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CHILE

CHILE GLOBAL SERVICES EXPORT PROGRAM II
(CH-L1181)

THIRD INDIVIDUAL OPERATION UNDER THE CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS FOR PRODUCTIVITY AND SUSTAINABLE DEVELOPMENT IN CHILE
(CH-O0008)

LOAN PROPOSAL

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ABBREVIATIONS

B2B	Business-to-business
B2C	Business-to-consumer
CAIGG	Consejo de Auditoría Interna General de Gobierno (General Government Internal Audit Board)
CCLIP	Conditional credit line for investment projects
CGR	Contraloría General de la República (Office of the Comptroller General of the Republic)
CNEP	Comisión Nacional de Evaluación y Productividad (National Evaluation and Productivity Commission)
CORFO	Corporación de Fomento de la Producción (Production Development Agency)
CPPES	Comité Público-Privado de Exportación de Servicios (Public-Private Committee for Service Exports)
CRM	Customer relationship management
DAG	División de Administración General (General Administration Division)
DIPRES	Dirección de Presupuestos (Budget Directorate)
DLI	Disbursement-linked indicator
INE	Instituto Nacional de Estadísticas (National Institute of Statistics)
IPSAS	International Public Sector Accounting Standards
LBR	Loan based on results
MINCIENCIA	Ministry of Science, Technology, Knowledge, and Innovation
OTIC	Organismo Técnico Intermedio para la Capacitación (Intermediate Technical Agency for Training)
PCR	Project completion report
PEU	Program execution unit
SAFP	Sistema de Administración Financiera Pública (Public Financial Administration System)
SENCE	Servicio Nacional de Capacitación y Empleo (National Training and Employment Service)
SIGFE	Sistema de Información para la Gestión Financiera del Estado (Financial Management Information System of the State)
SII	Servicio de Impuestos Internos (Internal Revenue Service)
SOFOFA	Sociedad de Fomento Fabril (Manufacturing Development Society)
SOFR	Secured Overnight Financing Rate
TGR	Tesorería General de la República (General Treasury of the Republic)
TIN	Trade and investment Division

PROJECT SUMMARY

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Financial Terms and Conditions				
Borrower:			**Flexible Financing Facility**[a]	
Republic of Chile			**Amortization period:**	7 years
Executing agency:			**Disbursement period:**	3 years
Ministry of Finance			**Grace period:**	48 months[b]
Source	**Amount (US$)**	**%**	**Interest rate:**	SOFR-based
IDB (Ordinary Capital):	15 million	50%	**Credit fee:**	[c]
Local contribution:	15 million	50%	**Inspection and supervision fee:**	[c]
Total:	30 million	100%	**Weighted average life:**	5.5 years
			Currency of approval:	U.S. dollar

Program at a Glance
Objectives: The general objective is to contribute to capacity development for greater internationalization of Chile's global services export sector. The specific objectives are: (i) to increase the availability of digital talent with the skills sought by the global services sector; (ii) to support the promotion of exports and attraction of investments in the global services sector; and (iii) to consolidate public-private coordination for the development of the global services sector in Chile.
Special contractual conditions precedent to the first disbursement of the financing: As special contractual conditions precedent to the first disbursement of the financing: (i) the program Operating Regulations have been approved by the executing agency and have entered into force, on the terms previously agreed upon with the Bank, including the environmental, social, and other considerations applicable to the program; (ii) the consulting firm or independent consultant has been engaged for the external verification of program results, on the terms previously agreed upon with the Bank; (iii) the coordinator and at least a technical/operational specialist and fiduciary specialist have been designated within the program execution unit; (iv) a strategic committee has been established for the effective coordination of program activities; and (v) subexecution agreements have been signed between the executing agency and each of the subexecuting agencies mentioned in paragraph 3.1 (paragraph 3.7).
Exceptions to Bank policies: None.

Strategic Alignment							
Objectives:[d]	O1 ☒		O2 ☐			O3 ☒	
Operational focus areas:[e]	OF1 ☒	OF2-G ☒ OF2-D ☐	OF3 ☒	OF4 ☒	OF5 ☒	OF6 ☐	OF7 ☒

(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 to be addressed, and rationale

1.1 **Chile is a high-income country with a stable, outward-looking[1] economy.** GDP per capita is US$17,093 [14]. As a member of the Organisation for Economic Co-operation and Development (OECD), the country has an attractive investment climate for the private sector and has made significant gains in reducing poverty and unemployment.[2] Yet Chile's economic growth has slowed in the past 10 years. After annual average GDP growth of 6.4% in the 1990s, the average fell to 4.5% in 2000-2013 and 2.2% in 2014-2022 [4]. This economic slowdown is associated mainly with stagnating productivity [7] [8] [9] [10]. Since 2014 the country has posted zero or negative growth in total factor productivity [5] [6] (optional link 1).

1.2 **In 2023-2024 the country has laid the foundation for jumpstarting its economy** [1]. The consolidation policies put in place have enabled the country to overcome the macroeconomic imbalances[3] stemming from the social upheaval of 2019, the COVID-19 pandemic, and external shocks [2]. GDP growth was 0.2% in 2023,[4] and projected annual growth for 2024 and 2025 is between 2.0% and 2.5% [3]. In addition, the Ministry of Finance launched the Invirtamos en Chile ("Let's Invest in Chile") program in 2022-2023 as a strategic driver of public-private investment [15]. The Ministry of Finance and the Ministry of Economy, Development, and Tourism have joined with the National Evaluation and Productivity Commission (CNEP) to launch the Productivity Agenda with nine action areas. Both programs are aligned with the area of supporting investment, productivity, and growth of the Fiscal Pact for Chile's Development and Well-being [17] (optional link 3).

1.3 **Increasing investment and productivity will be at the heart of inclusive and sustainable revitalization of economic growth.** Though the government has made progress on the investment and productivity agendas in the last two years [16], new sources of growth and opportunities must be created for people throughout the country. Foreign trade and foreign direct investment (FDI) can become driving forces again in Chile, if they achieve higher degrees of diversification [21]. Trade was the main engine of economic growth and productivity between 1980 and the early 2000s, when exports increased from accounting for 24% to 45% of GDP (1985-2007). Chile has one of the world's most extensive networks of preferential trade agreements,[5] attracting high levels of FDI.[6] This economic openness has been central to Chile's development strategy and coincided with the period of greatest productivity growth [9]. Although international

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1 Chile has 34 preferential trade agreements with 65 economies, covering 98% of its exports (InvestChile).

2 The country's poverty rate is around 5% in 2024 with an unemployment rate of around 8.5% and a Gini coefficient of 0.43 [14].

3 Ministry of Finance, 2023.

4 According to World Bank data, in the same year average GDP growth in Latin America was 2.1%, and the average for OECD countries was 1.7%.

5 Preferential trade agreements provide access to 88% of global GDP and 65% of the global population (InvestChile).

6 FDI stock represents around 94% of the country's GDP (2019), compared to 50.1% in Australia or 59.7% in Canada.

trade's contribution to economic growth has lessened,[7] net exports braced the postpandemic economy amid weak domestic demand [22].[8]

1.4 **The global services export[9] sector offers significant comparative advantages for promoting productivity gains and is a central pillar of the government's investment and productivity agendas** [11] [12] (optional link 2). Global services enable export diversification, quality job creation, attraction of new foreign investments, enhanced innovation, and creation of new economic opportunities in different parts of the country. The evidence shows that global services, because of their digital nature, have less socioenvironmental impact than traditional manufacturing industries or mining, are more human-capital intensive and more resilient to crises, and offer greater opportunities for prosperity and inclusion considering the geographic fragmentation of some of the country's regions [13].

1.5 **The productivity of the global services export sector has experienced high growth in Chile, in contrast to the manufacturing sector and the economy as a whole** [9]**.** Chile has the third-highest productivity growth rate in the service sector among OECD countries (1995-2018), after Estonia and Poland,[10] two countries that have successfully positioned themselves in the world's global services market. Moving forward, the increased diversification of exports (e.g., global services) provides trade and investment opportunities for the private sector [9]. According to recent studies, countries that diversify exports show an average annual increase of 2% to 3% in total factor productivity [18]. It would also enable the country to strengthen its integration into global value chains and further maximize FDI as a driver of productivity growth. The enhanced digitalization of the global services export sector can also stimulate the economy and traditional industries based on natural resource exports [9].

1.6 **The internationalization of services trade is a global trend that Chile must not miss.** With the surge in globalization and advancing technology, services have taken on a more significant role in international trade.[11] Global services grew 250% worldwide in 2005-2022 [23], making it the most dynamic sector even in a context of numerous external shocks (Figure 1.1). The growing appetite for digital solutions, as well as future technological trends like applied artificial intelligence, cloud computing, and cybersecurity solutions, augur well for sustained growth in global services trade worldwide [24].

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7 The contribution of exports to GDP decreased to 31.1% in 2023 (World Bank, 2024).

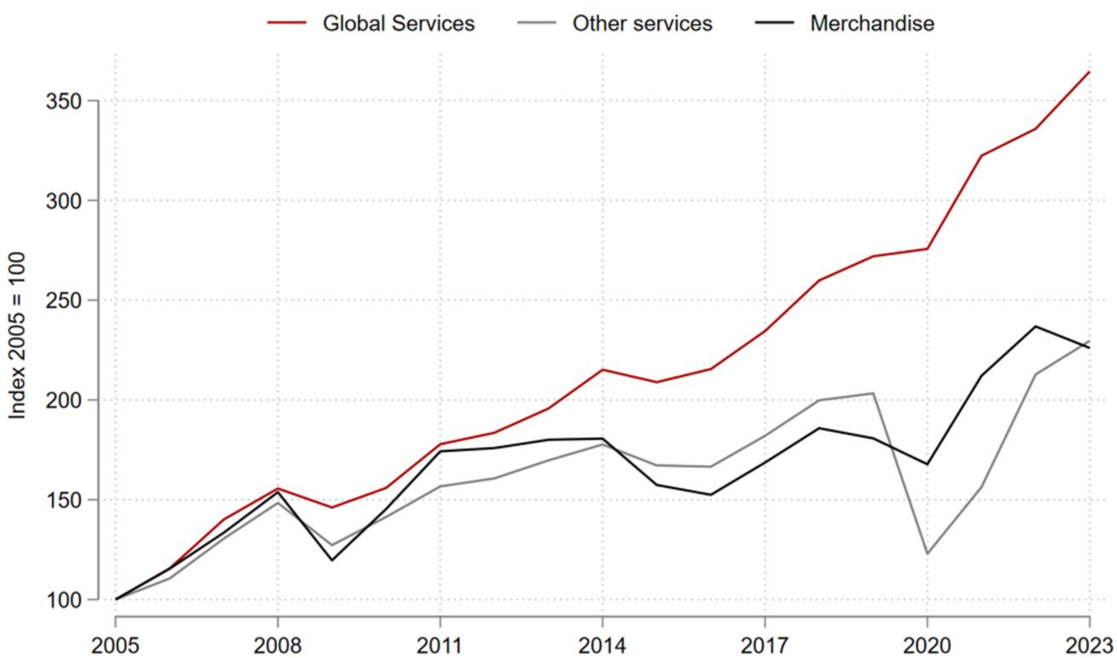
8 According to OECD calculations, net exports have led to an increase of around 5% in GDP since 2022, while investment and consumer demand contracted by 3% to 4% of GDP.

9 Global services exports are those whose exchange (intangible) is facilitated by information and communications technologies (ICT). They include services and solutions that are directed towards other businesses (B2B) and end consumers (B2C). See the complete definition here.

10 International Finance Corporation, 2022, Figure 1.2.

11 Worldwide, the share of services in global exports increased from 9% in 1970 to more than 25% in 2023 (World Trade Organization, 2023).

Figure 1.1. Worldwide growth in global services exports (2005-2023)



Source: Author's calculations based on UNCTAD data
Note: Other Services includes Tourism, Transport, Maintenance and Repair Services, and Construction

1.7 **Chile has potential to accelerate the internationalization of the global services sector (optional link 4).** For example, the recent ratification of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and successful negotiations to modernize existing free trade agreements[12] provide opportunities for advancing the internationalization of global services. Likewise, Chile has been a driver of the Investment Facilitation for Development Agreement, which is expected to increase the flow of global investments to developing countries. The existing analyses reveal three key factors:

a. **There are opportunities to continue expanding the technology services market in Chile.** Overall, services account for more than 54% of Chile's GDP and around 69% of employment and 7% of the value of total nontraditional exports [25]. The market value of global services exceeded US$13.1 billion in 2023 [26] with prospects for continued growth (5.3% annually) and the creation of more than 200,000 jobs. Though its growth was originally connected to natural resources,[13] this industry has increasingly positioned itself as a provider of business and information and communications technology (ICT) services catering to global demand. Driving this have been a favorable economic environment, the ongoing growth of fiber optics connectivity

[12] Chile has modernized its Free Trade Agreement with Mexico and the European Free Trade Association. Its Free Trade Agreement with the United States has been in effect for 20 years.

[13] Chile is a world leader in four industries: mining, aquaculture, forestry, and fruit. Together, these account for 68% of total exports of goods and services (2021).

infrastructure, a pioneering 5G network in Latin America and the Caribbean, the aforementioned network of preferential trade agreements and double taxation agreements (37 in total, including the recently signed agreement with the United States).[14] All these factors position Chile as a salient destination for global services export companies. New opportunities are also being identified to further scale up and internationalize new subsectors with strong potential, like the creative industries, science- and technology-based industries, and others.

b. **Potential for increased growth of global services exports.** This sector's exports reached a historic record of US$3.05 billion in 2023, up 11% from 2022, led by the strong performance of computing and information technology, ICT consulting, and business administration services. This trend intensified in the first half of 2024 (up 34.6% [27]), led by cloud center services,[15] computing technical support via Internet, and ICT consulting. As a result, global services have increased their share of total services exports from 17% in 2003 to more than 40% in 2023. Chile's comparative advantages, such as the cost of labor relative to developed countries and its infrastructure quality, business environment, and social and political context [28] [29], position it as a country with potential for greater future growth in nontraditional service exports and business services [9].

c. **Prospects for increased foreign investments.** Chile has more than 60 large international corporations exporting global services to the United States, Latin America, and Europe [26]. In 2023, the country continued to develop cloud center services and implement software development centers[16] through multinational companies with investments in different parts of the country.[17] As a result, the global services sector continues to lead InvestChile's[18] portfolio of projects, which includes more than 191 projects with potential investments worth US$5.9 billion in key areas like artificial intelligence, cloud services, and cybersecurity.[19] Meanwhile, the authorities are evaluating the possibility of creating additional incentives to promote the hiring and training of professionals and technical specialists with targeted skills in information technology,[20] to create more economic opportunities throughout the country (paragraph 1.8).

1.8 **Problem. To realize these opportunities, Chile will need to close gaps in internationalization of the global services export sector** (paragraph 1.9) (optional link 5). Despite gains, Chile is still far from its potential and has gaps in terms of: (i) the small share of services in Chile's total exports, accounting for 12% of total exports, or less than half the global average (25%, World Trade

[14] In effect since December 2023.

[15] Hosting for websites and emails.

[16] See link.

[17] There are 17 projects in regions outside the Metropolitan Region totaling an estimated US$1.108 billion in investments. These include, notably, opportunities in Valparaíso, Biobío, Maule, and Tarapacá.

[18] InvestChile, under the Ministry of Economy, is the country's investment attraction agency.

[19] See link and optional link 4.

[20] The Bank is supporting the identification of best practices in this area with technical cooperation resources.

Organization 2021); (ii) the small share of global services exports in Chile's total exports, averaging 3% of total exports, or less than one third of the global average (13.1%); (iii) Chile's low positioning as a global services localization hub; after ranking ninth in 2016 on the Kearney's Global Services Location Index (GSLI-2023), it now ranks 27th out of 78 countries. Many countries launched active export and investment promotion policies over the last two decades, to spur this industry's growth [30], while Chile opted to maintain a neutral government economic policy [31].[21] This calls for a renewed agenda, aligned with the new technological changes (paragraphs 1.12 and 1.22).

1.9 **Three causes limit the potential for improved international positioning of the global services sector in the short term (optional link 6):**

a. **Digital talent gaps:** Chile must prioritize human capital-building, to position itself as a regional hub in global services exports. The country's slide in the GSLI ranking is the result of its low score on the human capital dimension,[22] even in comparison with other Latin American and Caribbean countries.[23] If the country narrows this gap, it would re-enter the top 10 countries worldwide because of its comparative advantages on the index's other dimensions, such as business environment, digital infrastructure, and financial attractiveness. Recent surveys of companies in the sector confirm that improving digital talent is a priority (optional link 7), which informs the targeting of program actions to be financed.

b. **Limited promotion and facilitation of trade and investments:** Given the global decrease in FDI (over 10% in 2023 [32]) and structural changes in the composition of global value chains [33], Chile needs renewed active policies for investment facilitation and promotion. FDI has shifted towards services (vis-à-vis manufacturing) as technologies have advanced, but international competition has also increased, as have geopolitical and trade tensions and marginalization of developing countries.[24] This calls for revitalized policies for attracting FDI and the development of strategic market niches. Recent studies also suggest that a key factor in securing FDI is human capital, where good digital skills are a determining factor for more multinational companies operating in the country [34]. Likewise, FDI is essential for closing technological, financial, and productivity gaps, while trade promotion remains at the heart of the industry's internationalization. This program will therefore work to strengthen these bidirectional positive effects between digital talent and attracting FDI [35], in addition to enhancing trade facilitation.

c. **Need for strengthened public-private coordination:** Through the Program to Support Chile's Global Services Export Sector (4362/OC-CH), the Bank was a key facilitator of interagency coordination at the public level and

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21 Office of the Deputy Secretary for International Economic Relations of Chile (2021).

22 On the talent and skills dimension, the index measures characteristics in: (i) experience and skills in information technology outsourcing/business process outsourcing; (ii) availability of a skilled labor force; (iii) level of educational attainment; and (iv) language skills.

23 In 2023, Chile's talent and skills score was 0.98; Brazil, 1.66; Mexico, 1.39; and Colombia, 1.19. China leads with a score of 2.2, followed by India with 2.1.

24 DFI flows are concentrated in advanced and major emerging countries (United Nations Conference on Trade and Development, 2024).

public-private level. This has enabled the development of synergies between the sector public initiatives launched by such institutions as InvestChile, ProChile, the Production Development Agency (CORFO), the National Training and Employment Service (SENCE), the Ministry of Science, Technology, Knowledge, and Innovation (MINCIENCIA), and others. The creation of the Public-Private Committee for Service Exports (CPPES, 2016), with the active participation of the private sector, has been key for the sector's internationalization. Consolidating this coordination ecosystem is vital for the sustainability of public policies, given the structural changes faced by this industry (e.g., widespread use of new technologies) and the authorities' interest in creating more opportunities in areas outside the Santiago Metropolitan Region, which will involve specific support by national institutions at the level of subnational governments (paragraph 1.11).

1.10 **More inclusive growth tied to the global services sector also requires accelerating regional decentralization and the gender equity agenda.** The Metropolitan Region currently is home to 84% of global services companies, accounting for 81% of employment and 94% of exports associated with the sector [36]. Yet new teleworking modalities, lower localization costs outside the Metropolitan Region, potential fiscal incentives (paragraph 1.7.c), and subnational government budget resources could unlock opportunities for increasing global services exports at the regional level.[25] Available data also show that: (i) women comprise only 26% of the ICT workforce in Chile, and only 3.9% are in management positions [37]; (ii) women occupy a limited number of specialized positions in the technology sector, representing only 17% of front-end developers and 10% of back-end developers[26] [38]; (iii) in 2023, 37% of applicants and 39% of those admitted to training programs were women; (iv) the completion rate for women in digital talent training programs is 10 points lower than for men (41% versus 51%); (v) only 8% of women who receive scholarships for digital talent programs take these advanced courses, versus 20% of men; and (vi) only 3% of women-led export companies are in the service sector, versus the national average of 28.2% [39]. These significant gender gaps must be addressed, to enhance the program's equity and impact. This will require additional efforts to ensure the relevance and quality of available human capital,[27] greater opportunities for women-led companies, and training and empowerment activities with an equity lens.

1.11 **In the medium term, the sector's deeper integration will continue to depend on promoting competition and further reducing trade barriers** (optional link 8)**.**

[25] The Bank is supporting the authorities on two fronts (i) gains were achieved through technical cooperation operation ATN/OC-19371-CH in the identification of investment and linkage opportunities in four regions; and (ii) technical cooperation operation ATN/OC-18952-RG financed a customer relationship management platform to connect investment opportunities between InvestChile and regions.

[26] Front-end development focuses on the part oriented towards the website user and includes languages such as JavaScript, CSS, and HTML. Back-end development uses programming languages such as Ruby, Java, and Python to write the logic on the server side, as well as databases, storage technologies, and application programming interface for communication between applications and systems.

[27] The Ministry of Education is considering the development of a pilot initiative in digital skills at the higher education level. Another relevant initiative is the National Human Capital Plan for Industry 4.0.

Unlike goods imports, Chile still applies trade restrictions to services.[28] These especially affect financial services, but also business and telecommunications services. Continuing to deepen preferential trade agreements in the areas of intellectual property, protection of rights, and competition could also improve integration into global value chains. There are also policies that, while not discriminating against foreign providers, inhibit competition and transparency. This is especially important for telecommunications and transportation services, activities that affect Chile's connectivity with the world.[29] Lastly, differences between countries' regulatory policy frameworks for services markets also affect trade costs and competitiveness. There are significant differences in this area between Chile and other emerging countries and some OECD countries such as the United States and Mexico. Achieving gains on these fronts will be key for realizing the sector's potential.

1.12 **Rationale.** Based on the Bank's sector experience in the country and the region, dialogue with the authorities, and the programmatic vision being promoted (paragraph 1.12), opportunities have been identified for supporting the development of the global services export sector by narrowing digital talent gaps, developing business services for internationalization and attracting investment, and consolidating public-private coordination for the sector's sustainable internationalization. This third operation under the Conditional Credit Line for Investment Projects (CCLIP) for Productivity and Sustainable Development in Chile (CH-O0008) (paragraph 2.1) seeks to foster synergies with other government policies now in implementation; (paragraph 1.2) and target actions to promote the global services industry (paragraph 1.7), increase productivity (paragraph 1.5), and create equitable economic opportunities for the population (paragraph 1.10). This program will further the actions and capitalize on the lessons learned under loan 4362/OC-CH in two ways: (i) the loan based on results (LBR)[30] structure (paragraph 2.2) will facilitate a sustainable exit strategy for the country (graduation from Bank support); and (ii) support for the generation of nonfinancial additionalities (paragraph 1.24) will promote synergies between digital talent and attracting FDI, regional decentralization, and a gender equity lens, to drive more equitable and inclusive growth.

1.13 **Institutional framework of the global services sector.** Chile's Ministry of Finance, acting through its Office of the Secretary and General Administration, coordinates the promotion of the global services export sector in the country. Pursuant to Decree 871/2016, the CPPES within the Ministry of Finance develops proposals for public policies, plans, and/or measures within a framework of public-private participation. The Ministry of Finance plays a central role in coordinating actions and budget allocations of several government institutions linked to this industry, such as: (i) SENCE, which offers digital talent training programs; (ii) CORFO, which offers specialized training and human capital

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[28] International Finance Corporation 2022, section 3.2.

[29] International Finance Corporation 2022; Rouzet and Spinelli, 2016.

[30] Chile has experience with LBRs, given the sophistication of its institutions, with five programs in implementation: Program for the Urban Integration of Informal Settlements (5313/OC-CH); Digital Transformation and Sustainable Growth Program (5451/OC-CH); Regional Productive Development Program of Chile (5701/OC-CH); Program to Support the Development of the Green Hydrogen Industry in Chile (5757/OC-CH); and Program to Support Chile's Digital Government Agenda (5758/OC-CH).

scholarships; (iii) InvestChile, as the agency focused on attracting foreign investment; (iv) ProChile, as the agency dedicated to promoting services exports and opening new markets; (v) Fundación Chile, which supports the implementation of training actions promoted by different agencies; (vi) MINCIENCIA, which supports the development of the science- and technology-based industry; (vii) the Ministry of Cultures, Arts, and Heritage, which promotes creative and other industries; and (viii) the National Institute of Statistics (INE), as the agency responsible for providing official statistics.

1.14 **Programmatic vision.** This program is part of a series of programmatic interventions through which the Bank has supported the country's efforts to enhance the productivity and internationalization of its economy. It seeks to improve the international positioning of a particular sector (global services) by strengthening investment attraction, promoting increased exports, and accelerating productivity gains. These actions will build on the achievements of the Program to Support Chile's Global Services Export Sector (4362/OC-CH)[31] and amplify its impact. That program financed the design and implementation of the Digital Talent Initiative, which has become national policy under the government's productivity agenda and recently published an impact evaluation showing positive results.[32] It has also strengthened the promotion and facilitation of trade and investments and the development of a public-private ecosystem anchored in good practices of interagency coordination (for details, see optional link 9). As part of the CCLIP for Productivity and Sustainable Development in Chile, this new operation seeks to deepen its impact with additionalities on four main fronts (paragraph 1.24). The CCLIP for Productivity and Sustainable Development in Chile was approved in December 2022 for US$1.0 billion to promote the areas of finance, climate action, and internationalization [40]. The CCLIP has financed the Regional Productive Development Program of Chile (5701/OC-CH) and the Program to Support the Development of the Green Hydrogen Industry in Chile (5757/OC-CH). Meanwhile, the programmatic policy-based loan for the Competitiveness and Productive Diversification Support Program (4272/OC-CH)[33] has supported strategic investments to promote productivity. The Bank has also provided financing to strengthen human capital, training, and workforce integration in the country (electronic link 9), demonstrating the medium-term strategic approach being promoted in coordination with the authorities.

1.15 **The Bank's experience in the sector.** The Bank has financed numerous operations in the Southern Cone in global services exports, export promotion, and investment attraction. In Uruguay, the Program to Support Global Export Services (2590/OC-UR)[34] promoted the attraction of FDI and increased exports and employment in the sector, and Uruguay Global: Promoting Digital Skills for Internationalization (4658/OC-UR)[35] emphasized the promotion of digital skills for

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[31] Approved in 2017 for US$27 million, in implementation. See midterm evaluation.

[32] The Digital Talent Program Impact Evaluation (June 2024) achieved the highest possible classification within the performance categories: Positive Results.

[33] Approved in 2017 for US$35 million, PCR.

[34] Approved in 2011 for US$13 million, PCR.

[35] Approved in 2018 for US$12 million, in implementation.

internationalization. In Paraguay, the Investment Support Program (3131/OC-PR)[36] and the Support for Business Development Services to Paraguayan Exporting Companies (3865/OC-PR)[37] were implemented to improve the promotion of investments and foreign trade. In Argentina, the Support Program for Knowledge Economy Exports (5759/OC-AR)[38] and the Productive and Export Development Program for the Province of Salta (5824/OC-AR)[39] seek to contribute to the internationalization of companies in strategic sectors. The Bank has also supported the region through technical cooperation operation ATN/OC-18952-RG, Supporting LAC IPAs and EDOs Digital Transformation and Investment Attraction Tools after COVID-19 to Strengthen LAC Regional Value Chains.[40] In employment and job training, the Bank has been generating knowledge that is reflected, for example, in the series The Future of Work, the creation of a multidonor fund for technical and vocational training,[41] and the technical support network for employment services in Latin America and the Caribbean (Red SEALC), with an emphasis on digital transformation.

1.16 **Lessons learned.** The operation's design incorporates the following lessons learned from similar operations (paragraph 1.15): (i) training programs should be demand-driven, and the private sector must play a key role in determining what skills are required for the sector's internationalization; (ii) public-private collaboration systems need to be promoted under effective governance mechanisms; (iii) results-based management should be promoted as a versatile mechanism for improving program design, implementation, and governance; and (iv) interagency coordination and strengthening of the leadership of the agency responsible for coordinating the sector's public policies are important.

1.17 **Collaboration with the IDB Group.** IDB Lab and IDB Invest have participated in the design of this operation and helped to define three specific collaboration mechanisms: (i) training sessions for the InvestChile team on the type of projects that are of interest and subject to financing through IDB Invest and IDB Lab windows; (ii) work sessions for InvestChile and IDB Invest to exchange information on projects at the pre-investment stage; and (iii) development of pilots by ProChile, the IDB, and IDB Lab to facilitate the internationalization of startups.

1.18 **Complementarity with IDB portfolio operations.** The operation complements the following active operations in the Bank's portfolio in Chile: (i) Program to Support Chile's Global Services Export Sector (4362/OC-CH), as a second phase of that operation; (ii) Regional Productive Development Program of Chile (5701/OC-CH)[42] and the Program to Support the Development of the Green Hydrogen Industry in Chile (5757/OC-CH),[43] given their programmatic linkage and objectives targeting the enhanced productivity and internationalization of the

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36 Approved in 2013 for US$10 million, PCR in preparation.

37 Approved in 2016 for US$10 million, in implementation.

38 Approved in 2023 for US$35 million, in implementation.

39 Approved in 2023 for US$50 million, in implementation.

40 Approved in 2021 for US$250,000, expanded in 2024 by US$150,000, in implementation.

41 Benefited Chile through technical cooperation operation ATN/TV-18302-CH focusing on job retraining.

42 Approved in 2023 for US$400 million, in implementation under the CCLIP.

43 Approved in 2023 for US$400 million, in implementation under the CCLIP.

Chilean economy under to the CCLIP for Productivity and Sustainable Development in Chile (CH-O0008),[44] to improve sustainable productivity in the country (paragraph 1.12); and (iii) Digital Transformation and Sustainable Growth Program (5451/OC-CH), through the promotion of the recovery and formalization of employment through support for micro and small enterprises and the stimulation of formal hiring with an emphasis on gender equity.

1.19 **Strategic alignment.** The program is consistent with the IDB Group Institutional Strategy: Transforming for Scale and Impact (CA-631) and aligned with the following strategic objectives: (i) reduce poverty and inequality, by promoting the development of strategic economic sectors, along with regional development and closing skills gaps; and (ii) bolster sustainable regional growth, by incentivizing productive diversification and sophistication in regional and global value chains, building private-sector capacity to drive productivity and innovation, and consolidating an enabling environment for investments, exports, and private-sector development. The program is also aligned with the following operational focus areas: (i) institutional capacity, rule of law, and citizen security; (ii) social protection and human capital development; (iii) productive development and innovation through the private sector; (iv) gender equality; (v) regional integration; and (vi) biodiversity, natural capital, and climate action.[45]

1.20 **The operation is aligned with the following sector framework documents:** (i) Integration and Trade Sector Framework Document (GN-2715-11), by promoting high-quality trade promotion and investment services customized to meet the needs of enterprises (line of action 2), and promoting access to reliable, up-to-date, and transparent regulatory information on international trade, which includes the consolidation of coordination with agencies and entities supporting enterprise internationalization (line of action 3); (ii) Innovation, Science, and Technology Sector Framework Document (GN-2791-13), which calls for Bank support to drive productive digital transformation and harness the potential of the digital economy, the development of advanced digital talent, and institutional capacity-building, generating a strong business climate; (iii) Labor Sector Framework Document (GN-2741-12), by implementing a multisector approach to increase productivity growth through quality training targeting innovative sectors; and (iv) Gender and Diversity Sector Framework Document (GN-2800-13), by promoting the training of quality human talent with a gender-specific lens and specific measures to increase women's participation in the sector. The operation is also aligned with the Sector Strategy: Institutions for Growth and Social Welfare (GN-2587-2), by promoting institutional capacity-building and productivity gains to achieve sustainable economic growth.

1.21 **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

[44] Approved in 2023 for US$1 billion, in implementation.

[45] The program includes a digital talent enhancement component, which directly influences the Chilean government's labor policies (reskilling and upskilling). In this sense, digital skills training has the potential to support the socioecological just transition in Chile by strengthening nontraditional digital capabilities for the jobs of the future.

adaptation objective of the Paris agreement; and (ii) universally aligned with the mitigation objective of the Paris Agreement.

1.22 **Green and climate finance.** According to the joint methodology of the multilateral development banks, the IDB contribution for this operation is 1.08%, attributable to the incorporation of digital sobriety modules into the planned training (optional link 10).

1.23 **IDB Group country strategy with Chile.** The program is included in the Chile Country Program Document 2024 (GN-3207) and consistent with the IDB Group Country Strategy with Chile 2022-2026 (GN-3140-3) through the following strategic objectives: (i) improve productivity; (ii) productivity growth through improved logistics, increased use of technology, improved business management, and access to financing for innovation, research, and development; and (iii) improved access to and quality of public services.

1.24 **The Bank's nonfinancial additionality in the operation.** Through this program, the Bank will generate additionality in four main areas: (i) management capacity-building through a new governance system and a culture of results-based management; (ii) targeting and relevance of actions by putting systematic mechanisms in place to survey private sector wants and needs; (iii) creation of economic opportunities at the subnational level by building capacity for attracting investments in regions and mainstreaming gender equity; and (iv) generation of sector statistics that will enable improvements in information management and policy design. Employing the LBR modality to achieve predefined, sustainable results,[46] while promoting synergies with other government initiatives now being implemented (paragraph 1.2), constitutes an operational innovation.

B. Objectives, components, and cost

1.25 **General and specific objectives.** The general objective is to contribute to capacity development for greater internationalization of Chile's global services export sector. The specific objectives are: (i) to increase the availability of digital talent with the skills sought by the global services sector; (ii) to support the promotion of exports and attraction of investments in the global services sector; and (iii) to consolidate public private coordination for the development of the global services sector in Chile.

1.26 **Theory of change (optional link 11).** This operation is a loan based on results (LBR), where the expected changes will be achieved with the Bank's financial and technical support. The conceptual foundation of the interventions is to address the short-term bottlenecks that limit the growth potential of the global services sector by: (i) reducing digital talent gaps; (ii) attracting investments and promoting exports with a subnational focus; and (iii) consolidating the public-public and public-private coordination framework. The main determining factors to be addressed are: improved academic offerings through such activities as training, certification, mentoring, and scholarships; promotion of activities to enhance the business, trade, and investment environment; and consolidation of the global services ecosystem, to improve the sector's internationalization and sustainability

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[46] Under this modality, the executing agency commits to ensuring the good coordination of government actions at the level of talent and promotion and facilitation of trade and investment.

strategies. The program also envisages institutional capacity-building of the executing agency for implementation of this LBR.

Figure 1.2. Summary of the program's theory of change

Problem	**Chile's global services are not reaching their full potential for internationalization of investments and international trade, limiting the country's growth and diversification**		
	DIGITAL TALENT	**INTERNACIONALIZATION OF GLOBAL SERVICES**	**PUBLIC-PRIVATE COORDINATION**
Causes	Limited training offerings for skills required by companies in the global services sector.	Export promotion and investment attraction service offerings not well targeted and not specialized in global services, which is a rapidly growing global sector.	Need for regulatory changes and mechanisms to incentivize internationalization with private-sector participation. Limited regional capabilities for promoting the development and internationalization of global services.
Solutions	Develop education curricula to address the demand for occupational profiles required by the private sector. Provide modular and flexible training and specialization courses. Scholarships and mentoring with diversity and regional criteria.	International positioning of the country. Strengthen pre- and post-investment services. Expand services for investors. Strengthen actions to promote and facilitate exports.	Initiatives to improve business climate and investments in global services. Regional capacity-building to attract investment through training and knowledge-transfer agreements. Strengthen dialogue and public-private committees with emphases on regions and global services niche sectors.

1.27 **Component I: Digital talent enhancement (US$6,200,000).** This component will finance the costs of achieving results in talent and capabilities associated with the digital economy by improving the relevance and nationwide scope[47] of training through: (i) expansion of existing training activities (Digital Talent program); (ii) programs to reduce training gaps in ICT, languages, and soft skills, making training and certification more relevant in prioritized areas such as: (a) training for programmers; (b) system administrators; (c) DevOps;[48] (d) hosting services for websites and email; and (e) design and development of ICT and other applications;

[47] Demands for human capital training in regions of the country will be met through specific quotas for those regions where InvestChile will be building capacity for investment attraction (Component III, point (iii)).

[48] DevOps is a software developer and information technology methodology that integrates and automates the operations of development teams.

and (iii) scaling up initiatives linked to new technological trends related to applied and generative artificial intelligence, along with the use of blockchain and machine learning to develop applications for automatic learning, digital infrastructure in the cloud and Web3,[49] advanced connectivity,[50] and cybersecurity solutions.[51] The program will coordinate these activities through bootcamp-style[52] finishing school[53] training models, under strengthened public-private governance systems,[54] with a focus on developing the capabilities most sought after by the private sector.[55] Given gender gaps, specific quotas will be promoted to incentivize women's participation in training with the objective of increasing their representation to 34.4% of all graduates. In addition, to increase women's retention and graduation rates, digital mentoring programs exclusively targeting women will be implemented, along with discussions focusing on their empowerment and motivation.

1.28 **Component II: Business capacity-building for internationalization through promoter institutions (US$3,765,000).** This component will finance the costs of achieving results in the promotion and facilitation of trade and investment for greater internationalization of companies through: (i) activities to attract foreign investment and enhance the business climate of global services,[56] including promotion and facilitation actions for international positioning, development of digital channels and pre- and post-investment services, and development of sector value propositions (new services for investors); and (ii) activities to facilitate and promote trade, support participation in international fairs, business meetings, and roundtables, develop business capabilities for exports, and support the internationalization of creative and science- and technology-based industries. Specific quotas will be promoted to incentivize the internationalization of women-led businesses in the global services sector with the objective of increasing their representation to 12% of all companies supported.

1.29 **Component III: Consolidation of public-private coordination for the sustainable internationalization of global services exports (US$5,035,000).** This component will finance the costs of achieving results in public-private interagency coordination to improve the impact of interventions and policy frameworks and ensure their relevance in consultation with the private sector

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[49] Web3 is the next iteration of the Internet, based on decentralization and blockchain technologies, which could redefine online interactions and improve digital trust.

[50] For example, cloud and edge computing, allowing data to be processed closer to the source and supporting rapid and secure service delivery.

[51] This training will have a sustainability and climate change lens, ensuring that participants acquire tools to mitigate the environmental impact of technology. Specifically, it will incorporate training in digital sobriety (an approach to reduce the environmental impact of digital technologies), promoting a responsible and balanced use of digital technologies.

[52] Bootcamp training is an industry best practice that involves "learning by doing" through solving cases.

[53] Training programs with public-private cofinancing tailored to business needs.

[54] The component will strengthen CPPES governance and interaction between private entities (e.g., Fundación Chile, Fundación Kodea) and public entities (training provided by SENCE, OTIC SOFOFA, and CORFO).

[55] Through the demand assessment mechanism (annual survey of technical profile needs).

[56] For example, the identification of incentives to increase investment and the development of the global services sector, barriers to reinvestment, or for new investments, etc.

through: (i) capacity-building of the Ministry of Finance for the coordination of instruments to support and promote the industry, as well as proposals for business climate enhancement, including coordination of the digital talent operational unit and capacity-building related to processes, quality assurance, platforms, information exchange, specialized staff, systems and licenses, and other areas; (ii) improvement of official statistics on services exports and development of a dashboard to track performance and identify global services export opportunities; and (iii) support for the signing of agreements between InvestChile and the regional governments for building their capacity to attract foreign investment in global services with technical support, transfer of good practices, and joint development of studies and information for investors.

C. Key results indicators

1.30 **Beneficiaries.** The program will: (i) benefit the internationalization process of more than 400 companies in the sector, including women-led micro, small, and medium-sized enterprises (12% of the total, increasing their current share by 2.5 percentage points) and companies located outside the Metropolitan Region (47%, increasing their current share by 4 percentage points); (ii) support the development and realization of more than 200 FDI projects in the country; (iii) train 4,470 people with IDB funds and advance the training of an additional 11,500 people with local counterpart funds, reaching nearly 16,000 people;[57] (iv) encourage 370 companies to use digital talent courses, and an additional 500 people to engage with the network of companies geared towards improving their employment capacities and job searches;[58] (v) support six new regions in the development and implementation of capacities and processes for attracting FDI, doubling the current number of strengthened regions; and (vi) strengthen the public-private and institutional coordination of the Ministry of Finance and the institutions comprising the institutional framework, encouraging the development of proposals for business climate enhancement of the global services sector (paragraph 1.10).

1.31 **Results indicators.** The program is expected to impact the internationalization of the global services sector by increasing its exports, attracting FDI, and promoting economic opportunities in regions outside the Metropolitan Region while improving gender equity. It aims to diversify exports with a subnational focus, improve productivity with spillover effects for the entire economy, and, consequently, promote sustained and inclusive economic growth. The disbursement-linked results indicators are: (i) graduates from entry-level digital talent courses; (ii) graduates from specialized skills courses in digital talent; (iii) global services companies connected to international buyers at business meetings organized by ProChile; (iv) number of global services companies' FDI projects at advanced stages (pre-investment, landing, and aftercare); (v) creative industry companies connected to international buyers at specialized business roundtables; (vi) science- and technology-based companies supported in their

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[57] Training 16,000 people will make it possible to reach 80% of the goal of 50,000 Digital Talent graduates.

[58] According to customs data, in 2019-2023 around 1,660 companies exported global services from Chile. The trained companies therefore are equivalent to 22% of the exporting companies, and the companies in the network would represent 30% of the companies exporting global services.

internationalization processes; (vii) digital talent operational unit strengthened; (viii) regions with capacity-building to attract FDI through technical support and transfer of good practices; and (ix) dashboard developed and updated for tracking performance and identifying global services export opportunities.

1.32 **Economic analysis.** The economic analysis identifies the flows of benefits and costs generated by the program. Applying a discount rate of 12%, the analysis yields benefits of US$15.8 million and an internal rate of return of 29.2%. In addition, the sensitivity analysis shows that the net present value remains positive in response to potential variations in a broad range of parameters (optional link 12).

II. Financing Structure and Main Risks

A. Financing instruments

2.1 **CCLIP and third individual operation.** This is the third individual operation under the Multisector CCLIP II (CH-O0008). The amount of this individual operation will be US$30 million, financed by a loan of up to US$15 million drawn from the Bank's Ordinary Capital resources and a local counterpart contribution of US$15 million, according to the breakdown in Table 2.1. The disbursement period will be three years,[59] as shown in Table 2.2.

Table 2.1. Estimated program costs (US$ millions)

Components		IDB	Local	Total	%
I	Digital talent enhancement	6.2	15.0	21.2	70.7
II	Business capacity-building for internationalization through promoter institutions	3.8	0.0	3.8	12.6
III	Consolidation of public-private coordination for the sustainable internationalization of global services exports	5.0	0.0	5.0	16.86
Total		**15.0**	**15.0**	**30.0**	**100.0**

Table 2.2. Schedule of the financial execution of IDB funds (US$ millions)

Year	2025	2026	2027	Total
Total	4.49	5.19	5.32	15.00
%	29.93	34.61	35.46	100.0

2.2 **Financing instrument and modality.** This is the third operation under the Conditional Credit Line for Investment Projects for Productivity and Sustainable Development in Chile (CH-O0008). It is expected to contribute specifically to strengthening the results of the Government's Productivity Agenda. The use of the loan based on results (LBR) instrument is technically justified by: (i) the existence of installed institutional capacities for achieving the proposed specific objectives,

[59] The proposed execution period is tied to the smaller amount of the new operation and the program modality (LBR), where disbursements are directly related to the achievement of predefined, sustainable results. Since the instrument is versatile and nimble, the administrative load is minimized in comparison to a traditional investment loan. The experience gained under program 4362/OC-CH has been key for the adoption of this modality.

based on the gains achieved under operation 4362/OC-CH; (ii) the advantages offered by this instrument for improving the design and implementation of the government's own programs by fostering a culture of results-based management; (iii) the potential for achieving high-impact results under rigorous metrics, enabling the program's progress to be tracked closely with independent verification mechanisms; (iv) the possibility of leveraging and increasing the efficiency of the execution of other resources that the government is contributing through local counterpart contributions and other financing sources; and (v) the alignment of interagency incentives generated by the instrument for achieving results and solidifying public-private governance good practices. The versatility of the LBR instrument will enable the program to: (i) deepen the coordination of public-private global services programs with an emphasis on achieving results and enhancing the scale, relevance, and geographic coverage of the proposed activities; and (ii) improve the Ministry of Finance's strategic management capacity in the sector (paragraph 1.13), promoting additional incentives to strengthen the internationalization of global services.

2.3 The operation also meets the requirements of the LBR policy (GN-2869-10) and the operational guidelines for processing LBRs (GN-2869-11) because it promotes government programs and the use of the executing agency's fiduciary systems consistent with the principles and good practices for the instrument's use, and the institutional analyses have shown that management systems and in place with capacity to ensure the good technical and fiduciary execution of the program (paragraph 3.3).

B. Environmental and social safeguard risks

2.4 The operation has been classified as category "C" under the Bank's Environmental and Social Policy Framework (GN-2965-23) because it is expected to cause minimal or no negative environmental impacts.

C. Fiduciary risks

2.5 The Bank has determined that the country systems for budget, treasury, accounting, government internal audit, and external audit, as well as Chile's country procurement system, are acceptable for use in this operation. An institutional capacity analysis of the executing agency confirmed that it has the necessary financial management and procurement instruments and control systems, as well as institutional capacity with a satisfactory degree of development.

D. Other key risks and issues

2.6 **Risks.** The risk assessment identified the following medium-high risks: (i) If there is no budget prioritization for each of the program's subexecuting agencies, there could be delays in the start of the planned activities or achievement of the program's expected results. To mitigate this risk, the Ministry of Finance will establish a coordination mechanism with the Budget Directorate (DIPRES), through the elaboration of a protocol of action that defines meeting timelines, the formalization of results, and the action plans for achievement of the program's expected results and disbursements. The subexecuting agencies will prepare the required information to substantiate their budget planning to DIPRES. (ii) If the establishment of a public-private digital talent operational unit outside the public administration significantly alters the management model, there could be delays in the start of the planned activities, which could delay the achievement of the expected results. To mitigate this risk, the Ministry of Finance will promote the signing of a subexecution agreement that establishes the governance mechanism for the operational unit, the expected results, and execution deadlines, as well as the responsibilities of each actor, monitoring and supervision procedures for reaching milestones, and the accountability reporting of eligible expenditures as planned and on schedule.

2.7 **Sustainability and scaling.** This operation will contribute to the future sustainability of global services interventions by: (i) strengthening a public-public and public-private coordination ecosystem, consolidating the Ministry of Finance's role in leading the sector's strategy and interagency coordination; (ii) promoting a culture of results-based management through the implementation of a final Bank support program with an LBR execution mechanism; (iii) strengthening the management of statistics and information for the adaptation of future sector policies; (iv) strengthening the program execution unit and digital talent operational unit, creating installed capacities at the public-private level; and (v) strengthening capacities and tools to unlock economic opportunities in regions with a gender equity lens, promoting the dimensions of economic development and inclusion at the subnational level. The sustainability of actions at the beneficiary level will stem from the effects on the performance of their exports, attraction of investments, and improvement of human talent, which are indispensable for companies to increase their productivity and competitiveness and generate quality jobs. In terms of scalability, the program will contribute to the government's goal of training 50,000 people in digital talent, and has the potential to incorporate the digital talent methodology into the design of the country's higher education curricula, based on the collaboration established between Chile's Ministry of Finance and Office of the Deputy Secretary for Higher Education.

III. Implementation and Management Plan

A. Summary of implementation arrangements

3.1 **Borrower and executing agency.** The borrower is the Republic of Chile, and the executing agency is the Ministry of Finance, acting through its Office of the Secretary and General Administration, which will be responsible for coordination of the program and for the program's financial, technical, and administrative management through a program execution unit (PEU). The PEU will act as the Bank's counterpart, in coordination with the Office of the Secretary and General Administration. Several institutions are expected to participate in the program's execution as subexecuting agencies. The executing agency will sign agreements with the subexecuting agencies, with the Bank's prior no objection, to establish their agreed roles and responsibilities in the execution of the program activities and resources. The subexecuting agencies will include: (i) the National Training and Employment Service (SENCE); (ii) the Production Development Agency (CORFO); (iii) InvestChile; (iv) ProChile; (v) Fundación Chile; (vi) the Ministry of Science, Technology, Knowledge, and Innovation (MINCIENCIA); (vii) the Ministry of Cultures, Arts, and Heritage; and (viii) the National Institute of Statistics (INE). These institutions will commit to perform all necessary technical, fiduciary, and administrative activities for the execution of their respective projects, in accordance with the loan contract and the program Operating Regulations.

3.2 **The program's strategic committee** will include the highest authorities of the participating institutions under the leadership of the Office of the Secretary and General Administration, which will provide advice and support and validate the program activities, outputs, and outcomes in accordance with the mechanisms described in the program Operating Regulations.

3.3 **Institutional capacity.** As required by the policy governing the loan based on results (LBR) instrument (GN-2869-10), an analysis was performed to assess the institutional, financial, procurement, and integrity capacities of the executing agency and subexecuting agencies. The analysis found sufficient institutional capacity to execute the program and achieve the objectives of the LBR. The Office of the Secretary and General Administration has experience executing operations with the Bank and the knowledge to manage the technical aspects of the program in a satisfactory manner. The following improvement actions were identified: (i) incorporate into the program Operating Regulations a coordination mechanism and monitoring methodology, to be implemented by the PEU with the subexecuting agencies, and procedures for the financial, administrative, and technical aspects of the program; and (ii) strengthen the program's operational planning methodology in order to anticipate its actual budgetary needs, to foresee the impact that the lack of budget resources could have on the achievement of the results of the program.

3.4 **Disbursement mechanisms.** The following procedure will be used for processing disbursements: (i) the executing agency will prepare a status report on the program's execution and the results indicators to be used for loan disbursements and monitoring and submit it for external verification of results based on the protocol established in the program Operating Regulations; (ii) independent external verifiers will determine whether the results have been achieved within the time frames agreed upon in the terms of reference; and (iii) once the achievement of the results linked to the disbursement has been verified, the executing agency will submit the corresponding disbursement request to the Bank. The Bank will disburse the corresponding amount for each indicator if, and only if, the external verification confirms that the value of the indicator meets or exceeds the established target. Otherwise, the disbursement may be made in proportion to the extent to which the target has been achieved.

3.5 **External verification of results.** The program results will be verified by a firm or team of consultants serving as independent external evaluators of the achievement of results. In addition to verifying results prior to each disbursement, the firm or team will review progress and make recommendations to resolve any discrepancies in the achievement of results. The verification of the achievement of results will include the results financed by the Bank and the local counterpart contribution and will focus on: (i) issuing an opinion on the accuracy, reliability, validity, and consistency of the results data; and (ii) determining the value of the results indicators established for each disbursement. The team must have experience with project monitoring, working with results indicators, and assessing the reliability of the methods used to produce them. The terms of reference for this contracting will be previously agreed upon with the Bank.

3.6 **Program Operating Regulations.** This document will describe the program's execution strategy and mechanisms, including: (i) the program's organizational structure; (ii) technical and operational arrangements for program execution; (iii) the specific roles and responsibilities of the executing agency, subexecuting agencies, and strategic committee; (iv) the mechanism for coordination between the executing agency and subexecuting agencies; (v) the framework for programming and monitoring and evaluation of results; (vi) the detailed description of results indicators; and (vii) terms of reference for contracting the independent verifier and the financial auditing. The annexes will include integrity risk and reputational impact considerations.

3.7 **Special contractual conditions precedent to the first disbursement of the financing.** As special contractual conditions precedent to the first disbursement of the financing: (i) the program Operating Regulations have been approved by the executing agency and have entered into force, on the terms previously agreed upon with the Bank, including the environmental, social, and other considerations applicable to the program; (ii) the consulting firm or independent consultant has been engaged for the external verification of program results, on the terms previously agreed upon with the Bank; (iii) the coordinator and at least a technical/operational specialist and fiduciary specialist have been designated within the PEU; (iv) a strategic committee has been established for the effective coordination of program activities; and (v) subexecution agreements have been signed between the executing agency and each of the subexecuting agencies mentioned in paragraph 3.1.

3.8 **Retroactive financing of results.** The Bank may retroactively recognize, as a charge against the loan proceeds, results achieved by the borrower between the project's official entry date in the Bank's operations pipeline (21 August 2023) and the loan eligibility date, for an amount equivalent to up to 15% of the program amount (US$2.25 million), provided that the expenditures related to achieving such results are eligible under the project and attributable to the achievement of the corresponding development results, which will be subject to an independent external evaluation. This retroactive financing is justified by the results relevant to the program that the executing agency and/or subexecuting agencies expect to achieve prior to eligibility and by the time required for loans to reach eligibility in the country. The retroactive financing will be associated with disbursement-linked indicators 1, 2, 4, and 8 of the Matrix of Disbursement-linked Indicators.

3.9 **Audit.** The external audit will be performed by an independent audit entity acceptable to the Bank, including the Office of the Comptroller General of the Republic (CGR). The executing agency will deliver the program's audited financial statements pursuant to the terms of reference agreed upon with the Bank within 180 days after the executing agency's fiscal year-end during the loan disbursement period. In the operation's annual and final audited financial reports, the executing agency will report to the Bank the difference between the total expenditure incurred in achieving the program results and the sum total of all disbursements made by the Bank, as part of the financial reports. The final report will be delivered within 180 days after the date specified for the last disbursement of the loan. The executing agency will prepare the program's audited financial statements.

3.10 **Procurement.** The Bank assessed the executing agency's procurement system and considers it compatible with internationally accepted principles, practices, and standards for all procurement methods, as well as open to bidders from all countries. The executing agency's procurement system will be used for the procurement of goods, consulting services (firms and individuals), works, and nonconsulting services. The contracting of the independent verifier will be conducted in accordance with the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (GN-2350-15).

B. Summary of arrangements for monitoring results

3.11 **Monitoring.** The program will be monitored by verifying the fulfillment of the targets associated with the disbursement-linked results indicators described above. Program activities will be monitored through six-monthly status reports prepared by the executing agency and delivered to the Bank within 60 days after the end of each six-month period (required link 1).

3.12 **Evaluation.** The strategy for evaluating the results of the program activities will consist of an experimental or quasi-experimental evaluation for Component I (digital talent) and the difference-in-differences method for Component II, along with an evaluation of both Components (I and II) to capture the synergies between the implemented actions and differential impacts. The final evaluation, which will serve as input to the project completion report, will be performed within 60 days after the date of the last disbursement of the loan. The evaluation strategy is described in detail in the monitoring and evaluation plan (required link 1).

3.13 **Eligibility criteria for the third individual operation under the CCLIP.** The operation meets the criteria established in the Bank's policy applicable to the CCLIP instrument and its operational guidelines (GN-2246-13 and GN-2246-15) since: (i) it includes an assessment of the executing agency's institutional capacity (paragraph 3.3); (ii) its objective contributes to achieving the CCLIP's objective (paragraphs 2.2 and 2.3); (iii) it corresponds to the sectors defined in the CCLIP (internationalization of the economy) (paragraph 1.5); and (iv) it includes the improvement measures identified in the institutional capacity analysis and lessons learned (paragraph 1.16).

Development Effectiveness Matrix		
Summary	CH-L1181	
I. Corporate and Country Priorities		
Section 1. IDB Group Institutional Strategy Alignment		
Operational Focus Areas	-Biodiversity, natural capital, and climate action -Gender equality and inclusion of diverse population groups -Institutional capacity, rule of law, citizen security -Social protection and human capital development -Productive development and innovation through the private sector -Regional integration	
[Space-Holder: Impact framework indicators]		
2. Country Development Objectives		
Country Strategy Results Matrix	GN-3140-3	(i) improve productivity, (ii) productivity growth and (iii) improve access and quality of public services
Country Program Results Matrix	GN-3207-3	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	9.5	
3.1 Program Diagnosis	2.5	
3.2 Proposed Interventions or Solutions	3.5	
3.3 Results Matrix Quality	3.5	
4. Ex ante Economic Analysis	10.0	
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	1.0	
5. Monitoring and Evaluation	9.5	
5.1 Monitoring Mechanisms	4.0	
5.2 Evaluation Plan	5.5	
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood	Low	
Environmental & social risk classification	C	
IV. IDB´s Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury. Procurement: Information System, Price Comparison, Contracting Individual Consultant, National Public Bidding.
Non-Fiduciary	Yes	Monitoring and Evaluation National System.
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	Yes	ATN/OC-20344-CH

The general objective of the project is to contribute to the development of capabilities to promote a greater internationalization of the sector of global export services (SG) in Chile. Specific objectives are: (1) to increase the availability of digital talent with the demanded competencies of the SG sector, (2) to support export promotion and investment attraction to the SG sector, (3) to consolidate the public-private coordination for the development of the SG sector.

The diagnosis discusses the barriers to the greater internationalization of the SG sector: (1) Insufficient supply of human capital with digital skills. It is explained that there is a lack of targeted curricula to meet the demand of occupational profiles required by the private sector; (2) Lack of services for export promotion and investment attraction that are oriented and/or specialized in global services. The program proposes to strengthen the supply of services in the pre- and post-investment stages and also expand the services offered to investors as well as strengthen export promotion activities; (3) Increased need to adapt regulatory aspects and to establish mechanisms that promote internationalization with the participation from the private sector. The program aims to strengthen regional capabilities to attract investments as well as strengthen dialogue and coordination among the private and public sector with a particular emphasis in regional development.

The results matrix includes indicators that measure the achievement of general and specific objectives. The monitoring and evaluation plan proposes to use a differences-in-differences comparison to measure the impact of the program's components.

RESULTS MATRIX

Program objectives:	The specific objectives are: (i) to increase the availability of digital talent with the skills sought by the global services sector; (ii) to support the promotion of exports and attraction of investments in the global services sector; and (iii) to consolidate public-private coordination for the development of the global services sector in Chile. Achieving these objectives will contribute to the program's general objective, which is to contribute to capacity development for greater internationalization of Chile's global services export sector.

GENERAL DEVELOPMENT OBJECTIVE

Indicators		Unit of measure	Baseline	Expected year achieved	Target	Means of verification	Comments
General development objective: Contribute to capacity development for greater internationalization of Chile's global services export sector							
Indicator 1	Score on Kearney's Global Services Location Index	Points	5.26	2027	5.50	Kearney's Global Services Location Index biannual report	Baseline: 2023. See definitions and calculation methodologies in required link 1.
Indicator 2	Contribution of global services exports to total nonmining exports	%	5.9	2027	6.6	Central Bank of Chile balance of payments	Baseline: 2023. Required link 1
Indicator 3	Portfolio of FDI projects in global services activities	#	204	2027	223	InvestChile: Indicators for monitoring annual management commitments submitted to Ministers' Committee for Foreign Investment	Baseline: average 2021-2023. Target: average 2025-2027. Required link 1
Indicator 4	Jobs generated by global services companies with FDI projects in the aftercare stage, as a proportion of jobs generated by foreign global services companies	%	3.7	2027	9.6	InvestChile: Records of companies with FDI and administrative records of jobs declared to the Internal Revenue Service (SII)	Baseline: average 2020-2022. Target: average 2025-2026. Required link 1

SPECIFIC DEVELOPMENT OBJECTIVES

Indicators	Unit of measure	Base-line	2025	2026	2027	End of project	Means of verification	Disburse-ment indicator (yes/no)	Comments
Specific objective 1: Increase the availability of digital talent with the skills sought by the global services sector									
1.1 Increase in probability that graduates from digital talent courses are working in the global services industry one year after graduation, in relation to those registered but not graduated from the program	Percentage points	0				5	Ministry of Finance: Report with SENCE, CORFO, and SII administrative records	No	Required link 1
1.2 Graduates from entry-level digital talent courses	People	670	1,000	1,050	1,280	3,330	SENCE: Administrative records	Yes	Required link 1 (1) Graduates: people who finish the course, have an attendance rate of 75%, and pass the final exam.
1.3 Investment in digital talent training leveraged from local counterpart contributions	US$ million	0	5	5	5	15	Ministry of Finance: Budget execution report	No	Required link 1
1.4 Graduates from specialized skills courses in digital talent	People	309	390	390	390	1,170	CORFO: Administrative records	Yes	Required link 1 (1)
1.5 Women graduates from digital talent courses as a proportion of total graduates from digital talent courses	%	30.4	32.2%	34.3	36.4%	34.4	Ministry of Finance: Report based on SENCE and CORFO administrative records	No	Required link 1 (1)
1.6 Graduates from digital talent courses of regions as a proportion of total graduates from digital talent courses	%	38.4	38.6%	40.5	42.7	40.7	Ministry of Finance: Report based on SENCE and CORFO administrative records	No	Required link 1 (1)
Specific objective 2: Support the promotion of exports and attraction of investments in the global services sector									
2.1 Global services companies connected to international buyers at business meetings organized by ProChile	# companies	95	100	105	110	315	ProChile: Report based on CRM administrative records	Yes	Required link 1
2.2 Global services export companies participating in business roundtables	# companies	29	31	33	35	99	ProChile: Customs administrative records status report or via export letters	No	Required link 1
2.3 Connections of global services companies to international buyers	#	190	200	210	220	630	ProChile: Report based on CRM administrative records	No	Required link 1

Indicators		Unit of measure	Base-line	2025	2026	2027	End of project	Means of verification	Disburse-ment indicator (yes/no)	Comments
2.4	Women-led global services companies receiving support in their internationalization processes as a share of total global services companies supported	% companies	9.5	10.0	11.0	12.0	12.0	ProChile: Report based on CRM administrative records	No	Required link 1
2.5	Global services companies from regions receiving support in their internationalization processes as a share of total global services companies supported	% companies	43.0	45.0	46.0	47.0	47.0	ProChile: Report based on CRM administrative records	No	Required link 1
2.6	Number of global services companies' FDI projects at advanced stages (pre-investment, landing, and aftercare)	# projects	67	70	75	80	80	InvestChile: Report based on indicators for monitoring annual management commitments submitted to Ministers' Committee for Foreign Investment	Yes	Required link 1
2.7	New services for investors as a share of total services provided	#	0	5	10	20	20	InvestChile: Report based on indicators for monitoring annual management commitments submitted to Ministers' Committee for Foreign Investment	No	Required link 1
2.8	Global services companies' level of satisfaction with the services provided by InvestChile	%	80.4		84.0	87.7	87.7	InvestChile: Report based on satisfaction survey	No	Required link 1
2.9	Creative industry companies connected to international buyers at specialized business roundtables	# companies	58	50	58	66	66	Ministry of Cultures, Arts, and Heritage: Report based on records of participating companies	Yes	Required link 1
2.10	Science- and technology-based companies supported in their internationalization processes by ProChile	# companies	0	4	8	12	24	ProChile: Report based on CRM administrative records and MINCIENCIA records	Yes	Required link 1
<u>Specific objective 3:</u> Consolidate public-private coordination for the development of the global services sector in Chile										
3.1	Global services companies using the tax exemption to strengthen their internationalization capacities and availability of digital talent	# companies	85	100	120	150	150	Report on the exchange between SENCE and SII for annual tax returns	No	Tax exemption is a tax incentive that finances the training, evaluation, and certification of skills of workers and

Indicators	Unit of measure	Base-line	2025	2026	2027	End of project	Means of verification	Disburse-ment indicator (yes/no)	Comments
									people not linked to the company. Required link 1
3.2 Number of companies participating in the digital talent business network	#	300	400	450	500	500	Ministry of Finance: Report based on agreements signed between SENCE and companies	No	Required link 1
3.3 Number of active users of dashboard to track performance and identify global service export opportunities	#	0		200	500	700	Ministry of Finance report	No	Required link 1
3.4 Studies finalized, containing proposals for investment climate enhancement of the global services sector, presented to decision-makers	#	1	2	2	2	6	Ministry of Finance: Report based on minutes of public-private committee meetings	No	Required link 1

MATRIX OF DISBURSEMENT-LINKED INDICATORS

DLI		Baseline	Recognition of prior results (yes/no)	Year 1 (2025)		Year 2 (2026)		Year 3 (2027)		End of program	
				Target	Associated amount	Target	Associated amount	Target	Associated amount	Target	Associated amount
	Specific objective (SO) 1										
1	Graduates from entry-level digital talent courses	670	Yes	1,000	1,231,231	1,050	1,292,793	1,280	1,575,976	3,330	4,100,000
2	Graduates from specialized skills courses in digital talent	309	Yes	390	700,000	390	700,000	390	700,000	1,170	2,100,000
	Total SO1				**1,931,231**		**1,992,793**		**2,275,976**		**6,200,000**
	Specific objective 2										
3	Global services companies connected to international buyers at business meetings organized by ProChile	95	No	100	360,000	105	360,000	110	360,000	315	1,080,000
4	Number of global services companies' FDI projects at advanced stages	67	Yes	70	575,000	75	655,000	80	515,000	80	1,745,000
5	Creative industry companies connected to international buyers at specialized business roundtables	58	No	50	156,667	58	156,666	66	156,667	66	470,000
6	Science- and technology-based companies supported in their internationalization processes by ProChile	0	No	4	78,333	8	156,667	12	235,000	24	470,000
	Total SO2				**1,170,000**		**1,328,333**		**1,266,667**		**3,765,000**
	Specific objective 3										
7	Digital talent operational unit strengthened[1]	0	No	1	1,200,000	1	1,200,000	1	1,200,000	1	3,600,000
8	Regions with capacity-building to attract FDI in global services receiving technical support and transfer of good practices from InvestChile[2]	6	Yes	2	191,333	2	172,334	2	171,333	2	535,000
9	Dashboard developed and updated for tracking performance and identifying global services export opportunities[3]	0	No	0	0	1	500,000	1	400,000	1	900,000
	Total SO3				**1,391,333**		**1,872,334**		**1,771,333**		**5,035,000**
	Total				**4,492,564**		**5,193,460**		**5.313.976**		**15.000.000**

Note: Indicators 7, 8, and 9 are institutional-strengthening indicators. The respective footnotes describe their contribution to the different outcomes.

[1] Institutional-strengthening output associated with outcomes 1.1, 1.2, 1.3, 3.1, and 3.2.

[2] Institutional-strengthening output associated with outcome 2.6.

[3] Institutional-strengthening output associated with outcomes 2.1, 2.2, 2.3, 2.4, and 2.5.

VERIFICATION PROTOCOL FOR DISBURSEMENT-LINKED INDICATORS

DLI	Definition/Estimation methodology	Means of verification	Verifying entity	Verification protocol
Indicator 1	Graduates from entry-level digital talent courses	SENCE administrative records	Independent verifier	Verification in SENCE management system and CRM. Optional link 13
Indicator 2	Graduates from specialized skills courses in digital talent	CORFO administrative records		Verification in CORFO management system and CRM. Optional link 13
Indicator 3	Global services companies connected to international buyers at business meetings organized by ProChile	ProChile administrative records		Verification in ProChile CRM. Optional link 13
Indicator 4	Number of global services companies' FDI projects at advanced stages	InvestChile administrative records		Verification in InvestChile CRM. Optional link 13
Indicator 5	Creative industry companies connected to international buyers at specialized business roundtables	Ministry of Culture management report		Verification of participation by contracted production services. Optional link 13
Indicator 6	Regions with capacity-building to attract FDI in global services receiving technical support and transfer of good practices from ProChile	Administrative records		Verification in ProChile CRM based on the identification of new client companies. Optional link 13
Indicator 7	Digital talent operational unit strengthened (institutional strengthening output associated with outcomes 1.1 and 1.2)	Annual reports on relevant topics		The operational unit will be strengthened following the recommendations of the 4362/OC-CH midterm review. The strengthened operational unit is expected to prepare an annual report for each of these areas. Optional link 13
Indicator 8	Regions with capacity-building to attract FDI in global services receiving technical support and transfer of good practices from InvestChile (institutional strengthening output associated with outcome 2.6)	Agreements signed between regions and InvestChile		The verification will ensure that the agreements have been signed by InvestChile and regional authorities. Optional link 13
Indicator 9	Dashboard developed and updated for tracking performance and identifying global services export opportunities (institutional strengthening output associated with outcomes 2.1, 2.2, 2.4, and 2.5)	Dashboard implemented		The verification will ensure that the dashboard includes: (i) minimum annual information on amounts, exports, export companies, export destinations, companies benefiting from export promotion instruments and their exports, exports by companies benefiting from promotion instruments; and (ii) information from the two years prior to verification, with annual updates. Optional link 13

Country: Chile **Division:** TIN **Operation number:** CH-L1181 **Year:** 2024

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Executing agency: Ministry of Finance

Operation name: Chile Global Services Export Program II

I. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

1. Use of country systems in the operation

☒ Budget	☒ Reports	☒ Information systems	☒ National competitive bidding (NCB)
☒ Treasury	☒ Internal audit	☒ Shopping	☐ Other
☒ Accounting	☒ External control	☒ Individual consultants	☒ Other

2. Fiduciary execution mechanism

☒	Coexecuting/ Subexecuting agencies	The subexecuting agencies will be: (i) the National Training and Employment Service (SENCE); (ii) the Production Development Agency (CORFO); (iii) InvestChile; (iv) ProChile; (v) Fundación Chile; (vi) the Ministry of Science, Technology, Knowledge, and Innovation (MINCIENCIA); (vii) the Ministry of Cultures, Arts, and Heritage; and (viii) the National Institute of Statistics (INE). These institutions will commit to perform all necessary technical, fiduciary, and administrative activities for the execution of their respective projects, in accordance with the loan contract and the program Operating Regulations.
☒	Special features of fiduciary execution	The borrower is the Republic of Chile, and the executing agency is the Ministry of Finance, acting through its Office of the Secretary and General Administration, which will be responsible for coordination of the program and for the program's financial, technical, and administrative management through a program execution unit (PEU). The PEU will act as the Bank's counterpart, in coordination with the Office of the Secretary and General Administration. Agreements will be signed with the institutions acting as subexecuting agencies, subject to the Bank's prior no objection.

3. **Fiduciary capacity**

Fiduciary capacity of the executing agency	The executing agency works within the Public Financial Administration System (SAFP) and uses the Financial Management Information System of the State (SIGFE) for budget, accounting, and payments. The executing agency also has an internal audit unit, and control is exercised by the Office of the Comptroller General of the Republic (CGR). The Bank has determined that the country systems (budget, treasury, accounting, government internal audit (General Government Internal Audit Board (CAIGG), and external audit (CGR)) are acceptable for use in Bank-financed operations. An institutional capacity analysis of the executing agency confirmed that it has a satisfactory degree of development for program execution and achievement of the objectives of the LBR.

4. **Fiduciary risks and mitigation measures**

Risk taxonomy	Risk	Risk level	Risk mitigation
Economic/ financial	If there is no budget prioritization for each of the program's subexecuting agencies, there could be delays in the start of the planned activities or achievement of the program's expected results.	Medium-high	The Ministry of Finance will establish a coordination mechanism with the Budget Directorate (DIPRES) to analyze the requirements and how these relate to the program's expected results and disbursements. The subexecuting agencies will prepare the information required to substantiate their budget planning to DIPRES.

5. **Policies and guidelines applicable to the operation:** The Financial Management Guidelines for IDB-financed Projects (GN-2811-1, OP-273-12, or current version) will be used for the program's financial management.

5. **Exceptions to policies and guidelines:** Exceptions to Bank Procurement Policies (GN-2869-10).

II. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE LOAN CONTRACT

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 such effects, the agreed exchange rate will be the rate in effect on the first business 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.

Type of audit: Audited financial statements will be delivered within 180 days after the close of the fiscal year during the loan disbursement period. The final report will be delivered within 180 days after the date stipulated for the last disbursement of the loan and will include an analysis of any differences between actual program costs and the disbursed amounts. The terms of reference will be agreed upon with the Bank, and the independent auditors will be acceptable to the Bank.
Retroactive financing of results: The Bank may retroactively finance results achieved by the borrower between the project's official entry date in the Bank's operations pipeline (21 August 2023) and the loan eligibility date, for an amount equivalent to up to 15% of the program amount (US$2.25 million), provided that the expenditures related to achieving such results are eligible under the project and attributable to the achievement of the development results, which will be subject to an independent external evaluation. The amount disbursed for results achieved prior to eligibility will be associated with disbursement-linked indicators 1, 2, 4, and 8.

III. PROCUREMENT EXECUTION AGREEMENTS AND REQUIREMENTS

☒	Use of country systems	Under the Guidelines to Process Sovereign Guaranteed Bank Loans Based on Results (GN-2869-11), based on the corresponding evaluation, this operation, as an LBR, will use the executing agency's own procurement systems under national procurement law of the Republic of Chile. The Bank has assessed the executing agency's procurement system using the Methodology for Assessing Procurement Systems (MAPS). On that technical basis, the country procurement system was validated for use pursuant to document GN-2642-1 of 8 December 2011. It was determined to be compatible with internationally accepted principles, practices, and standards for all procurement methods, as well as open to bidders from all countries. The country procurement system will be used for the procurement of goods, nonconsulting services, and consulting services (firms and individuals).

IV. FINANCIAL MANAGEMENT AGREEMENTS AND REQUIREMENTS

☒	Programming and budget	The executing agency's budget is part of the public sector budget, under the terms of the Law on the Financial Administration of the State (Decree-Law 1263/75). The Ministry of Finance, acting through the Budget Directorate (DIPRES), is responsible for preparing the public sector budget. The budget systems are interrelated, so loan operations must be included in the public sector budget for the funds to be accessible (financing and local contribution). Accordingly, no difficulties affecting project execution are anticipated in the use of the budget system. Nevertheless, any loan operation must adhere to the public sector budget expenditure framework.

☒	Treasury and disbursement management	For program execution, the executing agency will use resources from the fiscal contribution and will then manage reimbursement through the program's disbursement matrix, based on the independent verification of the results achieved. The loan proceeds will be deposited in the dollar account held by the General Treasury of the Republic (TGR) at the central bank, provided that the disbursements are associated with results. Payments arising from program execution will be made directly by the TGR through the Fiscal Single Account. Accounting systems must allow revenues and expenditures to be tracked. No initial disbursement is planned. When submitting disbursement requests, the executing agency will not be required to provide a justification of expenditures or supporting documentation for the expenditures incurred to achieve the results. Nonetheless, it must retain such documentation as part of effective administrative, internal control, procurement, and accounting systems, to ensure the timely issuance of project financial reports, which will be audited annually.
☒	Accounting, information systems, and reporting	The specific accounting standards to be followed are IPSAS-CGR Chile, as established by CGR Resolution 16 of 2015. Transactional units will be given access to SIGFE, to record transactions with relevant international agencies. The charts of accounts are based on the public sector chart of accounts established by the CGR. The accounting system must allow the program's revenues and expenditures to be tracked effectively. To supplement the policies and guidelines applicable to the operation, the program Operating Regulations will be used with the documented definition of workflows and internal controls.
☒	Internal control and internal audit	The internal control system is based on the organizational plan, strategic plans, and procedures approved by the CAIGG, as well as administrative standards of ethics and probity, reporting directly on the ministry's highest authority. Annual plans are based on the instructions established by the CAIGG. The internal audit unit will follow up on the internal control recommendations of the program's external auditors and will validate the responses to the auditors' recommendations.
☒	External control and financial reports	The executing agency will use independent auditors acceptable to the Bank, including the CGR. Within 180 days after the close of the program's fiscal year, during the loan disbursement period, the executing agency will deliver the program's audited annual financial statements pursuant to the terms of reference agreed upon with the Bank. The final report will be delivered within 180 days after the date specified for the last disbursement of the loan. The executing agency, together with the General Administration Division (DAG), will prepare the program's financial reports. The annual and final audited financial statements will show the total cost incurred in achieving the program's results and the total amount disbursed for the operation. Expenditures incurred up to 12 months before the program's official entry date in the Bank's operations pipeline will be considered in calculating the total cost incurred, provided that the expenditures are attributable to the achievement of the results.

☒	Financial supervision of the operation	The financial supervision plan includes participation in the regular meetings to monitor the program’s risk matrix, as well as the review of the annual audit report, which could give rise to onsite visits to update knowledge of institutional internal systems.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-__/24

Chile. Loan ____/OC-CH to the Republic of Chile. Chile Global Services Export Program II.
Third Individual Operation under the Conditional Credit Line for Investment Projects (CCLIP)
for Productivity and Sustainable Development in Chile
(CH-O0008)

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 the former a financing aimed at cooperating in the execution of the Chile Global Services Export Program II, which constitutes the third individual operation under the Conditional Credit Line for Investment Projects (CCLIP) for Productivity and Sustainable Development in Chile (CH-O0008), approved on 7 December 2022 by Resolution DE-142/22. Such financing will be for the amount of up to US$15,000,000 from 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)

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CH-L1181