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CHILE

**PROGRAM TO STRENGTHEN REGIONAL GOVERNMENTS FOR THE
METROPOLITAN-SCALE MANAGEMENT OF INFRASTRUCTURE AND URBAN SERVICES**

(CH-L1176)

LOAN PROPOSAL

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OPTIONAL: <ol style="list-style-type: none">1. Project economic evaluation2. Gender and diversity analysis3. Sustainability and climate change analysis4. Program Operating Regulations5. Theory of change6. Lessons learned7. Bibliography8. Safeguard policy filter and safeguard screening form

ABBREVIATIONS

CAIGG	Consejo de Auditoría Interna General de Gobierno (Government General Internal Audit Council)
CGR	Contraloría General de la República (Office of the Comptroller General of the Republic)
DAM	Departamento de área metropolitana (metropolitan area department)
DIPRES	Dirección de Presupuestos (Budget Office)
ESIA	Environmental and social impact assessment
ESMF	Environmental and social management framework
ESMP	Environmental and social management plan
ESPF	Environmental and Social Policy Framework
GHG	Greenhouse gas
GORE	Gobierno regional (regional government)
HUD	Housing and Urban Development Division
MDB	Multilateral development bank
NDC	Nationally Determined Contribution
NICSP	Normativa del Sistema de Contabilidad General de la Nación (Policies of the General Accounting System of the Nation)
PCU	Program coordination unit
PROT	Plan regional de ordenamiento territorial (regional land management plan)
SEREMI	Secretaría Regional Ministerial (Ministerial Regional Department)
SIGFE	Sistema de Información para la Gestión Financiera del Estado (State Financial Management Information System)
SUBDERE	Subsecretaría de Desarrollo Regional y Administrativo (Office of the Deputy Secretary for Regional and Administrative Development)
TGR	Tesorería General de la República (General Treasury of the Republic)
ZRBC	Zonificación regional de borde costero (coastal region zoning)

PROJECT SUMMARY

CHILE PROGRAM TO STRENGTHEN REGIONAL GOVERNMENTS FOR THE METROPOLITAN-SCALE MANAGEMENT OF INFRASTRUCTURE AND URBAN SERVICES (CH-L1176)

Financial Terms and Conditions							
Borrower:			Flexible Financing Facility^(a)				
Republic of Chile			Amortization period:		14 years		
Executing agency:			Disbursement period:		5 years		
Ministry of the Interior and Public Security, acting through the Office of the Deputy Secretary for Regional and Administrative Development (SUBDERE)			Grace period:		5.5 years ^(b)		
			Interest rate:		SOFR-based		
			Credit fee:		^(c)		
Source	Amount (US\$)	%	Inspection and supervision fee:		^(c)		
IDB (Ordinary Capital)	50 million	56%	Weighted average life:		9.75 years		
Local contribution:	40 million	44%	Currency of approval:		U.S. dollar (US\$)		
Total:	90 million	100%					
Project at a Glance							
<p>Project objective/description: The objective of the operation is to strengthen the regional governments (known as GOREs) in creating infrastructure to provide urban services at the metropolitan scale. The specific objectives are: (i) to build the institutional capacity of the GOREs so they can exercise their competencies at the metropolitan scale with a climate change and gender and diversity lens; and (ii) to build the technical capacity of the GOREs through the management and execution of infrastructure services projects at the metropolitan scale, prioritizing investments involving improved resilience and reduced greenhouse gas emissions with a gender and diversity lens (paragraph 1.43).</p>							
<p>Special contractual conditions precedent to the first disbursement of the financing: The borrower, acting through the executing agency, will provide evidence to the Bank's satisfaction that: (i) the program Operating Regulations have been approved and have entered into force on the terms previously agreed upon with the Bank; and (ii) the following members of the program coordination unit have been contracted or appointed, as applicable: (a) a technical manager; (b) a financial management specialist; (c) a procurement specialist; (d) a social specialist; and (e) an environmental specialist (paragraph 3.6).</p>							
<p>Special contractual condition of execution: Before the start of execution of activities and works by a GORE, the borrower, acting through the executing agency, will provide evidence to the Bank's satisfaction that the corresponding participation agreement or similar arrangement described in paragraph 3.5 with the respective GORE has been signed and has entered into force on the terms previously agreed upon with the Bank (paragraph 3.7).</p>							
<p>See also special contractual conditions precedent to the first disbursement and special contractual conditions of execution in Annex B of the Environmental and Social Review Summary (required link 3).</p>							
Exceptions to Bank policies: None.							
Strategic Alignment							
Objectives:^(d)	O1 <input checked="" type="checkbox"/>			O2 <input checked="" type="checkbox"/>		O3 <input type="checkbox"/>	
Operational Focus Areas:^(e)	OF1 <input checked="" type="checkbox"/>	OF2-G <input type="checkbox"/> OF2-D <input checked="" type="checkbox"/>	OF3 <input checked="" type="checkbox"/>	OF4 <input type="checkbox"/>	OF5 <input type="checkbox"/>	OF6 <input checked="" type="checkbox"/>	OF7 <input type="checkbox"/>

- ^(a) Under the terms of the Flexible Financing Facility (FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, commodity, and catastrophe protection conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.
- ^(b) Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.
- ^(c) The credit fee and inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with the applicable policies.
- ^(d) O1 (Reduce poverty and inequality); O2 (Address climate change); and O3 (Bolster sustainable regional growth).
- ^(e) OF1 (Biodiversity, natural capital, and climate action); OF2-G (Gender equality); OF2-D (Inclusion of diverse population groups); OF3 (Institutional capacity, rule of law, and citizen security); OF4 (Social protection and human capital development); OF5 (Productive development and innovation through the private sector); OF6 (Sustainable, resilient, and inclusive infrastructure); and OF7 (Regional integration).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

- 1.1 **Urban context.** Like the rest of Latin America and the Caribbean, Chile is urbanizing, and its urban agglomerations are expanding. Currently, 87% of its population lives in urban areas, increasing the size and complexity of its cities [1].¹ As these areas grow into metropolitan areas,² their challenges intensify and multiply. Metropolitan areas need new forms of intersector and multilevel institutional coordination, to address changes in physical, economic, environmental, and social dynamics. They face difficulties in providing infrastructure and services due to administrative fragmentation and an absence of multilevel coordination. For example, 45% of waste in Latin America and the Caribbean ends up in poorly managed landfills [2]; in Santiago, these are located in less valuable areas, which exacerbates land inequality. Social inequality in metropolitan areas is higher than in less complex cities, with GINI coefficients above 0.5 in Bogota, São Paulo, Rio de Janeiro, and Greater Santiago [3]. In Greater Santiago, 50% of job vacancies were concentrated in 3 of its 37 districts (known as “comunas”).
- 1.2 In Chile, 63% of the population lives in eight urban agglomerations with 250,000 residents or more that meet the criteria to be considered metropolitan areas, according to Supreme Decree 98 of 2019 of the Ministry of the Interior and Public Security. The largest metropolitan areas (Santiago, Valparaíso, and Concepción) are home to around 8 million people, or 46% of the country’s population [5]. Metropolitan areas typically have larger economies, especially in developing countries. For example, metropolitan areas generated more than 80% of Chile’s GDP in 2013 [6], and that percentage is expected to continue rising. The transformation of cities into metropolitan areas amplifies the complexity of urban challenges, calling for effective metropolitan governance to coordinate services delivery, manage waste, plan transport, and address social inequalities and climate risks in an integrated and efficient way [7]. Regardless of size or type, metropolitan areas share common challenges, especially in their administrative and territorial fragmentation, where several municipios manage an adjacent or functionally related urban area. As that area expands, the delivery of infrastructure and urban services is impacted negatively [8].
- 1.3 Chile is a centralized, unitary state, divided politically and administratively at the subnational level into 16 regions, which encompass municipios. These regions are led by a regional government (known in Chile as GORE for “gobierno regional”).³ The Regional Strengthening Laws⁴ were enacted in 2018 to launch a decentralization process. These include Law 21,073 and Law 21,074, which,

¹ See the Bibliography in [optional link 7](#) for the references identified by numbers in square brackets [#].

² Under Chile’s Decentralization Law, a metropolitan area is an administrative unit that must exceed 250,000 residents and meet certain requirements to be officially recognized, which allows the transfer of competencies and resources to the GOREs for the management of regional development and the delivery of public services at a metropolitan scale.

³ Autonomous agencies at an intermediate scale between the country and the municipios.

⁴ Law Governing the Election of Regional Governors and making changes to various legal bodies; and the Law to Strengthen the Regionalization of the Country.

- among other measures, encourage the gradual transfer of competencies and functions from the central level to the GOREs and establish the possibility of constituting metropolitan areas in each region, creating a continuum of public policy coordination and management between the GOREs, municipios, and different national ministries at the metropolitan scale.
- 1.4 Administratively, the metropolitan areas fall within the regions. The GOREs are responsible for regional planning, including the development and approval of policies, plans, and programs; enactment of various spatial planning instruments; intersector coordination; social and cultural development; advancement of productive activities; and other areas. The competencies vary in administration, legislation, planning, budget, and coordination. In addition to the ability to request the transfer of competencies from ministries and services to their administrative role, the GOREs are now able to create regional public services by law, according to the specific features of each territory.⁵
 - 1.5 The GOREs have challenges that carry over to the metropolitan areas. First, there are the institutional challenges of poor coordination between agencies and levels of management, as well as staff shortages and high turnover [9]. This has resulted in delays in establishing the metropolitan areas and other problems. Only one metropolitan area has been established so far. There are also challenges related to staff technical capacity, resulting in limited capabilities for project development, execution, construction, transfer of competencies, and the creation of spatial tools.
 - 1.6 Several countries of the region have begun to establish metropolitan governance processes to address the challenges posed by metropolitan areas in an integrated manner. Following this trend, Chile has taken the first three steps of the process to build metropolitan governance [10], achieving: (i) metropolitan awareness; (ii) political legitimacy; and (iii) functional legitimacy.⁶ Chile has recognized this issue and is now faced with the challenge of consolidating the last two steps: operational legitimacy and institutional development.⁷ Resolving the challenges of the GOREs can also help solve the challenges of the metropolitan areas. In the coming years, Chile will need to govern, plan, and manage around ten metropolitan areas at a minimum. Besides the metropolitan region where Santiago is located, eight other urban areas could be constituted as metropolitan areas when the conditions have been created as established by law. The following metropolitan areas have already been constituted; (i) Iquique–Alto Hospicio; awaiting preliminary proceeding; (ii) Greater Santiago; (iii) Greater Concepción; awaiting the President’s signature; (iv) Coquimbo–La Serena; (v) Greater Valparaíso;

⁵ Stated in Transitional Article 6 of the Law on the Transfer of Competencies, effective 11 March 2022.

⁶ The publication of the Decentralization Law is a milestone culminating these three steps by providing the necessary legitimacy and policy framework to move forward with the construction of metropolitan governance.

⁷ The process of construction of metropolitan governance, described by Rojas (2008) and then by Rojas and Vera (2019), has five phases. In the “metropolitan awareness” phase, the issue is acknowledged, and dialogue encouraged among relevant stakeholders. “Political legitimacy” involves reaching agreements and creating rules and regulations. In the “functional legitimacy” phase, the metropolitan areas and their authority are recognized. In the “operational legitimacy” phase, institutional agreements are consolidated, infrastructure developed, and efficient services delivered. Lastly, the “Institutional development” phase involves capacity-building of metropolitan institutions to address complex problems and coordinate between jurisdictions.

(vi) Rancagua–Machalí; (vii) Puerto Montt–Puerto Varas; and, ready to start the process, (viii) Temuco–Padre las Casas; and (ix) Talca–Maule (see Map 1).

Map 1. Chile, its regions, and potential metropolitan areas⁸

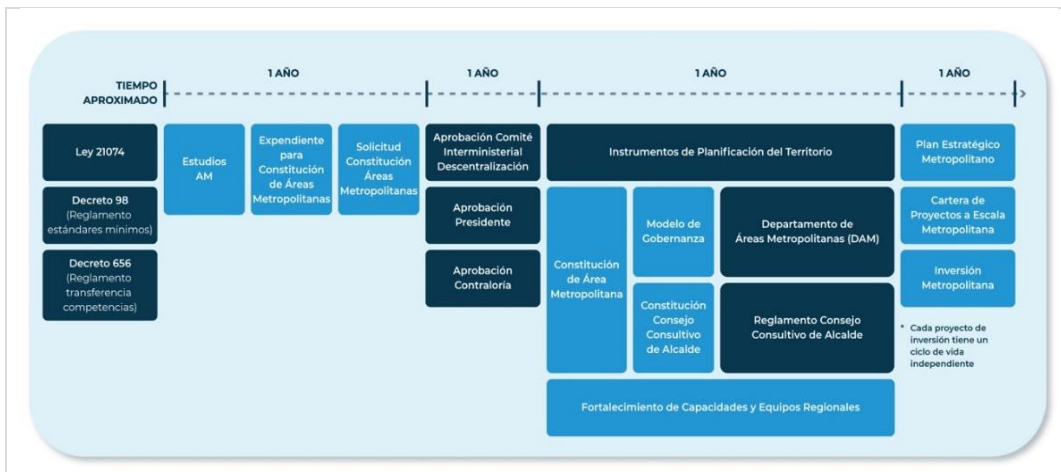


Source: Developed by the authors from SUBDERE.

⁸ Preliminarily, nine conurbations have been identified that may meet the requirements to be considered metropolitan areas.

- 1.7 **Strengthening of metropolitan areas.** The Office of the Deputy Secretary for Regional and Administrative Development (SUBDERE) has driven and monitored this regional and metropolitan strengthening process through its Regional Development Division. It has financing programs for the GOREs in areas including waste management, heritage assets, sanitation, and infrastructure. Additionally, the Regional Strengthening Laws were enacted and published in 2018, introducing foundational changes to the Law Implementing Constitutional Articles on Regional Government and Administration. These laws establish new ways of defining and managing large cities with inter-comuna features, e.g., more than 250,000 residents and meeting a series of requirements for metropolitan area status. Institutional strengthening of the GOREs through the transfer of responsibilities and resources is the beginning of a new model of governance that will enable the increasingly autonomous creation of general guidelines for development of regions and their metropolitan areas, understood as their main productive, socioeconomic, and population centers [11]. The Regional Strengthening Laws also encourage the transfer of competencies and functions and establish the possibility that metropolitan areas will be constituted in every region, creating a continuum of public policy coordination and management between the GOREs, municipios, and national ministries for large conurbations.
- 1.8 Once the metropolitan areas have been constituted (see Figure 1), the GOREs must form metropolitan area departments (known in Chile as DAMs for “departamentos de áreas metropolitanas”) as specific areas within their organizational structure to address public policy coordination and management between the GOREs, the municipios, and representatives of national ministries in the regions. An incremental process of transferring competencies in such areas as developing and approving plans, metropolitan-scale delivery of public services, and maintenance in areas including transport, solid waste, and air quality management.

Figure 1. Process of constituting a metropolitan area



Source: IDB.

- 1.9 **The problem.** The fact that metropolitan areas are not administered within the GOREs creates difficulties for building metropolitan-scale infrastructure and delivering urban services. There are two factors contributing to this problem:

1. Factor 1: The weaknesses in the metropolitan-scale governance mechanisms of the GOREs results in a lack of interjurisdictional coordination

- 1.10 Chile's administrative and institutional structure has created significant challenges for metropolitan-scale interjurisdictional governance and coordination. Currently, there is a significant lack of collaboration and overlap of responsibilities at the subnational level, making synergy and coherence between stakeholders and policies at the local level difficult to achieve [12].
- 1.11 The emerging metropolitan areas have grown through uncoordinated processes of urban expansion with fragmented public investments and policies in need of updating [13].⁹ Currently, one metropolitan area has been constituted, and six are in progress. Metropolitan areas share common problems, especially in their high degree of administrative fragmentation in terms of sectors and territory, where several municipios are responsible for managing an adjacent urban area, creating inefficiencies in the delivery of urban services and conditions of unequal access [14]. Despite significant progress, challenges remain in consolidating their governance.
- 1.12 There is increasing overlap of competencies and responsibilities between the different levels of government within Chile's administrative and institutional structure. This translates into ambiguity, lack of visibility, and lack of responsibility in investment and implementation, which makes public policies and services delivery less efficient [15]. Historically, there has been little coordination and collaboration between ministries at a national level, and overlapping and duplicate policies and programs have arisen at the regional level, where the Ministerial Regional Departments (SEREMIs) have typically developed projects and plans in their areas of expertise without necessarily seeking effective coordination among the different areas that come into play in the urban environment, such as housing, transport, and the environment [16]. Existing coordination between municipios, and between municipios and national government agencies, is disjointed and ineffective [17].
- 1.13 For example, Santiago's metropolitan area is the result of a phenomenon of economic development accompanied by urban expansion encompassing almost the entire Santiago Metropolitan Region. Santiago plays a central role among metropolitan areas as the principal metropolis, home to 30% of the Chilean population [18]. The subnational administration of Santiago Province comprises 32 municipios, where the large disparity between municipal capacities and budgets makes collaboration difficult. Its current metropolitan-scale operations suffer from local fragmentation, duplication of functions, and the absence of urban policy despite its high degree of urbanization, which renders it inefficient to positively influence the region's productivity [19]. Efficient management in this

⁹ In Chile, spatial planning happens at four levels: national, regional, the inter-comuna level, and the comuna level. The planning tools are the Regional Urban Development Plan, the Inter-Comuna or Metropolitan Regulatory Plan, the Comuna Regulatory Plan, the Sectional Plan, and the Urban Limit. These last two are for comunas and require detailed studies in urban centers. The Ministry of Housing and Urban Planning manages urban areas according to laws and regulations, while other ministries act without a coordinated intersector framework. There is no agency in charge of bringing different ministries together and coordinating their plans and programs.

area, interconnected on many levels and issues, requires a model of governance with clear mechanisms for interjurisdictional coordination.

- 1.14 Based on this case, the main weaknesses in the current governance and interjurisdictional coordination mechanism relate to: (i) undefined role and competencies for regional policy-making (metropolitan scale); (ii) undefined competencies for policy implementation through initiatives and projects; (iii) lack of capacity for metropolitan-scale budget planning, allocation, and execution; and (iv) no authority to exercise integrated management of critical resources for metropolitan functioning (waste management, transport, public spaces, etc.) [20].
- 1.15 The big challenge for the GOREs in the coming years thus will be to establish DAMs that can effectively carry out interjurisdictional and multisector activities to improve citizens' quality of life in the areas of metropolitan management.

2. Factor 2: The lack of technical capacity of the GOREs creates difficulties for spatial planning and the delivery of metropolitan-scale resilient infrastructure and urban services

- 1.16 Chile is a highly centralized country, and high-complexity metropolitan projects are typically executed centrally, so GOREs have not had the chance to build technical capacity through "learning by doing." This absence of metropolitan-scale planning and integrated management leads to significant disparities in the provision of infrastructure within a metropolitan area, undermining the delivery of metropolitan urban services. The centralization of competencies and coordination between municipios makes it difficult to access waste disposal, green spaces, mobility, and other services [21]. Urban and metropolitan growth creates various challenges in providing infrastructure to support mobility, water management, green space access, waste disposal, air pollution, and more [20]. The GOREs' lack of technical and institutional capacity to provide metropolitan infrastructure increases access gaps.
- 1.17 The GOREs do not have sufficient staff or capacity to develop and integrate metropolitan-scale spatial planning and land management tools. The GOREs and SEREMIs have different and sometimes overlapping responsibilities, which makes urban development projects less integrated and effective [22].
- 1.18 The objective of the Regional Land Management Plans (PROTs)¹⁰ with their respective Coastal Region Zoning (ZRBC) project¹¹ is regional spatial planning that is crosscutting, comprehensive, and sustainable. The GOREs have attempted to create preliminary versions of the PROTs over the last 10 years, but these have become obsolete. The main reasons include the lack of a consensus-based approach among stakeholders and insufficient authority and competencies for this level of government. This would create significant opportunities for improved effective spatial planning and land management [23]. Technical and operational capacity-building at the GOREs is crucial, giving them the tools for their new roles and ensuring effective and sustainable spatial planning.

¹⁰ The PROT guides the region's land use to achieve sustainable development using strategic guidelines and territorial macro-zoning.

¹¹ The ZRBC sets consensus-based rules for sea, river, and land areas through zoning based on preferential uses and compatibility criteria for coastal land.

- 1.19 There are also gaps in the integrated management of the infrastructure that provides urban services. One of the biggest challenges for metropolitan areas is the coordinated and efficient management of urban waste. Population increase is related to a per capita increase in waste, so the demand for more and better infrastructure will continue to rise.
- 1.20 Chile is not exempt from this problem. In the Santiago Metropolitan Region, garbage dumps are usually located in areas where the land is less valuable, which transfers the negative externalities from the high-income areas to the poorest ones and exacerbating urban inequality [24]. The La Serena–Coquimbo conurbation relies on the El Panul landfill, which takes in all waste from that conurbation and 53% of waste from the region [25]. There is very little collaboration and coordination with the other parts of the value chain (collection, separation, and recycling) managed by each municipal level. Integrated waste management systems would generate economies of scale with lower unit costs, reduce greenhouse gas (GHG) emissions and other byproducts, and shrink urban disparities.
- 1.21 There are significant differences in access to green spaces within the same metropolitan area. For example, looking at urban parks, although Greater Santiago has an average of 3.4 square meters of green space per inhabitant, there are lower-income with between 0.4 and 2.9 square meters per inhabitant, while higher-income comunas have between 6.7 and 18.8 square meters per inhabitant. [26]. A planned and integrated network of public spaces and green spaces on the metropolitan scale would enable effective spatial coordination with equity criteria in unequal access [27].
- 1.22 Local governance of the transportation system improves efficiency. In metropolitan areas like Greater Santiago, 50% of job openings are concentrated in three contiguous comunas [28]; the urban transportation network that provides access to these comunas has been slow to come together. Most of the action areas for transportation are the competencies of sector agencies that are part of the central government [29]. Decentralizing governance for mobility and transportation would be beneficial because: (i) proximity to the problem would create flexibility and integration between participating agencies to find more efficient solutions; (ii) coordination between the functional and administrative level would be closer; (iii) citizen participation would be encouraged; and (iv) accountability would improve [30].
- 1.23 Chile also has a significant deficit in accessibility to health and care infrastructure, and unequal access to health infrastructure. High-complexity medical centers are located in municipios that are also regional capitals, leaving comunas on the urban periphery with less access [31].¹² The O'Higgins region has 0.41 square meters of health infrastructure per inhabitant, whereas Rancagua comuna, its regional capital, has 0.61 square meters, and Machalí, one of the metropolitan area's peripheral comunas, has just 0.17 square meters [32]. The accessibility gap also widens based on socioeconomic levels in regions with metropolitan areas [33]. Integrated health networks at the metropolitan area level could: (i) improve system accessibility; (ii) reduce the fragmentation of care; (iii) improve overall efficiency;

¹² The methodology for this indicator includes pedestrian trips to health infrastructure using gravitational models, to effectively estimate square meters per resident.

- (iv) avoid duplication of infrastructure and services; (v) decrease production costs; and (vi) better meet people's needs and expectations [34].
- 1.24 In terms of heritage assets, which are an aspect of identity and culture, Chile's three main metropolitan areas have around 45% of the country's cultural infrastructure: Greater Santiago has 19%; Greater Valparaíso, 14%; and Greater Concepción, 12% [35]. The current process of preserve and putting the country's heritage assets into use is centralized. The National Cultural Heritage Service manages heritage asset recognition, preservation, and access, considering the claims of the requesting communities. This makes it hard for residents of different Chilean regions to have a say in the effective and more representative management of those assets. Managing cultural heritage from the regions with a local perspective is another decentralization challenge [36].
- 1.25 **Factor not addressed by the project.** One of the factors not addressed by the project is the lack of fiscal capacity of the GOREs, which makes metropolitan-scale urban services delivery more difficult.
- 1.26 **Climate change considerations.** Chile ranks 25th out of 182 countries assessed on the Global Climate Risk Index, with seven of the nine characteristics of climate vulnerability.¹³ At a comuna level, the Climate Risk Atlas shows that 84% of Chile's 345 existing comunas have one or more high climate risks, including heat waves, forest fires, and floods. These threats affect not only productivity but public health, particularly the health of vulnerable groups, which live primarily in informal neighborhoods on the outskirts of metropolitan areas [37]. Climate change impacts are fundamentally local, so capacity-building is extremely important for the GOREs and municipal governments to plan and act locally on the climate agenda. For this reason, the Climate Change Framework Law mandates that subnational levels of government develop climate planning tools, to promote the mainstreaming of climate objectives in public sector management at all levels.
- 1.27 Chile has committed to managing its infrastructure to reduce its GHG emissions. In the update to its 2020 Nationally Determined Contribution (NDC), the country committed to not surpassing 95 million tonnes of carbon dioxide equivalent by 2030 [38], and pledged in its Long-term Climate Strategy to achieve carbon neutrality by 2050. Infrastructure should move with this change and transition towards the decarbonization of the economy. Chile is also highly vulnerable to the impacts of climate change due to its extended coastline, glaciers, and dry climate in the North, so it is crucial to include investments in improving adaptive capacity and resilience considerations in urban planning.
- 1.28 **Gender and diversity gap considerations.** In Latin America and the Caribbean and Chile, access to infrastructure facilities and urban services is unequal depending on who is accessing them. Caregivers and the people they care for experience greater difficulty due to the additional effort of travel, posing a challenge in the allocation and proximity of city infrastructure [39]. In Chile, women largely use public transportation infrastructure and nonmotorized means in metropolitan

¹³ Chile has seven of the nine characteristics defined by the United Nations Framework Convention on Climate Change (UNFCCC, 1992), including: low-lying coastal areas, arid and semi-arid areas, forested areas and areas liable to forest decay, areas prone to socio-natural disasters, areas liable to drought and desertification, areas of high urban air pollution, and areas with fragile ecosystems, including mountainous ecosystems.

areas for the purposes of care trips (assisting people in their care, access to green spaces and health, etc.). This represents over 50% of total trips by women in all metropolitan areas, and over 60% in metropolitan areas of northern Chile, based on origin-destination surveys [40], which increases time poverty. Care trips involve travel to urban facilities and services by caregivers (71.6% are women [41]) as well as those receiving care (increasing numbers of older adults, as well as children, persons with disabilities, and dependent adults). In addition to the need for territorial equity and equal distribution of these facilities at the metropolitan scale and their infrastructure, there are also design challenges to ensuring universal access for people who are dependent on others for care. Public spaces and infrastructure, when built for nondisabled heterosexual men, are less accessible for caregivers and especially for those receiving care and persons with disabilities [42]. Although Chile's General Ordinance for Urban Planning and Construction has standards for universally accessible construction, they are not always applied; this is a problem, considering that 12.7% of the population has a disability according to the 2017 Census. Improving the accessibility of care infrastructure is therefore fundamental, as is greater inclusion in design for universal accessibility, to improve coverage and territorial equity, narrow the gender gap in travel facilities through proximity, and facilitate and ensure access for those receiving care [43].

- 1.29 Law 21,074 of 2018 to Strengthen and Regionalize the Country establishes the legal concept of metropolitan areas and seeks to decentralize their management and administration under the GOREs. Yet it does not mention mainstreaming the “gender lens” or “care lens” in the definition of the governance or management model for these metropolises. Additionally, after the 2021 gubernatorial elections just three out of 16 governorships were held by women, and only 35.5% of regional advisers are women. This underrepresentation makes gender mainstreaming harder at this scale, including in the Consultative Committee provided by law for the metropolitan areas. Coordination with local stakeholders to narrow the gender gap, as well as with the regional offices of the central government such as the SEREMI for Women, could facilitate gender mainstreaming in governance.
- 1.30 **Theory of change.** The program objective is to strengthen the GOREs to build infrastructure that provides urban services at a metropolitan scale. Component 1 aims to consolidate the institutional structure of the GOREs through the creation of the DAMs. Component 2 aims to build the technical and management capacity of the GOREs through a learning-by-doing process by means of metropolitan-scale infrastructure projects and the delivery of urban services that promote resilience and reduce GHG emissions (Component 1). (See [optional link 5](#) and Annex II).
- 1.31 **The program’s rationale and strategy.** The program strategy has two pillars, both aligned with the identified factors and designed to complement and reinforce its specific objectives. The first pillar will consolidate the institutional structure of the GOREs through the creation of the DAMs and development of the necessary instruments to exercise their competencies at the metropolitan scale, integrating sustainability and equity. The second pillar will build the technical capacity of the GOREs through a learning-by-doing process by means of infrastructure financing enabling them to manage and deliver metropolitan-scale services, prioritizing investments that promote resilience and reduce GHGs, improving quality of life, and mitigating environmental impact.
- 1.32 The aim of this strategy is for the GOREs to improve the delivery of urban services and promote sustainable and inclusive planning and management. The creation of

the DAMs is critical for efficiency in infrastructure services, confronting challenges in transportation, sustainable mobility, solid waste management, and land use. This will require support from the whole GORE, including the Planning and Development Divisions. Coordinating services delivery through the metropolitan areas helps reduce urban inequity and improves the efficiency and sustainability of cities, optimizing access and quality of services such as housing, active mobility, education, and health.

1.33 The urban planning and investment reflect climate considerations, such as green building criteria that improve buildings' energy and water efficiency, waste treatment plants that reduce methane emissions, and the creation of parks that act as carbon sinks and improve air quality. These can have transformative impacts on cities' carbon footprints and increase the resilience of urban infrastructure. Considering that more than 70% of Chile's GHG emissions come from metropolitan areas, and that Chile has the highest death rate attributable to air pollution in metropolitan areas in all of Latin America [44], many of the competencies for climate change policy-making reside with subnational governments [45]. The GOREs can also play an active role in the transition towards low-emission local economies that are resilient to climate change impacts by aligning themselves with Chile's NDC objectives and Long-term Climate Strategy. This project is a significant opportunity to support the country in its goal to achieve carbon neutrality by 2050, as most of its emissions come from urban areas.

1.34 **The Bank's value-added.** The IDB has been supporting Chile's decentralization, regional strengthening, and metropolitan governance for more than two decades through loans, technical cooperation, and fee-for-service projects. This work is based on the Bank's strategy of guiding the country from the early stages of its metropolitan institutional configuration by building capacity and preparing the GOREs to constitute metropolitan areas. This has created the necessary conditions for the current loan program, whose vision now is to strengthen the constituted metropolitan areas and GORE teams by deepening the adoption of a metropolitan institutional configuration through new competencies and investment at a metropolitan scale. This support has been particularly robust and growing in recent years (see Figure 2).

Figure 2. The IDB's value-added in the last seven years



Source: IDB.

- 1.35 The Bank has experience creating similar tools for managing metropolitan-scale urban services delivery elsewhere in the region. Examples include, in Argentina, the Development Program for Metropolitan Areas Outside the Capital ([2499/OC-AR](#) and [3780/OC-AR](#); [AR-O0001](#)), now in execution, and the Urban Municipal Infrastructure Program ([2929/OC-AR](#)); and in Chile, the program for Revitalization of Neighborhoods and Heritage Infrastructure ([3564/OC-CH](#)).
- 1.36 The Bank's work in Chile has strengthened the GOREs and the subnational- and metropolitan-scale management of capabilities, planning, governance, and risk management (fee for service: CH-R1005; CH-R1007, [ATN/CV-19403-CH](#); [3780/OC-AR](#)). In terms of lessons learned, previously executed operations have confirmed that the efficiency of execution and delivery of public services has improved in subnational governments, where capacities have been put in place and strengthened. These experiences have also demonstrated the importance of: (i) multilevel and multisector metropolitan coordination; (ii) participatory and effective governance; and (iii) alignment of political priorities (see Table 1).

Table 1. Experiences and lessons learned

Lessons learned	Experience	Project number/name
1. Metropolitan-scale coordination has a favorable impact on economic and environmental indicators in terms of productivity and environmental protection.	Capacity-building, case studies, recommendations for constituting metropolitan areas, and development of metropolitan plans.	Fee for service: CH-R1005 and CH-R1007
2. Greater metropolitan coordination results in benefits at all geographic scales.	Instruments for sustainable spatial planning at metropolitan scale.	Technical cooperation: ATN/CV-19403-CH and ATN/OC-18278-RG Fee for service: CH-R1005 and CH-R1007
3. Effective metropolitan governance require structures with high levels of political legitimacy and accountability.	Constituting metropolitan areas, governance models. Setting priorities for metropolitan-scale urban services delivery.	Loans in execution: 2499/OC-AR , 3780/OC-AR , and AR-O0001 Fee for service: CH-R1007 Technical cooperation: ATN/CV-19403-CH
4. All stakeholders should participate in the governance agreements along with trained personnel to ensure successful management of goods and services.	Capacity-building in spatial planning and land management, risks, and multilevel coordination in GORE technical teams and municipal governments in metropolitan areas.	Fee for service: CH-R1010 Technical cooperation: ATN/OC-18445-RG
5. The executing agency and executing mechanism should be used to working with the Bank.	Management of operations with the Bank, including technical, administrative, and fiduciary aspects and execution mechanisms.	Loan: 3564/OC-CH
6. The spatial planning and land management instruments should reflect the dynamics of the informal habitat.	Incorporation of informal urban growth into urban planning, since it plays an important role in the current processes of the urbanization and expansion of Chile's metropolitan areas.	5313/OC-CH and 5314/GR-CH

- 1.37 **Strategic alignment.** This program is consistent with the 2023-2030 IDB Group Institutional Strategy: Transforming for Scale and Impact (CA-631) and aligned with its objectives to: (i) reduce poverty and inequality, by providing urban infrastructure services for lower-income, higher-vulnerability populations; and (ii) address climate change, by building the urban planning and land management capabilities of GOREs to mitigate potential climate change impacts. The program is also aligned with the following operational focus areas: (i) biodiversity, natural capital, and climate action, by establishing effective governance and coordination mechanisms at multiple levels relating to these issues; (ii) gender equality and inclusion of diverse population groups, by managing and executing urban infrastructure projects with gender criteria and including diverse groups like persons with disabilities in their design and implementation; (iii) institutional capacity, rule of law, and citizen security, by building the institutional and instrumental capacity of GOREs as stipulated in the Regional Strengthening Laws; and (iv) sustainable, resilient, and inclusive infrastructure, with an emphasis on regional integration, by providing urban infrastructure services that improve cost efficiency, offer quality infrastructure to mitigate climate change impacts, and focus attention on the most vulnerable population groups. It is also aligned with the following sector frameworks: (i) Housing and Urban Development Sector Framework Document (GN-2732-11), by promoting effective urban governance through fiscal capacity-building and coordination among territorial units; (ii) Water and Sanitation Sector Framework Document (GN-2781-13), by promoting universal access to quality water and sanitation services with equity, inclusion, and affordability and improving financing and governance frameworks; and (iii) Decentralization and Subnational Governments Sector Framework Document (GN-2813-3), by promoting the development of the institutional capacity of the GOREs.
- 1.38 The program is also consistent with the new Institutional Strategy because it creates significant opportunities for private investment. Potential private-sector participation through IDB Invest has been explored and is highly likely, and could be channeled through public-private partnerships, specifically through the infrastructure concessioning and competitive bidding system managed by the Ministry of Public Works. These potential partnerships will be evaluated project by project and will allow the private sector to join in the development of critical infrastructure for sustainable urban services delivery. The necessary safeguards will be provided for any such collaboration. The collaboration could drive regional economic development and will improve citizens' quality of life by ensuring more effective and equitable delivery of essential urban services. In addition, potential synergies will be explored with BID Lab, to incorporate technology as part of the GORE capacity-building process, such as artificial intelligence and Big Data management for decision-making. Although no other donors are financing works under the operation or as part of the program, activities are being coordinated with the CAF because it is supporting other studies on the ability of the GOREs to receive complex competencies.¹⁴

¹⁴ Complex competencies are those involving a high fiscal counterpart and high intersector management capacity.

- 1.39 **IDB Group country strategy with Chile.** The program is also consistent with the IDB Group Country Strategy with Chile 2022-2026 (GN-3140-3) on the strategic objective of improving efficiency and the quality of Chilean institutions.
- 1.40 **Gender and diversity alignment.** This operation is aligned with the crosscutting themes of gender equality and diversity by means of actions to: (i) promote the management and execution of metropolitan-scale urban infrastructure projects that incorporate criteria of gender and inclusion of diverse groups such as persons with disabilities in their design and implementation; and (ii) build the institutional and technical capacity of the GOREs in gender and diversity areas, to create the governance model with criteria of inclusion and participation of women and persons with disabilities. It is consistent with the IDB Group Country Strategy with Chile (GN-3140-3), the Gender and Diversity Action Plan 2022-2025, and the Gender and Diversity Sector Framework Document (GN-2800-8), given its contribution to expanding equal opportunities in access to urban infrastructure and services.
- 1.41 **Paris alignment.** This operation has been reviewed using the [Joint MDB Assessment Framework for Paris Alignment](#) and the [IDB Group Paris Alignment Implementation Approach](#) (GN-3142-1) and is deemed to be: (i) aligned with the adaptation objective of the Paris Agreement; and (ii) aligned with the mitigation objective of the Paris Agreement based on a specific analysis. The alignment is based on the following factors: the operation is aligned with the mitigation and adaptation targets in the NDC and National Adaptation Plan, the anticipated composting and recycling in the landfills, and management strategies for capturing, recovering, or burning methane gas. Accordingly, no risks have been identified related to compromised emissions, transitions, or stranded assets.
- 1.42 **Climate finance and green finance.** According to the joint MDB methodology for tracking climate finance, 45.35% of the IDB's contribution for this operation goes to climate finance, given the program's investments in urban infrastructure that promotes climate change mitigation and adaptation, as well as the strengthening of the governance, capacity, and knowledge of the GOREs for climate action. According to the Green Finance Tracking Methodology at the IDB Group (GN-3101), the operation contributes to the environmental sustainability objectives through the same items that are considered climate finance, so there is no green finance additional to climate finance ([optional link 3](#)).

B. Objectives, components, and cost

- 1.43 **Objective and scope.** The objective of the operation is to strengthen the regional governments (known as GOREs) in creating infrastructure to provide urban services at the metropolitan scale. The specific objectives are: (i) to build the institutional capacity of the GOREs so they can exercise their competencies at the metropolitan scale with a climate change and gender and diversity lens;¹⁵ and (ii) to build the technical capacity of the GOREs through the management and execution of infrastructure services projects at the metropolitan scale, prioritizing investments involving improved resilience and reduced greenhouse gas emissions with a gender and diversity lens.

¹⁵ See paragraph 1.29.

- 1.44 **Component 1. Institutional capacity-building of the GOREs at the metropolitan scale (IDB: US\$4.6 million).** The objective of this component is to build the institutional capacity of the GOREs to deliver urban infrastructure services effectively, while also addressing the challenges of climate change (aligned with specific objective 1) through: (i) the development of governance models and regulations for implementing governance that include guidelines for gender equity and inclusion of persons with disabilities and dependent persons;¹⁶ and (ii) training for metropolitan area governance teams that includes modules on climate change and urban sustainability.
- 1.45 **Component 2. Management and execution of urban infrastructure services projects at the metropolitan scale (IDB: US\$44.4 million; Local: US\$40 million).** The objective of this component is to build the technical capacity of the GOREs through the management and execution of priority urban infrastructure services projects at the metropolitan scale in the areas or categories eligible for financing by the Regional Contingency Support Fund,¹⁷ such as, and as a reference, solid waste, recovery of public spaces, care focus, and development of heritage assets, through: (i) prefeasibility and feasibility studies of metropolitan-scale urban infrastructure projects; (ii) design of metropolitan-scale urban infrastructure projects with a gender and diversity lens to support resilience and reduced GHG emissions; (iii) metropolitan-scale urban infrastructure projects to mitigate climate change impacts with a gender and diversity lens; (iv) development of Coastal Region Zoning (ZRBC) tools that include climate change mitigation and adaptation actions; (v) formulation of Regional Land Management Plans (PROTs) to promote climate change mitigation and adaptation actions; (vi) entities and regulations for coordination; and (vii) formulation of plans addressing green infrastructure, disaster risk reduction, regional waste management, transportation, and more. The aim is to strengthen the governance, capacity, and knowledge surrounding climate change adaptation and mitigation, in line with Chile's existing climate policies at the comuna level (Comuna Action Plans on Climate Change), regional level (Regional Action Plans on Climate Change), and national level (NDC, Long-term Climate Strategy).
- 1.46 **Administration, supervision, evaluations, and audit (IDB: US\$1 million).** This component includes the executing agency's expenses for managing the program, covering staff costs, consulting, equipment, external audits, results verification, and program administration and supervision activities.
- 1.47 **Selection criteria for GOREs.** Sixteen GOREs will be eligible for Component 1. To be eligible for Component 2, specifically regarding investment, GOREs must have: (i) one or more potential metropolitan area; (ii) started the process of

¹⁶ The metropolitan area governance models and regulations with a gender and diversity lens should include coordination in their DAM sessions and with local stakeholders and the regional representation office of the central government, related to closing gaps, such as SEREMI for Women to aim to equal access and opportunities, in addition to parity participation involvement in these sessions from the early stages of the project.

¹⁷ As provided by the public sector budgets laws of the Republic of Chile in force during the original disbursement period or as extended, including the 2024 Public Sector Budgets Law.

constituting themselves as a metropolitan area;¹⁸ (iii) enough staff to carry out the program activities under their authority; (iv) the ability to ensure the economic, technical, and financial viability of the projects;¹⁹ and (v) achieved a satisfactory result from an analysis using the simplified Institutional Capacity Assessment Platform, attesting that the GORE can maintain the works so as to ensure their sustainability. The specific selection criteria for GOREs to join the program will be included in the program Operating Regulations.

- 1.48 **Eligibility criteria for projects that are part of the program.** The Component 2 projects financed by the program must: (i) seek a solution to a metropolitan-scale problem; (ii) belong to one of the types or categories mentioned in paragraph 1.45; and (iii) address gender and diversity, as well as climate change and the circular economy, based on criteria set in the program Operating Regulations. The program cannot finance investments and/or works if: (i) the investments require physical resettlement or relocation of population; and (ii) they are classified as category “A” under the Bank’s Environmental and Social Policy Framework (ESPF). Detailed eligibility criteria for each type of works will be included in the program Operating Regulations.

C. Key results indicators

- 1.49 **Expected impact and outcomes.** As a result, the GOREs are expected to achieve the following: (i) approve and manage metropolitan urban infrastructure projects; (ii) increase spending on metropolitan urban infrastructure projects; (iii) constitute their metropolitan areas with their respective DAMs; and (iv) gain suitable planning tools to reduce GHG emissions and improve climate resilience. Not only will these results have an impact on the GOREs and their DAMs by formulating and investing in metropolitan infrastructure projects, but they will also attract more public and private investment in the medium and long term, impacting a larger population. This will have a systemic impact at the national level, transitioning the way metropolitan infrastructure is managed towards a more timely, efficient, and effective model and improving the quality of life of the population.
- 1.50 **Technical viability of the sample.** A technical analysis was done on a representative sample for each type of Component 2 investment: waste, green spaces, care, and heritage assets. This was used to establish basic costs and perform socioenvironmental and economic assessments. The sample projects qualify as metropolitan according to the description in paragraph 1.45 and the program’s technical, economic, and socioenvironmental eligibility requirements (see [optional link 1](#) and [required link 2](#)).

¹⁸ For preparation the operation, the Office of the President of the Republic signing the decree is considered a necessary and sufficient condition to constitute the metropolitan area. At the time of publication, the following metropolitan areas have reached this stage: (i) Alto Hospicio-Iquique, (ii) Greater Concepción, and (iii) Greater Santiago.

¹⁹ The mechanisms for validating these conditions are: for economic viability, a socioeconomic evaluation; for technical viability, an analysis of alternatives and technical viability of the proposed solution; and for financial viability, a financial sustainability analysis of the operator and a management model. The details of these mechanisms will be specified in the program Operating Regulations.

Table 2. Representative sample

Type	Project	State	Metropolitan area	Value (US\$)
1. Solid waste and environmental infrastructure management	Integrated waste treatment center	Design	Alto Hospicio–Iquique	16,380,808
2. Public spaces, green spaces, and ecosystem services	Overall improvement of Cerro San Juan Park	Design	Rancagua–Machalí	2,294,366
3. Care, health, and social infrastructure	Teletón Children’s Rehabilitation Institute	Execution	Rancagua–Machalí	13,117,791
4. Heritage and cultural assets	Regional Museum of Memory and Human Rights	Design	Greater Concepción	5,186,634

1.51 **Economic viability.** Upon review, the sample is economically viable with an internal rate of return of 22.9%. The project types were analyzed both separately and together. The benefits of the integrated waste treatment center come from the sale of recycled material and compost. For the overall improvement of Cerro San Juan Park, the analysis considered the value of real estate in the project area. For the Teletón Children’s Rehabilitation Institute, the analysis looked at cost savings for the families of the beneficiary children. For the Regional Museum of Memory and Human Rights, the analysis looked at the cost savings between free admission and the prices of similar cultural activities. It used a 12% discount rate and a 25-year horizon for the benefits and costs of operation and maintenance.

1.52 **Beneficiaries.** The operation will serve approximately three GOREs, each with an average of seven municipios per metropolitan area. Every resident will benefit from better urban services delivery using metropolitan infrastructure. The projects will benefit at least 192,742 people, distributed as follows: (i) 108,375 in waste management; (ii) 52,500 with access to green spaces; (iii) 1,345 children in care; and (iv) 30,522 with access to heritage assets, impacting at least 354,962 people. The representative sample corresponds to 42% of the program value, so, in all, approximately 458,909 people are projected to benefit directly. The operation is also expected to benefit indirectly at least 750,000 people through capacity-building of the DAMs, since by law metropolitan areas must have at least 250,000 residents.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

2.1 **Financing instrument.** The operation has been designed as an investment loan under the Multiple Works Program modality (Operations Processing Manual, section PR-202) because: (i) the projects or urban infrastructure works of distinct types in different regional governments (known as GOREs) are physically similar but independent of each other and can be executed individually as long as the GORE selection criteria and project eligibility criteria are met; (ii) the feasibility of each project does not depend on the execution of other projects; and (iii) the individual size of each project does not warrant direct handling. Lastly, not all the projects are identified ahead of time, and even participating GOREs must be assessed before joining; therefore, the program has been deemed viable based on the evaluation of a representative sample of projects.

2.2 **Representative sample.** For the evaluation and dimensioning of the program, the representative sample specified in paragraph 1.51 was analyzed for each type of

intervention, equivalent to 42% of the program total cost. The projects selected for the sample meet the eligibility criteria.

- 2.3 **Cost and financing.** The total cost of the program is US\$90 million, to be financed with: (i) a loan of up to US\$50 million from the Bank's Ordinary Capital resources; and (ii) a local counterpart of US\$40 million from public funds (see Table 3). The disbursement period for the loan is five years, running from the effective date of the loan contract.
- 2.4 **Start of works.** The time limit for the physical start of the program infrastructure projects or works will be two years, before the end of the original disbursement period, or as extended, since the projects to be financed will take between 18 and 24 months to execute on average.

Table 3. Program estimated costs (US\$)

Components	IDB	Local	Total	%
Component 1	4,600,000	0	4,600,000	5.1
Models	400,000	0	400,000	8.7
Training	4,200,000	0	4,200,000	91.3
Component 2	44,400,000	40,000,000	84,400,000	93.8
Projects and studies	4,000,000	4,000,000	8,000,000	9.5
Works	36,000,000	36,000,000	72,000,000	85.3
Instruments	4,400,000	0	4,400,000	5.2
Administration, supervision, evaluations, and audit	1,000,000	0	1,000,000	1.1
Total	50,000,000	40,000,000	90,000,000	100

* The costs per activity are indicative.

B. Environmental and social safeguard risks

- 2.5 The program is classified as a category "B" operation under to the Bank's Environmental and Social Policy Framework (ESPF) due to the possible negative impacts of construction activities on Chile's metropolitan areas. These include an integrated waste treatment center, a regional museum, a children's rehabilitation center, and improvements to a public park, which will be identified and limited in time.
- 2.6 The main impacts of the construction phase may be associated with water, air, and soil pollution, noise, dust, solid and hazardous wastes, and the removal of soil and plant cover, affecting the visual quality of the landscape. During the operational stage of the works, the potential impacts may include water and soil pollution, odors, greenhouse gas emissions, and attraction of zoonotic vectors due to the activities of the waste treatment center.
- 2.7 The environmental and social risk rating is substantial. The main environmental risks include contamination of soil and groundwater, odors, greenhouse gases, and risks to occupational and community health. No direct negative impacts are expected on indigenous territories or critical habitats. There are performance risks due to the executing agency's lack of familiarity with the ESPF and the limited management and environmental capacity of the GOREs.

- 2.8 The disaster and climate change risk rating is high due to such threats as earthquakes, floods, forest fires, droughts, hydric stress, volcanic activity, rising sea level, tsunamis, and precipitation. This is based on the criticality and vulnerability of the critical infrastructure and the levels of risk exacerbation.
- 2.9 Consistent with the multiple works modality, three of the four projects in the program sample have an environmental and social impact assessment (ESIA) and an environmental and social management plan (ESMP), based on the magnitude of risk and impacts identified. For the fourth project, now in construction (Teletón Children's Rehabilitation Center), a supplemental environmental and social assessment was completed and published before the date of consideration by the Bank's Board of Executive Directors, based on the ESMP gap analysis and applicable local laws and regulations. An environmental and social management framework (ESMF) was prepared for the works outside the sample with eligibility and exclusion criteria. A preliminary version of the environmental and social management system was also published on the Bank's website before the Board date. Each work in the sample has a stakeholder participation plan that details procedures for relevant and strategic stakeholders to participate for each project and throughout the life cycle of the operation. Publishable versions of the environmental and social impact assessments with their ESMPs were posted on the Bank's website for the three projects in the program before the analysis mission (May 2024), along with the stakeholder participation plan. As part of the Stakeholder Participation Plan, meaningful consultation processes were conducted for the works in the sample with specific consultation strategies for each project, depending on the current status and needs of each one, on the following dates: for the Integrated Waste Treatment Center project in Alto Hospicio (Tarapacá Region), 9 July 2024; for the Regional Museum of Memory and Human Rights project in Concepción (Biobío Region), 10 July 2024; and for the Comprehensive Improvement of Cerro San Juan Park project in Machalí (O'Higgins Region), 11 July 2024. The final versions of the ESIA, ESMP, ESMF, and consultation reports were published on 9 August 2024.

C. Fiduciary risks

- 2.10 The Bank has determined that Chile's country systems (budget, treasury, accounting, internal and external audit, and country procurement system) are acceptable for IDB-financed operations. The analysis using the Institutional Capacity Assessment Platform confirmed that the executing agency has the necessary financial management and procurement instruments and control systems with satisfactory institutional capacity. Three medium-high fiduciary risks were identified along with one medium-low risk: (i) the weak institutional capacity of the GOREs may lead to delays and additional costs in meeting the operation's objectives; this will be mitigated by prioritizing the training and strengthening activities financed under Component 2; (ii) there may be delays in process execution and financial administration because of the need to coordinate with different subnational and interministerial agencies, affecting program execution; this will be mitigated by adding a team of specialists with project general coordination roles to the executing agency and providing them with the necessary tools and resources to perform the function of project management; and (iii) there may be delays in project execution because of the executing agency's inexperience with the IDB's procurement and financial management policies; this will be mitigated by providing training on the IDB's procurement and financial

management policies. The procurement procedures and specific financial matters will be designed and incorporated into the program Operating Regulations.

D. Other key issues and risks

- 2.11 **Other risks.** In addition to the environmental, social, and fiduciary risks previously described, there is a monitoring and evaluation risk on the part of the executing agency because it does not perform activities of this kind other than tracking the financial progress of budget execution. This could affect the execution of the project works. As a mitigation measure, the design of methodology for monitoring and evaluation of the decentralized projects that will strengthen the executing agency's supervision role will be included under Component 2.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Executing agency.** The executing agency will be the borrower, acting through the Office of the Deputy Secretary for Regional and Administrative Development (SUBDERE) of the Ministry of the Interior and Public Security. The executing agency will have a program coordination unit. The regional governments (known as GOREs) will act as technical management units.
- 3.2 **Program coordination unit.** The program coordination unit (PCU) will comprise at least the professionals in paragraph 3.6 (below). Its responsibilities will include: (i) acting as liaison with the Bank; (ii) coordinating execution of the projects with the GOREs; (iii) planning and monitoring activities; (iv) managing administrative, financial, technical, and socioenvironmental matters; (v) managing disbursements; (vi) drafting reports on the use of resources; (vii) supervising compliance with contractual clauses and provisions of the program Operating Regulations; (viii) delivering monitoring and evaluation reports to the Bank; and (ix) complying with the contractual provisions of the executing agency.
- 3.3 **Regional governments.** The GOREs will support the executing agency in program execution by carrying out the necessary technical, administrative, and financial activities, and will designate a counterpart for the executing agency. For the outputs under their responsibility, the GOREs will: (i) cofinance 50% of Component 2 projects or works; (ii) conduct procurement processes; (iii) report physical and financial monitoring to the executing agency; and (iv) account for the use of resources to the executing agency. The program Operating Regulations will describe the roles and responsibilities of the GOREs.
- 3.4 **Institutional capacity assessment.** The analysis of SUBDERE using the Institutional Capacity Assessment Platform found no significant institutional, technical, or fiduciary weaknesses and determined that SUBDERE has qualified staff with the experience to manage technical quality satisfactorily. The main recommendations are: (i) to create a PCU or project specialist team to coordinate the project and provide it with tools and resources for technical and financial monitoring, socioenvironmental impact management, and compliance with the Bank's procurement policies; (ii) to train the executing agency team in fiduciary and monitoring and evaluation areas according to Bank policies; and (iii) to incorporate institutional coordination mechanisms, an execution strategy for each component, monitoring and evaluation mechanisms, supervision of projects executed by the GOREs, and procedures with clear roles and responsibilities into

the program Operating Regulations. Emphasis should be put on the management of technical quality, procurement, specific financial aspects of the program, and mechanisms to account for actual expenditures.

- 3.5 **Agreement between the executing agencies and the GOREs.** The participation of the GOREs in the program will be formalized by signing a participation agreement or similar arrangement with the executing agency. In this agreement, the GORE will acknowledge that it understands and agrees to comply with the loan contract and the program documents, including the program Operating Regulations. The agreements will specify how the resources are to be transferred and executed, as well as obligations of the GOREs, such as: (i) accountability reporting to the executing agency and preparation of the financial statements; (ii) maintenance accounting and financial records; and (iii) safekeeping of documents pertaining to contracting and expenditures. The agreement will also include the conditions and commitments for the operation and maintenance of the projects under the responsibility of the GOREs. The program Operating Regulations will describe the details of these agreements.
- 3.6 **Special contractual conditions precedent to the first disbursement of the financing. The borrower, acting through the executing agency, will provide evidence to the Bank's satisfaction that: (i) the program Operating Regulations have been approved and have entered into force on the terms previously agreed upon with the Bank; and (ii) the following members of the program coordination unit have been contracted or appointed, as applicable: (a) a technical manager; (b) a financial management specialist; (c) a procurement specialist; (d) a social specialist; and (e) an environmental specialist.** These conditions are essential to ensuring effective program execution and providing assurance to the Bank that the executing agency is operationally prepared with a suitable team to start execution of the operation.
- 3.7 **Special contractual conditions of execution.** Before the start of execution of activities and works by a GORE, the borrower, acting through the executing agency, will provide evidence to the Bank's satisfaction that the corresponding participation agreement or similar arrangement with the respective GORE, as described in paragraph 3.5, has been signed and has entered into force on the terms previously agreed upon with the Bank. This condition is necessary to ensure the sustainability of the investments, as well as to ensure that the GOREs participate in the operation as established in the loan contract, program Operating Regulations, and other documents determining, inter alia, how the resources are to be transferred and executed and the obligations of the parties in program execution.
- 3.8 **Program Operating Regulations.** Program execution will be governed by the loan contract and program Operating Regulations that include at least: (i) the organizational structure of the program and the roles and responsibilities of the PCU; (ii) the institutional coordination mechanisms and framework for programming, monitoring, and evaluation of results; (iii) the guidelines for financial processes, procurement audits, environmental and social issues, supervision of projects by GOREs, project maintenance and sustainability, and the mechanism for accounting for expenditures; (iv) detailed selection criteria for GOREs and eligibility criteria for the projects; and (v) a detailed description of the outcome and output indicators.

- 3.9 **Operation and maintenance.** The borrower, acting through the executing agency, will commit to ensuring that the works included in the program will be properly maintained based on generally accepted technical standards during the useful life of the work. This commitment will therefore be included in the agreement with the GOREs described in paragraph 3.5. Beginning in the year following the completion of the first project and for up to two years after completion of the last of the works, it will deliver an annual maintenance plan and a report on the operation and maintenance status of the works and equipment within the first quarter of each calendar year. If the Bank's inspections or the reports indicate insufficient maintenance, the borrower, acting through the executing agency, has committed to request that the GOREs take the necessary steps to fully correct the deficiencies.
- 3.10 **Disbursements.** The loan resources may be disbursed via the modalities of advance of funds, reimbursement of expenditures, and direct payment to the provider. Advances of funds will be based on projections of expenditures for up to 180 days and governed by the Financial Management Guidelines for IDB-financed Projects (OP-273-12) or the version in effect during execution. Advances of funds subsequent to the first advance will require justification of 65% of the accumulated balances pending justification.
- 3.11 **Fiduciary agreements and requirements.** Annex III includes the guidelines for procurement execution and financial management that will apply to the program. Procurements financed, in whole or part, with proceeds of the loan will be conducted using the Policies for the Procurement of Goods and Works Financed by the Inter-American Development Bank (GN-2349-15) and the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (GN-2350-15), or with the country procurement system in the processes identified in the operation's procurement plan.
- 3.12 **Retroactive financing.** The Bank may retroactively finance up to US\$10 million (20% of the loan amount) in eligible expenditures incurred prior to loan approval, including consulting services, equipment, and works, provided that requirements substantially similar to those established in the loan contract and the core procurement principles have been met. Such expenses must have been incurred on or after 18 April 2024, the approval date of the project profile, but no more than 18 months prior to the date of loan approval. See the Bank Policy on Recognition of Expenditures, Retroactive Financing, and Advance Procurement (GN-2259-1).
- 3.13 **Audits.** During the loan disbursement period, or as extended, the borrower will provide the Bank with the program's annual audited financial statements within 180 days after the close of the fiscal year. The audit will be conducted by an independent audit acceptable to the Bank, including the Office of the Comptroller General of the Republic (CGR). The scope and other related aspects of the audits will be governed by the Financial Management Guidelines for IDB-financed Projects (OP-273-12) or the guidelines in effect during execution, and the Guide for the Preparation of Financial Statements and Auditing Requirements. The program's final audited financial statements will be delivered no later than 180 days after the expiration of the original disbursement period, or as extended.
- B. Summary of arrangements for monitoring results**
- 3.14 **Monitoring.** The executing agency will monitor and oversee the management of projects, including: (i) six-monthly monitoring reports with: (a) objectives met for

the Results Matrix indicators, (b) physical and financial progress of outputs, (c) procurement and contracting based on the procurement plan, (d) compliance with environmental and social safeguards, (e) risk assessments, and (f) updates of planning and monitoring tools; (ii) delivery of the program financial statements; and (iii) preparation of the project completion report, as described in the monitoring and evaluation plan.

- 3.15 **Evaluation.** The program will have: (i) a midterm evaluation, which will be delivered to the Bank when 50% of the loan proceeds have been disbursed, or three years after the entry into effect of the loan contract, whichever occurs first; and (ii) a final evaluation, which must be delivered to the Bank 90 days after the date of the last disbursement, and will include a “before and after” reflective evaluations, effectiveness evaluation, and ex post economic evaluation. The Bank will also prepare a project completion report based on the six-monthly reports on execution, the Results Matrix, the audited financial statements, and the midterm and final evaluations. The studies to measure the impact and outcome indicators and the evaluations of the monitoring and evaluation plan will be financed by the loan.

Development Effectiveness Matrix		
Summary		CH-L1176
I. Corporate and Country Priorities		
Section 1. IDB Group Institutional Strategy Alignment		
Operational Focus Areas	<ul style="list-style-type: none"> -Biodiversity, natural capital, and climate action -Gender equality and inclusion of diverse population groups -Institutional capacity, rule of law, citizen security -Sustainable, resilient, and inclusive infrastructure 	
[Space-Holder: Impact framework indicators]		
2. Country Development Objectives		
Country Strategy Results Matrix		
Country Program Results Matrix	GN-3207	The intervention is included in the 2024 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		7.6
3.1 Program Diagnosis		2.5
3.2 Proposed Interventions or Solutions		3.2
3.3 Results Matrix Quality		1.9
4. Ex ante Economic Analysis		9.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		1.5
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		2.5
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		0.0
5. Monitoring and Evaluation		8.4
5.1 Monitoring Mechanisms		2.8
5.2 Evaluation Plan		5.5
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium Low
Environmental & social risk classification		B
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Budget, Treasury, Accounting and Reporting, External Control, Internal Audit. Procurement: Information System, Price Comparison, Contracting Individual Consultant.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project		

The general objective of the program is to strengthen the Regional Governments to generate infrastructure that provides urban services at a metropolitan scale. The specific objectives are: (i) to strengthen the institutional capacity of the Regional Governments to exercise their competencies at a metropolitan scale with considerations of climate change and gender and diversity; (ii) to strengthen the technical capacities of the GORE through the management and execution of infrastructure service projects at a metropolitan scale, considering investments that support the improvement of resilience and reduction of greenhouse gas emissions, and that consider gender and diversity aspects.

The project presents a comprehensive diagnosis and a precise description of the challenges faced by Regional Governments in Chile for the management and execution of metropolitan-scale projects. Most of the result indicators included in the results matrix are SMART and have means of verification.

The economic analysis quantified the cost-benefit of four metropolitan-scale infrastructure works that constitute the sample. The analysis of each work takes into account both the value corresponding to each individual work and a proportional allocation of the costs of strengthening the institutional capacity of the Regional Governments. The cost-benefit analysis includes reasonable assumptions and an adequate sensitivity analysis. All evaluated projects were found to have positive profitability according to the Net Present Value and had an Internal Rate of Return exceeding 12%. The aggregate analysis concludes that the project is economically viable, with an IRR of 22.90%.

The monitoring and evaluation plan proposes measuring the effectiveness of the intervention through an ex-post cost-benefit analysis and a before-and-after comparison.

RESULTS MATRIX

Project objective:	The specific objectives are: (i) to build the institutional capacity of the regional governments (known as GOREs) so they can exercise their competencies at the metropolitan scale with a climate change and gender and diversity lens; and (ii) to build the technical capacity of the GOREs through the management and execution of infrastructure services projects at the metropolitan scale, prioritizing investments involving improved resilience and reduced greenhouse gas emissions with a gender and diversity lens.
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GENERAL DEVELOPMENT OBJECTIVE

Indicators	Unit of measure	Baseline value	Baseline year	Expected year achieved	Target	Means of verification	Comments
General development objective: Strengthen the regional governments in creating infrastructure to provide urban services at the metropolitan scale							
Regional governments (known as GOREs) with metropolitan areas capable of managing an investment portfolio of infrastructure projects for metropolitan-scale services delivery.	Number of GOREs	0	2024	2029	3	Supreme decree constituting metropolitan area. Hiring of professional staff stipulated in the decree constituting the metropolitan area. Investment portfolio document created by the metropolitan area department containing infrastructure projects for metropolitan-scale services delivery approved by the Regional Council.	

SPECIFIC DEVELOPMENT OBJECTIVES

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
Specific development objective 1: To build the institutional capacity of the GOREs so they can exercise their competencies at the metropolitan scale with a climate change and gender and diversity lens											
Metropolitan area departments (known as DAMs) that are consolidated and operational.	Percentage	0	2024	1	1	2	3	-	7	Decree constituting the metropolitan area. Governor's Resolution constituting the DAM. Hiring of DAM officials. Certification of trainings for DAM staff with climate change modules.	
Specific development objective 2: To build the technical capacity of the GOREs through the management and execution of infrastructure services projects at the metropolitan scale, prioritizing investments involving improved resilience and reduced greenhouse gas emissions with a gender and diversity lens											
Metropolitan projects ¹ approved through a multilevel coordination body.	Percentage	0%	2024	30%	50%	60%	70%	80%	80%	Record of approval of metropolitan projects from the Mayoral Advisory Council or superseding body.	
Spending increase for metropolitan infrastructure works executed with a climate change lens.	Percentage	0%	2024	5%	10%	15%	20%	25%	25%	Provisional acceptance or other document accrediting the completion of the metropolitan project work and record of the multilevel coordination body. Regional investment preliminary design approved by the Regional Council.	See required link 2 .
Rate of waste diversion to integrated waste management infrastructure facilities financed by the program.	Rate of waste diversion = (waste diverted/total waste received)	0%	2024	-	-	-	-	-	5%	Annual recycling and composting report of integrated waste management infrastructure issued by the operating company.	

¹ Metropolitan projects are those that address the demand of a population belonging to an agglomeration of more than one comuna and with more than 250,000 residents.

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
Metropolitan-scale projects with a gender and diversity lens.	Percentage	0%	2024	0%	10%	20%	30%	40%	40%	Provisional acceptance or other document accrediting the completion of the metropolitan project work.	See required link 2 .
Regions with approved interjurisdictional spatial planning instruments and plans that include relevant climate change adaptation and mitigation actions.	Number	0	2024	-	1	1	1	3	6	Record of approval of spatial planning instruments in the GOREs.	See required link 2 .

OUTPUTS

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
Component 1: Institutional capacity-building of the GOREs at the metropolitan scale											
Development of metropolitan area governance models and regulations to build the institutional capacity of the GORE with a gender and diversity lens.	Number of governance models developed	0	2024	0	0	1	2	2	5	Approval of metropolitan area governance model by the Regional Council.	See required link 2.
Workshops to train technical teams for land management with at least 10% of the hours dedicated to modules on climate change, resilience, and urban sustainability.	Number of workshops	0	2024	2	2	2	2	2	10	List of training attendees; schedule and invitation, agenda, and learning survey.	See required link 2.
Strengthening of metropolitan area and land management teams.	Number of strengthening plans implemented	0	2024	0	3	4	0	0	7	Strengthening plan implemented.	See required link 2.
Component 2: Management and execution of urban infrastructure services projects at the metropolitan scale											
Pre-investment studies of metropolitan-scale urban infrastructure projects.	Number of studies	0	2024	1	2	3	2	0	8	Investment initiative record. Final acceptance document from the Technical Management Unit.	See required link 2.
Design of metropolitan-scale urban infrastructure projects that support resilience and reduced GHG emissions based on criteria set in the program Operating Regulations and optional link 3: Sustainability and climate change analysis for the representative sample of projects.	Number of designs	0	2024	1	5	5	4	0	15	Investment initiative record. Final acceptance document from the Technical Management Unit.	See required link 2.

Indicators	Unit of measure	Baseline value	Baseline year	Year 1	Year 2	Year 3	Year 4	Year 5	End of project	Means of verification	Comments
Completion of metropolitan-scale urban infrastructure projects that mitigate climate change impacts based on criteria set in the program Operating Regulations and optional link 3: Sustainability and climate change analysis for the representative sample of projects.	Number of works finished	0	2024	0	0	1	2	3	6	Provisional acceptance or other document confirming completion of the work.	See required link 2 .
Preparation of land management and spatial planning instruments that include relevant climate change adaptation and mitigation actions aligned with the relevant Regional and/or Comuna Mitigation and/or Adaptation Plans.	Number of instruments prepared	0	2024	4	8	7	8	3	30	Final acceptance of spatial planning instrument by the Regional Government.	See required link 2 .

Country: Chile

Division: HUD

Operation number: CH-L1176

Year: 2024

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Executing agency: The borrower, acting through the Office of the Deputy Secretary for Regional and Administrative Development (SUBDERE) of the Ministry of the Interior and Public Security

Operation name: Program to Strengthen Regional Governments for the Metropolitan-Scale Management of Infrastructure and Urban Services

I. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

1. Use of country systems in the operation¹

<input checked="" type="checkbox"/> Budget	<input type="checkbox"/> Reports	<input checked="" type="checkbox"/> Information system	<input checked="" type="checkbox"/> National competitive bidding (NCB)
<input checked="" type="checkbox"/> Treasury	<input checked="" type="checkbox"/> Internal audit	<input checked="" type="checkbox"/> Shopping	<input type="checkbox"/> Other
<input checked="" type="checkbox"/> Accounting	<input checked="" type="checkbox"/> External control	<input checked="" type="checkbox"/> Individual consultants	<input checked="" type="checkbox"/> Other

2. Fiduciary execution mechanism

<input checked="" type="checkbox"/>	Coexecuting agencies/ subexecuting agencies	<p>The regional governments (known as GOREs), as technical management units, will conduct all technical, administrative, and financial activities necessary to execute the activities under their responsibility and will designate a counterpart for the executing agency. Their responsibilities will include: (i) cofinancing the selected projects; (ii) conducting contracting and procurement processes; (iii) reporting physical and financial monitoring of projects to the executing agency; and (iv) accounting for the use of resources to the executing agency. The program Operating Regulations will contain the details of the program execution mechanism.</p> <p>Special contractual condition of execution: Before the start of execution of activities and works by a GORE, the borrower, acting through the executing agency, will provide evidence to the Bank's satisfaction that the corresponding participation agreement or similar arrangement with the respective GORE has been signed and has entered into force on the terms previously agreed upon with the Bank. This condition is necessary to ensure the sustainability of the investments, as well as to ensure that the GOREs participate in the operation as established in the loan contract, program Operating Regulations, and other documents determining, inter alia, how the resources are to be transferred and executed and the obligations of the parties in program execution.</p> <p>The details of the requirements of these agreements will be described in greater depth in the program Operating Regulations, which will also</p>
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¹ Any system or subsystem that is subsequently approved may be applicable to the operation, in accordance with the terms of its validation by the Bank.

		include the criteria and requirements for incorporating the technical management units in the program (including an analysis of the unit's capacity).
<input checked="" type="checkbox"/>	Special features of fiduciary execution	The borrower will be the Republic of Chile, and the executing agency will be the Office of the Deputy Secretary for Regional Development of the Ministry of the Interior and Public Security, acting through its Regional Development Division, in which a program coordination unit (PCU) will be established. The GOREs will act as technical management units.

3. Fiduciary capacity

Fiduciary capacity of the executing agency	<p>The executing agency works within the Public Financial Administration System, using the State Financial Management Information System (SIGFE) for budgeting, accounting, and payments. The Bank has determined that Chile's country systems (Budget, Treasury, Accounting, and Government Internal Audit (CAIGG), and External Audit (CGR) are acceptable for Bank-financed operations.</p> <p>The analysis using the Institutional Capacity Assessment Platform (ICAP) confirmed that the executing agency's institutional capacity for development is satisfactory for execution of the program.</p> <p>The institution's historical performance financially managing projects is satisfactory. However, opportunities for improvements were identified in certain areas, such as the procedure to request disbursements, the procedure to request the transfer of funds to the program account, processing payments to vendors, and the preparation of project financial statements. Some aspects of coordination with other departments or institutions involved in the project require mitigation. Accounting records will be managed using the SIGFE system, and suballocations or BIP codes will be created for decentralized monitoring of project execution. One area to highlight is accounting for actual expenditures, which will have to be developed in detail.</p>
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4. Fiduciary risks and risk response

Risk taxonomy	Risk	Risk level	Risk response
Governance systems	The weak institutional capacity of the GOREs may lead to delays and additional costs in meeting the operation's objectives.	Medium-High	Priority will be given to the training and strengthening activities for the GOREs, to be financed under Component 2.
Institutional	There may be delays in process execution and financial administration because of the need to coordinate with different	Medium-Low	A team of specialists with project general coordination roles will be added to the executing agency, providing them

Risk taxonomy	Risk	Risk level	Risk response
	subnational agencies, affecting program execution.		with the necessary tools and resources to perform the function of project management.
Human resources	There may be delays in project execution because of the executing agency's inexperience with the IDB's procurement policies.	Medium-High	The executing agency will receive training on the IDB's procurement and financial management policies. The procedures for procurements and specific financial aspects of the project will be designed and incorporated into the program Operating Regulations (eligibility condition met) for the correct application of the IDB financial management policies.

5. **Policies and guidelines applicable to the operation:** For program financial management, Financial Management Guidelines for IDB-financed Projects (GN-2811-1) (OP-273-12), or current version; for the procurement of works, goods, and nonconsulting services, the procurement policies (GN-2349-15) approved by the Bank on 2 July 2019; for the contracting of consulting services, the consultant selection policies (GN-2350-15).
6. **Exceptions to policies and guidelines:** None.

II. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE LOAN CONTRACT

<p>Special contractual conditions precedent to the first disbursement: The borrower, acting through the executing agency, will provide evidence to the Bank's satisfaction that: (i) the program Operating Regulations have been approved and have entered into force on the terms previously agreed upon with the Bank; and (ii) the following members of the program coordination unit have been contracted or appointed, as applicable: (a) a technical manager; (b) a financial management specialist; (c) a procurement specialist; (d) a social specialist; and (e) an environmental specialist. These conditions are essential to ensuring effective program execution.</p>
<p>Exchange rate: For the purposes of Article 4.10 of the General Conditions, the parties agree that the exchange rate to be used will be the rate stipulated in Article 4.10(b)(ii). For the purpose of determining the equivalency of expenditures incurred in local currency chargeable against the local contribution, or the reimbursement of expenditures chargeable against the loan, the exchange rate will be the rate in effect on the first working day of the month in which the borrower, the executing agency, or any other person or corporation with delegated authority to incur expenditures makes the respective payments to the contractor, vendor, or beneficiary.</p>

Type of audit: During the loan disbursement period, the audited financial statements will be delivered within 180 days after the close of each fiscal year, duly issued by a Bank-eligible independent audit entity. The last report will be delivered within 180 days after the stipulated date for the last loan disbursement.

III. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

<input checked="" type="checkbox"/>	Bidding documents	<p>Works, goods, and nonconsulting services procured under the Bank's procurement policies (GN-2349-9) and requiring international competitive bidding (ICB) will use the Bank's standard bidding documents or those agreed upon between the executing agency and the Bank for the specific procurement.</p> <p>Consulting services will be selected and contracted in accordance with the consultant selection policies (GN-2350-15) using the standard request for proposals issued by the Bank or a request for proposals agreed upon between the executing agency and the Bank for the specific selection.</p> <p>The project sector specialist will be responsible for reviewing the technical specifications and terms of reference for procurements during the preparation of selection processes. This technical review may be ex ante and is independent of the procurement review method.</p>
<input checked="" type="checkbox"/>	Use of country systems	<p>Chile's procurement system was evaluated by the Bank using a methodology for assessment of procurement systems (MAPS). On that technical basis, the country procurement system was subsequently validated for use pursuant to document GN-2642-1 from 8 December 2011. It is deemed compatible with internationally accepted principles, practices, and standards for all procurement methods and is open to offerors of all countries. It will be used for the procurement of goods, nonconsulting services, and consulting services (firms and individuals) as established in this annex.</p> <p>The operation's procurement plan will indicate which contracts are to be executed using the country system within the approved scope. If the Board expands the approved scope for country system use, it will apply to the operation.</p>
<input checked="" type="checkbox"/>	Advance procurement and retroactive financing	<p>The Bank may retroactively finance up to US\$10 million (20% of the proposed loan amount) in eligible expenditures incurred prior to loan approval, including consulting services (for studies and diagnostic assessments, as well as necessary consulting services for the team of the PEU and the subexecuting agencies), equipment, and works, provided that requirements substantially similar to those established in the loan contract and the core procurement principles have been met.</p> <p>Such expenses must have been incurred on or after 18 April 2024, the approval date of the project profile, but no more than 18 months prior to the date of loan approval. See the Bank Policy on Recognition of Expenditures, Retroactive Financing, and Advance</p>

		Procurement (GN-2259-1). The operation's procurement plan will indicate which contracts are to be executed using the country system within the approved scope. If the Board expands the approved scope for country system use, it will apply to the operation.
<input checked="" type="checkbox"/>	Procurement supervision	<p>The supervision method will be ex post, except where ex ante supervision is justified. For procurements executed using the country system, supervision will be conducted using the country supervision system. Use of the (i) ex ante, (ii) ex post, or (iii) country system supervision method will be determined for each selection process. Ex post reviews will take place each year, as established in the project supervision plan, subject to change during execution. Ex post review reports will include at least one visit.</p> <p>The threshold amounts for ex post review will be determined annually based on the executed amount.</p>
<input checked="" type="checkbox"/>	Records and files	The executing agency and technical management unit will be responsible for maintaining the original records of procurement, contracting, and financial management under their responsibility as part of program execution.

Main procurements:

Procurement description	Selection method	New procedures/ tools	Estimated date	Estimated amount (US\$000)
Goods				
Procurement of equipment for the Teletón Children's Rehabilitation Institute, O'Higgins Region	NCB		07/01/2026	2,175,000.00
Works				
Contracting for construction of the Regional Museum of Memory and Human Rights	ICB		06/30/2025	6,080,000.00
Contracting for construction of a new collective landfill	ICB		11/15/2025	18,000,000.00
Contracting for construction of the Teletón Children's Rehabilitation Institute, O'Higgins Region	ICB		03/01/2025	11,683,000.00

To access the procurement plan, click [here](#).

IV. AGREEMENTS AND REQUIREMENTS FOR FINANCIAL MANAGEMENT

☒	Programming and budget	<p>The executing agency's budget is part of the public sector budget, as established in the State Financial Administration Act (Legislative Decree 1263/75). The Ministry of Finance, acting through its Budget Office (DIPRES), is responsible for preparing the public sector budget. The interrelationship of budget systems is such that loan operations must be included in the public sector budget for their resources to be accessed (financing and local contribution). Any loan operation must be consistent with the expenditure framework of the public sector budget.</p>
☒	Treasury and disbursement management	<p>The loan proceeds will be deposited into the U.S. dollar-denominated account maintained by the General Treasury of the Republic (TGR) at BancoEstado. Based on the pilot procedure agreed upon with the Budget Office (DIPRES), the TGR will make payments directly to vendors using the Fiscal Single Account. Payments will be made to individual consultants using the peso-denominated bank account to be opened for the exclusive and separate handling of the loan proceeds. Transfers to the technical management units will be handled through budget reallocations.</p> <p>Disbursement methods. The Bank will disburse resources via the reimbursement of expenditures modality as a general rule. It may also disburse resources via advances of funds or another modality established in guidelines document OP-273-12. Advances of funds will be made according to a financial plan for up to the next six months based on the program's actual liquidity needs, provided that payments are duly completed and documented. Subsequent advance of funds after the first one will require justification of at least 65% of the total accumulated balance of advances. This percentage is due to the execution mechanism using technical management units and the length of time required by the flows and process of the executing agency's administrative and financial systems for making and recording payments and for ruling and balancing at end of an accounting period.</p>
☒	Accounting, information systems, and reports	<p>The specific accounting standards to be followed are the Policies of the General Accounting System of the Nation established by the Office of the Comptroller General of the Republic (CGR) under CGR Resolution 16 of 2015, known as NICSP-CGR Chile.</p> <p>The executing agency uses the SIGFE system for budgeting, accounting, and payments. The Transactional Unit will open a ledger in that system for operations with relevant international agencies. The charts of accounts is based on the public sector chart of accounts established by the CGR.</p> <p>The program Operating Regulations with the documented designation of workflows and internal controls will be used as a supplement to the policies and guidelines applicable to the operation.</p>
☒	Internal control and internal audit	<p>The internal control system relies on the organizational plan, strategic plans, and procedures approved by the Government General Internal Audit Council (CAIGG) with respect to administrative rules of ethics and integrity. The internal audit unit reports directly to the highest authority of the Office of the Deputy Secretary for Regional and Administrative Development (SUBDERE). Annual plans are developed pursuant to the CAIGG's instructions. The Internal Audit Unit will follow up on internal</p>

		control qualifications issued by the program's external auditors and validate the responses to those qualifications.
<input checked="" type="checkbox"/>	External control and financial reports	The executing agency will use independent auditors acceptable to the Bank, including the CGR. During the loan disbursement period, the executing agency will deliver the program's audited financial statements within 180 days after the close of each budget year of the executing agency in accordance with the terms of reference agreed upon with the Bank. The final report will be delivered within 180 days after the stipulated date for the last disbursement of the loan.
<input checked="" type="checkbox"/>	Financial supervision of the operation	The financial supervision plan will be based on the risk and fiduciary capacity assessments of the executing agency and will consider the onsite supervision visits and desk reviews, as well as the analysis and tracking of the results and recommendations of the audits of the program's annual financial statements.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/24

Chile. Loan ____/OC-CH to the Republic of Chile. Program to Strengthen
Regional Governments for the Metropolitan-Scale Management
of Infrastructure and Urban Services

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Chile, as borrower, for the purpose of granting it a financing aimed at cooperating in the execution of Program to Strengthen Regional Governments for the Metropolitan-Scale Management of Infrastructure and Urban Services. Such financing will be for the amount of up to US\$50.000.000, from the resources of the Bank's Ordinary Capital, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on _____ 2024)