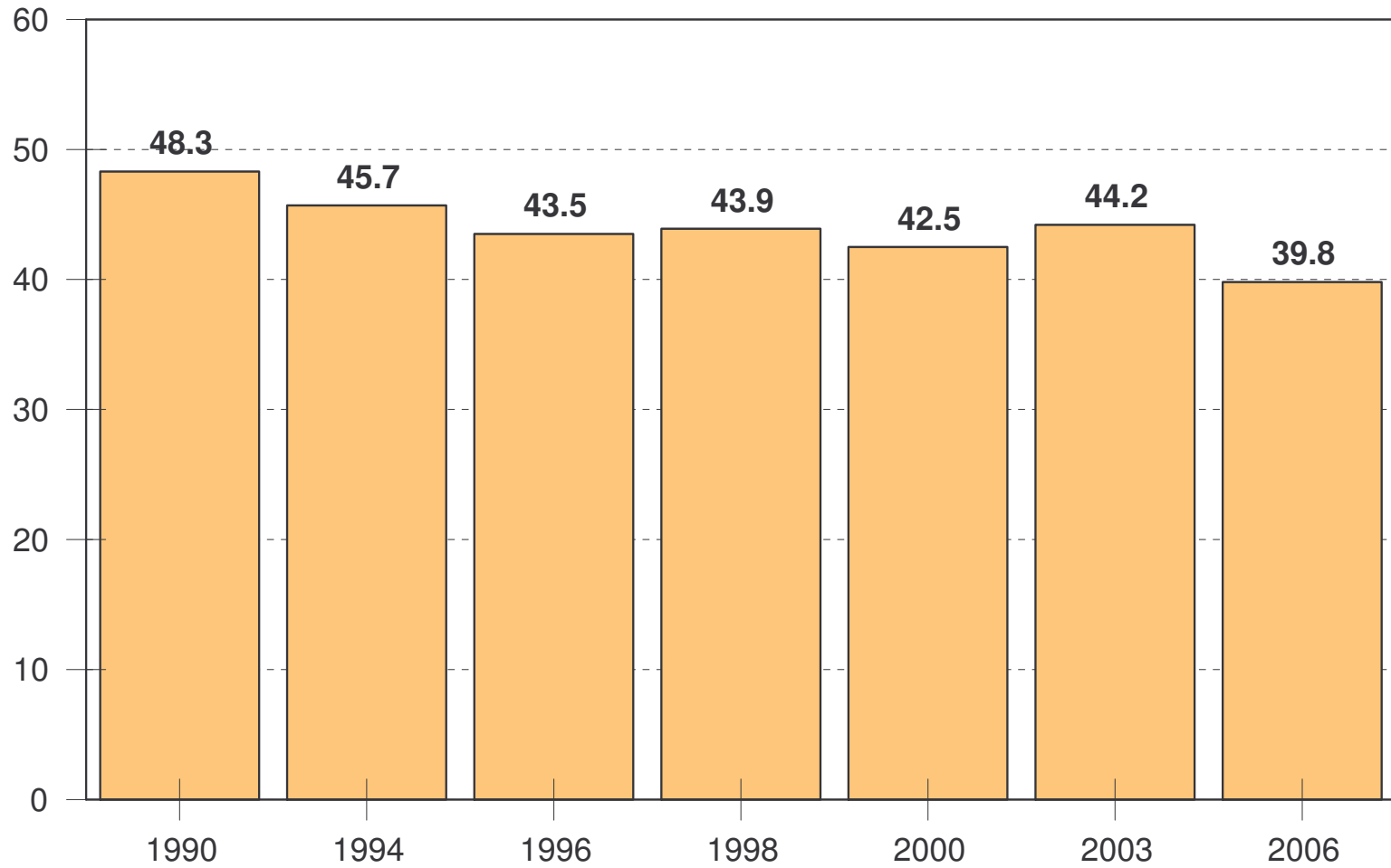


**POVERTY
REDUCTION:
THE CASE OF CHILE**

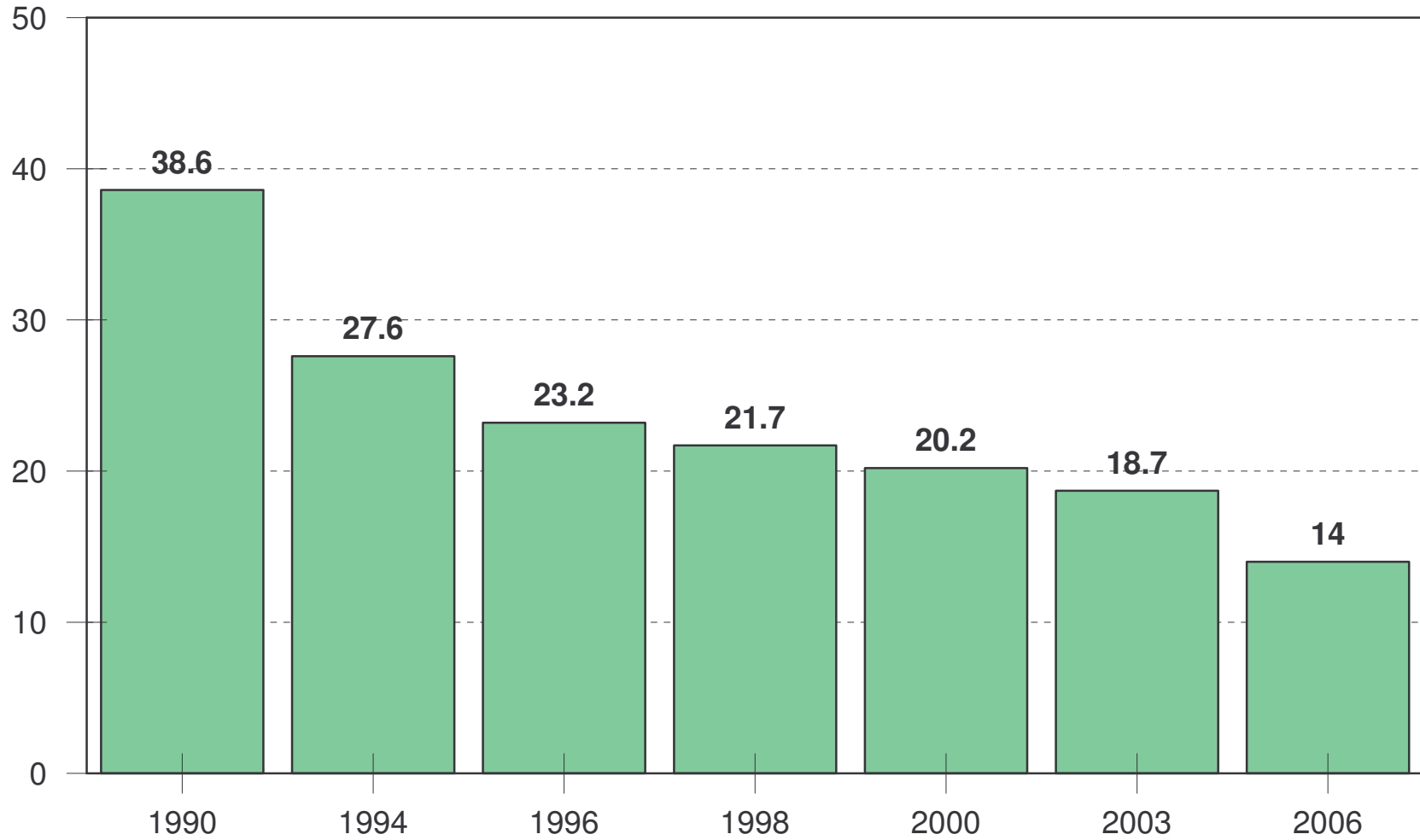
% POPULATION LIVING UNDER POVERTY LINE

LATIN AMERICA 1990 - 2006



% POPULATION LIVING UNDER POVERTY LINE

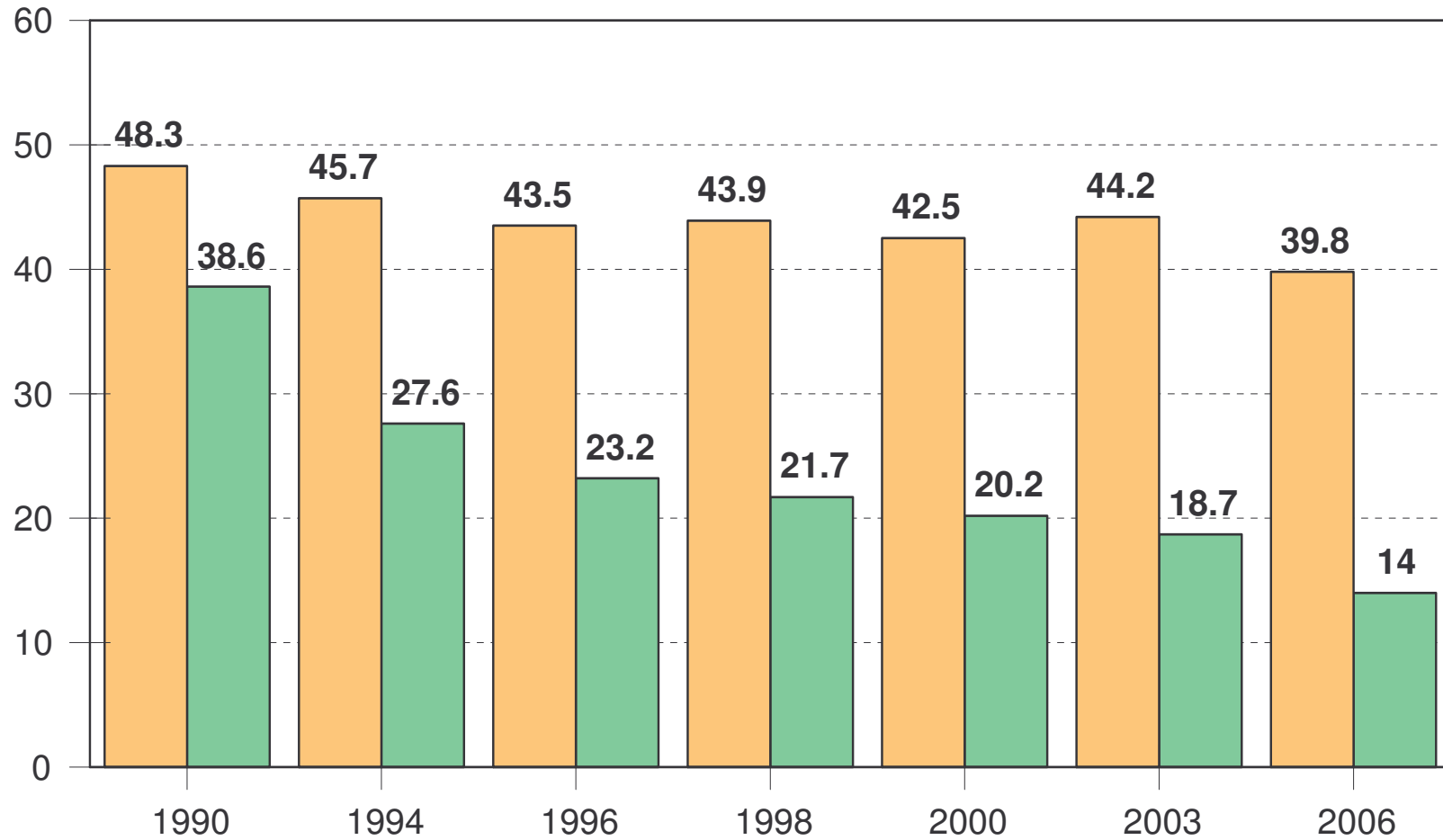
CHILE 1990 - 2006



% POPULATION LIVING UNDER POVERTY LINE

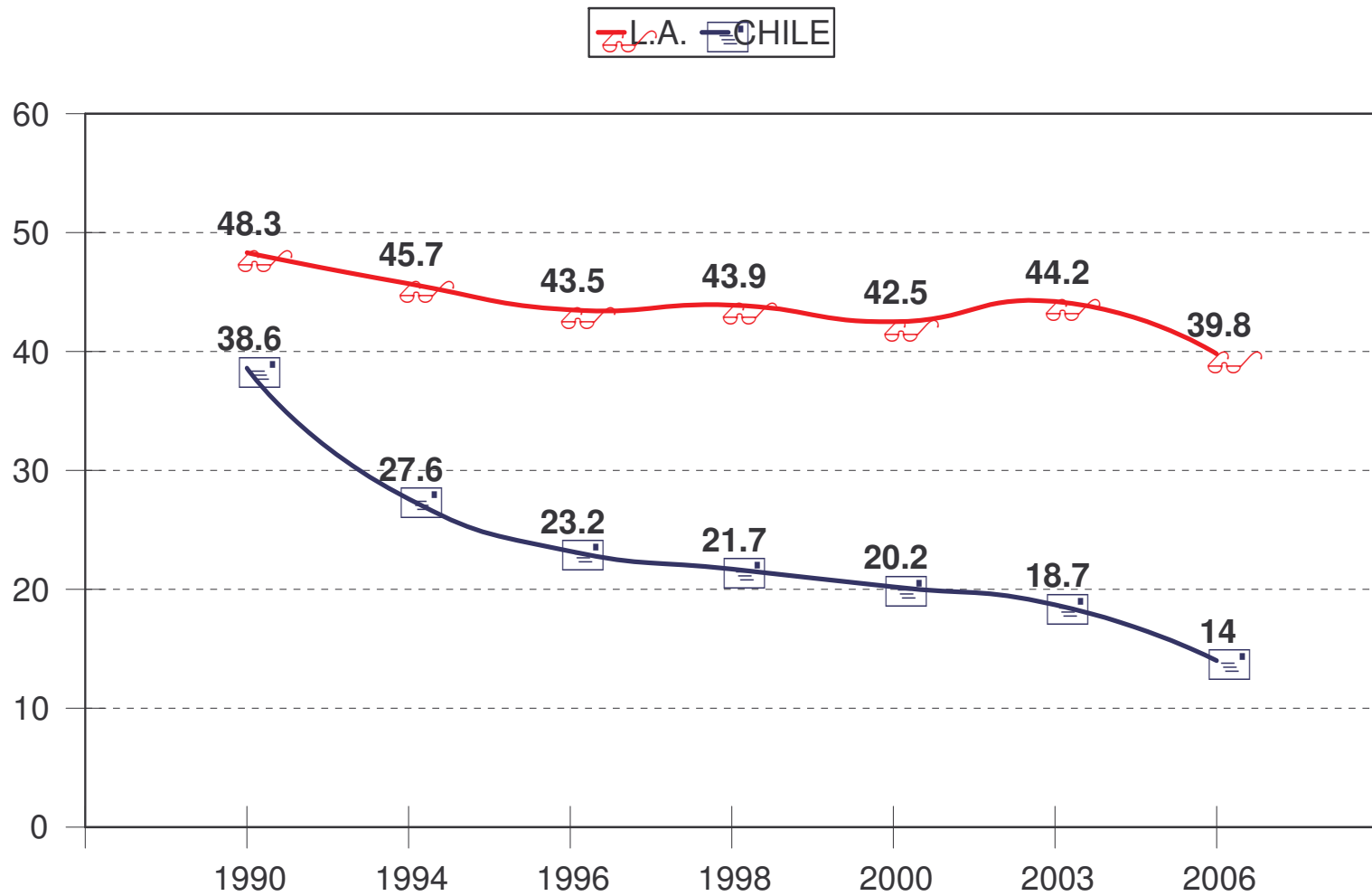
LATIN AMERICA AND CHILE 1990 - 2006

L.A. CHILE



% POPULATION LIVING UNDER POVERTY LINE

LATIN AMERICA AND CHILE 1990 - 2006



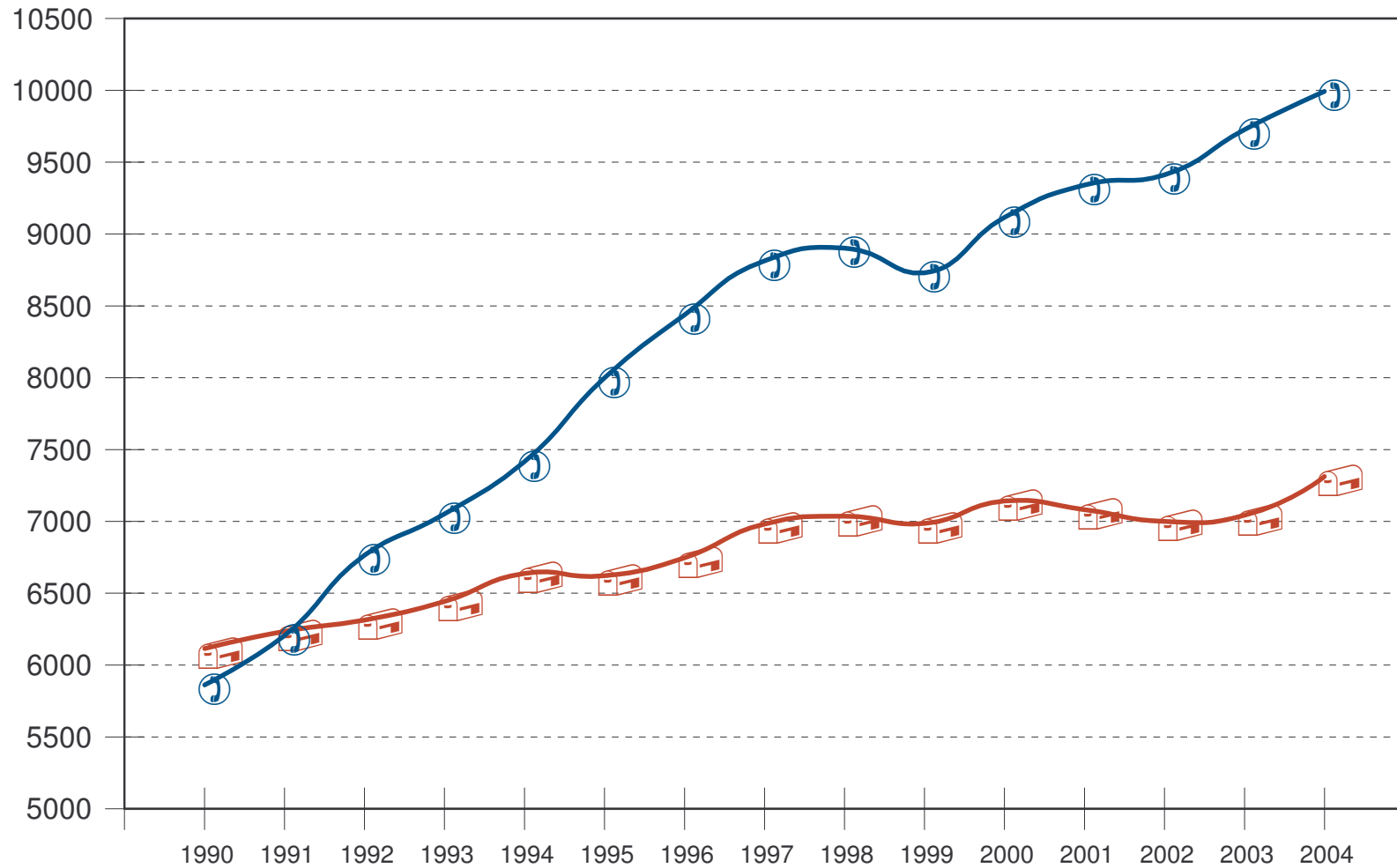
WHY ?

FIVE MAIN REASONS

- 1. ECONOMIC GROWTH**
- 2. STRONG STATE AND SOCIAL POLICIES**
- 3. LONG TERM VIEW**
- 4. POLITICAL MAJORITY**
- 5. NATIONAL UNITY**

PIB PER CAPITA IN LATIN AMERICA AND CHILE

PPA US\$ CONSTANT 2000



ECONOMIC GROWTH

- BETWEEN 1973 AND 1990, 17 YEARS OF DICTATORSHIP, THE ECONOMY GREW AT AN AVERAGE RATE OF 2,4%. FROM 1990 TO 2005, IN DEMOCRACY, AT AN ANNUAL AVERAGE RATE OF 5,8%
- BETWEEN 1989 AND 2000 CHILE DUPLICATED ITS GDP AND BETWEEN 2000 AND 2005 GREW ANOTHER 21%
- BETWEEN 1989 AND 2005 DUPLICATED ITS PER CAPITA GDP
- CHILE UNDERSTOOD GLOBALIZATION AS AN OPPORTUNITY MORE THAN A MENACE

STRONG STATE AND SOCIAL POLICIES

- ECONOMIC GROWTH IS A NECESSARY CONDITION BUT NOT A SUFFICIENT ONE
- TO THINK THAT ECONOMIC GROWTH BY ITSELF WILL PRODUCE DEVELOPMENT AND EQUITY IS THE NEO-LIBERAL ILLUSION
- ONLY A STRONG STATE WITH STRONG AND COHERENT PUBLIC SOCIAL POLICIES CAN REDUCE POVERTY AND PRODUCE EQUITY

Stages of Social Policies 1990-2006

1990-96: restoration and experimentation

Recuperation of social subsidies value (Family Benefits, Unique Family Subsidy, Pensions)

- Recuperation of key players' remunerations (teachers, doctors, public officials)
- Recuperation of operational capacity in hospitals, medical assistance centers, schools
- Creation of MIDEPLAN, FOSIS
- Recognition of vulnerable groups
- Competition-based funding (no to generalized increases, yes to project financing)

Stages of Social Policies 1990-2006

- 1996-2000: search for major efficiency
 - Policies centered on poverty reduction – focusing
 - Incorporation of social subject matters, creation of programs in multiple institutions, diversification of vulnerable group identification
 - Search for supra-institutional coordination mechanisms
 - Consolidation of incentives in social services provision: performance-based remunerations in public administration

Stages of Social Policies 1990-2006

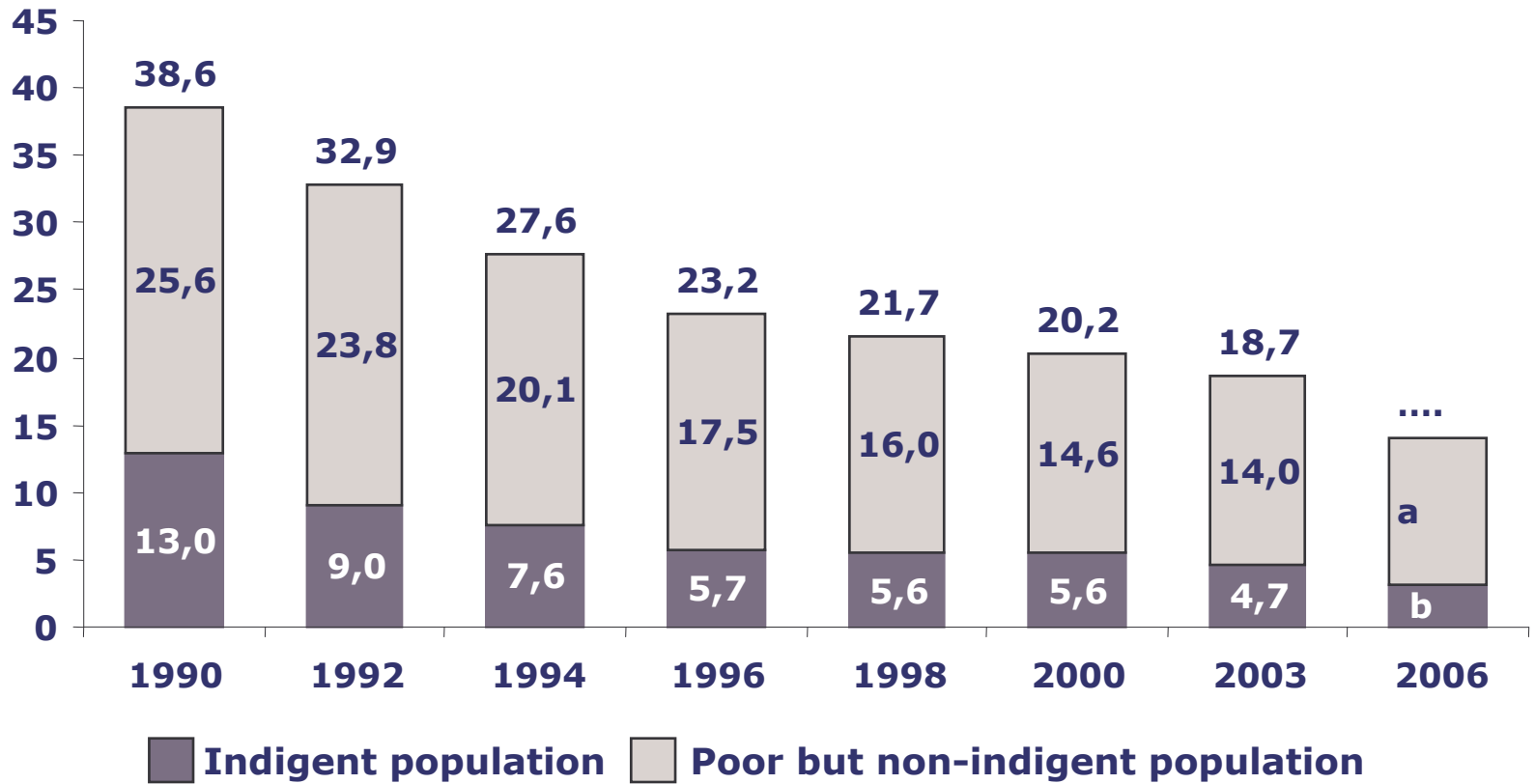
- 2000 -2006 : social protection

Social reforms to consolidate / create rights :

- Penal Process Reform
 - Health System Reform: AUGE Plan
 - Full-time school schedule and 12 years of obligatory school attendance
 - Chile Solidario
 - Infancy policies
 - Pension Reform
- Extension of the focus towards middle income sectors
 - Search for social policies standards / benchmarks

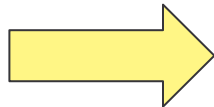
Poverty Assessment 1990-2006

(Population percentage *)



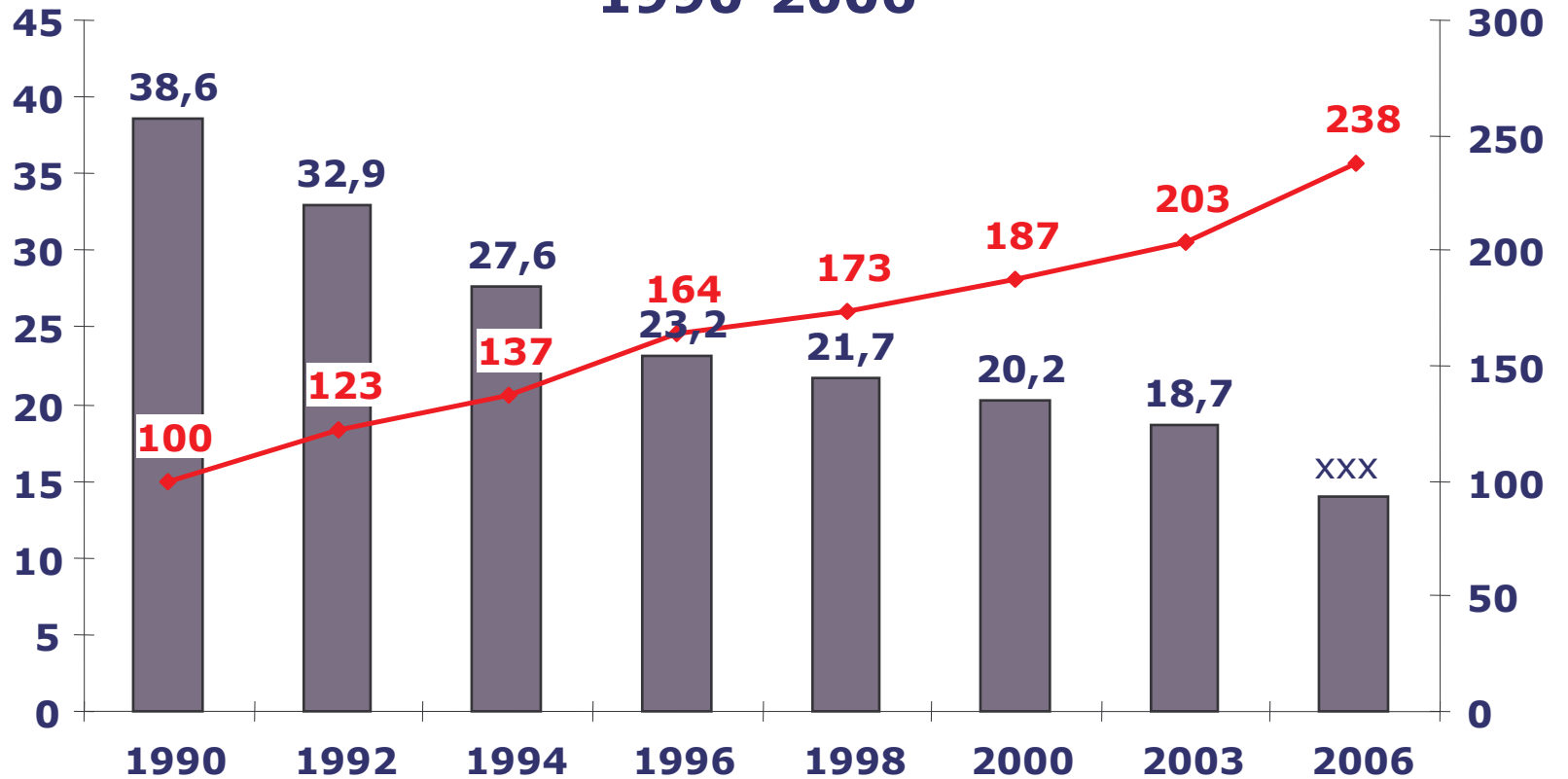
* Excluding live-in domestic service and their family nucleus.

Source: MIDEPLAN, CASEN Poll, respective years.



Poverty and GDP Development

1990-2006

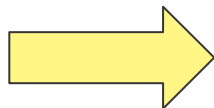


■ Poverty incidence *

◆ Quarterly GDP, October - December quarterly base 1990=100

* Excluding live-in domestic service and their family nucleus.

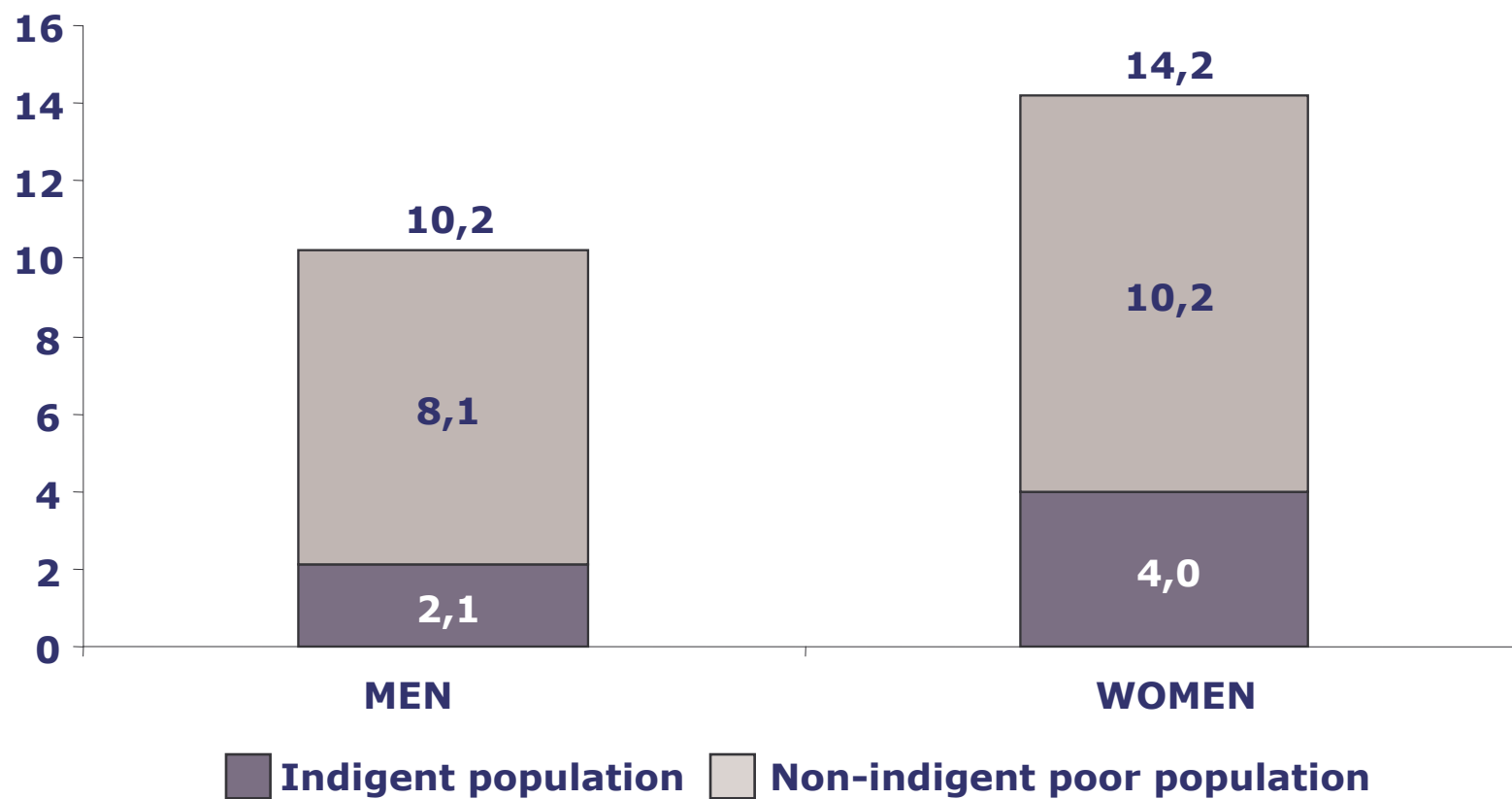
Source: MIDEPLAN, CASEN Poll, respective years



POVERTY STATUS BY HEAD OF FAMILY GENDER

2006

(PERCENTAGE OVER THE RESPECTIVE TOTAL OF HOUSEHOLDS)



Source: MIDEPLAN, CASEN Poll 2006.

So –where do we start?

By putting in place a system of guaranteed social rights along the vital cycle of families (from conception to old age)

- Chilesolidario System
- Childhood protection system - Chile Crece Contigo
- Work Protection System

- **Social Protection System Chile Solidario**: aimed at extreme poverty that, within the framework of poverty eradication, this year also incorporating homeless people . As extreme poverty is diminishing, segments of non indigent poverty and vulnerable families are incorporated, such as lonely older adults and families with members with some kind of disability.
- **Integral Infancy Protection System “Chile Crece Contigo”**: aimed at guaranteeing universal rights for all children, it concentrates its efforts on working women’s children and all the children that form part of the 40 % of low income households, whether their mothers work or not (equivalent to 60 % of the total child population of the country). At the same time, the program looks after the protection of maternity, employment opportunities for women and the possibility of making work and family life compatible.
- **Work Protection System** : aimed at guaranteeing socially protected work for women and men in their active life and a subsequent improvement in their passive life, with a reform of the pension and welfare system, strengthening the solidarity pillar and introducing changes in the contribution system, trying to achieve more inclusion and equity (especially in relation to gender issues)

Chilesolidario System

- At the end of 2006, 290,000 families were incorporated into the Chile Solidario Protection System.
- The same year, some 50,000 new families under conditions of extreme poverty were incorporated, 7,254 homeless people and nearly 15,000 older adults who live alone.
- Recently, there has been progress in the gradual decentralization process of the system. As of 2010, the management of Chile Solidario shall be passed on to Municipalities (Resources and service operation)

What is Chile Solidario?

It is a system of social protection aimed at people and families in situation of extreme poverty. Its aim is to promote their incorporation into the social networks and their access to better living conditions, so that they might overcome this condition.

Benefiting Population:

- Families in conditions of extreme poverty.
- Adults Older than 65 years of age, living alone and in conditions of poverty.
- Homeless people.

Chilesolidario is institutionalized by means of Law N° 19,949 of 2004.

Psychosocial support Component

Personalized accompaniment during a specific time whose aim is to support families and persons in achieving minimum living standards, defined within the framework of 7 dimensions, varying according to the target population of the psychosocial support .

Dimensions to be worked on: Identification, Health, Education, Family Dynamics, Habitability, Work and Income

Two relevant aspects:

- Direct work with the family. Through family support, Communitarian Monitor, NGOs support
- Key role of the family and co-responsibility for its personal and family process.

Components: Guaranteed subsidies

Families and persons will be assigned guaranteed monetary subsidies , in relevant cases, within the period stipulated for the target population .

Component: Preferential Access to social promotion programs

Families and persons, when relevant, can access, in a preferential , program offers that the State provides in all matters related to social promotion.

The system presumes multi-dimensional character of poverty and focus on achieving **SPECIFIC RESULTS**, expressed in the achievement of minimum living standards in different areas.

Overcoming extreme poverty is reached as long as the recipients of the system achieve all the defined minimum conditions. This leads to the integrality of social intervention.

To achieve the proposed result, what is needed is a model of **INTERSECTORIAL MANAGEMENT** with the participation of different service providers and which must be synchronized in order to reach in a timely way every person or family.

From this point of view, everybody forming part of the State is co-responsible for the fulfillment of the results proposed on the subject of extreme poverty eradication.

Equality of Opportunities

- The first 6 years of life are the most important in the formation of every person.
- Before 4 years of age the fundamental bases of an individual such as language, habits and social skills, emotional controls and cognitive capacities are structured.
- Currently in Chile, the place along the socioeconomic ladder occupied by the household where someone was born is one of the best prediction factors indicating the place that the person will occupy in his or her adult life.

Need for a system of integral protection and not for a child development support program

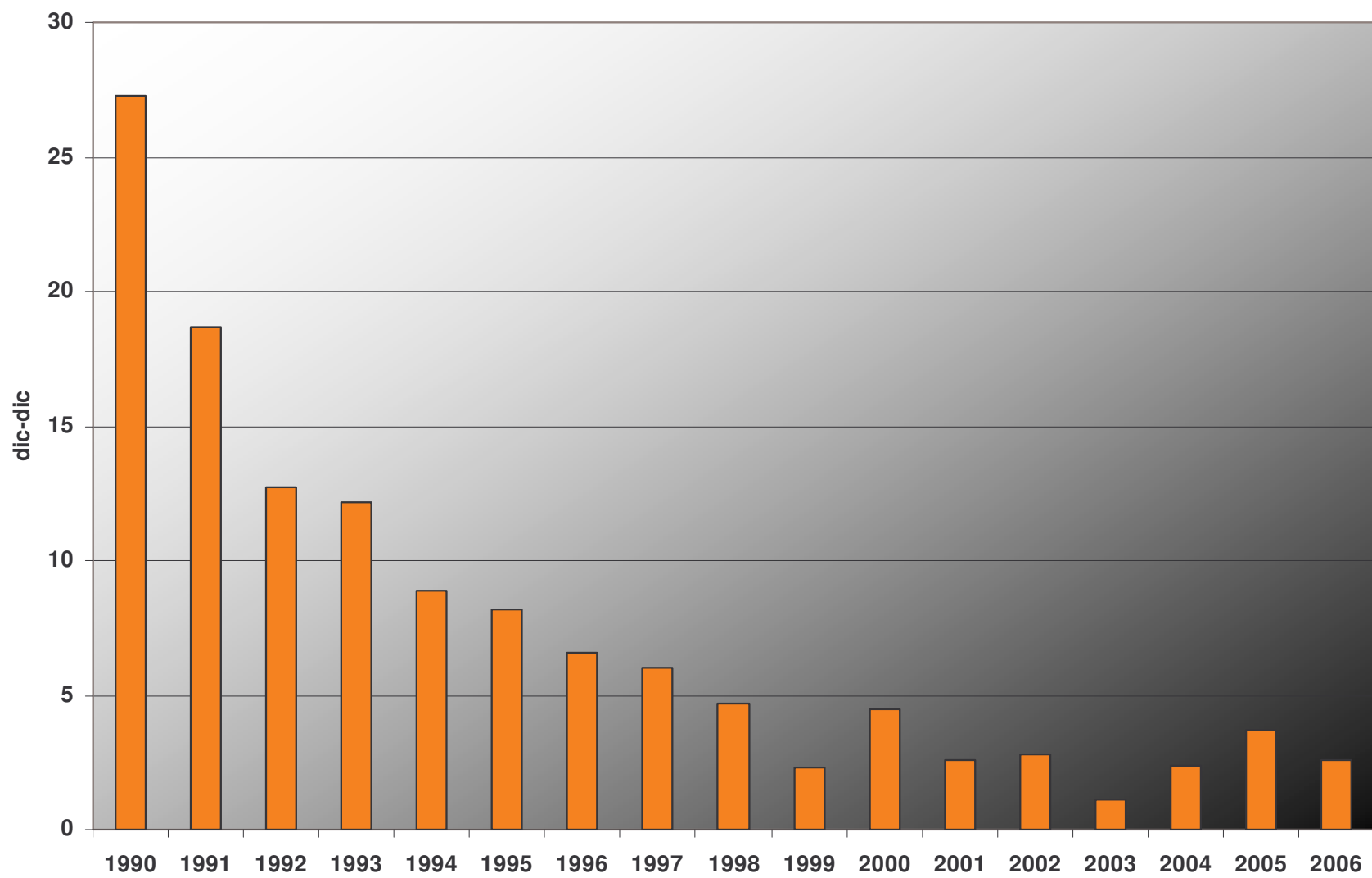
- The multiple dimensions of early childhood development require simultaneous interventions in the different dimensions that influence children's development
- The interventions must take place at the right time and in the right way according to every child's specific needs
- The early detection of delays and the timely concern for risk factors (biological, psychological and/or social), allow us to make use of the windows of opportunity offered in early infancy

The Aim of Chile Crece Contigo

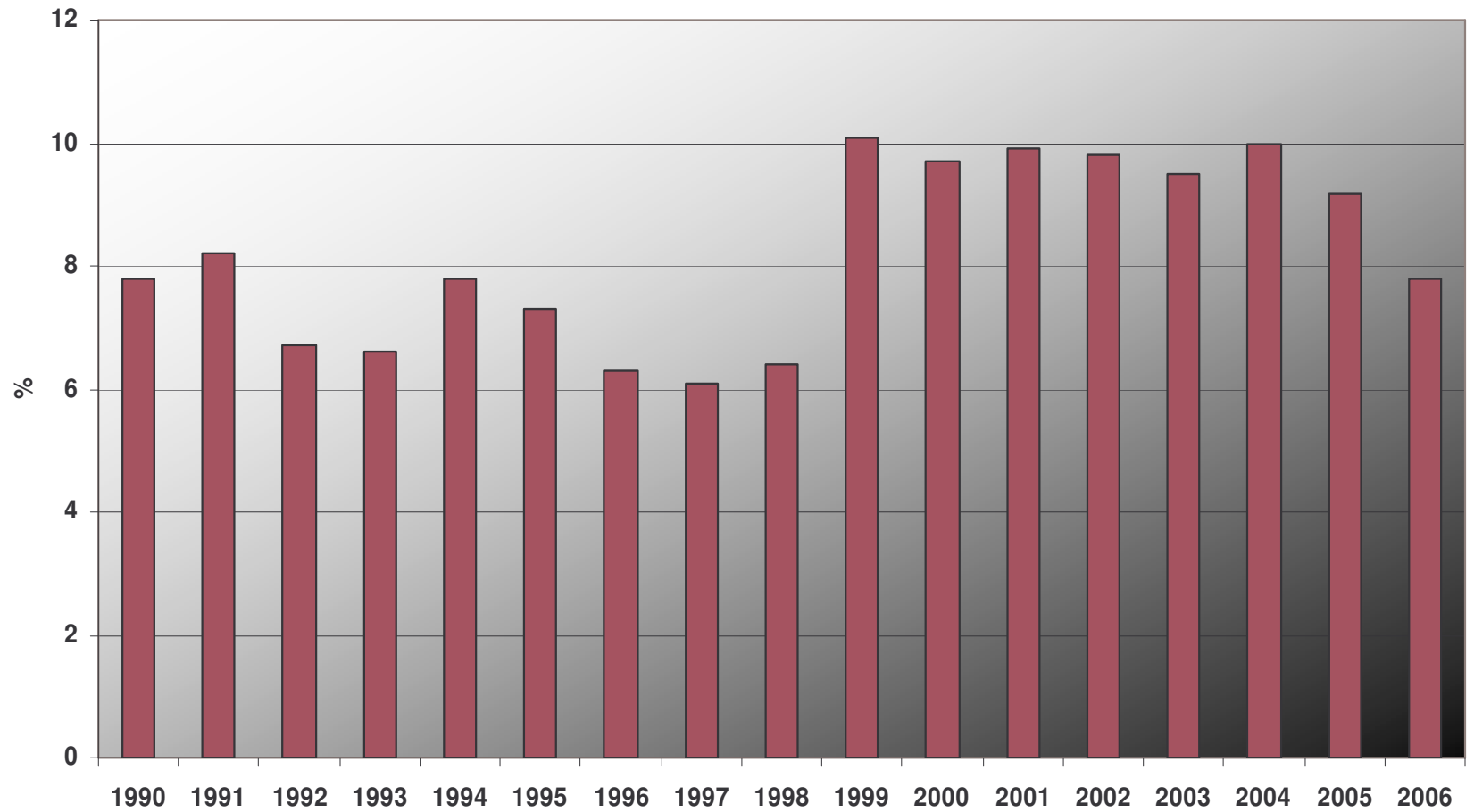
- The System is aimed at children from the gestation period to the age of four and its main aim is to generate and to articulate varied and diverse support mechanisms for children and their families, which altogether allow to access equal development opportunities
- The need to have a System in place which should integrate timely and relevant series of services and social services for children and their families, is based on the recognition of the multi-dimensional aspects of child development, which require multiple supports and interventions acting in a simultaneous and synchronized ways.

Annexes

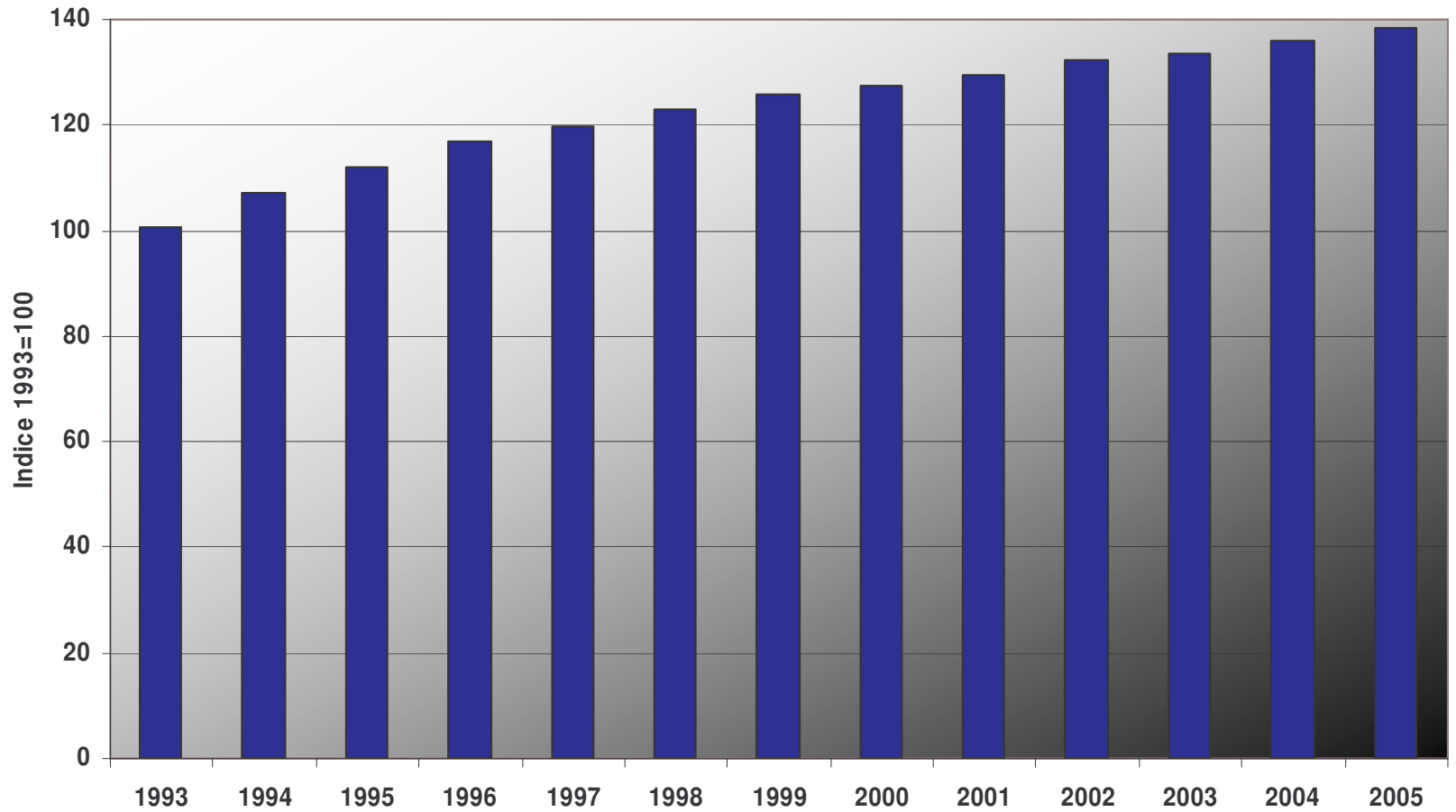
Inflation



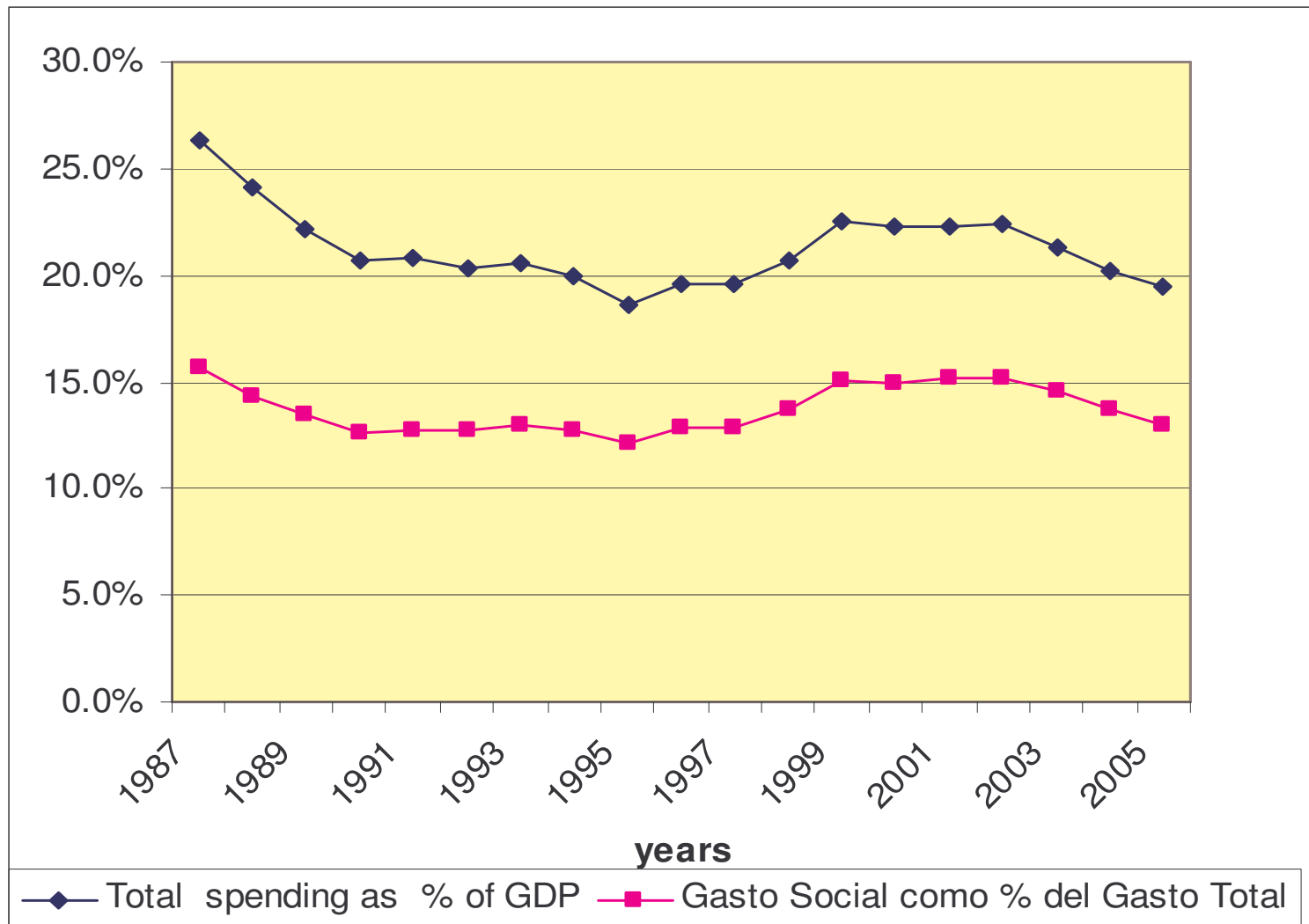
Unemployment



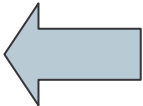
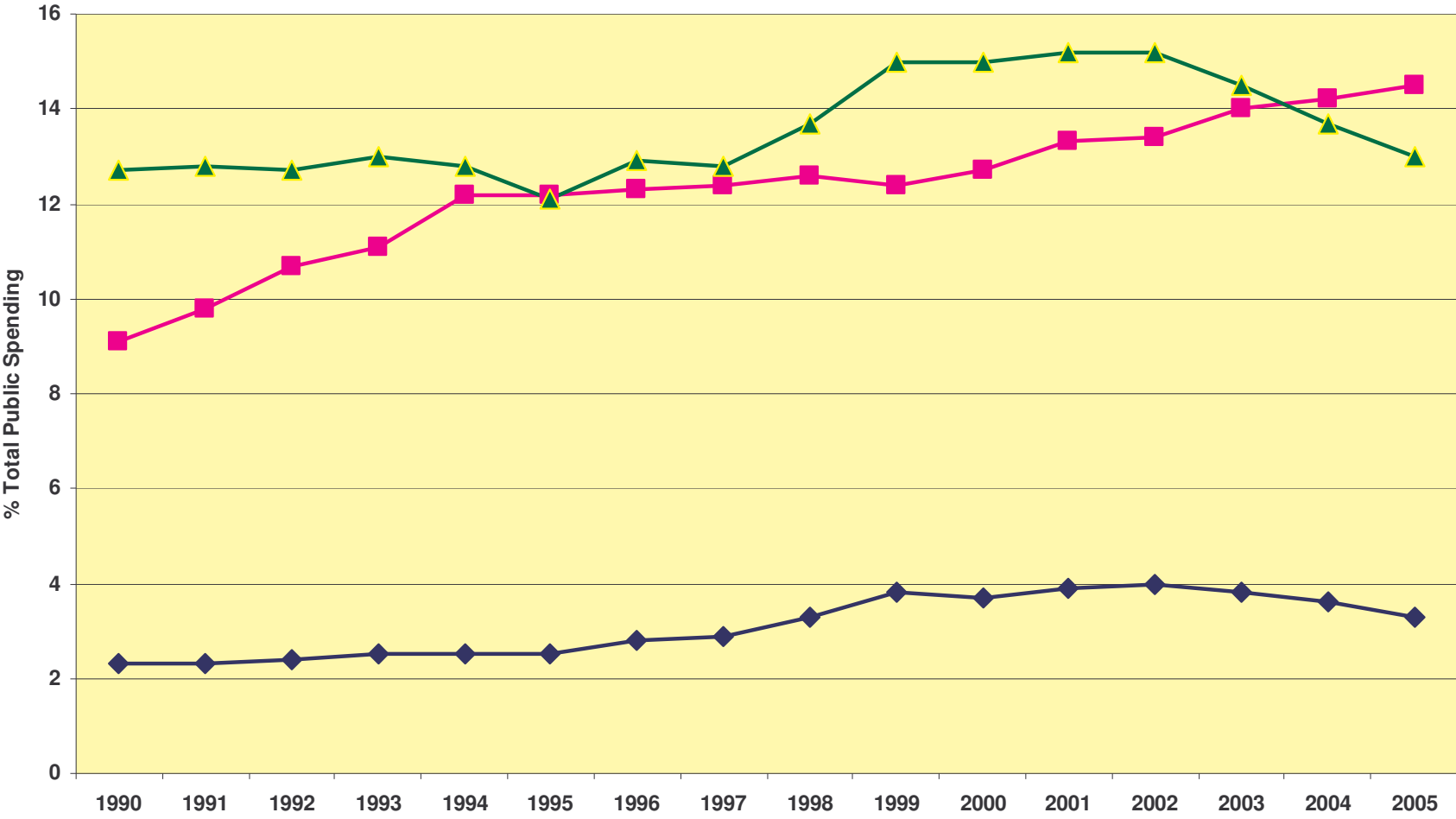
Real per hour wage index



Development of Total Spending and Social Spending



Public Social Spending as % GDP, Spending in Education and in Health as % of Total Public Spending



■ Gasto Público en Salud ◆ Gasto Público en Educación ▲ Gasto Público Social