



The role of CORFO in Chile's development: Achievements & Challenges

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OUTLINE

1. CORFO IN A COMPARATIVE PERSPECTIVE
2. CORFO IN CHILE'S ECONOMY
3. CORFO TODAY
4. CORFO'S FOCUS AREAS (GUARANTEES, START-UP, SOLAR ENERGY)
5. COUNTERCYCLICAL ROLE
6. CONCLUSIONS

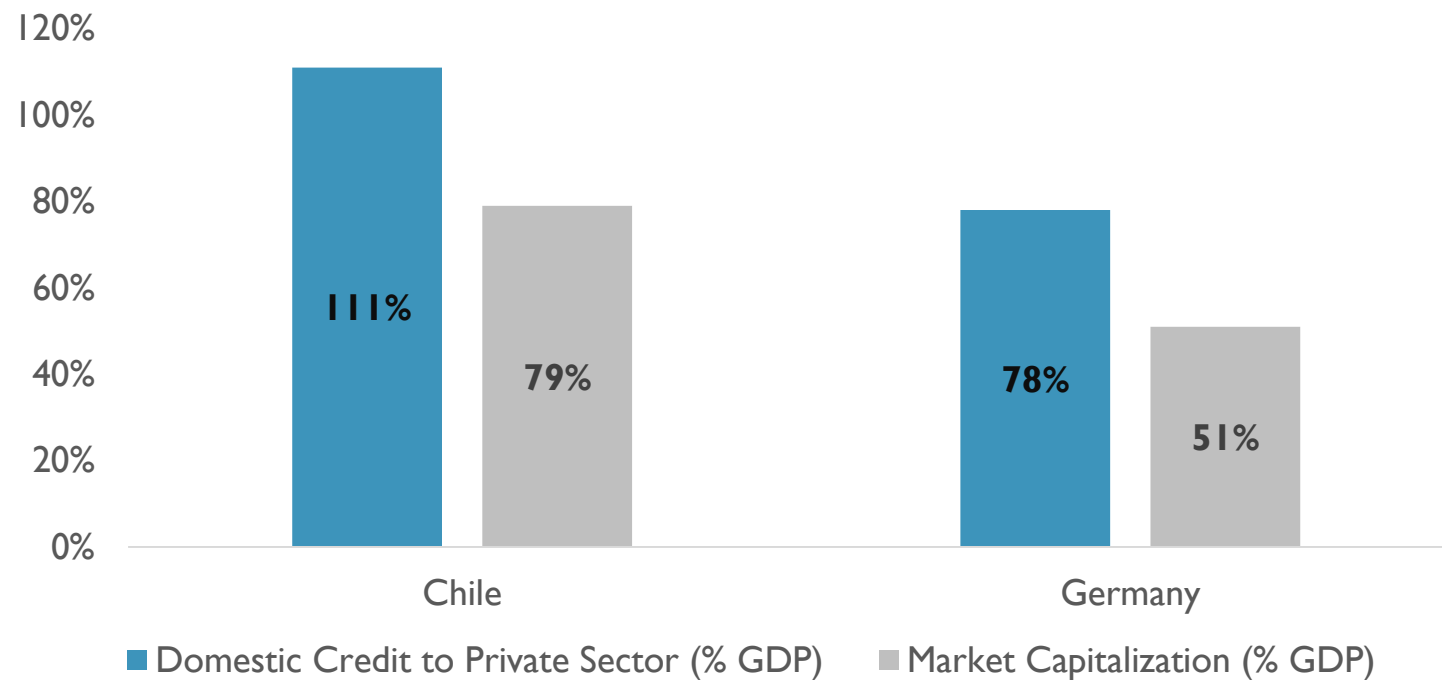




CORFO in a comparative perspective

CHILE'S FINANCIAL MARKET COMPARATIVE PERSPECTIVE

Credit and Capital Market Size - 2015 (% GDP)

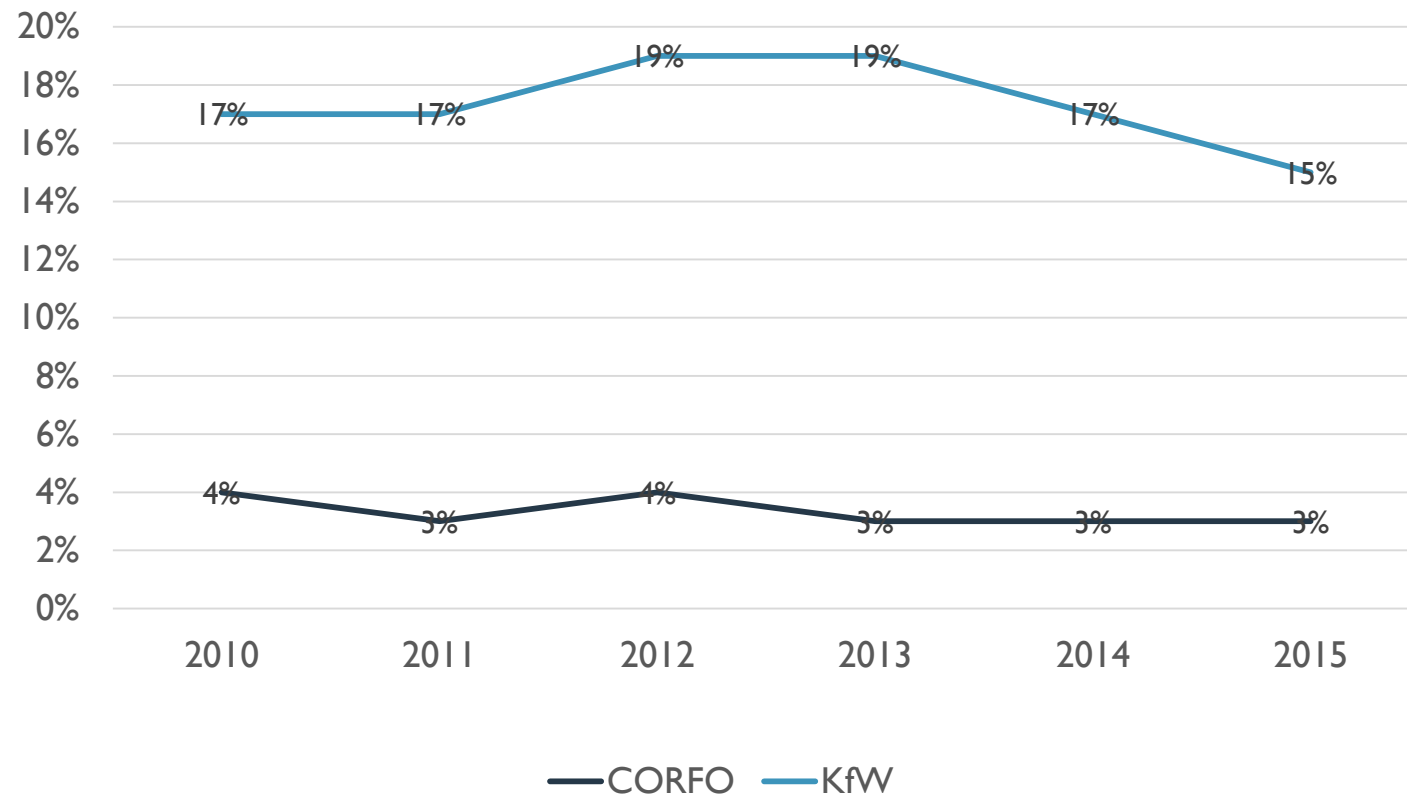


Source: own elaboration, based on WDI

CORFO – Comparative Perspective

stock 2015

Assets/GDP - CORFO vs KfW



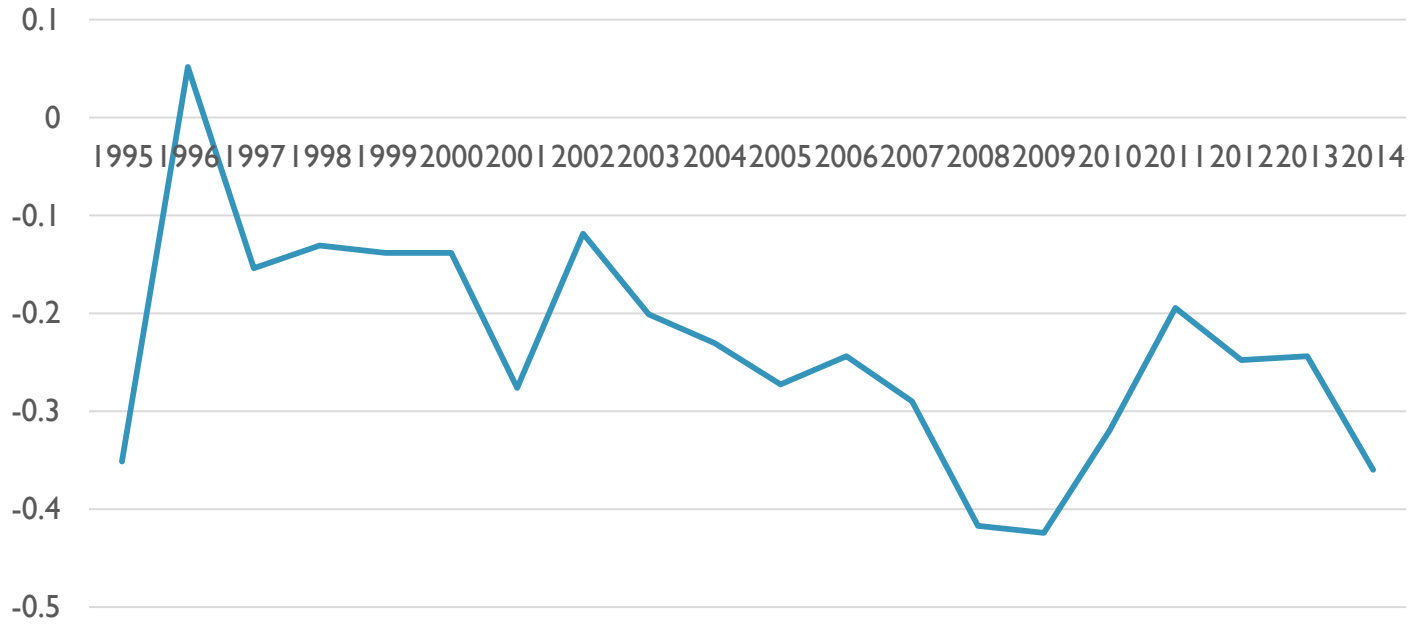
Source: own elaboration, based on CORFO, KfW and BNDES reports.



CORFO in Chile's economy

CHILE'S economy complexity index

Economic Complexity Index Country Ranking



The Economic Complexity ranking of Chile has decreased 22 places over the past 51 years (from 38 in 1964 to 60 in 2015)



High Vulnerability and Exposure to Commodities Prices Volatility

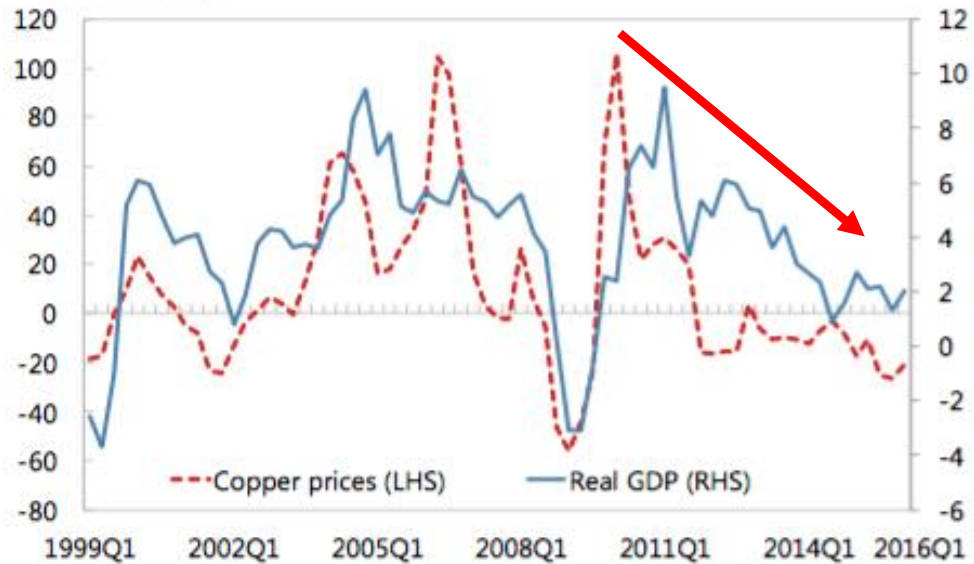
SOURCE: Own elaboration, base on The Atlas of Economic Complexity, Harvard

Chile's economy

Copper price volatility, DECREASING tfp

Real GDP and Copper Prices

(In percent, y/y)



SOURCE: IMF Working Paper, 2016

RATE OF GROWTH TOTAL FACTOR PRODUCTIVITY

Período	TFP Chile
1990 - 1999	2,4
1993 - 1999	1,7
2000 - 2009	0,6
2010 - 2014	0,4

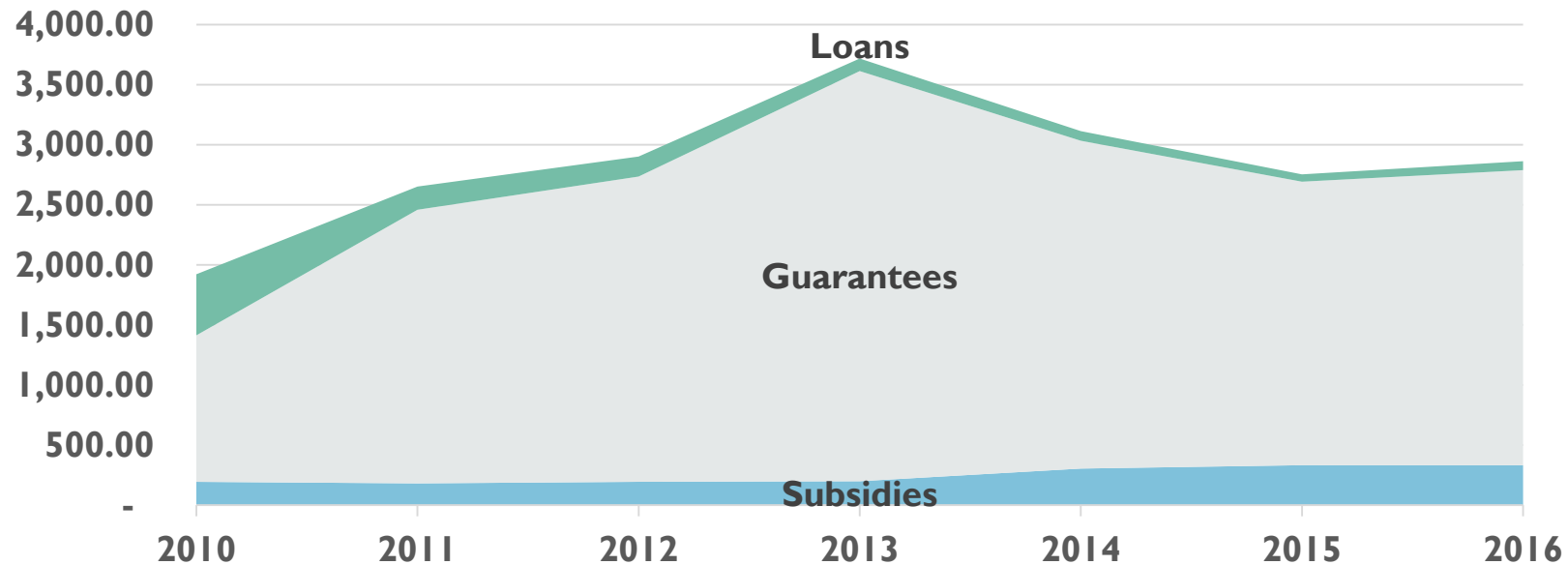
Source: own elaboration, based on Bitran, 2016

URGENT NEED TO DIVERSIFY CHILE'S PRODUCTIVE STRUCTURE



CORFO TODAY

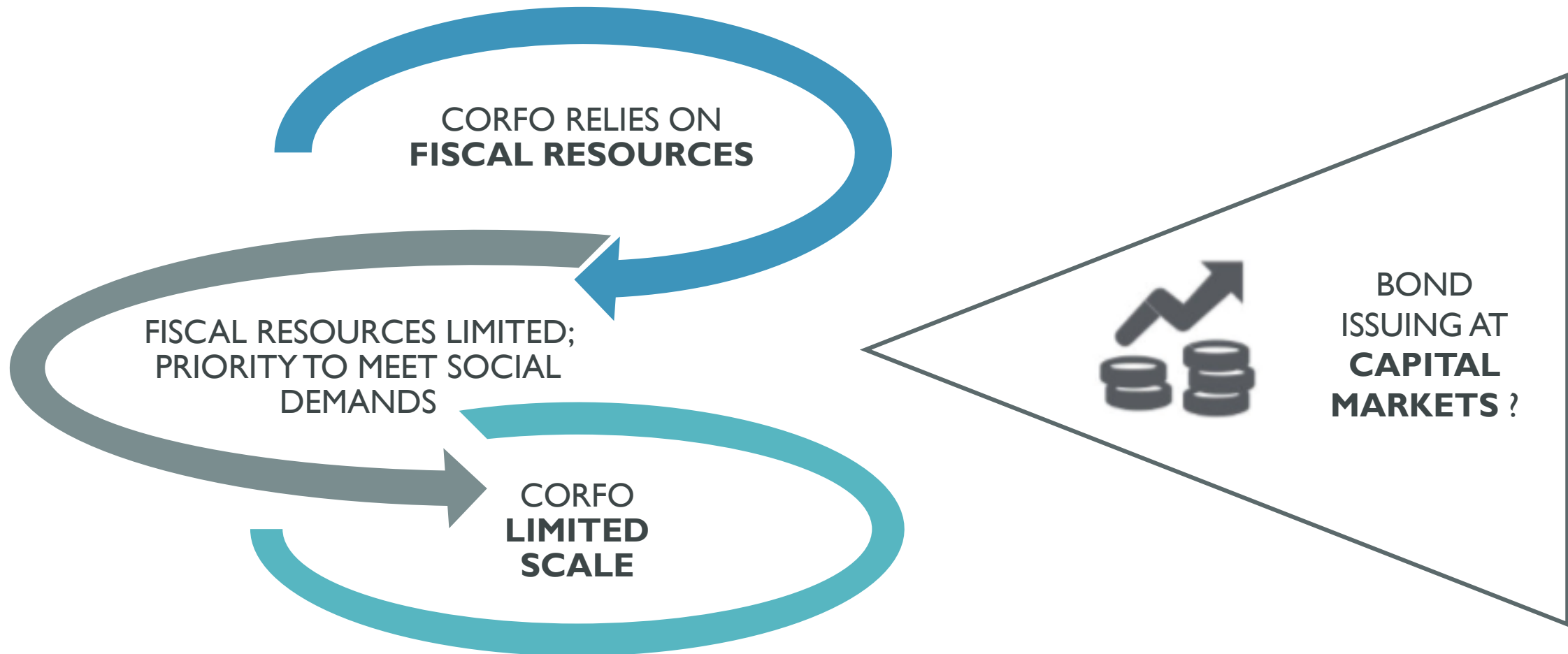
CORFO TODAY: FINANCIAL SUPPORT



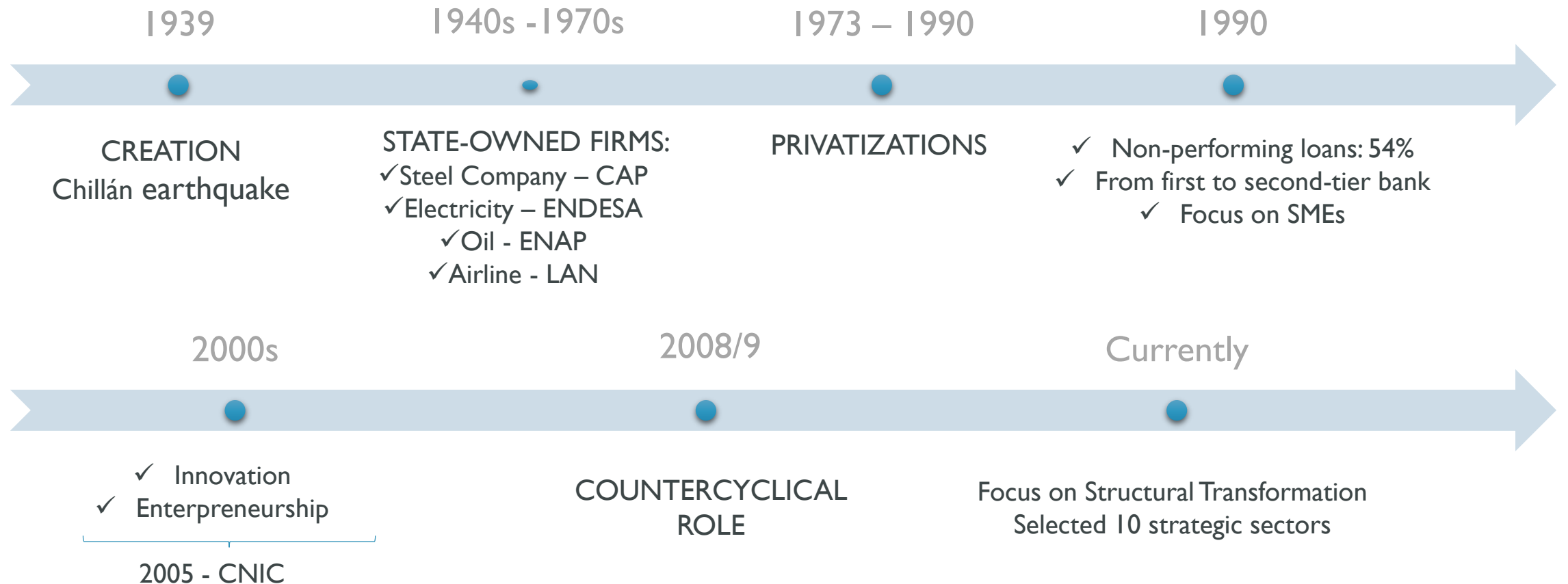
In 2015 the financial support deployed by CORFO amounted to USD 2,863 million → Only **1% of Chile's GDP**

SUFFICIENT SCALE CONSIDERING THE URGENT NEED FOR STRUCTURAL DIVERSIFICATION ?

CORFO TODAY: FUNDING SOURCES



BRIEF HISTORY CORFO





CORFO'S

Focus areas

DEVELOPMENT STRATEGY & CORFO'S ROLE

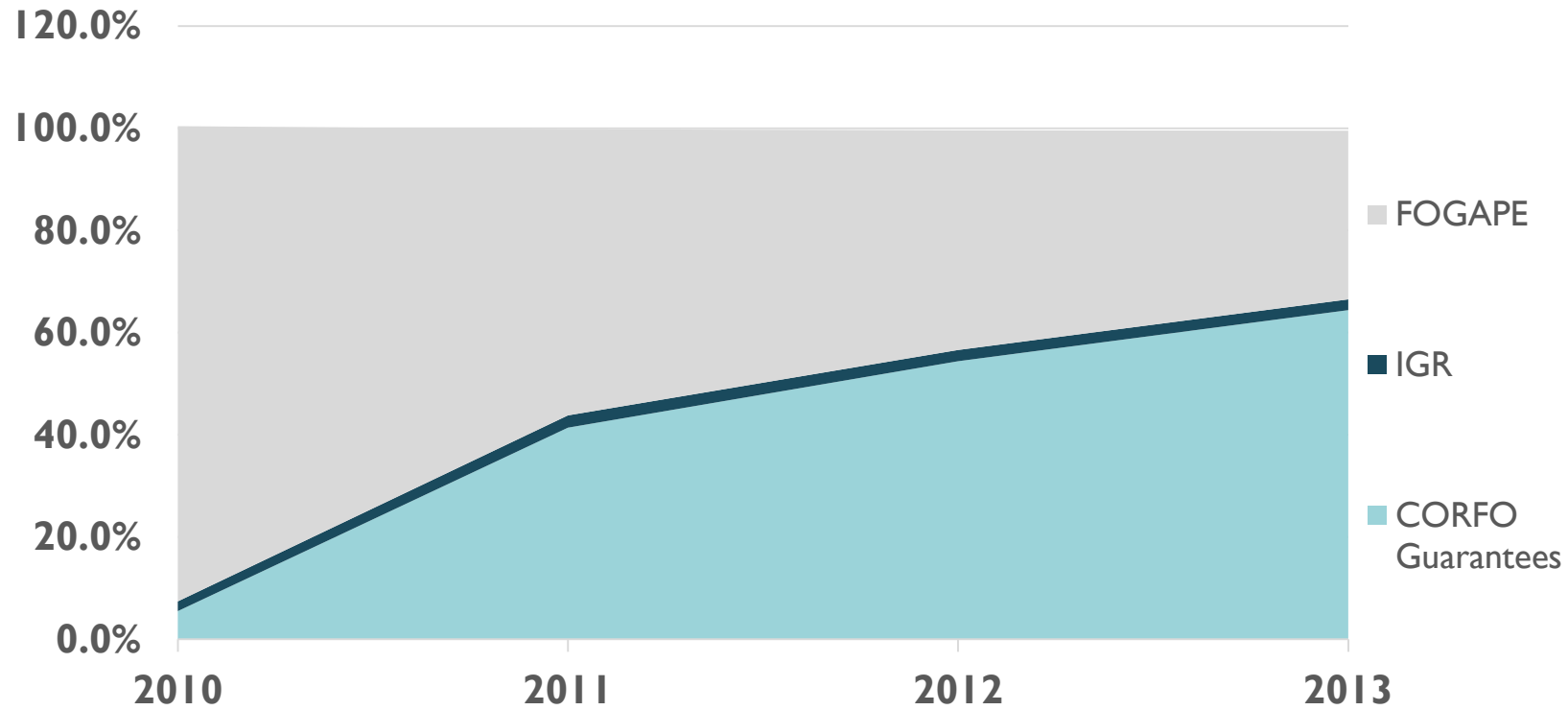
‘chile transforms’



Source: prepared by the author, based on Bitran, 2016

GUARANTEE SCHEME CHILE

OPERATIONS NUMBER (%)



✓ 2010: 82,177
✓ 2013: 144,815 } 76% increase

MORE CREDITS, but
NOT BETTER COSTS

✓ THE STATE ASSUMES
MORE RISKS

START-UP CHILE

- ✓ The grants reached up to USD 40,000 USD for *Seed Capital* and a year work visa
- ✓ Chile included 1 unicorn (Start up of at least USD 1 billion), 4 centaurs (with a valuation of between USD 100 million and USD 1 billion), and 31 little ponies (with a valuation of between USD 10 and USD 100 million)
- ✓ CAVEATS: not statistically meaningful impact for the projects in term of: continuity of the start-up, sales (total value and growth), profits, exports, level of employment, later support from business incubators and accelerators and number of subsequent entrepreneurships from the project leader.

SOLAR INDUSTRY

ACHIEVEMENTS

- ✓ 2008 - Chile Renewable Energy Policy to gain more self-sufficiency and stability in energy provision
- ✓ 2012 – Solar Energy Program
- ✓ More 10% NCRE generation
- ✓ 40% price drop (2016 – 2015 tender)

CHALLENGES

- ✓ 8-9 years payback periods
- ✓ ONLY 17% firms local in SOLAR ENERGY projects
ENERGY 2050 – 55% local firms target
- ✓ Local Firms – NO TRACK RECORD, real collateral
- ✓ PRICE VOLATILITY --> UNCERTAIN CASHFLOWS
PRIVATE FI withdraw financing support

CORFO --> PV Solar Energy for Desert Weather and High Radiation



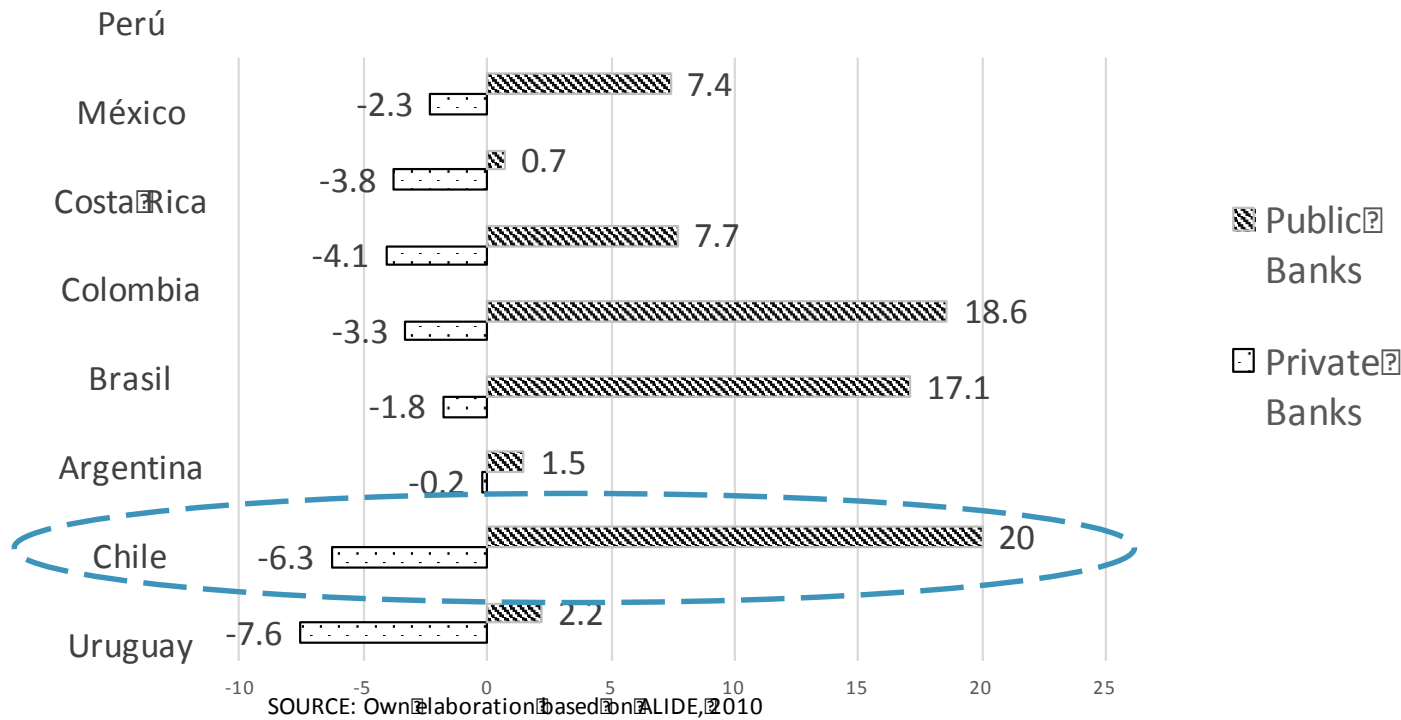
NEED STEEP INCREASE IN CORFO'S ROLE – PATIENT PUBLIC CAPITAL TO MEET DEVELOPMENT STRATEGY TARGETS



COUNTERCYCLICAL ROLE

COUNTERCYCLICAL ROLE 2008 FINANCIAL CRISIS

Loans Private and Public Banks (% Var. a.a. 2008-2009)



CORFO

- ✓ Injected additional USD 850m, to leverage USD 1,800m
- ✓ Increased flexibility in guarantees' requirements
- ✓ Increased financing limits

CONCLUSIONS

- ✓ Innovative in several of its instruments: START-UP, SOLAR POWER, etc
- ✓ CORFO has undertaken a Structural Transformation Approach with 'Chile Transforms', but still need to be fully deployed in practice
- ✓ Active COUNTER-CYCLICAL role, but still small scale to have significant impact
- ✓ Need to increase its scale, especially in times of low commodities prices, as diversification essential
- ✓ Many programs and sectors; possible need for greater focus
- ✓ Focus on Guarantees, taking much risk, but not direct lending

THANKS!

STEPHANY GRIFFITH-JONES AND MARIA LUZ MARTINEZ SOLA

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