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MULTILATERAL INVESTMENT FUND

CHILE

**STRENGTHENING COMPETITIVENESS THROUGH INNOVATION
MANAGEMENT IN THE BIO BÍO REGION**

(CH-M1014)

DONORS MEMORANDUM

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ABBREVIATIONS

CORFO	Corporación de Fomento de la Producción [Chilean Economic Development Agency]
GDP	gross domestic product
ICT	information and communication technology
INNOVA Bio Bío	Fondo de Innovación Tecnológica de la Región del Bio Bío [Technology Innovation Fund for the Bio Bío Region]
IRADE	Instituto Regional de Administración de Empresas [Regional Institute for Business Administration]
MIF	Multilateral Investment Fund
PPMR	project performance monitoring report
SME	small and medium-sized enterprise
TIS	territorial innovation system

**STRENGTHENING COMPETITIVENESS THROUGH INNOVATION MANAGEMENT
IN THE BIO BÍO REGION
(CH-M1014)**

EXECUTIVE SUMMARY

Beneficiary/executing agency:	Instituto Regional de Administración de Empresas [Regional Institute for Business Administration] (IRADE) – Chile
Beneficiaries:	Small and medium-sized enterprises in the Pencopolitano territory and small businesses and microenterprises in the Itata Valley. As municipios in the Itata Valley will improve management efficiency and effectiveness, they too stand to benefit.
Financing:	MIF (nonreimbursable): US\$1 million (50%) Counterpart: <u>US\$1 million (50%)</u> Total: US\$2 million (100%)
Objectives:	<p>The <i>general objective</i> of the program is to help enhance the innovation capacity of the Bio Bío region by strengthening interaction between the public sector, private enterprise, and knowledge institutions.</p> <p>The <i>specific objective</i> is to strengthen the capacity for innovation process management among the enterprises and institutions (entrepreneurs and their organizations, public entities, and knowledge institutions) that shape the productive and technological development of the Pencopolitano territory metalworking cluster and of the Itata Valley (“Secano Costero”) territory in the Bio Bío region.</p> <p>The program is divided into four components: (i) sharing of best practices and networking; (ii) building capacity for innovation process management; (iii) developing and implementing concrete innovation projects; and (iv) monitoring.</p>
Execution timetable:	Execution period: 48 months Disbursement period: 54 months
Special contractual conditions:	Submission, to the Bank’s satisfaction, of: (i) Bank approval of the overall project execution plan and of the annual work plan for the first year of the project; and (ii) evidence that the project Operating Regulations have taken effect.

**Environmental and
social review:**

The Committee on Environment and Social Impact approved this operation on 16 March 2007 (meeting 10-07), without comment.

**Coordination with
other donors:**

None.

I. BACKGROUND AND RATIONALE

A. The Bio Bío region

- 1.1 Chile's Region VIII, Bio Bío, consists of four provinces, which are further divided into 13 territories. It is the country's second most important region after Metropolitan Santiago, with a population of 1,907,034 (2002 census). In 2004, Bio Bío's output was US\$6,792,000, or 8.7% of the country's gross domestic product, and its GDP growth is above the national average (8.7% in the first quarter of 2007, topping the national rate of 5.8%). Bio Bío's economy is strongly tied to natural resources; it is the country's premier agricultural region, and is also distinguished by the development capacity of its forestry and fishing sectors, particularly in the area of exports—US\$4.602 billion in 2006, with forestry and fishing accounting for 74% of the total. Bio Bío's economic development has led to an increase in the urban population, making Concepción-Talcahuano the second most populated area in the country.
- 1.2 The **Pencopolitano territory metalworking cluster**, which includes Talcahuano and Concepción, is the focal point of Bio Bío's metalworking industries, encompassing 3 shipyards, 13 metallurgical industries, and 255 small and medium-sized machine shops, foundries, and workshops. Important products include fishing and merchant vessels, mining industry products, wires, nails, metal structures, pipes, etc. The Talcahuano area, which has an outlet to the sea, has developed into the trading hub for raw materials and finished products, and is home to medium-sized enterprises, primarily iron and steel works. In Concepción, the metalworking industry is more predominant, consisting of smaller enterprises that mainly produce equipment and machinery for various productive uses.
- 1.3 The metalworking cluster features some significant linkage experiences. For one, the large steel company Huachipato has undertaken initiatives to modernize its local suppliers and to engage in joint innovation projects with some enterprises. There have also been various linkage initiatives among small businesses, such as: (i) the Association of Metallurgical and Metalworking Industries of the Bio Bío Region (A.G. Met Bio Bío), with 20 members; (ii) the Metalworking Linkage Network (RAM Bio Bío), linking the entrepreneurial, educational, and labor sectors; (iii) the Bio Bío Association of Manufacturing Exporters (ASEXMA Bio Bío), with over 100 members from the metalworking industry; and (iv) the metalworking Integrated Territorial Program (PTI), promoted by the Corporación de Fomento de la Producción (CORFO).
- 1.4 The **Itata Valley or "Secano Costero" territory** has an area of 374,000 hectares and a largely (55%) rural population of 82,000. It comprises nine *comunas*, or municipalities: Cobquecura, Quirihue, Ninhue, San Nicolás, Coelemu, Trehuaco, Ranquil, Portezuelo, and Quillón. The local coordinating organization for the territory is the Association of Secano Costero Municipalities. Because this territory has a high concentration of poor social groups, its per capita income is among the country's lowest (the 2003 Socioeconomic Classification Survey shows the poverty level to be 33%, as compared to 28% regionally and 19% nation-wide).

- 1.5 Various productive activities are carried out in this territory: 35% of the land is used for agriculture and 31% for forest plantations; 26% consists of scrub- and grasslands; and 5% is native forest. Vineyards cover 12,227 hectares, vegetables 603 ha, olive trees 175 ha, and forest plantations 135,035 ha. Also important are greenhouse flowers, sheep farming, and beekeeping. Potential in fishing and tourism is strong as well. The territory is characterized by the presence of microenterprise and small business (annual sales are below US\$84,000 for 96% of productive units and below US\$21,000 for 82%). There are a total of 1,022 enterprises in the areas of agriculture, forestry, fishing, and manufacturing. This territory is also home to the Nueva Aldea Industrial Complex belonging to Arauco S.A., a company that over the last year launched operations in four industrial plants associated with the lumber industry.¹ There is little coordination between entrepreneurs, although the association of the 13 municipalities is quite active. Arauco's investment has sparked intense debate within the local population, with clashing viewpoints at times, revealing keen interest in participating in determining the territory's economic fate.

B. Direction and outlook for development in the Bio Bío region

- 1.6 The regional government's productive development strategy for 2006-2010 includes the goals of greater technology dissemination, giving priority to activities that incorporate greater value added, and enhancing the region's foothold in the global marketplace. It also maintains the priority of developing a regional innovation system in coordination with the business community. Advances in this area include: (i) coordination of development instruments through the "Región Emprende" program; (ii) creation and operation of the Investment Management Center; (iii) creation of the Technology Innovation Fund for the Bio Bío Region (INNOVA Bio Bío) to finance innovative business initiatives (the only one of its kind in Chile, though it is being replicated in other regions); (iv) the Investment Project Information System (SIPI), operated in conjunction with CORFO; and (v) creation of the Regional Science and Technology Council (CORECYT).

C. Challenges and opportunities

- 1.7 According to the stakeholders' own analysis, two facts would suggest a certain weakness in terms of productive development and the capacity for maintaining the competitive growth of small and medium-sized enterprises (SMEs). First, while the region has seen significant productive momentum compared with other regions of Chile, it has the **highest unemployment rate**,² indicating that regional economic growth is not creating enough jobs to absorb the available workforce. Secondly, there is a **technology gap among SMEs**, largely because entrepreneurs find it

¹ A chipping plant with a capacity of 1,200,000 m³/year, a sawmill to produce 400,000 m³/year of sawn lumber, a remanufacturing plant to produce 80,000 m³/year of decorative wood and wood for furniture, and a pulp plant to produce 550,000 tons/year of bleached pulp.

² Unemployment in the first four months of 2007 was 6.8% for Chile and 8.5% for the region.

difficult to introduce technological changes in their businesses. These two tendencies may have to do with flaws in the region's production linkages, owing mainly to the limited incorporation of technology.

- 1.8 Although Bio Bío has considerable capacities in terms of knowledge centers and the presence of producers, which should sustain development of the knowledge economy, its supply of technology and technology services does not match demand, and it lacks a systemic vision to facilitate the incorporation of technology into the productive system, particularly into value chains. The weakness of the region's innovation system is reflected in: (i) **insufficient capacity for managing technological innovation processes** owing to the lack of trained human resources; (ii) **weak linkages** between businesses within the same cluster or production chain, and between businesses and technological institutions for implementing innovation initiatives that transcend individual capacities; and (iii) the **disconnect between training opportunities and the specific requirements of the productive sector**. This is evident in the few projects focused on boosting competitiveness to meet global market standards, and in research and development projects that have little to do with industry needs. So, while business demand exists, they do not approach local research centers and universities for solutions, and as a result regional products offer little value added because they do not incorporate applied research. A consequence of the productive system's insufficient innovation capacity is the limited participation of small business in production chains with the large companies present in the two territories.

D. Rationale and additionality

- 1.9 The decentralization process under way in Chile is shifting the administration of productive development instruments increasingly to the regions, where they will eventually be adapted to the needs of the territories. The Bank is supporting this process with a program of regional productive development agencies (CH-L1019). At the same time, innovation and the incorporation of technology have come to form an essential piece of the development strategy of Chile and particularly of the Bio Bío region. It is a piece that does not depend solely on an innovation policy; it depends also on the capacity of entrepreneurs to incorporate technology into their production processes and organization and on the links between technical research and its concrete application to the productive system—elements this project seeks to support.
- 1.10 Given the innovation-based development strategy, the project would introduce a framework for collaboration between the public and private actors (entrepreneurs and their organizations, public entities, and knowledge institutions) that shape the productive and technological development of the region in order to help: (i) build capacity for innovation process management among businesses by introducing soft

- technologies, which value the systemic promotion of innovation;³ (ii) develop potential linkages; and (iii) align the supply of and demand for training and technology services associated with promoting innovation processes.
- 1.11 This effort will focus on two very different areas: one urban and semiurban—the **Pencopolitano territory**, with a productive sector consisting primarily of steel and metalworking SMEs; and another rural—the **Itata Valley or “Secano Costero” territory**, with an agroindustry and natural-resources focus, a fragmented productive sector made up of MSMEs, and a significant productive investment by a forestry company.
- 1.12 Through this project, the MIF will play a part in strengthening the region’s innovation system by aligning knowledge supply and demand to the benefit of the productive sector. The initiative is innovative in that it supports a public-private governance structure for project management, thereby promoting linkages between the principal players in the development of the two territories; it will also use training and management tools based on new methodologies for SMEs. Furthermore, by targeting specific sectors (metalworking and agroindustry) in two different socioeconomic contexts, the project will yield lessons for replicating the model and the methodologies elsewhere.

II. THE PROGRAM

A. Objectives

- 2.1 The *general objective* of the program is to help to enhance the innovation capacity of the Bio Bío region by strengthening interaction between the public sector, private enterprise, and knowledge institutions. Its *specific objective* is to strengthen the capacity for innovation process management among the enterprises and institutions (entrepreneurs and their organizations, public entities, and knowledge institutions) that shape the productive and technological development of the metalworking cluster in the Pencopolitano territory and of the Itata Valley (“Secano Costero”) territory in the Bio Bío region.

³ These technologies, which have to do with crosscutting competencies, interpersonal skills, emotional intelligence, etc., use various tools including ontological coaching and Japanese developments such as the Kaizen methodology, 7PM, and 7QC. The latter methodologies focus primarily on developing capacities involving conversational skills, communication, ideas analysis, problem-solving, and change management, thus facilitating paradigm shifts and enabling hurdles to be overcome so that entrepreneurs can come up with innovations in terms of products, services, processes, marketing, internal organization, etc. The Kaizen methodology focuses on developing business skills in technological change process management and communications, thereby making it easier to overcome barriers to change.

B. Description

Component 1: Sharing of best practices and networking (MIF: US\$125,654; counterpart: US\$90,121)

- 2.2 This component seeks to raise awareness among entrepreneurs and the institutions involved in SME development as to the importance of innovation for boosting competitiveness and, in doing so, bring together private, public, and institutional actors. To this end, activities will be aimed at systematizing, sharing, and disseminating successful innovation experiences and at easing the way for network-building and for collective actions by multiple enterprises.
- 2.3 **Best practices and dissemination.** Activities will tend to be short, specialized events involving entrepreneurs, local government officials, managers of the region's large businesses, knowledge institutions, etc. This subcomponent will include: (i) project dissemination (project launch, closing event, presentation of progress reports, website, and media outreach); (ii) compilation of innovation success stories; (iii) innovation sessions; and (iv) technical assistance with entering competitions and applying for awards.
- 2.4 **Networking.** To promote linkages between enterprises and between enterprises and public institutions and universities in each specific territory, public-private committees will be formed to maintain constructive dialogue in the metalworking cluster and in the Itata Valley territory, respectively. This should serve to promote discussion, build trust and mutual help networks, and encourage partnerships between SMEs and their participation in the value chain of large enterprises.⁴ The subcomponent will support: (i) the creation, administration, and monitoring of a territorial innovation system committee (one in each territory); (ii) the creation, administration, and monitoring of the Arauco–Community Outreach Committee; (iii) workshops on team-building, ideas-analysis tools, and ABC management tools for the three committees; and (iv) a workshop for the Arauco–Community Outreach Committee on the use of language to coordinate action.
- 2.5 **Expected outcomes:** (i) 20% of the beneficiaries will have received some type of recognition for innovative behavior; and (ii) the principal actors will reach consensus on and implement at least six initiatives.

Component 2: Building capacity for innovation process management (MIF: US\$204,422; counterpart: US\$354,205)

- 2.6 The objective is to transfer specialized tools to SMEs in the metalworking cluster and the Itata Valley territory to raise their productivity, specifically by improving basic management, and to boost their competitiveness by enhancing innovation management. This should promote and increase innovation in products, processes,

⁴ Interest in this last point has been expressed by CSH, ASMAR, and Arauco's Nueva Aldea Complex. In the future, invitations could be extended to ENAP Refinerías Bio Bío, Moly-Cop, INCHALAM, Papeles Norske Bio Bío, and Forestal y Papelera Concepción.

marketing, and organizational models. The methodology calls for an educational process that involves training and monitoring of how the SMEs introduce the newly acquired techniques and tools.

- 2.7 Specific activities will be carried out in each territory:
- a. For the Itata Valley: (i) a survey of interventions in the territory; (ii) selection of beneficiaries; (iii) a course on introducing practices to improve basic management; (iv) advisory services in information and communication technologies (ICTs), corporate identity, productivity enhancement, and greater innovation; (v) training and advisory services for municipalities; and (vi) training and advisory services for other institutions.
 - b. For the metalworking cluster: (i) selection of applicants; (ii) training in a SME management diploma course; (iii) advisory services in ICTs, corporate identity, productivity enhancement, and software support; (iv) a sales and negotiation workshop and business meetings; (v) workshops with follow-up, equivalent to a diploma course in innovation management; (vi) workshops to develop innovation projects; and (vii) a seminar on innovation and development instruments, and another on intellectual property.
- 2.8 **Expected outcomes:** (i) beneficiary enterprises will raise productivity by 15%; (ii) employment will increase significantly; and (iii) in the Itata Valley, municipal governments will become more efficient and ongoing dialogue with large businesses will be established.

Component 3: Developing and implementing tangible innovation projects (MIF: US\$336,000; counterpart: US\$336,000)

- 2.9 Using the various development instruments available, particularly those offered by INNOVA Bio Bío, this component will help beneficiaries present and implement their innovation projects. Technical assistance will be given to at least 18 projects, to more clearly define them—especially in terms of objectives, action plans, and budget.
- 2.10 Projects will be selected by the General Manager and the technical committee for the territory in question, after a public call for proposals. The eligibility criteria for participating in this call include: (i) the direct or indirect beneficiaries must be SMEs; (ii) the project must have been designed and proposed collectively by a group of at least three entities, enterprises, or institutions; (iii) there must be evidence the local businesses or institutions taking part in the bidding have the counterpart resources; and (iv) the environmental impact must be neutral or positive. Also, for selection purposes, the projects will be ranked according to their strategic importance to the territory and the collective benefits that derive from the proposed innovation initiative (see Operating Regulations, Annex IV).
- 2.11 The project will use MIF resources to fund up to 30% of the cost of implementing the projects approved by INNOVA Bio Bío or other development agencies, provided that these agencies finance an equal share and that the remainder is

furnished by the beneficiary SME. The MIF contribution will have a per-project ceiling of US\$35,000. This matching-grants fund may be used to cofinance innovation initiatives of two types: (i) specific initiatives involving products, processes, and organization that are put forward by a network of businesses; and (ii) public-private initiatives to create a healthier environment for furthering competitiveness and SME innovation.

- 2.12 **Expected outcomes:** (i) 18 projects will be presented to the various development instruments (INNOVA Bio Bío or others); and (ii) 10 projects will have been funded with the matching grants for innovation initiatives.

Component 4: Monitoring (MIF: US\$45,000; counterpart: US\$11,160)

- 2.13 This component involves development of the baseline and the project monitoring system. It will therefore finance the consulting services needed to: (i) define the baseline and adapt the major indicators, including indicators for component 3 projects, to actual conditions in the two territories; and (ii) maintain the monitoring system (measure project outcomes).
- 2.14 **Sustainability.** Project sustainability is based on two factors: (i) project governance—which includes the principal actors in the region’s innovation policy—allowing the experience to be scaled up and made into regional policy should the project prove successful; and (ii) as to the enterprises and institutions that stand to benefit directly, sustainability will be ensured by the project outcomes themselves, which will serve to make economic activity more profitable and the institutions involved more efficient.

III. COST AND FINANCING

- 3.1 The total project cost will be US\$2 million, 50% of which will be contributed by the MIF on a nonreimbursable basis; the counterpart contribution will be cofinanced by INNOVA Bio Bío (US\$300,000) and IRADE (US\$700,000). The beneficiary enterprises are expected to contribute US\$300,000 for implementation of the innovation projects.

Category of expense	MIF	Counterpart	Total	%
Comp. 1: Sharing of best practices and networking	125,654	90,121	215,775	10.8%
Comp. 2: Building innovation management capacity	204,422	354,205	558,627	27.9%
Comp. 3: Developing and implementing specific innovation projects	336,000	336,000	672,000	33.6%
Comp. 4: Monitoring	45,000	11,160	56,160	2.8%
Administration expenses	157,206	208,514	365,720	18.3%
Impact assessment account	5,000	-	5,000	0.3%
Midterm and final evaluation	30,000	-	30,000	1.5%
Audits	10,000	-	10,000	0.5%
Contingencies	56,718	-	56,718	2.8%
Cluster activities	30,000	-	30,000	1.5%
Total	1,000,000	1,000,000	2,000,000	100%

IV. EXECUTION MECHANISM

- 4.1 **Executing agency.** The project will be implemented by the Instituto Regional de Administración de Empresas [Regional Institute for Business Administration] (IRADE), a private, nonprofit corporation with 16 years of experience in developing business management capacity and in building regional social capital. IRADE has 49 member businesses that have formed a 15-member board of representatives, to which the institute's general manager reports. While its main clients are large and medium-sized enterprises in Region VIII, its mission is broader, seeking to contribute to comprehensive business development and to build social capital by creating and maintaining trust networks, stimulating business excellence, and promoting innovation and entrepreneurship.
- 4.2 **Organization.** Project execution will be the responsibility, on a part-time basis, of IRADE's *General Manager*, who will report to the *Project Steering Council* and will also represent the executing agency and the project vis-à-vis other agencies and institutions. In implementing the planned activities, the General Manager will be assisted by:
 - a. A full-time *General Coordinator*, whose responsibilities will include: (i) executing action plans and the budget; (ii) facilitating the exchange of experiences between the two territories; and (iii) preparing technical and financial project reports.
 - b. *Operations Coordinators*, one per territory, whose responsibilities will include: (i) overseeing quality and the actions carried out in their territory and managing the day-to-day relationship with the project beneficiaries; (ii) arranging for consulting services and training; and (iii) maintaining the monitoring system.
- 4.3 The project governance structure will consist of the following bodies, whose members will serve the project at no charge:

- a. The **Consultative Council** will consist of representatives of the regional and municipal governments, CORFO, large businesses, the Regional Innovation and Development Agency (ARIDP), the Industrial Corporation for the Regional Development of Bio Bío (CIDERE), and the Bio Bío Association of Manufacturing Exporters (ASEXMA Bio Bío); its responsibilities will include: (i) analyzing and validating the program strategy; (ii) ensuring that the project is compatible with the region's development strategy; and (iii) facilitating coordination among existing development instruments.
 - b. The **Steering Council** will consist of the president of IRADE, who will chair it, and representatives of the Association of Metallurgical and Metalworking Industries of the Bio Bío Region (A.G. Met Bio Bío), the Association of Itata Valley Municipalities, Universidad Santa María, Universidad del Bio Bío, INNOVA Bio Bío, Arauco, and a large firm from the metalworking cluster. It will meet on a monthly basis and will be responsible for: (i) establishing the project strategy; (ii) approving the plan of activities, the budget, and the financial statements; and (iii) supervising progress of the plan of operations and outcomes, and proposing corrective measures when necessary.
 - c. The **technical committees**, one per territory, will provide support for specific actions in the corresponding territory and will be responsible for: (i) providing technical advice to project management; (ii) examining challenges, problems, and opportunities specific to the project; and (iii) facilitating beneficiary participation in the program.
- 4.4 **Disbursements.** The contribution will be disbursed to the executing agency by advancing up to 10% of the funds at a time.
- 4.5 **Procurement.** With the Bank's prior approval of the procurement plan, the beneficiary will procure the goods and services and consulting services for the project in accordance with Bank policies (documents GN-2349-7 and GN-2350-7) and such simplified procedures as the MIF may adopt. Any item valued at or below US\$30,000 equivalent should preferably be procured by the shopping method. In this case, the Bank must indicate its no objection to the technical specifications of the goods to be procured. The contracting of consultants (individuals or firms) for a duration of up to a week and/or a cost equal to, or less than, US\$2,000 equivalent will be treated like the procurement of minor goods, and the fees will be paid upon presentation of the invoice. For consulting services with an estimated cost of less than US\$100,000 equivalent per contract, the shortlist of consultants may consist entirely of national consultants. All contracts for the procurement of goods, services, and consulting services in a total amount of US\$50,000 or more will be reviewed *ex ante*. Notwithstanding the foregoing, the Bank will review *ex ante* the first three goods and services contracts and the first three consulting services contracts regardless of the contract amount.

V. MONITORING AND EVALUATION

- 5.1 The Country Office in Chile will monitor and supervise the operation. IRADE will be required to submit to the Bank for approval: (i) an **initial report** containing the overall project execution plan, the annual work plan, and the annual procurement plan; (ii) **semiannual reports** within 30 days after the end of each calendar six-month period; (iii) **annual and final financial reports**; and (iv) a **final report** within 90 days after the last disbursement, which will be used to prepare the project completion report.
- 5.2 Three evaluations will be performed by independent consultants selected and contracted by the Bank and the cost will be charged to the operation: the first evaluation will take place 15 months into the project, the second when 60% of the funds have been disbursed or in month 30, whichever comes first, and the third within three months after the end of the project. The **first evaluation** will look at such factors as: (i) the progress and functioning of program governance and the participation of different institutions involved; (ii) consultant performance; (iii) the conditions for ensuring future project sustainability; and (iv) the effectiveness of the actions undertaken and the level of satisfaction among beneficiaries. The **second evaluation** will focus mainly on: (i) the program execution mechanism and interinstitutional collaboration; (ii) the fund operating mechanisms (component 3); (iii) the types of enterprises that have benefited and their level of satisfaction; and (iv) the steps taken to facilitate project sustainability. The evaluation should also identify areas and experiences that could be transferred to other regions. The **final evaluation** will cover such aspects as: (i) program sustainability; (ii) the extent to which the project objectives have been accomplished; and (iii) developmental impact, particularly the extent to which businesses have incorporated technologies and changes to organization and management, including the participation of businesses in production chains.

VI. BENEFITS AND RISKS

- 6.1 **Benefits.** The project will help 220 enterprises and institutions. Of this number, 60 enterprises will be selected and assisted in developing an innovation project, and will then partner to present 18 innovation projects to finance institutions. In the Itata Valley, municipal governments will have more efficient and more effective management. In addition, the project will establish collaborative efforts between universities and businesses, as well as between public development agencies, and between the latter, businesses, and other actors in the territory.
- 6.2 **Risks.** The principal risks associated with this operation are: (i) entrepreneurs and institutions will find it difficult to collaborate under the project, including collaborating with Arauco in the Itata Valley; and (ii) the complexity of project governance will eventually limit the scope of the project. To mitigate the first risk, specific activities were included to bring together and train entrepreneurs and staff from the different institutions. With regard to the second risk, it was felt that the

executing agency's considerable experience in coordinating different public and private actors is a mitigating factor. Many of the private actors are represented on IRADE's board, and if necessary, IRADE may, with the Bank's concurrence, limit the number of entities on the Steering Council.

VII. ENVIRONMENTAL AND SOCIAL CONSIDERATIONS

- 7.1 The project entails no environmental or social risks, since it will focus on dissemination and on development of capacity for technological innovation project management. The Committee on Environment and Social Impact approved this operation, without comment (meeting 10-07).

STRENGTHENING COMPETITIVENESS THROUGH INNOVATION MANAGEMENT IN THE BIO BÍO REGION (CH-M1014)
LOGICAL FRAMEWORK

Narrative summary	Indicators	Means of verification	Assumptions
Goal			
To contribute to innovation capacity enhancement in the Bio Bío region by strengthening interaction between the public sector, private enterprise, and knowledge institutions.	<p>Three years after project completion:</p> <ul style="list-style-type: none"> - Average annual sales of businesses served by the program grow 3.3% faster than the average for businesses sector-wide. - Technologically new or improved products will account on average for at least 10% of annual sales of beneficiary enterprises (to be established in the baseline). 	<ul style="list-style-type: none"> - Project impact assessment - Baseline established upon project completion - Sales records of beneficiary enterprises 	<ul style="list-style-type: none"> - The macroeconomic and political scenario remains unchanged. - An effective system for fostering innovation will be successfully established in each territory.
Purpose			
To strengthen innovation process management capacity of the enterprises and institutions (entrepreneurs and their organizations, public entities, and knowledge institutions) that shape the productive and technological development of the metalworking cluster in the Pencopolitano territory and of the Itata Valley (“Secano Costero”) territory in the Bio Bío region.	<p>By the end of the program:</p> <ul style="list-style-type: none"> - 20% of small and medium-sized enterprises (SMEs) benefiting from the program will have earned recognition or awards in creativity, innovation, or entrepreneurship competitions. - 70% of the enterprises benefiting from the program say they are extremely satisfied with the technical assistance received. <p>The 30 beneficiary enterprises in the metalworking cluster will have seen:</p> <ul style="list-style-type: none"> - A 15% increase in productivity - A 15% increase in profitability - A 5% boost to employment <p>The 30 beneficiary enterprises in the Itata Valley territory will have seen:</p> <ul style="list-style-type: none"> - A 15% increase in productivity - A 15% increase in profitability - A 10% boost to employment 	<ul style="list-style-type: none"> - Project completion report - Monitoring system reports - Semiannual and final reports prepared by the executing agency - Consultant(s) technical reports - Midterm and final evaluations - Project performance monitoring report (PPMR) - Surveys of beneficiary enterprises 	<ul style="list-style-type: none"> - Market conditions will remain stable for the beneficiary enterprises.

Narrative summary	Indicators	Means of verification	Assumptions
Components			
<p>Component 1: Dissemination of best practices and networking</p> <p>To raise awareness among entrepreneurs and the institutions involved in SME development as to the importance of innovation in boosting competitiveness and, in doing so, to bring together private, public, and institutional actors.</p>	<p>18 months into the project:</p> <ul style="list-style-type: none"> - Best practices in fostering innovation systems will have been documented and shared among 15 public and/or private institutions - Two territorial innovation system (TIS) committees will have been formed to coordinate efforts between public, private, and institutional actors: the Itata Valley TIS and the Metalworking Cluster TIS. The Arauco-Community Outreach Committee will also have been formed. <p>By the end of the project:</p> <ul style="list-style-type: none"> - The committees will have formulated at least six initiatives based on consensus among the principal actors, as follows: <ul style="list-style-type: none"> - Ranking areas to support development programs in the Itata Valley territory - Standardizing criteria amongst Itata Valley municipalities with respect to development and production linkages - Establishing the key actors that should form the TIS en each territory - Establishing mechanisms for centralized coordination of the many studies conducted by different public and private organizations and consultants in each territory, resulting in duplication of efforts in some areas 	<ul style="list-style-type: none"> - Semiannual reports prepared by the executing agency - Consultant(s) technical reports - Midterm and final evaluations - PPMR 	<ul style="list-style-type: none"> - The best practices documented and disseminated will be relevant to the region and applied in the various activities to promote innovation. - The various institutions and enterprises taking part in the dialogue committees are committed to the networking initiative.

Narrative summary	Indicators	Means of verification	Assumptions
<p>Component 2: Building capacity for innovation process management</p> <p>To transfer specialized tools to the SMEs in the metalworking cluster and the Itata Valley territory to raise their productivity, specifically by improving basic management, and to boost their competitiveness by enhancing innovation management.</p>	<p>18 months into the project:</p> <ul style="list-style-type: none"> - 30 small businesses and microenterprises from the Itata Valley territory and 30 SMEs from the metalworking cluster will have been analyzed and selected, and the corresponding intervention plans will have been prepared. <p>By the end of the project:</p> <ul style="list-style-type: none"> - The 30 enterprises from the Itata Valley will be equipped with innovation management tools covering basic management practices, information and communication technologies (ICTs), and corporate identity development. - 10 municipalities and 9 institutions from the Itata Valley will have received training and advisory services. - The 30 enterprises selected from the metalworking cluster will be equipped with innovation management tools covering SME management, ICTs, corporate identity development, sales and negotiation, formulation of innovation projects, and intellectual property management. 	<ul style="list-style-type: none"> - Semiannual reports prepared by the executing agency - Consultant(s) technical reports - Midterm and final evaluations - PPMR 	<ul style="list-style-type: none"> - The beneficiary SMEs remain committed to continuing with the program and applying the new tools they acquire. - The content developed will be tailored to the needs and operational capacities of the enterprises.
<p>Component 3: Developing and implementing concrete innovation projects</p> <p>To help beneficiaries present and implement their innovation projects, using the various development instruments available, particularly those offered by INNOVA Bio Bío.</p>	<p>By the end of the project:</p> <ul style="list-style-type: none"> - 10 innovation projects will be successfully implemented 	<ul style="list-style-type: none"> - Semiannual reports prepared by the executing agency - Consultant(s) technical reports - Midterm and final evaluations - PPMR - Surveys administered to beneficiary enterprises 	<ul style="list-style-type: none"> - There are no obstacles to implementing the projects selected by the development instruments.

Narrative summary	Indicators	Means of verification	Assumptions
<p>Component 4: Monitoring</p> <p>To develop the baseline and the project monitoring system.</p>	<p>6 months into the project:</p> <ul style="list-style-type: none"> - The monitoring system will be up and running and the baseline established. <p>By the end of the project:</p> <ul style="list-style-type: none"> - The monitoring system will have gathered information on the outcomes of the activities conducted and on the performance of the enterprises during the time they were involved in the project. 	<ul style="list-style-type: none"> - Monitoring system reports - Semiannual reports prepared by the executing agency - Consultant(s) technical reports - Midterm and final evaluations - PPMR 	<ul style="list-style-type: none"> - The beneficiary enterprises are providing reliable information. - Actors continue to be interested in monitoring and evaluating activities.
Activities			
<p>Component 1: Dissemination of best practices and networking</p> <p>Best practices and dissemination</p> <p>1.1 Project launch</p> <p>1.2 Survey of successful innovations</p> <p>1.3 Organizing and holding innovation sessions</p> <p>1.4 Support for entering competitions and applying for awards</p> <p>1.5 Presentation of progress reports on the MIF project at regional and national events</p> <p>1.6 Project closing event</p> <p>1.7 Media outreach</p> <p>1.8 Books</p> <p>1.9 Website</p> <p>Networking</p> <p>1.10 Creation, administration, and monitoring of the territorial innovation system (TIS) committees, one in each territory</p>	<p>MIF US\$125,654</p> <p>Counterpart US\$90,121</p> <p>One month into the project:</p> <ul style="list-style-type: none"> - The launch will have taken place. <p>By month 6:</p> <ul style="list-style-type: none"> - The project website will have been designed. <p>By month 7:</p> <ul style="list-style-type: none"> - The TIS Committee for the Itata Valley territory will be meeting. - The TIS Committee for the metalworking cluster will be meeting. - The Arauco–Community Outreach Committee will be meeting. <p>By month 12:</p> <ul style="list-style-type: none"> - Surveys of 10 successful innovations will be completed. - A regional innovation session will have been held in each territory 	<ul style="list-style-type: none"> - Semiannual reports prepared by the executing agency - Consultant(s) technical reports - Midterm and final evaluations - PPMR 	<ul style="list-style-type: none"> - The businesses are open to sharing the details of their successful innovations. - The enterprises will be interested in entering competitions and applying for awards. - The presentations prepared during the project are accepted at the various regional and national events. - The actors are interested in coordination and constructive dialogue on innovation and business networks.

Narrative summary	Indicators	Means of verification	Assumptions
<p>1.11 Creation, administration, and monitoring of the Arauco–Community Outreach Committee</p> <p>1.12 Team-building workshop for the three committees.</p> <p>1.13 Workshop on ideas-analysis tools for the three committees.</p> <p>1.14 Workshop on ABC management tools for the three committees.</p> <p>1.15 Workshop for the Arauco–Community Outreach Committee on the use of language to coordinate actions</p>	<ul style="list-style-type: none"> - 5 enterprises in each territory will have been assisted with entering competitions and applying for awards. <p>By month 18:</p> <ul style="list-style-type: none"> - Partial project outcomes will have been presented at 3 regional or national events - Activities 1.12 to 1.15 will have concluded. <p>By month 24:</p> <ul style="list-style-type: none"> - Surveys of 10 additional successful innovations will be completed. - An additional regional innovation session will have been held in each territory. - 5 additional enterprises in each territory will have been assisted with entering competitions and applying for awards. - Partial project outcomes will have been presented at 2 additional regional or national events <p>By month 36:</p> <ul style="list-style-type: none"> - Surveys of 10 additional successful innovations will be complete. - An additional regional innovation session will have been held in each territory. - 5 additional enterprises in each territory will have been assisted with entering competitions and applying for awards. - Partial project outcomes will have been presented at 4 additional regional or national events <p>During execution:</p> <p>The website content is being updated monthly</p>		

Narrative summary	Indicators	Means of verification	Assumptions
<p>Component 2: Building capacity for innovation process management</p> <p>In the Itata Valley territory:</p> <p>2.1 Record of interventions in the territory</p> <p>2.2 Diagnostic analysis and selection of beneficiaries to be assisted</p> <p>2.3 Improvement plan</p> <p>2.4 Course on introducing basic management improvement practices</p> <p>2.5 ICT advisory services</p> <p>2.6 Corporate identity</p> <p>2.7 Course on introducing productivity enhancement practices.</p> <p>2.8 Series of courses on introducing innovation enhancement practices</p> <p>2.9 Training and advisory services for the municipalities</p> <p>2.10 Training and advisory services for other institutions in the territory</p> <p>2.11 Visit by international experts</p> <p>2.12 Other related expenses</p> <p>In the metalworking cluster:</p> <p>2.13 Diagnostic analysis of applicant management capacity</p> <p>2.14 Selection of applicants</p> <p>2.15 Improvement plan</p> <p>2.16 SME Management diploma course</p> <p>2.17 ICT advisory services</p> <p>2.18 Corporate identity</p> <p>2.19 Sales and negotiation workshop</p> <p>2.20 Business meetings</p>	<p>MIF US\$204,422</p> <p>Counterpart US\$354,205</p> <p>In the Itata Valley territory</p> <p>By month 6:</p> <ul style="list-style-type: none"> - The diagnostic analysis of 100 microenterprises and small businesses will be complete. - The 30 program beneficiaries will have been selected. - The improvement plans for the beneficiaries will have been prepared. - The record of interventions in the territory will be complete. <p>By month 12:</p> <ul style="list-style-type: none"> - The series of courses in basic management improvement will have concluded. - The ICT advisory services will have concluded. - The advisory services on corporate identity will have concluded. - The first international expert will have visited and advised the territory. <p>By month 24:</p> <ul style="list-style-type: none"> - The course on raising productivity will have concluded. - The course on increasing innovation will have concluded. - The training and advisory services for the municipalities will have concluded. - The training and advisory services for territory institutions will have concluded. - A second international expert has visited and advised the territory. 	<ul style="list-style-type: none"> - Semiannual reports prepared by the executing agency - Consultant(s) technical reports - Midterm and final evaluations - PPMR 	<ul style="list-style-type: none"> - Consultants and rapporteurs with the necessary skills will be available. - There will be interest among enterprises in becoming project beneficiaries. - The beneficiary enterprises are interested in meeting the requirements of all training activities. - There is interest within enterprises in facilitating monitoring activities and the introduction of new practices. - The beneficiaries are interested in the advice of international experts.

Narrative summary	Indicators	Means of verification	Assumptions
<p>2.21 New technologies evaluation seminar</p> <p>2.22 Course on introducing productivity enhancement practices.</p> <p>2.23 Advisory services on software support</p> <p>2.24 Awareness-raising talks on innovation</p> <p>2.25 Workshop on the use of language to coordinate actions</p> <p>2.26 Workshop on team-building for innovation</p> <p>2.27 Workshop on strengthening the role of the supervisor</p> <p>2.28 Workshop on ideas-analysis tools</p> <p>2.29 Workshop on quality-control tools</p> <p>2.30 Kaizen workshop</p> <p>2.31 Workshop on problem-solving method</p> <p>2.32 Talks on the challenges of change processes</p> <p>2.33 Workshop on innovation project formulation</p> <p>2.34 Seminar on innovation and development facilities</p> <p>2.35 Seminar on intellectual property</p> <p>2.36 Visit by international experts</p> <p>2.37 Other related expenses</p>	<p>By month 36</p> <ul style="list-style-type: none"> - All the activities to follow up on training actions will have concluded. - A third international expert will have visited and advised the territory. <p>In the metalworking cluster:</p> <p>By month 6:</p> <ul style="list-style-type: none"> - The diagnostic analysis of 120 SMEs will be completed. - The 30 program beneficiaries will have been selected. - The beneficiary improvement plans will have been prepared - The SME management diploma course will have been designed. <p>By month 12:</p> <ul style="list-style-type: none"> - The SME management diploma course will have begun. - The ICT advisory services will have concluded. - The advisory services on corporate image will have concluded. - The first business meeting will have been held. - The first international expert will have visited and advised the metalworking cluster <p>By month 24:</p> <ul style="list-style-type: none"> - The SME management diploma course will have ended. - Activities 2.13 through 2.33, except for follow-up on some of the training activities, will have concluded. 		

Narrative summary	Indicators	Means of verification	Assumptions
	<ul style="list-style-type: none"> - The 2nd and 3rd business meetings will have been held. - A second international expert will have visited and advised the metalworking cluster <p>By month 36:</p> <ul style="list-style-type: none"> - All the activities to follow up on training actions will have concluded. - Activities 2.34 and 2.35 will have concluded. - The 4th and 5th business meetings will have been held. - A third international expert will have visited and advised the metalworking cluster <p>During project execution</p> <ul style="list-style-type: none"> - All transportation expenses and expert fees are being paid. 		
<p>Component 3: Developing and implementing concrete innovation projects</p> <p>3.1 Call for proposals and selection of projects</p> <p>3.2 Support for presentation of innovation projects to development and financing funds (INNOVA Bio Bío or others).</p> <p>3.3 Matching grants</p>	<p>MIF US\$336,000</p> <p>Counterpart US\$336,000</p> <p>By month 30:</p> <ul style="list-style-type: none"> - 18 projects will be receiving assistance with submission for existing development facilities. <p>By the end of the project:</p> <ul style="list-style-type: none"> - 18 projects from the two areas will have made presentations to the different development facilities (INNOVA Bio Bío or others) - 10 projects from the two areas will have been funded through the matching grants for innovation initiatives 	<ul style="list-style-type: none"> - Semiannual reports prepared by the executing agency - Consultant(s) technical reports - Midterm and final evaluations - PPMR 	<ul style="list-style-type: none"> - The enterprises have a favorable attitude about submitting projects to development facilities. - The project proposals submitted are of quality and will be selected by the development facilities. - Counterpart resources will be available to fund the individual projects.

Narrative summary	Indicators	Means of verification	Assumptions
<p>Component 4: Monitoring</p> <p>4.1 Establishing the baseline and indicators</p> <p>4.2 Maintaining the monitoring system (including measurement of project outcomes)</p>	<p>MIF US\$45,000</p> <p>Counterpart US\$11,160</p> <p>By month 4:</p> <ul style="list-style-type: none"> - The monitoring indicators that are needed will have been determined. <p>During execution:</p> <ul style="list-style-type: none"> - The success indicators defined for monitoring overall and specific project progress will have been updated annually. 	<ul style="list-style-type: none"> - Monitoring system reports - Semiannual reports prepared by the executing agency - Consultant(s) technical reports - Midterm and final evaluations - PPMR 	<ul style="list-style-type: none"> - The beneficiary enterprises continue to be interested in taking part in project activities and will relay the information required by the executing agencies.

**STRENGTHENING COMPETITIVENESS THROUGH INNOVATION MANAGEMENT
IN THE BIO BÍO REGION (CH-M1014)
BUDGET**

	Item	MIF	Counterpart			Total	%
			IRADE		INNOVA		
			In cash	In kind			
1	Component 1: Dissemination of best practices and networking						
	Best practices and dissemination						
1.1	Project launch	6,525	975			7,500	0.4%
1.2	Survey of successful innovations	6,688	10,032			16,720	0.8%
1.3	Organizing and holding innovation sessions	14,508	41,292			55,800	2.8%
1.4	Support for competitions and awards	29,328	1,872			31,200	1.6%
1.5	Presentation of progress reports on the MIF project at regional and national events	15,561	2,964			18,525	0.9%
1.6	Project closing event	9,184	2,016			11,200	0.6%
1.7	Media outreach	15,120	5,040			20,160	1.0%
1.8	Purchase of bibliography: books and texts	1,590	-			1,590	0.1%
1.9	Website	5,688	1,422			7,110	0.4%
	Creation of business networks						
1.10	Creation, administration, and monitoring of the territorial innovation system (TIS) committees	2,230	-	17,000		19,230	1.0%
1.11	Team-building workshop for the TIS committees	2,080	1,120			3,200	0.2%
1.12	Workshop on ideas-analysis tools for the TIS committees	2,080	1,120			3,200	0.2%
1.13	Workshop on ABC management tools for the TIS committees	2,080	1,120			3,200	0.2%
1.14	Creation, administration, and monitoring of the Arauco–Community Outreach Committee	8,592	2,148			10,740	0.5%
1.15	Workshop on the use of language to coordinate actions for the Arauco–Community Outreach Committee	1,280	320			1,600	0.1%
1.16	Team-building workshop for the Arauco–Community Outreach Committee	1,040	560			1,600	0.1%
1.17	Workshop on ideas-analysis tools for the Arauco–Community Outreach Committee	1,040	560			1,600	0.1%
1.18	Workshop on ABC management tools for the Arauco–Community Outreach Committee	1,040	560			1,600	0.1%

	Item	MIF	Counterpart			Total	%
			IRADE		INNOVA		
			In cash	In kind			
	Subtotal	125,654	73,121	17,000	-	215,775	10.8%
2	Component 2: Building innovation management capacity						
2.1	Recording of territory interventions	8,192	-			8,192	0.4%
2.2	Diagnostic analysis of applicant management capacity	17,472	26,208			43,680	2.2%
2.3	Applicant selection	520	1,560			2,080	0.1%
2.4	Improvement plan	4,524	6,396			10,920	0.5%
2.5	Creation and teaching of an SME management diploma course	6,072	44,528			50,600	2.5%
2.6	Course on basic management enhancement practices	6,699	23,751			30,450	1.5%
2.7	ICT advisory services	2,808	8,736			11,544	0.6%
2.8	Corporate identity	16,962	13,878			30,840	1.5%
2.9	Sales and negotiation workshop (+follow-up)	3,072	4,608			7,680	0.4%
2.10	Business meetings	2,244	20,196			22,440	1.1%
2.11	New technologies evaluation seminar	240	2,160			2,400	0.1%
2.12	Course on productivity enhancement practices	8,232	28,338			36,570	1.8%
2.13	Advisory services on software support	3,344	5,016			8,360	0.4%
2.14	Course on innovation enhancement practices	13,725	41,175			54,900	2.7%
2.15	Awareness-raising talks on innovation	192	2,208			2,400	0.1%
2.16	Workshop on the use of language to coordinate actions and follow-up	4,080	6,120			10,200	0.5%
2.17	Innovation team-building workshop (3 groups) and follow-up	4,080	6,120			10,200	0.5%
2.18	Workshop on strengthening the role of the supervisor for innovation (3 groups) and follow-up	4,080	6,120			10,200	0.5%
2.19	Workshop on ideas-analysis tools (3 groups) and follow-up	4,080	6,120			10,200	0.5%
2.20	Workshop on quality-control tools and follow-up	4,080	6,120			10,200	0.5%
2.21	Kaizen workshop on incremental innovation and follow-up	5,292	7,308			12,600	0.6%
2.22	Workshop on problem-solving method and follow-up	4,080	6,120			10,200	0.5%
2.23	Talk on challenges in change processes	192	2,208			2,400	0.1%
2.24	Workshop on innovation project formulation and follow-up	4,080	6,120			10,200	0.5%

	Item	MIF	Counterpart			Total	%
			IRADE		INNOVA		
			In cash	In kind			
2.25	Seminar on innovation and development facilities	192	2,208			2,400	0.1%
2.26	Seminar on property and patenting	192	2,208			2,400	0.1%
2.27	Training and advisory services for the municipalities	7,776	5,184			12,960	0.6%
2.28	Training and advisory services for other institutions in the territory	10,800				10,800	0.5%
2.29	Foreign expert visits and advisory services	57,120	10,080			67,200	3.4%
2.30	Local transportation and travel to Santiago	-	9,012			9,012	0.5%
2.31	Transportation, General Manager to territory	-	756			756	0.0%
2.32	Transportation, General Coordinator to territory	-	1,512			1,512	0.1%
2.33	Transportation, Operational Coordinator to Santiago	-	6,048			6,048	0.3%
2.34	International airfare, experts	-	7,860			7,860	0.4%
2.35	Per diems, experts	-	6,150			6,150	0.3%
2.36	International airfare, Project General Manager	-	2,620			2,620	0.1%
2.37	International per diems, Project General Manager	-	1,435			1,435	0.1%
2.38	Domestic airfare, experts	-	1,122			1,122	0.1%
2.39	Domestic per diems, Project General Manager	-	1,440			1,440	0.1%
2.40	Transportation, rapporteurs, and experts to territory	-	1,596			1,596	0.1%
2.41	Computer supplies and staff amenities	-	9,360			9,360	0.5%
2.42	Computers and printer	-	4,500			4,500	0.2%
	Subtotal	204,422	354,205	-	-	558,627	27.9%
3	Component 3: Developing and implementing concrete innovation projects						
3.1	Call for proposals and selection of projects	-	18,000			18,000	
3.2	Support for submitting innovation projects to development and financing funds	36,000	-	18,000		54,000	2.7%
3.3	Approved projects	300,000	-	-	300,000	600,000	30.0%
	Subtotal	336,000	18,000	18,000	300,000	672,000	33.6%
4	Component 4: Monitoring						
4.1	Establishment of baseline and indicators	-	6,240	-	-	6,240	0.3%
4.1.1	Establishment of component 2	-	4,160			4,160	0.2%

	Item	MIF	Counterpart			Total	%
			IRADE		INNOVA		
			In cash	In kind			
	indicators						
4.1.2	Establishment of components 1 & 3 indicators	-	2,080			2,080	0.1%
4.2	Annual measurement success indicators	45,000	4,920			49,920	2.5%
	Subtotal	45,000	11,160	-	-	56,160	2.8%
5	Administration expenses						
5.1	Selection of staff (general coordinator, operations coordinators, assistant, and 12 junior professionals to assist with monitoring)	15,840	1,760			17,600	0.9%
5.2	Project General Manager, part time			63,000		63,000	3.2%
5.3	General Coordinator, full time	80,796	60,744			141,540	7.1%
5.4	Executive Assistant, part time	20,250	6,750			27,000	1.4%
5.5	Operations Coordinators, part time	40,320	40,320			80,640	4.0%
5.6	General office expenses			35,940		35,940	1.8%
	Subtotal	157,206	109,574	98,940	-	365,720	18.3%
6	Evaluations and audits	45,000	-	-	-	45,000	2.3%
6.1	Impact assessment account	5,000	-			5,000	0.3%
6.2	Midterm and final evaluation	30,000	-			30,000	1.5%
6.3	Audit	10,000	-			10,000	0.5%
7	Contingencies	56,718	-			56,718	2.8%
8	Cluster activities	30,000	-	-	-	30,000	1.5%
	Total	1,000,000	566,060	133,940	300,000	2,000,000	100%