

Challenges



Medium Term Challenges

A. Export Diversification

- Reduce the economy's vulnerability to commodity markets
- More value added exports

B. Innovation

- Increase expenditure on research & development (currently at 0.6 % of GDP). Goal is to spend more than 1 % of GDP by 2010.
- Creation of a *Competitiveness Innovation Fund* to invest in innovation projects, science & technology. Resources come from mining royalty tax.

Medium Term Challenges

C. Education Standards

- Despite educational reform and increased spending, educational standards remain low, which leads to the obstruction of economic development and the reduction of social inequalities.
- The challenge is to develop a reform plan that should improve the quality of education. Both elementary and secondary schooling has universal coverage.
- D. Income Distribution – Better Jobs, Better Wages
- Although poverty rate has been reduced significantly, income distribution remains unequal.
- This is not only a problem on an ethical and political scale, but also a barrier to long-term growth.

Medium Term Challenges

E. Social Security Reform

- **Even though a private pension fund system was established in the 1980s, it is necessary to improve some aspects of the system to ensure better levels of pensions after retirement.**
- **The reform seeks to improve the following issues: coverage, density, pension yield and deficient competition in the system. A solidarity fund provides access to benefits by the less protected.**
- **A reform bill was sent to Congress before the end of 2006.**

Medium Term Challenges

F. Energy

- **Chile imports 72 % of its consumption of energy. This is a vulnerability of the Chilean economy due to the volatile nature of international prices and the possibility of supply interruption.**
- **As of 2004, Argentina has reduced the provision of natural gas to Chile due to its insufficient capacity to cover internal demand.**
- **The *Energy Security Plan* has four objectives:**
 - **Diversify the matrix in terms of inputs and providers**
 - **To reach higher levels of autonomy**
 - **To promote efficient use of energy**
 - **Increase the use of non traditional renewable energy**
- **We have invested in the *Liquid Natural Gas Project*: the plant will begin to operate in 2008, thus reducing vulnerability.**
- **New legislation provides incentives for private investments in electrical projects.**