase mechanism of carbon emission reductions in place.</p>	<p><b>Achieved.</b> The Government of Chile developed a carbon pricing instrument based on a Carbon Tax that entered in implementation in 2017. The monitoring reporting and verification (MRV) system of the carbon tax entered in operation in 2017.</p>	<ul style="list-style-type: none"> <li>• Quilleco Hydroelectric Project (P111918) (PCF, FY11-FY13)</li> <li>• Chile Securitization and Carbon Sinks Project (P111918) (BioCarbon Fund, FY11-FY13)</li> <li>• IFC power generation: Coming from the La Higuera, La Confluencia, Hidromaule CTA and Norvind projects in 2011, and only La Higuera, La Flluencia and La Huayca<sup>103</sup> in 2016</li> </ul>	<p>Carbon pricing cannot be done in isolation. It needs to be complemented with innovative policies and supportive financial instruments that support deeper emissions reductions over time. IFC's experience in solar in Chile illustrates how quickly market conditions can change the role and additionality of IFC. Even in politically stable countries like Chile with strong regulatory frameworks and evidence of long-standing support to solar PV projects, the speed of changes in the market may differ from the response speed required of the Chilean authorities to mitigate such risks and ensure the successful operation and development impact of the projects.</p>

<sup>100</sup> <https://disclosures.ifc.org/#/projectDetail/ESRS/33191>

<sup>101</sup> <https://disclosures.ifc.org/#/projectDetail/ESRS/33456>

## Annex 3: Selected Indicators of Bank Portfolio Performance and Management

Refreshed: 09/13/2022

### Portfolio Trends

Country: Republic of Chile | RE Classification: L;N |

Data as of	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23 @ Aug 31
<b>PORTFOLIO AND DISBURSEMENTS</b>								
Active Projects #	4	2	3	2	2	2	2	2
Net Commitments Amt \$m	187.04	86.14	136.27	56.27	56.27	76.13	76.13	76.13
Total Disbursements \$m	34.77	1.76	3.50	14.81	25.98	30.13	40.03	40.03
Total Undisbursed Balance \$m	152.27	84.38	132.77	41.46	30.29	46.00	36.10	36.10
Disbursements in FY \$m	20.36	.69	1.61	11.32	11.17	10.00	9.90	.00
Disbursement Ratio for IPF only %	63.7	13.6	1.9	21.4	26.9	33.3	21.5	0.0
IBRD/IDA Disb Ratio	75.4	0.0	0.0	20.0	25.0	33.3	49.5	0.0
Slow Disbursements %	0.0	0.0	0.0	0.0	0.0	0.0	0.0	50.0
<b>PORTFOLIO RISKINESS</b>								
Actual Problem Project #	1	1	0	0	0	0	0	0
Problem Project %	25.0	50.0	0.0	0.0	0.0	0.0	0.0	0.0
Potential Problem Project #	0	0	0	0	0	0	0	0
Projects At Risk #	1	1	0	0	0	0	0	0
Projects At Risk %	25.0	50.0	0.0	0.0	0.0	0.0	0.0	0.0
Commitments At Risk \$m	6.14	6.14	.00	.00	.00	.00	.00	.00
Commitments at Risk %	3.3	7.1	0.0	0.0	0.0	0.0	0.0	0.0
Proactivity %		100.0	100.0					
<b>IEG RATINGS (FY - FY)</b>								
# of Exits								
No. of Projects Evaluated by IEG								
IEG MS+ Outcome Sat %								
ICR Quality Sat %								
Net Disconnect %								
Bank Perf. MS+ @ Entry (%)								
Bank Perf. MS+ @ SPN (%)								
M&E Quality %								
Borrower Overall Performance % Sat								

## Annex 4: Operations Portfolio (IBRD and Grants)

<b>IBRD Lending Program</b>					
<b>P Code</b>	<b>Project Name</b>	<b>Amount (\$m)</b>		<b>Board Approval</b>	
		<b>Planned</b>	<b>Approved</b>	<b>Planned</b>	<b>Approved</b>
FY12					
	Tertiary Education Financing for Results Project III	100	40	FY12	FY12
FY16					
P152319	Infrastructure Development and IWM	45	41	FY15-FY16	FY16
P154213	Social Inclusion for Shared Prosperity	n.a.	100	FY15-FY16	FY16
FY17					
P161018	Public Health Sector Support	100	80	FY17-FY18	FY17
FY18					
P163437	Strengthening of State Universities	100	50	FY17-FY18	FY18

## Annex 5: Delivered Non-Lending Activities

Project ID	Prod. Line	RAS (Y/N)	Project Name	FY Delivered
P123150	ASA	Y	State-Guaranteed Student Loan Program (CAE)	FY11
P123598	ASA	Y	Chilean Health System Review: Policy Option to Improve Resource Use	FY11
P123699	ASA	Y	Water Resources Assessment	FY11
P122526	ASA	Y	Chile's Decentralization Agenda	FY11
P122527	ASA	Y	Assessment of the Performance Management Incentives	FY11
P119023	ASA	Y	Insurance Sector - Risk Based Supervision and Amendments to the Current Law	FY11
P118631	ASA	Y	Developing a vision for the agricultural innovation system towards 2030	FY11
P127921	ASA	Y	Chile Tertiary Education Student Financial Aid	FY12
P128064	ASA	Y	CL RAS CSA Concession Study	FY12
P127135	ASA	Y	Chile Road Map for the Modernization of Human Resource Management in the Public Sector	FY12
P125810	ASA	Y	Development of a Risk Based Capital (RBC) Model for the Insurance Companies	FY12
P133640	ASA	Y	Tertiary Education Technical Assistance Program	FY13
P133274	ASA	Y	Economic and Financial Assessment of Concessions	FY13
P133289	ASA	Y	Strengthening of the Planning and Prioritization Processes for the Development of Water Infrastructure Projects - DOH	FY13
P143440	ASA	Y	Improvement of the Institutional Governance for Water Resources Management - DGA	FY13
P144761	ASA	Y	Strengthening of the System for Consumer Protection for Fuel Price Volatility	FY13
P133289	ASA	Y	CL Planning Water Infrastructure	FY13
P152352	ASA	Y	Higher Education Public Technical Education Network in Chile: Comparative Analysis of Models	FY14
P149027	ASA	N	Chile Public Policies Evaluation System	FY14
P126416	ASA	N	CL Integration of DRR into Territory Plan	FY14
P143440	ASA	Y	CL Inst. Framework of Water Sector	FY14
P145777	ASA	Y	CL Design of Ag. Innovation Unit	FY14
P150671	ASA	N	CL Support to the Institutional Reform Plan IWRM	FY14
P149038	ASA	N	CL Poverty	FY14
P152095	ASA	Y	Public Financing of HE Institutions	FY15

P152393	ASA	Y	Institutional Strengthening PPP unit	FY15
P151686	ASA	Y	Strengthening the Legal framework for Water Resources Management	FY15
P153581	ASA	N	CH Túnel de Aguas Negras	FY15
P154465	ASA	N	Chile: Technical Support for Santiago Metro Line 7 under a PPP scheme	FY15
P152065	ASA	N	Improving Natural Gas Distribution in Chile	FY15
P152295	ASA	N	Chile Social Information System	FY15
P152095	ASA	Y	Determining the Cost of Public Financing of Higher Education	FY16
P152352	ASA	Y	Higher education public technical education network in Chile	FY16
P152353	ASA	Y	Higher education quality assurance	FY16
P157268	ASA	Y	M&E strategy for Higher Education reform	FY16
P151824	ASA	Y	Chile Tax Reform	FY16
P154266	ASA	Y	Chile National System for Social Care (SNAC)	FY16
P152289	ASA	Y	Redesigning Integrated Social Information System for the new model of selection of social protection beneficiaries	FY16
P151964	ASA	Y	CORFO SME Finance	FY16
P155973	ASA	Y	Strengthening Chile's National Agriculture and Forestry Innovation System	FY16
P147956	ASA	N	Open innovation to improve municipal services in Concepcion	FY16
P156096	ASA	Y	CGR IPSAS implementation I y II	FY16
P156163	ASA	N	Chile CPMI-IOSCO Stand Alone	FY16
P158618	ASA	N	Public Expenditure Review	FY17
P161077	ASA	Y	Assessment of Special Economic Zones	FY17
P156824	ASA	Y	Study on the Insurance Model and the Regulatory Capacity in the Health Sector	FY17
P156591	ASA	Y	Strength. Intersectoral SPL System	FY17
P159331	ASA	Y	NTL System for Social Care II	FY17
P164848	ASA	Y	Evaluation of SNAC pilot implementation	FY18
P160716	ASA	Y	CGR IPSAS and ISSAI implementation III	FY18

## Annex 6: Main Recipient Executed TF activities

Project Name	Project ID	Grant Amount (\$m)	Proposal approval date	End disbursement date
<b>Approved during CPS period</b>				
IDF Strengthening the Transparency and Accountability of the Judiciary	P121813	0.49	9/21/2010	5/16/2014
IDF Strengthening Chile's Public Senior Executive Service System	P131141	0.45	7/24/2012	2/28/2016
Chile: Sustainable Land Management Project	P085621	5.86	7/10/2013	12/31/2020
Chile PMR Recipient Executed Grant	P130378	4.98	7/14/2014	12/31/2020
CL Technical Assistance for Geothermal	P152820	1.78	10/19/2016	6/30/2021
Forest Carbon Partnership Facility - Chile Readiness Preparation Grant	P124908	3.80	11/11/2013	6/29/2018
Forest Carbon Partnership Facility - Chile Readiness Preparation Grant	P124908	5.00	2/17/2017	6/30/2020
Forest Carbon Partnership Facility - Chile Readiness Preparation Grant	P124908	5.00	4/13/2017	6/30/2020
Chile Securitization and Carbon Sinks Project (BioCarbon Fund)	P111918	3.80	7/7/2010	04/11/2016
Chile Quilleco Hydroelectric Project	P092015	1.24	2/26/2014	8/31/2018
Chile- First Biennial Update Report, Report to Conventions	P148699	0.35	11/01/2013	12/30/2017
<b>Total</b>		<b>32.75</b>		
<b>Approved before FY11, but active during CPS period</b>				
IDF Strengthening Chile's Council for Transparency	P117937	0.42	11/6/2009	12/30/2012
CHILE - Chacabuquito Hydro Power Project	P074619	0.15	02/04/2002	12/31/2022
<b>Total</b>		<b>0.57</b>		

## Annex 7: IFC Commitments

International Finance Corporation Committed and Outstanding Portfolio  
*Amounts in US Dollar Millions*  
 Accounting Date as of 3/31/2018

Commitment Fiscal Year	Industry	Institution Short Name	LN Cmtd - IFC	LN Repayment - IFC	ET Cmtd - IFC	QL + QE Cmtd - IFC	GT Cmtd - IFC	RM Cmtd - IFC	ALL Cmtd - IFC	ALL Cmtd - Part	Total Cmtd	LN Out - IFC	ET Out - IFC	QL + QE Out - IFC	GT Out - IFC	RM Out - IFC	ALL Out - IFC	ALL Out - Part	Total Out
2014	INFRA	<a href="#">Alto Maipo</a>	145.7	0.0	0.0	0.0	0.0	0.0	145.7	0.0	145.7	75.0	0.0	0.0	0.0	0.0	75.0	0.0	75.0
2014	INFRA	<a href="#">Amanecer</a>	58.3	5.2	0.0	0.0	0.0	0.0	58.3	0.0	58.3	58.3	0.0	0.0	0.0	0.0	58.3	0.0	58.3
2013/ 2017/ 2012	FIG	<a href="#">BBVA Chile</a>	0.0	0.0	0.0	0.0	15.2	0.0	15.2	0.0	15.2	0.0	0.0	0.0	15.2	0.0	15.2	0.0	15.2
2014/ 2015/ 2016	FIG	<a href="#">BICE CHILE</a>	55.0	0.0	0.0	0.0	0.0	0.0	55.0	0.0	55.0	55.0	0.0	0.0	0.0	0.0	55.0	0.0	55.0
2018/ 2017/ 2015/ 2016	FIG	<a href="#">Banco Consorcio</a>	60.0	0.0	0.0	0.0	0.0	0.0	60.0	105.5	165.5	60.0	0.0	0.0	0.0	0.0	60.0	105.5	165.5
2017	FIG	<a href="#">Compara Online</a>	0.0	0.0	2.5	0.0	0.0	0.0	2.5	0.0	2.5	0.0	1.4	0.0	0.0	0.0	1.4	0.0	1.4
2017	TMT	<a href="#">Compara Online</a>	0.0	0.0	2.5	0.0	0.0	0.0	2.5	0.0	2.5	0.0	1.4	0.0	0.0	0.0	1.4	0.0	1.4
2016	FIG	<a href="#">Consorcio Finan</a>	0.0	0.0	100.0	0.0	0.0	0.0	100.0	0.0	100.0	0.0	100.0	0.0	0.0	0.0	100.0	0.0	100.0
2014/ 2015	MAS	<a href="#">Copeval</a>	0.0	0.0	13.8	0.0	0.0	0.0	13.8	0.0	13.8	0.0	13.8	0.0	0.0	0.0	13.8	0.0	13.8
	MAS	<a href="#">Copeval-SPV</a>	41.0	0.0	0.0	0.0	0.0	0.0	41.0	0.0	41.0	41.0	0.0	0.0	0.0	0.0	41.0	0.0	41.0
2014	FIG	<a href="#">DARP SPV Chile</a>	3.1	0.1	1.1	0.0	0.0	0.0	4.2	4.7	8.9	3.1	1.1	0.0	0.0	0.0	4.2	4.7	8.9
2010/ 2007	MAS	<a href="#">Duoc</a>	0.0	7.1	0.0	0.0	2.3	0.0	2.3	0.0	2.3	0.0	0.0	0.0	2.3	0.0	2.3	0.0	2.3
2013	FIG	<a href="#">ItauCorpbanca</a>	100.0	0.0	13.8	0.0	0.0	0.0	113.8	100.0	213.8	100.0	13.8	0.0	0.0	0.0	113.8	100.0	213.8
2006/ 2011	INFRA	<a href="#">La Higuera</a>	18.4	16.6	0.0	10.0	0.0	0.0	28.4	152.3	180.8	18.4	0.0	10.0	0.0	0.0	28.4	152.3	180.8
2008	INFRA	<a href="#">La Confluencia</a>	61.2	21.8	0.0	0.0	0.0	0.0	61.2	65.8	127.0	61.2	0.0	0.0	0.0	0.0	61.2	65.8	127.0
2014	INFRA	<a href="#">La Huayca</a>	8.6	0.7	0.0	5.1	0.0	0.0	13.6	0.0	13.6	8.6	0.0	5.1	0.0	0.0	13.6	0.0	13.6
2006	MAS	<a href="#">Lignum</a>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2015	INFRA	<a href="#">Luz del Norte</a>	46.8	0.0	0.0	0.0	0.0	0.0	46.8	0.0	46.8	46.8	0.0	0.0	0.0	0.0	46.8	0.0	46.8
2014	INFRA	<a href="#">San Andres SpA</a>	34.7	2.8	0.0	0.0	0.0	0.0	34.7	0.0	34.7	34.7	0.0	0.0	0.0	0.0	34.7	0.0	34.7
2017	MAS	<a href="#">Senior Assist Chile</a>	0.0	0.0	10.0	0.0	0.0	0.0	10.0	0.0	10.0	0.0	9.0	0.0	0.0	0.0	9.0	0.0	9.0
	INFRA	<a href="#">TFSA</a>	0.0	0.0	1.6	0.0	0.0	0.0	1.6	0.0	1.6	0.0	1.6	0.0	0.0	0.0	1.6	0.0	1.6
2005/ 2009/2011/ 2016/ 2008/2012	FIG	<a href="#">Tanner</a>	50.0	20.0	0.0	0.0	0.0	0.0	50.0	34.0	84.0	50.0	0.0	0.0	0.0	0.0	50.0	34.0	84.0
2013	TMT	<a href="#">VMC</a>	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.1
<b>Total Portfolio</b>			<b>682.8</b>	<b>74.2</b>	<b>145.3</b>	<b>15.1</b>	<b>17.5</b>	<b>0.1</b>	<b>860.7</b>	<b>462.3</b>	<b>1323.1</b>	<b>612.1</b>	<b>142.1</b>	<b>15.1</b>	<b>17.5</b>	<b>0.1</b>	<b>786.8</b>	<b>462.3</b>	<b>1249.2</b>