

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

CHILE

PROGRAM TO SUPPORT CHILE'S DIGITAL GOVERNMENT AGENDA

(CH-L1169)

LOAN PROPOSAL

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8.	Climate change considerations
9.	Environmental and social evaluation filter

ABBREVIATIONS

CAIGG	Consejo de Auditoría Interna General de Gobierno [General Government Internal Audit Board]
CGR	Contraloría General de la República [Office of the Comptroller General of the Republic]
ClaveÚnica	Chile's single authentication mechanism
CSIRT	Cyber Security Incident Response Team
DGD	División de Gobierno Digital [Digital Government Division]
DIPRES	Budget Directorate
DLI	Disbursement-linked indicator
EvalTIC	Evaluación de proyectos de tecnologías de la Información y las Comunicaciones [evaluation system of public-sector information and communication technologies projects]
ICTs	Information and communication technologies
IT	Information technology
LBR	Loan Based on Results
LTDE	Government Digital Transformation Act, Law 21,180, published on 11 November 2019
MEP	Monitoring and evaluation plan
MISP	Ministerio del Interior y Seguridad Pública [Ministry of the Interior and Public Security]
PISEE	Plataforma de Integración de Servicios Electrónicos del Estado [integrated interoperability platform of the Chilean State for public services]
PMOs	Project management offices
SEGPRES	Ministerio Secretaría General de la Presidencia [General-Secretariat of the Presidency]
SIGFE	Sistema de Información de la Gestión Financiera del Estado [Government Financial Management Information System]
SIMPLE	[digital government tool of the Chilean State used to digitalize citizen services]
SOFR	Secured Overnight Financing Rate
STEM	Science, technology, engineering, and mathematics
TGR	Treasury of the Republic
W3C	World Wide Web Consortium
WCAG2	Web Content Accessibility Guidelines 2.0 International Standard

PROGRAM SUMMARY

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Financial Terms and Conditions				
Borrower:			Flexible Financing Facility ^(a)	
Republic of Chile			Amortization period:	25 years
Executing agency:			Disbursement period:	5 years
The borrower, acting through the Digital Government Division (DGD), an agency of the General-Secretariat of the Presidency (SEGPRES)			Grace period:	5.5 years ^(b)
			Interest rate:	SOFR-based
			Credit fee:	(c)
Source	Amount (US\$)	%	Inspection and supervision fee:	(c)
IDB (Ordinary Capital):	100 million	100	Weighted average life:	15.25 years
Total:	100 million	100	Approval currency:	United States dollar
Program at a Glance				
Program objective/description: The program's general development objective is to enhance efficiency and equity in citizen services delivery through the digital transformation of the State. Its specific development objectives are to: (i) boost the adoption of digital government services with a citizen-centered approach; and (ii) improve the efficiency of public expenditure and investment in information and communication technologies (ICTs) for the digital transformation of the State.				
Special contractual conditions precedent to the first disbursement of the financing: The borrower, acting through the executing agency, will present evidence that: (i) the executing agency program coordinator and at least one technical-operational or fiduciary specialist, as appropriate, have been appointed or hired; (ii) the program Operating Regulations have been approved and entered into effect, in accordance with the terms previously agreed on with the Bank; and (iii) the independent verifier has been hired who will be responsible for the external verification of results, in accordance with the terms of reference previously agreed on with the Bank (paragraph 3.6).				
Exceptions to Bank policies: None.				
Strategic Alignment				
Challenges: ^(d)	SI <input checked="" type="checkbox"/>		PI <input checked="" type="checkbox"/>	EI <input type="checkbox"/>
Crosscutting themes: ^(e)	GE <input checked="" type="checkbox"/> and DI <input checked="" type="checkbox"/>		CC <input type="checkbox"/> and ES <input type="checkbox"/>	IC <input checked="" type="checkbox"/>

^(a) Under the terms of the Flexible Financing Facility (document 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) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

^(e) GE (Gender Equality) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

- 1.1 **Macroeconomic situation.** Chile's annual per capita income, corrected for purchasing power parity, stood at US\$25,283 in 2018, which was among the highest in Latin America and the Caribbean. Since 2019, the economy has been affected by the social crisis and the pandemic, causing gross domestic product (GDP) to grow by 1.1% in 2019, and fall by 5.8% in 2020. To address the crisis, the government increased public spending, which facilitated GDP growth of 11.7% in 2021. The withdrawal of the fiscal and monetary stimuli resulted in GDP growth of roughly 2.4% in 2022, which is expected to decline by between 0.75% and 1.75% in 2023.¹ Nonetheless, the deficit will increase gross public spending to 41% of GDP in 2025,² which stood at 27% before the social crisis.
- 1.2 **Progress made on the digital agenda.** The potential digital transformation in response to major challenges—such as inequality and inefficiency in public services delivery, the low level of trust in public institutions,³ and low productivity—is enormous.⁴ Tapping this potential will require specific enabling conditions,⁵ such as: (i) the existence of a regulatory framework and solid institutional and governance structures to lead the digital transformation of the State; (ii) the design and implementation of shared-use digital tools and technology platforms; (iii) the promotion of digital talent; and (iv) the creation of digital processes and services to build a new relationship between the State and citizens. In recent decades, Chile has made progress on implementing some of these enabling conditions, for example, in developing a regulatory framework for the digital transformation, by making administrative procedures available online;⁶ the public sector's rollout of an electronic identity document and electronic signatures,⁷ the development of a centralized digital authentication service to facilitate citizens' access to digital services and platforms,⁸ and the promotion of strategic digital government initiatives⁹ that help to position the country as a regional leader in this field. However, Chile currently lags behind its Latin American peers and other more developed economies. On the 2019 Digital Government Index of the Organisation for Economic Co-operation and Development (OECD), Chile scored 0.411, which is below the average for the OECD countries (0.501) and behind countries such as Uruguay (0.602) and Brazil (0.5119), which have become global leaders in digital government.¹⁰

¹ [Central Bank of Chile, 2022.](#)

² [Budget Directorate \(DIPRES\), 2022.](#)

³ [Ministry of Finance, 2022.](#)

⁴ [IDB, 2022](#); the digitalization of government services can have positive effects for growth of the Chilean economy ([IDB, 2020](#)).

⁵ [IDB, 2022.](#)

⁶ [Law 19,880.](#)

⁷ [Law 19,799.](#)

⁸ [Central Bank of Chile, 2022.](#)

⁹ [Dascal \(coord.\) et al., 2007.](#)

¹⁰ [OECD, 2019.](#) This index measures the transition from electronic government to digital government in six dimensions: digital by design; data-driven public sector; government as a platform; open by default; user-driven; and proactiveness.

- 1.3 **Institutional and strategic framework.** Law 21,100, the [Government Digital Transformation Act](#) (LTDE), was enacted in November 2019. It establishes a roadmap for the digitalization and transformation of administrative procedures and document management at the 671 government agencies at the central, regional, and municipal levels. The LTDE comprises such considerations as: the adoption of digital identity, the implementation of a paperless policy in official communications and notifications; the use of digital signatures; the use of electronic records in administrative procedures; and application of the interoperability principle. In line with these regulatory improvements, the [2022-2026 Government Program](#) sees digital transformation as a citizen priority. The proposed interventions of the program are set out in this institutional and strategic framework.
- 1.4 In this context, the Digital Government Division (DGD) of the General-Secretariat of the Presidency (SEGPRES) is responsible for coordinating, advising, and supporting government agencies in the strategic use of digital technologies, data, and public information to improve their management and delivery of public services.¹¹ The DGD is part of the State-modernization ecosystem, along with: the Budget Directorate (DIPRES), which manages the evaluation system of public-sector information and communication technologies (ICTs) projects (EvalTIC platform); the ChileCompra Division, through its Mercado Público transactional platform, authorizes the procurement of technology; the Secretariat for the Modernization of the State, which is tasked with leading the Agenda for the Modernization of the State and supporting specific digitalization projects;¹² and the Government Laboratory, promoting innovations for transforming the public sector,¹³ all of which are agencies of the Ministry of Finance. Moreover, the Ministry of the Interior and Public Security (MISP) coordinates the National Cybersecurity Policy of the State, acting through the Interagency Committee on Cybersecurity¹⁴ and the government's Cyber Security Incident Response Team ([CSIRT](#)), which monitors, detects, and responds to cybersecurity incidents in Chile's connectivity network (RCE). Lastly, the Office of the Undersecretary for Regional Development,¹⁵ an agency of the MISP, provides financial support for the digital transformation of local and regional governments.
- 1.5 **Institutional difficulties in promoting the digital transformation of the State.** The DGD faces difficulties in promoting the transformation of government agencies in a comprehensive, coordinated, and consistent way, which has delayed fulfillment of the LTDE with respect to the launch and adoption of digital platforms and transformational services.¹⁶ Several of the measures included in the Digital Agenda 2020, designed in 2015, have yet to be implemented.¹⁷ Despite the progress made toward developing the regulatory framework, delays have occurred

¹¹ The DGD was created in 2018 with the amendment of the [Law Governing the Charter of SEGPRES](#).

¹² The 2022-2026 Modernization Agenda. [Secretariat for the Modernization of the State](#).

¹³ [Laboratorio de Gobierno](#) [Government Laboratory], Ministry of Finance.

¹⁴ SEGPRES, acting through the DGD, is a member of the Interagency Committee on Cybersecurity.

¹⁵ [Office of the Undersecretary for Regional Development](#).

¹⁶ [Law 21,464](#) establishes a longer period for its implementation, extending it from 2024 to 2027. Clastornik, 2022. "Ley 21.180. Avances y Recomendaciones" [Law 21,180. Progress and Implementation].

¹⁷ For example, the adoption of at least 20 digital procedures for each municipio, the creation of government mobile applications, and strengthening of the digital government institutional framework.

in the materialization of other enabling conditions, including: (i) the existence of a lead agency with the necessary capacity and mandate to coordinate and support digitalization efforts at the various government agencies of the State, and provide key digital services.¹⁸ In 2022, the DGD had a staff of 81 and an annual budget of US\$6.1 million.¹⁹ By way of comparison, Uruguay's Electronic Government Agency has a staff of 300 and an annual budget of more than US\$30 million for an economy that is five times smaller than Chile's.²⁰ The regulations governing the DGD's activities limit its scope of action in terms of formulating specific policies, regulations, and standards, and its relationship with government agencies;²¹ (ii) a policy for managing, disclosing, using, and reusing State data,²² which is essential for the design, implementation, and evaluation of public policies, especially for women and diverse population groups;²³ and (iii) a cybersecurity strategy to secure technology platforms.²⁴

- 1.6 There is also significant room for improving women's participation in the DGD's digital talent pool. In 2022, women accounted for only 37% of DGD staff compared to 63% for men.²⁵ While the DGD has not achieved gender parity in its workforce, the scant participation of Chilean women who either study or pursue careers in science, technology, engineering, and mathematics (STEM)²⁶ should be seen as one of the reasons for this gap, among other dimensions that affect their participation in this sphere.²⁷ Against this backdrop, Chile also lags behind countries such as Uruguay (51%), Spain (45%), and Colombia (44%) in terms of women's participation in its lead agency of digital transformation.²⁸ The literature has shown that groups comprised of equal numbers of men and women, in both the public and private sectors, tend to be more productive²⁹ and efficient³⁰ ([optional link 4](#)), which is a fundamental reason the DGD should address the challenge of implementing the LTDE, particularly as regards the development and implementation of transformational platforms.

¹⁸ [OECD, 2019](#).

¹⁹ Although the DGD's 2023 budget will be 64% higher than its 2022 budget, it is still considered to be insufficient.

²⁰ Clastornik, 2022.

²¹ DGD, 2022. Benchmark – Institutional Framework for Digital Government.

²² The OECD's [2019 OURdata Index](#) measures government progress towards greater data availability, accessibility, and support for data reuse. On the index's scale of 0 to 1, Chile scored 0.41, which is below the OECD average (0.60) and comparable to the average for the countries of Latin America and the Caribbean (0.43). One DGD study found that 41.3% of the country's government agencies share data in open format on their websites and 18.6% report doing so on the country's open data portal ([Cameron Partners, 2020](#)).

²³ Gender-disaggregated data must be available to develop evidenced-based policies. [OECD, 2018](#).

²⁴ Between [August and September 2022](#), the National Consumer Service, the National Accreditation Commission, the Joint Chiefs of Staff, and the Judiciary were the subject of cyberattacks.

²⁵ [Chile's transparency portal](#).

²⁶ Women account for only 22% of undergraduate students enrolled in STEM curricula ([Ministry of Science, 2022](#)). Women account for only 16% of ICT workers ([National Training and Employment Service \(SENCE\), 2021](#)) in the private sector and only 25.3% in the public sector ([Troncoso et al., 2020](#)).

²⁷ [Ministry of Science, 2021](#).

²⁸ [IDB, 2021](#).

²⁹ Ibid.

³⁰ [IDB, 2022](#).

- 1.7 **The problem of low levels of efficiency and equity in citizen services delivery.** The delivery of public services through digital channels is more efficient than using in-person channels, both for citizens and the State.³¹ It is estimated that the digitalization of administrative procedures in Chile between 2019 and 2021 resulted in US\$154 million in transportation savings for citizens and US\$259 million in savings for government—simply by foregoing the costs entailed in providing these services in person.³² Only 57% of the administrative procedures offered by central government agencies are fully digitalized, compared with only 20% for face-to-face or “front office” procedures,³³ which shows that significant gaps remain in the digitalization and restructuring of internal or “back office” processes. This situation results in unnecessary costs for civil servants and citizens,³⁴ who are required to complete some steps of these procedures in person and repeatedly furnish documents that are already in the State’s possession.
- 1.8 Challenges also persist in terms of the efficiency and quality of procedures that have already been digitalized. During the COVID-19 pandemic, the percentage of people who had conducted their most recent administrative procedure fully or partially online increased from 22% to 45%, 22 new digital services were created,³⁵ and more than a million authentications were conducted using the “ClaveÚnica” single authentication mechanism.³⁶ All told, 25% of people who attempted to complete an administrative procedure during the pandemic lockdowns were unsuccessful, primarily because the procedure they were interested in was not available online; the average processing time for a procedure increased from two to three hours; and 43% of citizens reported that completing an administrative procedure was either difficult or very difficult.³⁷
- 1.9 The digital transformation also entails leveraging information and communication technologies (ICTs) to offer inclusive and equitable access to public services. In Chile, considerable heterogeneity has been identified in the degree of digitalization of local government administrative procedures. For instance, one study looked at 14 municipios and found that citizens were required to process 52% of procedures in person; online information was available for 31% of procedures, but they had to be completed in person; only 15% of procedures could be processed mostly or fully through digital channels; and municipios with an advanced level of digital development were relatively high-income and primarily located in the metropolitan region, whereas the low-income population residing in semi-urban and rural areas have less access to digitalized services.³⁸
- 1.10 **Causes of the problem.** The causes of the problem include the low level and uneven adoption of technologies to facilitate the digital transformation of

³¹ The estimated time savings associated with fully digitalized administrative procedures in the countries of Latin America and the Caribbean is 74%. The operating cost of a digital administrative procedure is between 2.35% and 5% of the cost of an in-person administrative procedure. [IDB, 2018](#).

³² DGD, 2022. Estimated savings report.

³³ [DGD, 2022](#).

³⁴ [IDB, 2018](#).

³⁵ [IDB, 2021](#).

³⁶ [IDB, 2021](#).

³⁷ [IDB, 2021](#).

³⁸ [DESUC, 2022](#).

government agencies, and the low level of efficiency of investments in ICTs for the digital transformation of the State.

- 1.11 **Low and uneven adoption of technologies for the digital transformation of government agencies.** The DGD has a set of transformational and shared technology tools that offer the shared functionality needed to process digital procedures for government agencies' delivery of a number of different services. These platforms include: ClaveÚnica (digital identity), PISSE (interoperability platform of electronic services provided by government), FirmaGob (digital document signing), DocDigital (digital communications), and SIMPLE (digitalized administrative procedures) that are in development and mandated by the LTDE ([optional link 3](#)).
- 1.12 However, the adoption of these platforms by central government agencies, but especially by regional and municipal governments, is uneven and results in inequitable access to quality citizen services. For example, taking into account the groups of beneficiaries defined in the LTDE, in terms of their eventual implementation, it is possible to identify considerable gaps between government agencies (Table 1). Central government agencies (Group A) have had a greater degree of success in implementing some transformational platforms as compared with those of large regional and municipal governments (Group B), whereas smaller municipios (Group C) have made less progress. Lastly, the digital transformation of the State has not equally benefited some persons with disabilities, in terms of their access to and use of digital services. The analysis of a sample of 20 Chilean government websites found that none had the necessary elements to ensure Level-AA conformance with the Web Content Accessibility Guidelines 2.0 International Standard (WCAG2) of the World Wide Web Consortium (W3C),³⁹ thus limiting access to and use of digital government services by some persons with disabilities, including those specifically targeted to persons with disabilities ([optional link 4](#)).

Table 1. Percentage of government agencies that have adopted transformational platforms

Transformational platforms	Group A (310)	Group B (100)	Group C (261)	TOTAL (671)
ClaveÚnica	67%	54%	24%	42.56%
DocDigital	85%	16%	0%	36.63%
FirmaGob	70%	90%	64%	62.45%
PISEE_1	28%	6%	0%	12.38%
PISEE_2	9%	1%	0%	3.82%
RNT	60%	16%	0%	26.75%
SIMPLE (as a service)	12%	13%	2%	7.25%
SIMPLE (on premise)	2%	1%	0%	0.92%

Source: DGD, December 2022.

³⁹ The W3C defines web accessibility as the capacity of people with disabilities to perceive, understand, and navigate a website. [Universidad Católica, 2022](#).

1.13 The main determining factors for this cause are:

- a. **Low level of priority among government agencies for digital transformation and their lack of digital development strategies.** The lack of strategic information technology (IT) plans among agencies whose policies and actions are framed in ICTs points to a lack of priority for digital transformation and hinders efforts to move forward with the digitalization of services. All told, 77% of government agencies lack a strategic IT plan and 78% lack a digital transformation strategy.⁴⁰ At the municipal level,⁴¹ only 10% have a strategic information technology plan and almost 80% lack a modernization or digital transformation strategy.⁴² Furthermore, there were no explicit guidelines for the digitalization of subnational government agencies until the LTDE was enacted, only 43% of municipalities include guidelines for incorporating technology into services delivery, and 39% for improving internal management.⁴³ Therefore, progress towards digitalization ultimately depends on the autonomous decisions taken by each municipal office.⁴⁴
- b. **Limited capacity of government agencies to design and implement citizen-centered digital services.** In all, 49% of central government agencies present a low level of digital maturity.⁴⁵ Accordingly, they lack the appropriate personnel profiles for promoting digital transformation. On average, the digital transformation teams of government agencies have 7 of the 18 profiles identified by the DGD as being necessary to implement digital transformation.⁴⁶ For example, government agencies have ample ICT staff for support and maintenance tasks (69%), but few profiles for designer (15.5%), public innovation (13.5%), DevOPS engineer (13%), or user experience design (UX)/user interface design (UI) (10.9%), all of which are required to design digital services with a citizen-centered approach.⁴⁷ Moreover, only 5.2% of staff have an undergraduate degree and 22% have no professional studies.⁴⁸

1.14 **Low level of efficiency in ICT investment for the digital transformation of the State.** DIPRES has had EvalTIC since 2018—an ex ante evaluation system for public technology investment projects created to optimize government spending on ICTs. As part of the budget exercise, central government agencies are required to input the relevant information about their projects in EvalTIC, which are then analyzed by evaluators⁴⁹ who, based on predefined technical criteria, comment on, reject, or give their technical no objection. The no objection of EvalTIC is required for DIPRES to allocate budget resources to the project in question and to process

⁴⁰ [Cameron Partners, 2020.](#)

⁴¹ [Association of Chilean Municipalities \(AMUCH\), 2022.](#)

⁴² [Social Studies Office \(DESUC\) of the Pontificia Universidad Católica de Chile, 2022.](#)

⁴³ [Alcalá Consultores, 2015.](#)

⁴⁴ [DESUC, 2022.](#)

⁴⁵ [Cameron Partners, 2020.](#)

⁴⁶ Digital transformation profiles also include administration, platform management and services, UX/UI, public innovation, and graphic design. [Cameron Partners, 2020.](#)

⁴⁷ Ibid.

⁴⁸ Staff who have a degree from a professional institute or university that confer on them the appropriate general or scientific training. [Cameron Partners, 2020.](#)

⁴⁹ The evaluation is conducted with a peer-to-peer review, in which each institution designates evaluators to review projects involving other unrelated public services. [DGD, 2022.](#)

procurement through the MercadoPúblico platform.⁵⁰ In the last five years, the number of technology projects evaluated under this system have been increasing—from 322 (US\$88 million) in 2018 to 4,000 (US\$800 million) in 2022.⁵¹

- 1.15 According to EvalTIC data, public investment in ICTs lacks strategic relevance and presents low levels of efficiency. The 2022 evaluation exercise found that only 23% of the projects presented were aligned with the LTDE, and, in terms of efficiency, nearly all the projects presented (95.3%) received a no objection. Moreover, the functionalities of the EvalTIC platform do not provide a way to have key and timely information needed to detect overlap in planned investments. According to ChileCompra data, between 2019 and 2022, government agencies' investments in digital signature and expenditure management software amounted to US\$9.4 million, which could have been avoided had they adopted DGD platforms.
- 1.16 The main determinants of this cause are:
- a. **Absence of formal governance and coordination mechanisms between ChileCompra, the DGD, and DIPRES.** Currently, there are no official coordination mechanisms for the main organizations that participate in the in the evaluation process, budget allocation, and public investment execution in technology. The formalization of a systemic look at the roles of DIPRES as the owner of the process, the DGD as the agency responsible for the digital transformation of the State; and ChileCompra, as the enabler of technology procurements, is a transformational determinant that impacts the other three determinants listed below.
 - b. **Outdated standards and guidelines for ICT investment and procurement.** A key function of the digital government lead agency⁵² is the capacity to issue technical regulations that: (i) set the standards and guidelines to be followed for ICT investments and procurement operations; and (ii) enable DIPRES to subsequently make budget decisions on these. These guidelines are currently outdated even though the ICT investment projects for 2023 (first year of LTDE implementation) have already been approved and their budgets allocated.
 - c. **Inefficient ICT ex ante evaluation, tracking, and monitoring system.** The current peer-based evaluation system is insufficient for the growing volume and complexity of projects.⁵³ In addition, the system's usability and availability of data are very limited, and, consequently, does not enable the tracking of projects, the monitoring of their implementation, or their ex post evaluation.⁵⁴ This means that information on implementation challenges cannot trigger timely support from the DGD, nor can it be included in evaluations of future projects.⁵⁵ In addition, the information gleaned from the system's form does not facilitate the proper classification of investments nor does it take advantage of

⁵⁰ The MercadoPúblico platform requires the project code assigned by EvalTIC for procurement requests. [DGD, 2022](#).

⁵¹ [Optional link 5](#). The process has been mandatory for the central government since 2022.

⁵² DGD, 2022. *Benchmarking* Institucionalidad de gobierno digital [Benchmarking the Digital Government Institutional Framework].

⁵³ Benguria, 2022. Evolución de Valor para EvalTIC.

⁵⁴ Ibid.

⁵⁵ The system has no information about the allocated budget or expenditure execution of the project.

the opportunity to collect and process data to improve the strategic relevance of the investments.⁵⁶

- d. **Insufficient capacity to design and manage ICT investment projects and procurement operations.** While roughly 80% of government agencies at the central and regional levels report having an information technology project management system, many are informal (35.2%). With respect to formal systems, those standardized for all types of projects are the ones most used by government agencies (21.4%), whereas the use of flexible methodologies (8.7%) and strategic project management or a project management office (PMO) (13.3%)⁵⁷ are extremely low.

1.17 Evidence of the enabling framework for digital transformation⁵⁸

- a. **Transformational digital platforms.** These platforms enable government agencies to share a unique ecosystem of technologies and a model for their interoperability. They also streamline development processes, facilitate the creation of economies of scale, and improve the efficiency of processes. Moreover, the expansion of these platforms to other levels of government, both regional and municipal, have resulted in direct improvements in the quality of and access to public services for citizens and companies.⁵⁹ One study on the economic benefits derived from the digital transformation of public services in São Paulo, Brazil, points to an average 73% reduction in the unit cost of a public service for citizens and companies, and a 40% cost reduction for municipal government administrations.⁶⁰ In Chile, a cost-effectiveness evaluation⁶¹ found that: (i) ChileAtiende Digital, a program of the DGD, which strengthened and scaled up the use of such platforms as ClaveÚnica [single authentication mechanism], SIMPLE [a digital government tool of the Chilean State used to digitalize citizen services], and PISEE 2.0 [second generation integrated interoperability platform of the Chilean State for public services], resulted in a present value of benefits of US\$64.4 million (2021); and (ii) ChileCompra, which implemented measures to improve public expenditure and investment by eliminating overlap and implementing a new model framework agreement, increased the rate of savings in the procurement of computers from 2.84% to 29.7%.
- b. **Technology expenditure and investment.** The economic and social returns on public investment depend, in part, on the efficiency of its execution:⁶² a public expenditure shock on investment of one percent of GDP results in only 0.3% increase in GDP in countries with low levels of expenditure efficiency, whereas the same shock generates a 0.6% increase in GDP for countries with higher levels of efficiency.⁶³ Countries that have better quality investment management institutions tend to have higher levels of efficiency in their

⁵⁶ No data generated on the climate impact of the investments.

⁵⁷ [Cameron Partners, 2020](#).

⁵⁸ See the bibliography references of empirical evidence in [optional link 3](#).

⁵⁹ [IDB, 2021](#).

⁶⁰ [IDB, 2022](#).

⁶¹ [Project Completion Report \(CH-L1085/3298/OC-CH\)](#).

⁶² [Calderón & Servén, 2004](#) and [International Monetary Fund, 2014](#).

⁶³ [International Monetary Fund, 2015](#).

investment spending.⁶⁴ Consequently, it is important to strengthen the institutional framework to improve the public investment outcomes of developing countries.⁶⁵ Recent evaluations point to the benefits of strengthening monitoring instruments and the use of data for improving the performance of investment projects and/or services delivery.⁶⁶ Between 2006 and 2007, ChileCompra generated administrative savings of between 1.28% and 0.38% and price reductions of 2.65%.⁶⁷ In addition, an impact evaluation on the benefits of the Compr.AR platform found that it generated 4.4% in savings due to lower prices and reduced the average time for procurement operations to 11 days.⁶⁸

- c. **Digital government governance.** The use of work methodologies and frameworks that support digital government and ICT management are a key factor for the success of an organization's digitalization strategy.⁶⁹ While the evidence confirms the importance of ICT governance for improving agency performance,⁷⁰ it can also be counterproductive if poorly implemented.⁷¹ Moreover, studies of public sector agencies in Brazil conclude that ICT performance is positively correlated with the agency's overall performance, and that the use of ICT governance frameworks have a positive impact on ICT government efficiency.⁷²
- 1.18 **The Bank's experience in Chile and the region.** The Bank has been supporting the Chilean government with the proposed activities through: (i) the Digital Transformation and Sustainable Growth Program, approved in 2021 for US\$400 million (64.7% disbursed) that combines public policy reforms ([5450/OC-CH](#)) and results-based investment ([5451/OC-CH](#)), and supports a series of technical and administrative measures for the entry into force of the LTDE; (ii) the Program to Strengthen the Strategic Management of Public Security in Chile ([4891/OC-CH](#)), approved in 2019 for US\$48 million (11% disbursed) that strengthens the cybersecurity strategies of the Chilean State; (iii) the Public Management and Citizen Services Improvement Program ([3298/OC-CH](#)), approved in 2014 for US\$96 million (fully disbursed) that supported the modernization of processes and digital transformation of various agencies, including SEGPRES as the program's beneficiary agency; and (iv) the nonreimbursable technical cooperation operation for client support "Digitization for Inclusive Economic Development in Times of COVID-19" ([ATN/FG-18691-RG](#)), approved in 2021 for US\$3 million to support, among other countries, Chile, which involved making strategic improvements to the technology management model of the DGD.
- 1.19 In Latin America and the Caribbean, the Bank has provided technical and financial support to various digital transformation projects, including: (i) Uruguay: the

⁶⁴ [Rajaram et al., 2014](#).

⁶⁵ [Keefer & Knack, 2007](#) and [Grigoli & Mils, 2014](#).

⁶⁶ [Olken, 2007](#).

⁶⁷ [Lewis-Faupel et al., 2016](#) and [Singer et al., 2009](#).

⁶⁸ [IDB, 2020](#).

⁶⁹ [Joshi et al., 2022](#).

⁷⁰ [Lunardi et al., 2014](#).

⁷¹ [Pang, 2014](#).

⁷² [Vasconcelos et al., 2021](#).

Program to Support E-Government Management in Uruguay (programs I and II) ([1970/OC-UR](#) and [2591/OC-UR](#)); the e-Government Management Program in the Health Sector ([3007/OC-UR](#)); the Program for Improvement of Public Services and State-Citizen Interaction ([3625/OC-UR](#)); the Program to Support the Digital Government Strategy ([4867/OC-UR](#)); and the Strengthening Cybersecurity in Uruguay ([4843/OC-UR](#)) project; (ii) Ecuador: the Internal Revenue Service Improvement Program ([3325/OC-EC](#)) and the Program to Improve Citizen Service Management ([3073/OC-EC](#)); (iii) Colombia: the Citizen Services Efficiency Project ([3154/OC-CO](#)); (iv) Jamaica: the Public Sector Efficiency Program ([3121/OC-JA](#)), through ICT management; (v) Panama: Panamá Digital ([5501/OC-PN](#)) and the Panama Online Program ([3683/OC-PN](#)); (vi) Peru: the Project to Improve and Expand Support Services for National Service Delivery to Citizens and Enterprises ([4399/OC-PE](#)) and the Project to Improve the Financial Administration of the Public Sector Through Digital Transformation ([5301/OC-PE](#)); and (vii) Brazil: São Paulo Plus Digital Program ([5579/OC-BR](#)), the Alagoas Plus Digital Program – Digital Transformation of the Government of the State of Alagoas ([5575/OC-BR](#)), and the Program for Digital Transformation of the Government of the State of Ceará ([5516/OC-BR](#)).

- 1.20 **Lessons learned.** Based on the Bank's experience, the following lessons learned have been identified and incorporated into the program's design: (i) the need to strengthen the institutional framework and leadership of the agency responsible for digital government, thus helping facilitate interagency coordination to improve public service delivery ([2591/OC-UR](#); [3298/OC-CH](#)) (paragraph 1.30); (ii) the need for the authorities and mid-level managers at government agencies to understand the benefits entailed in public service improvement projects ([3625/OC-UR](#)) (paragraphs 1.29 and 1.30); (iii) the need to conduct awareness-raising activities with finance ministries on the importance of digital projects and with the agencies or units responsible for digital transformation during times of crisis ([4374/OC-JA](#); [ATN/OC-16748-ES](#)) (paragraphs 1.29 and 1.30); and (iv) the need to ensure that progress made on technology projects is incorporated into the design and implementation of digital government policies ([ATN/OC-14351-RG](#)) (paragraph 1.30). The program will also leverage technical lessons learned from loans [1970/OC-UR](#) and [2591/OC-UR](#) with respect to the management of technology projects through applications, portfolio management and supervision groups of ICT initiatives,⁷³ the implementation of competitive financing funds as an instrument for promoting innovation in government agencies, and their adoption of transformational platforms through digital acceleration programs (paragraphs 1.28-1.30). Lastly, the operation takes into account the lessons learned from operations utilizing the Loan Based on Results (LBR) modality that are currently in execution in Chile (loan [3629/OC-CH](#), approved in 2015 for US\$50 million (fully disbursed) and operation [5313/OC-CH](#), approved in 2021 for US\$100 million (14% disbursed), including: (i) the need to identify eligible activities from the design phase to facilitate accountability during execution (paragraphs 1.28-1.30, and the breakdown of expenditures provided in [optional link 3](#) and [optional link 7](#); (ii) the need to form a team responsible for the program's fiduciary management in accordance with the operating procedures for LBRs; and (iii) the need to prepare detailed verification protocols for indicators, especially

⁷³ For example, Project Management Offices (PMOs) that facilitate the management and monitoring of projects. [IDB, 2022](#).

disbursement-linked indicators (DLIs), from the design phase (see [monitoring and evaluation plan](#)).

- 1.21 **Complementarity with other sectors and operations of the IDB group in Chile.** This operation complements: (i) the Program to Strengthen the Strategic Management of Public Security in Chile ([4891/OC-CH](#)), which seeks to strengthen the MISP's capacity to manage cyber incidents; (ii) the Support for Strengthening Chile's Integrity and Transparency Systems ([5298/OC-CH](#)) project (approved in 2021 for US\$50 million and fully disbursed) that provides support for improving open data platforms; and (iii) and the following client support technical cooperation operations: Support for the Public Integrity and Transparency Agenda in Chile, providing US\$150,000 in design support for the first strategic data proposal of the public sector ([ATN/AA-18156-CH](#); [ATN/OC-18157-CH](#)); Support for Open Government Policies in Latin America and the Caribbean ([ATN/AA-18711-RG](#)), providing US\$250,000, to support the design of a new open data website for ChileCompra; and Market Opportunities for technology Firms – Public Procurement of Responsible, Ethical, and Transparent Algorithms ([ATN/ME-18240-CH](#)) (approved in 2020 for US\$300,000) that, jointly with IDB Lab, supports public-sector inclusion of ethical considerations in the procurement, development, and use of artificial intelligence and automated decision-making algorithms.
- 1.22 **The Bank's value-added.** Component 1 of the operation, an LBR, facilitates support for and the technological rollout of digital platforms together with actions to ensure that they are adopted and used by government agencies, in accordance with the eventual implementation established in the LTDE over the next five years. Component 2 proposes a new model of governance, management, and strategic evaluation of public investments in ICTs to strengthen public sector capacity to prioritize relevant investments in alignment with the strategic priorities of the State, and to monitor their performance, thereby enabling the digital transformation of the State to efficiently achieve its potential. In addition, Component 3 will introduce innovation and monitoring of ICT projects, data governance, and cybersecurity strategies to ensure the operational continuity of transformational services, as well as a restructuring of the DGD, incorporating a gender focus.
- 1.23 The Bank's value-added lies in its knowledge and strategic advisory services for the purpose of instituting an integrated digital transformation of the public sector through nonreimbursable technical cooperation, specialized advisory services, and knowledge products. The Bank team, through its sector specialists and members of the Network of e-government Leaders of Latin America and the Caribbean (Red GEALC), has provided advisory services to the DGD in the areas of cybersecurity, data governance, organizational design, as well as the management of technology contracts during the operation's design phase and in its execution. This operation will also contribute to the modernization of ICT project monitoring and evaluation systems. Lastly, the Bank provides mechanisms for intersectoral dialogue at the regional level for training, sharing the digital transformation experiences of the State at the international level and with other Latin American and Caribbean countries, and perspectives for promoting regional initiatives of horizontal cooperation to tap the potential of ICTs in social development, economic, and political efforts in the region.

- 1.24 **Strategic alignment.**⁷⁴ The operation is aligned with the second Update to the Institutional Strategy (document AB-3190-2), through the development challenges of: (i) social inclusion and equality, by promoting more equitable access to public services throughout the country for people, public agencies, and companies; and (ii) productivity and innovation, by using ICTs to improve public services and boost the productivity of government agencies. The operation is also aligned with the crosscutting themes of: (i) institutional capacity and rule of law, by promoting the adoption of ICTs to enhance efficiency and equity in public services, strengthening the digital capacity of civil servants and placing special emphasis on transparency and integrity as measures to strengthen institutional capacity and the rule of law through the digitalization of State processes and actions; (ii) gender equity, by helping to improve and increase women's participation in the DGD workforce; and (iii) diversity, by improving the accessibility of persons with disabilities to government websites. The gender and (provided that the requisite information is available, in accordance with legal rules) diversity⁷⁵ perspectives will also be included in the new data management strategy of the State, which would contribute to the strategic alignment with both areas (paragraph 1.25). The program is also aligned with the Employment Action Framework with Gender Perspective (document GN-3057; document OP-2289-1) as it includes analysis, interventions, and indicators for promoting digital talent in the government agencies and among civil servants of the DGD (Components 1 and 3, respectively). Inasmuch as the operation includes, in Component 3, specific measures to increase women's participation in the DGD workforce, it is classified under Category 1 of the above-cited Action Framework. The program will also contribute to the IDB Group Corporate Results Framework 2020-2023 (document GN-2727-12) through the indicator *agencies with strengthened digital technology and managerial capacity*. In addition, the operation is consistent with the Gender and Diversity Sector Framework Document (document GN-2800-13), the Update to the Gender Action Plan for Operations 2020-2021 (document GN-2531-19), and aligned with the IDB Group Gender and Diversity Action Plan 2022-2025 (document GN-3116-1). Furthermore, the program is aligned with the IDB Group Country Strategy with Chile 2022-2026 (document GN-3140-3) through the strategic objective of improv[ing] the efficiency and quality of Chilean institutions. Lastly, the operation is included in the 2023 Operational Program (document GN-3154-1).
- 1.25 **Gender and diversity considerations.** In line with the Operational Policy on Gender Equality in Development (Operational Policy OP-761, document GN-2531-10), the IDB Group Gender and Diversity Action Plan 2022-2025 (document GN-3116-1), and the Gender and Diversity Sector Framework Document (document GN-2800-13), the operation helps to close the previously mentioned gender and diversity gaps through: (i) the preparation of a diagnostic assessment on job opportunities for women at the DGD; (ii) the design and implementation of an action plan to improve and enhance women's participation in the DGD workforce; (iii) the inclusion of the gender and diversity perspectives in the new data management strategy of the State; and (iv) the incorporation into the

⁷⁴ This operation falls within the temporal scope defined by the Paris Alignment Implementation Approach (PAIA) (document GN-3142-1); consequently, it does not contain information relative to its analysis of alignment with the Paris Agreements' mitigation and adaptation targets.

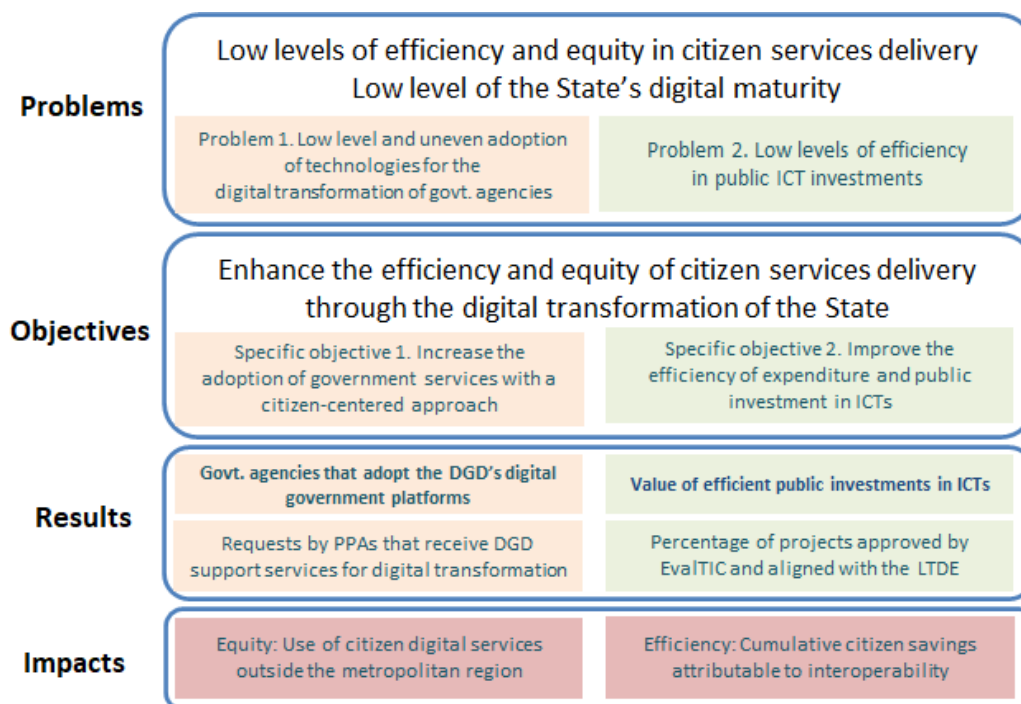
⁷⁵ Includes the indigenous population, Afro-descendants, persons with disabilities, the LGBTQ+ community, and other groups.

websites of government agencies of equity and accessibility functionalities for persons with disabilities and the Integrated Platform of Digital Services of the State ([optional link 4](#)).

B. Objectives, components, and cost

- 1.26 **Objectives.** The program's general development objective is to enhance efficiency and equity in citizen services delivery through the digital transformation of the State. Its specific development objectives are to: (i) boost the adoption of government digital services with a citizen-centered approach; and (ii) improve the efficiency of public expenditure and investment in ICTs for the digital transformation of the State.
- 1.27 **Theory of change.** The conceptual underpinning of the interventions seeks to effectively address obstacles that hinder the digital maturity of the State, and specifically, achieve greater efficiency and equity in citizen services delivery. Accordingly, the program will focus on addressing the limitation of the government agencies' capacity to adopt and use digital technologies and to contribute to improving the efficiency of the Chilean State's investments in ICTs. To comprehensively address these determining factors, the operation provides for a set of interventions that primarily focus on: (i) accelerating the development and rollout of transformational platforms and centralized digital services of the State for government agencies and citizens, and promote their adoption through strengthened technical support from the DGD; and (ii) modernizing the EvalTIC system of DIPRES, improving the relevance and quality of ICT investment projects that are approved and financed by the State, and implementing a financing, monitoring, and technical support mechanism to improve their performance, obtaining feedback for the redesign of evidence-based public ICT policies. Lastly, the program includes activities to build institutional capacity at the DGD to lead the digital transformation of the State. See [optional link 3](#).

Figure 1. Program theory of change diagram



- 1.28 **Component 1. Digital services with a citizen-centered approach (US\$58 million).** The expected outcome of this component is an increase in the number of government agencies that implement⁷⁶ digital services of the State with a citizen-centered approach. To that end, expenses associated with the following activities will be recognized: (i) development, design, improvement, and implementation of transformational services and platforms furnished to the government agencies by the DGD to facilitate digital transformation processes; (ii) development and implementation of support services to help government agencies adopt and implement digital platforms, including the digital acceleration program that provides direct support to government agencies in the form of technical assistance and the help and monitoring desk of the DGD; (iii) development of guidelines and actions for the interoperability and use of platforms; (iv) implementation of nonreimbursable support mechanisms for government agencies to implement the LTDE; and (v) development of a the new Integrated Platform of State Digital Services⁷⁷ that includes usability and accessibility functionalities⁷⁸ for persons with disabilities.
- 1.29 **Component 2. Expenditure and investment for the digital transformation of the State (US\$35 million).**⁷⁹ The expected outcome of this component is improved

⁷⁶ When government agencies are integrated and able to use the DGD's transformational platforms and use them for the first time.

⁷⁷ Platform that provides for the regulations, tools, and guidelines necessary to ensure that the users of State digital services have a quality experience.

⁷⁸ According to the guidelines for the accessibility of people with disabilities to State websites and aligned with Web Content Accessibility Guidelines 2.0 International Standard (WCAG2).

⁷⁹ See detailed information about the interventions in [optional link 6](#).

efficiency of expenditure and public investment in ICTs. To that end, expenses for the following activities will be recognized: (i) updating of EvalTIC governance, its institutional framework, and its evaluation and resource allocation methodology; (ii) improvements to the EvalTIC system in the areas of usability and efficiency, utilization of public investment project data, and traceability of projects from proposal through execution; (iii) the updating of guides and guidelines for the preparation of public ICT investment and procurement projects; (iv) the financing of a subset of strategic public ICT investment projects; and (v) the implementation of a monitoring and support mechanism for improving the performance of these projects.

- 1.30 **Component 3. Institutional framework of digital government, data, and cybersecurity (US\$7 million).** This transformational component will contribute to achieving the operation's expected outcomes. Accordingly, it will help to increase the number of government agencies that adopt State digital services with a citizen-centered approach, by consolidating the organizational and operating capacity of the DGD. This capacity will result in more effective and efficient implementation of technology rollout and adoption processes; strengthening cybersecurity of government agencies that adopt the digital platforms of the DGD; and strengthening the enabling conditions for government agencies' data use. This component will also support improvements in the efficiency of public expenditure for and investments in ICTs for the digital transformation of the State by strengthening the DGD, especially its monitoring and technical support for strategic ICT investment projects. Accordingly, the following expenses associated with DGD institutional strengthening will be recognized:
- a. **Institutional framework of digital government:** (i) design and implementation of governance,⁸⁰ organizational,⁸¹ operational, and project and services management (e.g. PMOs) activities, plans, and strategies; (ii) preparation of a diagnostic assessment⁸² and design of an action plan⁸³ to improve and increase women's participation in the DGD's workforce; (iii) preparation of strategic studies; (iv) the design and implementation of projects to modernize the regulatory framework; and (v) the preparation of an operational continuity plan for the DGD.
 - b. **Data management:** (i) preparation of the National Data Strategy, which takes into account the gender and diversity perspective;⁸⁴ and (ii) the redesign and implementation of Chile's open data portal.

⁸⁰ Refers to the design and application of structures and processes of ICT decision-making.

⁸¹ Organizational restructuring, map of functions, catalogue of digital services, and implementation plan for methodological processes.

⁸² This assessment will include the administration of a survey to identify gender gaps and the specific needs of women at the DGD.

⁸³ The objective of the action plan will be to increase the percentage of women's participation in the DGD workforce and improve the career path of women at the DGD.

⁸⁴ In the event that information is available and in accordance with legal regulations, the strategy will take into account Afro-descendants, persons with disabilities, the LGBTQ+ community, among other groups.

- c. **Cybersecurity:**⁸⁵ Included in the functions of the DGD: (i) development of the DGD cybersecurity strategy; (ii) preparation and periodic updating of cybersecurity and data security standards and technical guidelines; (iii) implementation of a security operations center (SOC) at the DGD;⁸⁶ (iv) implementation of cybersecurity tools and services; and (v) cybersecurity training and awareness-raising for DGD staff.

1.31 **Beneficiaries.** The program's beneficiaries will generally be citizens and companies, as they will enjoy improved public services delivery. Specifically, the program, through Component 1, expects to benefit citizens and companies as users of public services, as it will facilitate more and better transformational platforms and digital tools for use by public servants at the national, regional and local levels. Component 2 will benefit Chilean citizens as their government will more efficiently manage investment in and expenditure for ICTs. Moreover, government agencies that submit projects to EvalTIC are expected to benefit from better quality evaluations and support for their projects. Lastly, the objective of Component 3 is to directly benefit the DGD and its employees,⁸⁷ inasmuch as the planned activities will strengthen its institutional and operating capacity, as well as government agencies,⁸⁸ which will benefit from the DGD's services and will strengthen their capacity to adopt platforms and digital services delivery.

C. Key impact and results indicators

- 1.32 The program's general development objective is to increase efficiency and equity in the delivery of citizen services through the digital transformation of the State. The progress made to that end will be measured by indicators of citizens' cumulative savings attributable to interoperability, and the use of digital services outside the metropolitan region.
- 1.33 For the specific development objects, the following results-linked indicators (Table 2) are proposed: (i) percentage of government agencies that have implemented digital government platforms of the DGD; (ii) value of public investments in ICTs that have been subjected to efficiency controls; (iii) DGD internal projects that are being managed by a PMO; and (iv) cybersecurity services that are up and running. Lastly, other indicators are included that are not linked to disbursements: (i) percentage of government agencies that have received DGD support services for digital transformation; (ii) percentage of EvalTIC projects approved and aligned with the LTDE; (iii) percentage of women employed by the DGD; and (iv) government agencies that have incorporated into their websites new equity and accessibility functionalities for persons with disabilities.

⁸⁵ While the DGD is responsible for the cybersecurity of its systems and the rollout of its strategies, the activities of this component are framed under the guidelines established by MISP. In specific cases, the DGD will inform the cyber security incident response team (CSIRT) of any incidents detected and can request its support.

⁸⁶ Unit that will supervise, evaluate, and defend the DGD's information systems.

⁸⁷ In 2022, the DGD had 81 employees.

⁸⁸ Currently, there are 671 government agencies at the central, regional, and municipal levels.

Table 2. Disbursement-linked indicators

Results indicators	Unit of measure	Cumulative target					Total
		Year 1	Year 2	Year 3	Year 4	Year 5	
Component 1. Digital services with a citizen-centered approach							
1.1. Percentage of government agencies that have implemented digital government platforms of the DGD	Percentage	45%	55%	65%	73%	80%	80%
Component 2. Expenditure and Investment for the digital transformation of the State							
2.1. Value of public investments in ICTs that have been subjected to efficiency controls	Millions of US\$	3	8	15	24	35	35
Component 3. Institutional framework of digital government, data, and cybersecurity							
3.1. Internal DGD projects that are being managed by a PMO**	Number of projects	5	12	21	32	45	45
3.2 Cybersecurity services that are up and running**	Number of services	3	5	7	9	11	11

** Outputs related to institutional capacity strengthening.

- 1.34 **Cost-effectiveness evaluation.** An economic analysis of the program was conducted which consisted of a cost-benefit analysis ([optional link 1](#)). The program's main benefits are derived from the savings generated for: (i) citizens, due to less time spent waiting and transportation cost savings entailed in the exchange of data and documents to conduct administrative procedures as a result of interoperability; and (ii) government, due to lower costs entailed in procurement and the operationalization of transformational digital services and tools, such as document management, online identification, and digital signing by government. The sensitivity analysis is based on three scenarios (base case, conservative, and optimistic) and finds that, under the conservative scenario, the program's net present value would be US\$185,813,914, and that US\$2.46 would be obtained for each dollar spent, with an internal rate of return of 37%.

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instrument

- 2.1 **Amount and disbursement schedule.** The amount of the operation will be US\$100 million, financed with the Bank's Ordinary Capital resources, in accordance with the breakdown set forth in Table 3, and the expected execution and disbursement period will be five years,⁸⁹ as set forth in Table 4.
- 2.2 **Justification of the LBR.** The use of the LBR instrument in this operation, involving the digital transformation of the State, assumes an operating innovation. The versatility of the instrument makes it possible to establish additional incentives for aligning the digital transformation priorities in the LTDE with the operation's objectives. The program is structured under the LBR modality because: (i) it will

⁸⁹ The definition of the disbursement period takes into account the time frames established by the LTDE for the rollout of the centralized platforms and the materialization of results for government agencies, as well as the available budget expected for its implementation.

promote improvements in public programs for the digital transformation of the State, by placing emphasis on achieving their results; and (ii) it will improve the DGD's strategic management capacity for the digital transformation of the State, promoting good practices in governance and in the management of government technology projects, including the updating of regulations and procedures, introducing changes to processes, and improving the efficiency of investments in ICTs, resulting in a coordinated model with a strategic focus framed in the government's strategy. The program's components also meet the requirements set out in the Proposal to Establish the Bank's Sovereign Guaranteed Loan Based on Results (document GN-2869-10) and the Guidelines to Process the Bank's Sovereign Guaranteed Loan Based on Results (document GN-2869-3), as the program: (i) will promote the digital government program of SEGPRES and the program of DIPRES, an agency of the Ministry of Finance; (ii) will promote the use of the executing agency's fiduciary systems that are compatible with the principles and good practices for the use of LBRs; and (iii) the preliminary institutional capacity assessment of the executing agency finds that it has management systems to ensure that program technical and fiduciary management will be properly executed.

Table 3. Estimated program costs (US\$ millions)⁹⁰

Components	IDB (Ordinary Capital)	%
Component 1. Digital services with a citizen-centered approach	58	58
Transformational platforms	40	40
Digital implementation, adoption, and acceleration programs	8	8
Integrated digital services platform	10	10
Component 2. Expenditure and investment for the digital transformation of the State	35	35
Strategic public investment projects	35	35
Component 3. Institutional framework of digital government, data, and cybersecurity	7	7
Institutional framework	3.8	3.8
Data governance	0.5	0.5
Cybersecurity	2.7	2.7
Total	100	100

Table 4. Program disbursement schedule and tranches (US\$ millions)

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
IDB (Total)	11.24	16.32	20.39	25.15	26.90	100
%	11.24	16.32	20.39	25.15	26.90	100

⁹⁰ [Optional link 7](#) was drafted during program preparation with the sole purpose of quantifying the appropriate amount to disburse for each disbursement-linked indicator and does not require the executing agency to maintain that cost structure in order to achieve the program's objectives.

B. Environmental and social risks

- 2.3 In accordance with the Environmental and Social Policy Framework (document GN-2965-23), the operation was classified under Category “C,” as it is expected to cause minimal or no environmental impacts.

C. Fiduciary risks

- 2.4 The Bank has determined that Chile’s country systems (budget, treasury, accounting, government internal audit, and external audit), as well as its national procurement system are acceptable for use in Bank-financed operations. The findings of the institutional capacity assessment of the executing agency confirm that it has the necessary financial management and procurement instruments and control systems, and that its institutional capacity has a satisfactory degree of development. Two medium-high fiduciary risks have been identified: (i) one concerns the impact of internal processes on execution, such that, if the General Administration Division of SEGPRES has no formal procedures in place for developing disbursement planning tools and accounting controls, errors could occur in the reports presented, thereby affecting program accountability, the mitigation measure for which is to include procedures relative to the specific financial aspects of the program in the [program Operating Regulations](#); and (ii) the other is a governance risk, since, if there are no sound and specific interagency coordination mechanisms for the technical management of Component 2 of the program, significant delays could result owing to the lack of coordination among the actors, which could affect the achievement of that component’s results. To mitigate this risk, the [program Operating Regulations](#) will include the coordination mechanisms among the various agencies for program execution.

D. Other key issues and risks

- 2.5 **Risks.** The risk assessment identified the program’s technical design as a medium-high risk. Consequently, if the DGD does not have procedures in place for the technical management of the projects, the quality of their results could adversely impact the reputation of the program. This risk will be mitigated by developing and implementing procedures to manage technical quality and including them in the [program Operating Regulations](#).
- 2.6 **Sustainability.** The proposed interventions contribute to the strategies the Chilean government is implementing to modernize public management, with a view to guaranteeing its sustainability. In addition, budget flows for the coming years are assured to the extent that the LBR instrument promotes existing government programs in the budget items of SEGPRES and the Ministry of Finance, which will facilitate the sustainability of the operation’s proposed activities beyond execution. Moreover, the institutional strengthening of the DGD during execution of the operation will provide sustainability to the program’s actions, as it will provide for more and better tools to implement the LTDE. Lastly, the actions included under the program are rooted in the country’s institutional and strategic framework (paragraph 1.3), and the lessons learned incorporated into the program’s design will facilitate the efficient management of resources to achieve its results in the long term.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The borrower will be the Republic of Chile and the executing agency will be the borrower, acting through the DGD, an agency of SEGPRES. The DGD will be responsible for program coordination⁹¹ and, together with the General Administration Division of SEGPRES, will be in charge of financial management. With specific regard to the execution of Component 2, a Strategic Committee will be formed, comprised of the Information Technology Division of DIPRES, the Secretariat for the Modernization of the State, an agency of the Ministry of Finance, and the DGD, the latter of which will provide advisory services, support, and validate the program's activities, outputs, and results associated with EvalTIC. The details of the program execution arrangements are spelled out in the [program Operating Regulations](#).
- 3.2 In its program management and coordination role, the DGD will be responsible for (i) coordinating execution, serving as the point of contact with the Bank and for formal communications with it; (ii) preparing reports on the fulfillment of results; (iii) preparing and presenting the Bank with disbursement requests; (iv) preparing financial reports to be presented to the independent audit entity and the Bank, in accordance with the provisions of the loan contract; and (v) conducting monitoring activities, to include the preparation of the program's semiannual reports.
- 3.3 **Institutional capacity.** The institutional, financial, procurement, and integrity capacities of the executing agency have been analyzed, as required by the policy governing the LBR instrument (document GN-2869-10). It confirmed that the executing agency has sufficient institutional capacity to execute the program and achieve the objectives of the LBR. The DGD has experience implementing operations with the IDB and the knowledge to satisfactorily manage the technical aspects of the program. The following improvement actions were identified: (i) training for the executing agency team in monitoring, financial, and interagency aspects; and (ii) including in the [program Operating Regulations](#) interagency coordination protocols for the execution of Component 2 of the program; procedures relative to roles and responsibilities of each actor, and procedures on financial, administrative, and technical aspects of the program.
- 3.4 **Disbursement mechanism.** The following procedure will be followed to process disbursements: (i) the executing agency will prepare a status report on the disbursement-linked indicators and submit it for external verification of results based on the protocol established in the [monitoring and evaluation plan](#); (ii) the independent external evaluator will verify the fulfillment of the results indicators, in accordance with the time frames agreed in the terms of reference of the independent external evaluator; and (iii) once fulfillment of the results has been confirmed, the executing agency will submit the disbursement request to the Bank. In turn, the Bank will disburse the corresponding amount for each indicator if, and

⁹¹ With regard to the components, the Digital Products and Services and the Institutional Coordination and Digital Adoption areas will be tasked with the execution of Component 1; the Administration and Finances area of the DGD will be responsible for executing Component 2, and will coordinate on technical matters with the Information Technology Division of DIPRES; and the Policy and Studies, Data Governance, and Cybersecurity areas of the DGD will be responsible for the execution of the activities in Component 3.

only if, the external verification confirms that the level of the indicator meets or exceeds the established target. Otherwise, disbursements will be made in proportion to the extent of fulfillment of the target. Unused balances may be reprogrammed in successive disbursements.

- 3.5 **External verification of results.** The program results will be verified by a firm or team of specialized consultants serving as independent external evaluator (independent verifier) of the results achieved. In addition to verifying results prior to each disbursement, it will review progress and make recommendations to resolve any deviations. Verification of results achievement 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 will have experience monitoring projects, managing 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; and the contracting will be financed with resources from the technical-cooperation operation that supports the operation “Support for the Open and Digital Government Agenda of Chile,” as well as through Bank funds allocated for the supervision of the operation, in accordance with the procedures established in the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15) and in accordance with the policy applicable to the instrument (document GN-2869-10).
- 3.6 **Special contractual conditions precedent to the first disbursement of the financing: The borrower, acting through the executing agency, will present evidence that: (i) the executing agency program coordinator and at least one technical-operational or fiduciary specialist, as appropriate, have been appointed or hired; (ii) the [program Operating Regulations](#) have been approved and entered into effect, in accordance with the terms previously agreed on with the Bank; and (iii) the independent verifier has been hired who will be responsible for the external verification of results, in accordance with the terms of reference previously agreed on with the Bank.** Condition (i) is justified as it is essential to formalize within the executing agency a team with the requisite experience in the program’s operating and fiduciary processes, in order to ensure its execution. Condition (ii) makes it possible to ensure that the executing agency will have detailed regulations that establish the necessary guidelines for successful execution. Condition (iii) is required by the policy on the LBR instrument (document GN-2869-10) to verify the results attributable to the LBR instrument.
- 3.7 **Program Operating Regulations.** This document will describe, at minimum, the strategy and execution mechanisms of the LBR: (i) the results and outputs matrix; (ii) the matrix of disbursement-linked indicators; (iii) the terms of reference for hiring the independent verifier and the financial audit; (iv) the program organizational diagram; (v) the technical and operating arrangements for program execution; (vi) the specific roles and responsibilities of the DGD, the areas that will take part in the program, and the Strategic Committee of Component 2; (vii) arrangements for programming, monitoring, and evaluation of results; and (viii) detailed description of the results indicators and their verification protocols. The [program Operating Regulations](#) include the criteria for the external verification of the program results and an annex on reputational impact and integrity risk.

- 3.8 **Retroactive financing of results.** The Bank may use up to the equivalent of US\$15 million (15% of the loan amount) to retroactively finance results achieved by the borrower between the project profile approval date (22 November 2022) and the loan eligibility date. To receive retroactive financing, the expenses in question must be eligible under the program and attributable to the achievement of the corresponding development outcomes, which will be subject to an independent external evaluation. The amount to disburse for any results achieved prior to the eligibility date will be associated with disbursement-linked indicators 1.1, 3.1, and 3.2 (see Table 2).
- 3.9 **Audit.** The external audit will be performed by an independent auditor firm acceptable to the Bank, which includes the Office of the Comptroller General of the Republic (CGR). Within 180 days following each fiscal year-end of the program and throughout the loan disbursement period, the executing agency will submit the program's audited financial statements pursuant to terms of reference agreed on with the Bank. The final report will be presented within 180 days following the date established for the last disbursement of the loan proceeds. The executing agency will prepare the program's audited financial statements. The final audited financial statements will include an analysis of any differences between actual program costs and the funds disbursed.
- 3.10 **Procurement.** Based on the corresponding evaluation, the procurement system of the executing agency will be used. The Bank evaluated the procurement system of the executing agency and found that it was compatible with internationally accepted principles, practices, and standards for all procurement methods, including the possibility of participation by bidders from other countries. The system will also be used for the procurement of goods, consulting services (firms and individuals), works, and nonconsulting services. An independent verifier will be hired in accordance with the provisions of the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-15).

B. Summary of arrangements for monitoring results

- 3.11 **Monitoring.** Program monitoring will be performed by verifying the fulfillment of the targets associated with the disbursement-linked indicators described previously (paragraph 1.33). Program activities will be monitored by the executing agency through semiannual progress reports submitted within 60 days after the end of each six-month period ([monitoring and evaluation plan](#)).
- 3.12 **Evaluation.** A final evaluation will be conducted to show the changes in the indicators in response to the proposed program's implementation in its different components. For results indicators, the evaluation will be based on a mixed methodology, to include: (i) a before-and-after analysis of the results indicators; (ii) an ex post economic evaluation; (iii) a quantitative-qualitative analysis of the new EvalTIC process; and (iv) an impact evaluation of the ClaveÚnica platform, to generate knowledge as to the best way to promote the procurement and use of this digital identity instrument and the impact of its procurement on access to public services. The evaluation strategy is described in detail in the [monitoring and evaluation plan](#). These analyses will also be reflected in the project completion report, to be prepared by the Bank.

Development Effectiveness Matrix		
Summary		CH-L1169
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues	-Social Inclusion and Equality -Productivity and Innovation -Gender Equality and Diversity -Institutional Capacity and the Rule of Law	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Agencies with strengthened digital technology and managerial capacity (#)	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-3140-3	Improvement of the efficiency and quality of Chilean institutions
Country Program Results Matrix	GN-3154-1	The intervention is included in the 2023 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		7.6
3.1 Program Diagnosis		1.4
3.2 Proposed Interventions or Solutions		3.5
3.3 Results Matrix Quality		2.7
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		7.8
5.1 Monitoring Mechanisms		2.8
5.2 Evaluation Plan		4.9
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium High
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, Accounting and Reporting, External Control, Internal Audit. Procurement: Information System, Price Comparison, Contracting Individual Consultant, National Public Bidding.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	The subproject "Support for the digital transformation of the public sector with a citizen focus in Chile" (ICS10) was approved for US\$180,000, under Regional TC ATN/FG-18691-RG, whose objective is to support the digital transformation process of the State of Chile so that public institutions respond more equitably, openly, effectively and efficiently to the needs of the citizenry. In addition, a TC CH-T1271 for US\$500,000 is being prepared.

Evaluability Note: The general development objective is to increase the efficiency and equity of the provision of services to citizens through the digital transformation of the state. Specific development objectives include: (i) increasing the state's adoption of digital services, and (ii) improving the efficiency of public expenditure and investment on information technologies (ICT).

Three central problems have been identified through the program diagnostic: (i) a very limited number of government procedures have been digitalized, (ii) procedures that have been digitalized remain inefficient, and (iii) access to these procedures is highly heterogeneous. The program will leverage a set of related interventions to comprehensively address these problems. First, the program aims to accelerate the development and deployment of cross-cutting platforms and centralized digital government services for the benefit of OAEs and citizens. This includes reinforcing the technical assistance provided by DGD to encourage the adoption of these tools. Second, the program aims to improve the relevance and quality of the ICT investment projects that are approved and financed by the state. To this end, the program will modernize the DIPRES EvalITIC system, and implement a financing, monitoring, and technical assistance plan that will leverage evidence-based feedback to improve performance and redesign ICT public policies. Finally, the program will include activities to strengthen the DGD's institutional capacities in order to better lead the state's digital transformation.

An ex-ante cost-benefit analysis was completed as part of the economic analysis. The primary benefits of the program stem from savings generated for both citizens and the state. First, increased interoperability will reduce the time and transportation costs that citizens incur while exchanging data and documents that procedures require for completion. Second, investment in cross-cutting digital technologies such as document management, online identification, and digital signatures will reduce government expenditure. Sensitivity analysis shows that in even the most conservative case, the NPV of the project would be US\$185,813,914 and that each dollar spent would have a return of US\$2.46 with a 37% IRR.

The program's monitoring framework is based on DGD reports. The PME includes an impact evaluation of the Single Key (Clave Única) platform, with the aim of generating knowledge on the best way to promote the use of this instrument and to understand the effects in terms of time, costs, and perception on procedures for users. For this purpose, the project implements an experimental design, using the randomized control trial method. The other performance indicators will be measured using a before and after analysis.

Currently the DGD lacks a proper procedure to manage highly technical projects. This represents a medium-high risk for the program. In order to mitigate this risk, the project will implement a set of operational regulations.

RESULTS MATRIX

PROGRAM OBJECTIVE:	The program's general development objective is to enhance efficiency and equity in citizen services delivery through the digital transformation of the State. Its specific development objectives are to: (i) boost the adoption of digital government services with a citizen-centered approach; and (ii) improve the efficiency of public expenditure and investment in information and communication technologies (ICTs) for the digital transformation of the State.
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GENERAL DEVELOPMENT OBJECTIVE

Indicator	Unit of measure	Baseline	Baseline year	Expected year achieved	Target	Means of verification	Comments
General development objective: Enhance efficiency and equity in citizen services delivery through the digital transformation of the State							
1.1. Efficiency. Cumulative citizen savings due to interoperability	US\$	181,424,025	2022	2027	233,968,778	DGD report	See monitoring and evaluation plan (MEP)
1.2. Equity. Use of digital citizen services outside the metropolitan region	Percentage	38%	2022	2027	44%	DGD report (ClaveÚnica dashboard platform data)	See MEP

SPECIFIC DEVELOPMENT OBJECTIVES

Results indicator	Unit of measure	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	End of program	Means of verification	DLI (yes/no)	Comments
Specific development objective 1: Boost the adoption of digital government services with a citizen-centered approach											
1.1. Govt. agencies that have implemented digital government platforms of the Digital Government Division (DGD)	Percentage	41%	45%	55%	65%	73%	80%	80%	Data on the number of government agency users of the platforms	Yes	See MEP
1.2. Requests from government agencies that have received DGD support services for digital transformation ¹	Number of requests	4,445	9,698	16,101	23,440	33,658	43,876	43,876	Number of tickets in the DGD client assistance platform (Freshdesk/ other) from government agencies	No	See MEP

¹ The objective is to maintain a 95% response rate amid a context of significant anticipated growth in the demand of government agencies for DGD services.

Results indicator	Unit of measure	Baseline	Year 1	Year 2	Year 3	Year 4	Year 5	End of program	Means of verification	DLI (yes/no)	Comments
1.3 Women employed by the DGD	Percentage	37%	39%	40%	42%	43%	45%	45%	Public transparency website of the General-Secretariat of the Presidency (SEGPRES)	No	Pro-gender See MEP
1.4 Govt. agencies that have incorporated into their websites new equity and accessibility functionalities for the accessibility of persons with disabilities	Percentage	0%	0%	10%	15%	20%	25%	25%	DGD report	No	Pro-diversity See MEP
Specific development objective 2: Improve the efficiency of public expenditure investment in ICTs for the digital transformation of the State											
2.1. Value of public investments in ICTs that have be subjected to efficiency controls	Amount in US\$ millions	0	3	8	15	24	35	35	Data of the DGD's ex ante evaluation of public investments in ICTs (EvalTIC platform)	Yes	See MEP
2.2. Projects approved by EvalTIC and aligned with the Digital Government Transformation Act (LTDE)	Percentage	23%	25%	30%	35%	40%	50%	50%	EvalTIC platform data	No	See MEP

DISBURSEMENT-LINKED INDICATORS (DLIs)²

Indicator	Unit of measure	Baseline	Year 1		Year 2		Year 3		Year 4		Year 5		End of program	
			Target	Associated amount (US\$ millions)	Target	Associated amount (US\$ millions)	Target	Associated amount (US\$ millions)	Target	Associated amount (US\$ millions)	Target	Associated amount (US\$ millions)	Target	Associated amount (US\$ millions)
1.1 Government agencies that have implemented digital government platforms of the DGD ³	Percentage	41%	45%	7.57	55%	10.37	65%	12.05	73%	14.40	80%	13.73	80%	58.12
2.1. Value of public investments in ICTs that have been subjected to efficiency controls	Millions of US\$	0	3	3	8	5	15	7	24	9	35	11	35	35
3.1. DGD internal projects that are being managed by a project management office (PMO)**	Number of projects	0	5	0.25	12	0.39	21	0.55	32	0.74	45	0.96	45	2.89
3.2. Cybersecurity services that are up and running**	Number of services	1	3	0.42	5	0.56	7	0.79	9	1.01	11	1.21	11	3.98
Total				11.24		16.32		20.39		25.15		26.90		100
** Outputs associated with institutional-capacity building.														

Verification protocol for disbursement-linked indicators: See [monitoring and evaluation plan](#).

² Indicator targets are cumulative.

³ The government agencies targeted by this indicator are mentioned and defined in the corresponding verification protocol set out in the [MEP](#). The allocation of resources is based on the traditional logic for the implementation of technology projects, whereby the costs incurred are higher in the early stages, but begin stabilizing during implementation by leveraging economies of scale (e.g., as more government agencies adopt DGD digital platforms, the unit cost of Cloud services decreases) and bandwagon economies (e.g., fewer resources are required to ensure that public hospitals adopt digital platforms if the Health Services on which they depend have already adopted them).

Country: Chile

Division: IFD/ICS

Operation number: CH-L1169

Year: 2023

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Executing agency: The borrower, acting through the Digital Government Division (DGD), an agency of the General-Secretariat of the Presidency (SEGPRES)

Name of operation: Program to Support Chile's Digital Government Agenda

I. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

1. Use of country systems in the operation.¹

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

2. Fiduciary execution mechanism

<input checked="" type="checkbox"/>	Special features of fiduciary execution	The borrower will be the Republic of Chile and the executing agency will be the borrower, acting through the DGD, an agency of SEGPRES. The DGD will be responsible for program coordination and, together with the General Administration Division of SEGPRES, will be in charge of program financial management. With specific regard to the execution of Component 2, a Strategic Committee will be formed, comprised of DIPRES, the State Modernization Secretariat, and the DGD, which will provide advisory services, support, and validate program activities, outputs, and results associated with EvalTIC. With respect to the Strategic Committee, DIPRES will contribute to the monitoring and performance of the information and communication technologies (ICTs) projects of Component 2, providing information on the financial progress of the projects. Nonreimbursable support mechanisms for government agencies are anticipated, the details of which, if implemented, will be included in the program Operating Regulations .
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3. Fiduciary capacity

Fiduciary capacity of the executing agency	<p>The executing agency works within the public financial administration system (SAFP), using the government financial management information system (SIGFE) for budgeting, accounting, and payments. It also has an internal audit unit which is subject to oversight by the Office of the Comptroller General of the Republic (CGR). The Bank has determined that the country systems (i.e., budget, treasury, accounting, government internal audit (General Government Internal Audit Board – CAIGG), and external audit (CGR) systems), as well as Chile's national procurement system, are acceptable for use in Bank operations.</p> <p>An institutional capacity analysis of the executing agency confirmed that it has a satisfactory institutional capacity to execute the program and achieve the objectives of the loan based on results (LBR).</p>
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¹ Any system or subsystem that is subsequently approved may be applicable to the operation, in accordance with the terms of validation by the Bank.

4. Fiduciary risks and risk response

Type of risk	Risk	Risk level	Risk response
Internal processes	If the General Administration Division of SEGPRES lacks formal procedures for the development of disbursement planning and accounting control tools, errors could result in the presentation of reports, affecting program accountability.	Medium-high	Procedures for the specific financial aspects of the program will be included in the program Operating Regulations .
Human resources	If SEGPRES lacks personnel trained in presenting the relevant reports for independent verification and the program's financial statements, delays in the preparation of reports could result, which could, in turn, cause delays in the planned disbursement schedule and in monitoring the execution of the operation's expenditures.	Medium-low	The Bank will provide training to strengthen the SEGPRES teams in preparing the relevant program reports.
Governance systems	In the absence of specific interagency coordination mechanisms for the technical management of Component 2 of the program, significant delays could result due to the lack of coordination among the relevant actors, impacting the results to be achieved under that component.	Medium-high	The coordination mechanisms (diagrams) between the various agencies involved in program execution will be included in the program Operating Regulations .

5. Policies and guidelines applicable to the operation: Not applicable

6. Exceptions to policies and guidelines: Not applicable

II. CONSIDERATIONS FOR THE SPECIAL CONDITIONS OF THE LOAN CONTRACT

<p>Exchange rate: For the purposes of Article 4.10 of the General Conditions, the parties agree that the exchange rate to be used will be the rate stipulated in Article 4.10(b)(ii). For such purpose, the agreed exchange rate will be the rate on the date on which the borrower, executing agency, or any other individual or legal entity to which the authority to incur expenses is delegated effectively makes the respective payments to the contractor, vendor, or beneficiary.</p>
<p>Audit type: Audited financial statements are to be submitted within 180 days following the end of the fiscal year during the loan disbursement period. The final report will be submitted within 180 days following the date stipulated for the last disbursement of the loan and will include an analysis of potential differences between actual program costs and the amounts disbursed. The terms of reference will be agreed on with the Bank and the independent auditors must be acceptable to the Bank.</p>
<p>Retroactive financing of achieved results: The Bank may retroactively finance results achieved by the borrower between the project profile approval date (22 November 2022) and the loan eligibility date, up to an amount equal to 15% of the program amount (US\$15 million), provided that the expenses associated with achieving those results are eligible under the program and are attributable to achieving the development results, which will be subject to an independent external evaluation. The amount to be disbursed for results achieved prior to the eligibility date will be associated with disbursement-linked indicators 1.1, 3.1, and 3.2.</p>

III. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

<input checked="" type="checkbox"/>	Use of country systems	In accordance with the Guidelines to Process the Bank's Sovereign Guaranteed Loan Based on Results (document GN-2869-3), and based on the corresponding evaluation, the executing agency will use its own procurement and contracting systems based on the National Procurement Act of the Republic of Chile. The Bank evaluated the executing agency's procurement system using the methodology for assessing procurement systems (MAPS), establishing the technical foundation that subsequently facilitated support for the validation exercise of the use of the country procurement system through document GN-2642-1 of 8 December 2011, as it was considered to adhere to internationally accepted principles, practices, and standards for all procurement methods and offers the potential for bidders from all countries to participate. The country system will be used for the procurement of goods, nonconsulting services, and consulting services (firms and individuals).
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IV. AGREEMENTS AND REQUIREMENTS FOR FINANCIAL MANAGEMENT

<input checked="" type="checkbox"/>	Programming and budget	The budget of the executing agency is part of the public sector budget defined by the Government Financial Administration Act (Legislative Decree 1,263/75). The Ministry of Finance, through its Budget Directorate (DIPRES), is responsible for preparing the public sector's budget. Given the interrelated nature of the budget systems, loan operations must be included in the public sector budget to enable access to funds (loan and local contribution), and for this reason use of the budget system is not expected to cause any problems that would impact program execution. Nevertheless, all loan operations must adhere to the expenditure framework of the public sector budget.
<input checked="" type="checkbox"/>	Treasury and disbursement management	Resources from the fiscal contribution will be used for program execution. Reimbursements will be managed based on the disbursement matrix, following independent verification of the results achieved. The loan proceeds will be deposited in the dollar-denominated account held by the Treasury of the Republic (TGR) at the Central Bank, provided disbursements are associated with results. Payments arising from execution are made directly by the TGR through the Treasury Single Account. It must be ensured that the accounting systems enable monitoring of income and expenditures. No initial disbursement is envisaged. The executing agency will not be required to submit supporting documentation for expenses together with disbursement requests, nor will it be required to submit supporting documentation for expenses incurred to achieve the intended results. However, it must keep all such documentation as part of the appropriate administrative, internal audit, procurement, and accounting systems ensuring timely issuance of program financial reports, which will be audited annually.
<input checked="" type="checkbox"/>	Accounting, information systems and reporting	<p>The specific accounting standards to be followed are IPSAS-CGR Chile, established by CGR Resolution 16 of 2015.</p> <p>Transactional units will be given access to SIGFE to record transactions with relevant international organizations. The chart of accounts is based on the public sector chart of accounts established by the CGR. It must be ensured that the accounting systems enable adequate monitoring of the program's income and expenditures.</p> <p>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.</p>

<input checked="" type="checkbox"/>	Internal control and internal audit	The internal control system rests on the organizational plan, strategic plans, and procedures, approved by the CAIGG, together with administrative rules on ethics and probity. The internal audit unit reports directly to the Ministry's highest authority. Annual audit plans are drawn up in accordance with the instructions established by the CAIGG. The internal audit unit of the executing agency follows up on the internal audit observations made by the program's external auditors and will validate the responses to the auditors' observations.
<input checked="" type="checkbox"/>	External control and financial reports	The executing agency will engage auditors acceptable to the Bank, such as the CGR. During the loan disbursement period, the executing agency will submit the financial statements to the Bank within 180 days following the fiscal year-end of the program. It will present the program's audited financial statements in accordance with the terms of reference agreed on with the Bank. The last report is to be delivered within 180 days following the date stipulated for the last disbursement of the loan. The executing agency, with support from the General Administration Division of SEGPRES, will prepare the programs financial reports. The final audited financial statements will include an analysis of possible differences between the actual program costs and the sums disbursed.
<input checked="" type="checkbox"/>	Financial supervision of the operation	The financial supervision plan will consider participation in periodic risk matrix monitoring sessions of the program and review of the annual audit report, which may lead to on-site visits to update knowledge of the internal institutional systems.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-____/23

Chile. Loan ____/OC-CH to the Republic of Chile. Program to
Support Chile's Digital Government Agenda

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Chile, as borrower, for the purpose of granting it a financing to cooperate in the execution of the Program to Support Chile's Digital Government Agenda. Such financing will be for an amount of up to US\$100,000,000 from the Ordinary Capital resources of the Bank, 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 ____ 2023)