

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

**CHILE**

**PROGRAM TO IMPROVE SUSTAINABLE INVESTMENT PROJECT  
MANAGEMENT**

**(CH-L1145)**

**LOAN PROPOSAL**

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## ABBREVIATIONS

APIE	Agencia de la Promoción de la Inversión Extranjera [Foreign Investment Promotion Agency]
CAPS	Comité Asesor de Proyectos Sustentables [Sustainable Project Advisory Committee]
CBA	Cost-benefit analysis
CEA	Cost-effectiveness analysis
CNM	Consejo Nacional de Monumentos [National Monuments Council]
CNP	Comisión Nacional de Productividad [National Productivity Commission]
CONAF	Corporación Nacional Forestal [National Forestry Corporation]
DGA	Department of Water
ECG	Evaluation Cooperation Group
FDI	Foreign direct investment
MINECON	Ministry of Economy, Development, and Tourism
OECD	Organisation for Economic Co-operation and Development
PBL	Policy-based loan
RCA	Resolución de calificación Ambiental [Environmental classification resolution]
SEIA	Sistema de Evaluación de Impacto Ambiental [Environmental Impact Evaluation System]
SERNAGEOMIN	Servicio Nacional de Geología y Minería [National Geology and Mining Service]
SMEs	Small and medium-sized businesses
WEF	World Economic Forum

**PROJECT SUMMARY**  
**CHILE**  
**PROGRAM TO IMPROVE SUSTAINABLE INVESTMENT PROJECT MANAGEMENT**  
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Financial Terms and Conditions				
Borrower:			Flexible Financing Facility <sup>(a)</sup>	
Republic of Chile			Amortization period:	13.5 years
Executing agency			Disbursement period:	2 years
Ministry of Economy, Development, and Tourism (MINECON) through the Office of the Deputy Secretary for Economy and Smaller Businesses			Grace period:	8 years <sup>(b)</sup>
Source	Amount (US\$)	%	Interest rate:	LIBOR-based
IDB (Ordinary Capital):	100,000,000	100	Credit fee:	<sup>(c)</sup>
			Inspection and supervision fee:	<sup>(c)</sup>
			Weighted average life:	10.75 years
Total:	100,000,000	100	Approval currency:	U.S. dollar
Project at a Glance				
<p><b>Project objective/description:</b> The general objective of the operation is to help strengthen investment to foster the sustained, sustainable growth of the Chilean economy. The specific objectives are to: (i) maintain a stable macroeconomic environment; (ii) support the creation and implementation of an institutional structure for the efficient handling of investment projects; (iii) help strengthen public and private entities that are involved in bureaucratic procedures for investment projects and develop proposals to improve regulatory frameworks that impact those procedures; and (iv) establish a results monitoring and evaluation mechanism for the Sustainable Project Management Office.</p> <p>This program is structured as a multi-tranche policy-based loan (PBL). Loan proceeds will be disbursed in two tranches.</p>				
<p><b>Special contractual conditions precedent to the disbursement of each tranche of the loan:</b> The two disbursements of Bank loan proceeds will be contingent on fulfillment of the policy reform commitments as described in the program components and in the Policy Matrix (Annex II) and on fulfillment of the other conditions specified in the loan contract (paragraph 3.3).</p>				
<p><b>Exceptions to Bank policies:</b> None.</p>				
Strategic Alignment				
<b>Challenges:</b> <sup>(d)</sup>		SI <input type="checkbox"/>	PI <input checked="" type="checkbox"/>	EI <input type="checkbox"/>
<b>Crosscutting themes:</b> <sup>(e)</sup>		GD <input type="checkbox"/>	CC <input type="checkbox"/>	IC <input checked="" type="checkbox"/>

<sup>(a)</sup> 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, and commodity conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.

<sup>(b)</sup> 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.

<sup>(c)</sup> 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 relevant policies.

<sup>(d)</sup> SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).

<sup>(e)</sup> GD (Gender Equality and Diversity); CC (Climate Change and Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

## I. DESCRIPTION AND RESULTS MONITORING

### A. Background, problem addressed, and rationale

- 1.1 **Macroeconomic conditions.** In 2017, Chile's annual per capita income, adjusted for purchasing power parity, stood at US\$23,150, which is one of the highest in Latin America and the Caribbean.<sup>1</sup> This has been achieved, in part, thanks to a sound institutional, political, and macroeconomic framework. Yet economic growth has slowed in recent years, averaging 1.8% between 2014 and 2017. Meanwhile, the unemployment rate remained relatively low throughout that period, at less than 7.5%. This low level of growth has led to a deterioration of the fiscal position: the structural deficit stood at around 2.0% of GDP in 2017, and the gross central government debt-to-GDP ratio rose from 15% in 2014 to 24% in 2017. The inflation rate dropped from 4.4% in 2014 to 2.2% in 2017.<sup>2</sup> In 2018, the Chilean economy grew 4%—more than doubling the average growth of the previous four years—in a crosscutting economic recovery that impacted all sectors. As a result, estimates<sup>3</sup> indicate that Chile's annual per capita income, adjusted for purchasing power parity, stood at US\$25,978 in 2018, still among the highest in the region.
- 1.2 **The problem.** The low growth levels between 2014 and 2017 are partly due to a drop in investment. According to data from the Central Bank of Chile, gross fixed capital formation dropped from 24.8% of GDP in 2014 to 21.6% of GDP in 2017, posting a cumulative decline of 7% over that period. At the same time, foreign direct investment (FDI) fell from US\$23.763 billion to US\$6.419 billion.<sup>4</sup> For example, investment in facilities and equipment in the mining sector decreased from US\$12.833 billion in 2014 to US\$8.211 billion in 2017. However, gross fixed capital formation grew 4.7% in 2018, driving the creation of more jobs. Nonetheless, from a long-term perspective, continuing to increase economic investment and FDI is essential for improving growth.
- 1.3 The government administrative burden is one of the drivers of this slowdown in investment. In Chile, investment projects must apply for a series of permits<sup>5</sup> from various public and private entities over the course of their execution. A recent report by the National Productivity Commission (CNP)<sup>6</sup> groups these permits into eight consecutive stages: (i) securing a space; (ii) establishing a baseline; (iii) environmental evaluation;<sup>7</sup> (iv) sector permits; (v) preconstruction; (vi) construction; (vii) receipt of the works; and (viii) doing business.
- 1.4 These permits and the associated regulations and administrative processes aim to maximize the returns of investment for the economy, the environment, and the

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<sup>1</sup> [World Bank data.](#)

<sup>2</sup> [Central Bank of Chile data.](#)

<sup>3</sup> *World Economic Outlook*, International Monetary Fund.

<sup>4</sup> The Economic Commission for Latin America and the Caribbean, *Foreign Direct Investment in Latin America and the Caribbean 2018*.

<sup>5</sup> These permits include “decisions, statements, and formal certificates issued by public or private entities that are required for investment project execution under prevailing regulations.”

<sup>6</sup> CNP, 2019. Regulatory Review of Strategic Sectors. Background and preliminary findings.

<sup>7</sup> For more information, see Femenias, J., and C. Ciappa (2018), *La regulación ambiental y su relación con la aprobación de proyectos de inversión en Chile* [Environmental Regulation and Its Bearing on Investment Project Approval in Chile], IDB consulting services report.

- community. That being said, to maximize the economic, social, and environmental returns on investment, licensing, regulatory, and administrative processes have to be efficient. In other words, the objectives these processes seek to uphold should be achieved with the lowest possible investment of State and private resources. When permits and regulations are highly complex or require excessive amounts of time, resource and time costs increase. Such costs become even greater when there is no effective coordination between the entities involved.<sup>8</sup> Regulatory inefficiencies can lead to project delays or cancellations, or to sponsors choosing different locations for their projects.<sup>9</sup>
- 1.5 Several international studies rank Chile very low in terms of regulation quality. According to data from the Organisation for Economic Co-operation and Development (OECD),<sup>10</sup> Chile has the highest regulatory complexity, in terms of the burden of the licensing and permitting system, among all OECD member nations. Meanwhile, the World Economic Forum's Global Competitiveness Report 2018<sup>11</sup> assigns Chile a score of 3.3 (on a scale of 1 to 7) on burden of government regulation (permits, regulations, etc.) as perceived by businesses. The 2018 report places Chile 78th out of 140 countries, dropping the country nine spots from the 2017 report.
- 1.6 According to the CNP report, there are 400 required permits for executing investment projects in Chile.<sup>12</sup> Since many projects have to apply for a single permit several times, it is common for a project to need between 500 and 2,000 permits from the initial development stage until launch of operations. Although the permits identified by the CNP are issued by 53 entities, half of the permits are issued by seven agencies, and six of those are decentralized or regional. The entities that issue the highest volume of permits are: The Regional Ministerial Health Offices, the National Geology and Mining Service (SERNAGEOMIN), Municipal Works Departments, the Department of Water (DGA), the National Forestry Corporation (CONAF), the Electricity and Fuel Superintendency, and the Agriculture and Livestock Service.
- 1.7 The bulk of investment project permitting processes take place after the environmental impact assessment stage, primarily in the preconstruction and construction stages. These stages also represent the largest burden in terms of

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<sup>8</sup> The Australian Government Productivity Commission's "Major Project Development Assessment Processes" report explains the rationale for the regulation of investment project assessment.

<sup>9</sup> For example, there are several studies on the relationship between regulatory efficiency and performance in the mining sector. Dawson (2007) has found that regulation had a significantly negative impact on extractive sector productivity in the United States, with a 0.27% decrease in the productivity of capital in the mining sector. Djankov et al. (2006) find a positive correlation between regulatory flexibility in the mining sector and performance. Their main finding is that an improvement to the quality of commercial regulations in a group of countries in Latin America and the Caribbean (including Peru, Chile, Argentina, and Ecuador) would result in a 2.3% increase in overall productivity in the sector. Jalilian et al. (2007) have examined the relationship between regulatory quality and mining sector productivity. Their findings suggests that regulation is closely tied to productivity in the sector: regulatory quality has a positive impact on sector productivity of 1.5%.

<sup>10</sup> OECD (2018). *OECD Economic Surveys*. Chile, February 2018. Overview. See [optional link 4](#).

<sup>11</sup> [The Global Competitiveness Report](#).

<sup>12</sup> These permits are for 15 project types in five economic sectors: mining, energy, infrastructure, real estate, and industry.

permit processing times. The institutions that issue the most permits during these stages include the Regional Ministerial Health Offices, the Municipal Works Departments, and the SERNAGEOMIN.

- 1.8 In addition to identifying and characterizing the permits required of investment projects, the CNP report includes an efficiency analysis based on an in-depth study of 23 permits that meet the following conditions: (i) preliminary evidence indicates that the permits are problematic; and (ii) they are a representative sample of the different stages and the most common types of investment project in Chile.<sup>13</sup> The main findings of this analysis are set out below:
- a. For 11 of the 23 permits analyzed, the study identified problems related to processing times. The main reasons for these delays are: (i) a lack of regulatory definitions for permit processing (there are no specified official processing times for 55% of the identified permits, so the default processing time of six months is applied<sup>14</sup>); (ii) public services management weaknesses related to digital infrastructure (for example, there is a lack of computers and software, only 50% of the analyzed permits can be processed online, and they are seldom traceable), insufficient human resources, mismatched incentives, and scant interagency coordination; and (iii) the quality of the information provided by investment project sponsors.
  - b. With regard to permits that are issued at the regional level (such as those issued by the Regional Ministerial Health Offices), the study found that requirements and evaluation criteria vary from one region to another, and these variations cannot be explained by inherent regional differences.
  - c. Investment projects are required to have a baseline including required information on physical, chemical, and biological variables and socioeconomic, cultural, and landscape impacts. Data from previous studies and the wealth of existing information at State entities could be used to establish these baselines. However, this information is disorganized and has not been validated, which keeps it from being used for new baselines, thereby increasing processing times and costs.
  - d. The lack of land-use planning tools that address concerns about investment project sites increases conflicts about project locations during environmental evaluation processes. For example, a recent study<sup>15</sup> that analyzed case law

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<sup>13</sup> The following permits were included in the analysis: land lease agreement; permit for archaeological, anthropological, or paleontological digs; national interest declaration; forest management permit for protected native forests that are unique or representative of Chile's natural biodiversity; permit to disturb native plant species; connection arrangement approval; grid connection authorization; acceptance of water-delivery works; permit to build certain water-delivery works; building permit; final inspection of building works; emissions offset plan; permit to subdivide and develop rural lands or build outside of urban limits; permit to hunt or capture protected animal species for research purposes; environmental classification resolution; applicability inquiry; industrial or warehouse facilities classification; permit for hazardous waste storage sites / project approval and authorization to operate; urban transit system impact study; authorization to tear up and replace pavement; permit to authorize a mining work site closure plan; permit to construct and operate a tailings dump; major marine concession; and the adequacy rating for the establishment of a financial guarantee that ensures compliance with work site closure plan obligations.

<sup>14</sup> Law 19,880 on State Administrative Procedures.

<sup>15</sup> For more information, see Femenias, J., and C. Ciappa (2018).



associated with 35 investment projects that were entered into the Environmental Impact Evaluation System (SEIA) found that the most frequent grounds for appeal (26) were cases in which the community was opposed to the project and the project site in particular. These situations have to do with the objectives for the use of a given site and how groups with differing and often conflicting opinions seek to impose their way. These types of conflicts are at the core of the land-use planning framework.

- e. The study found that works and temporary activities are handled in the same way, meaning that, in some situations, processing times could be longer than the period of time during which the main work or activity would take place.
  - f. In some areas, several permits overlap or contradict each other (for example, permits from the Health Authorities and the Ministry of the Environment). Furthermore, there are several cases in which regulations for general permits and those for certain special permits are redundant, and there are no implementation or interpretation rules for harmonizing the two.
  - g. Investment project sponsors do not have a clear sense of when the permits they have obtained become binding (in other words, when the permit is not subject to administrative or legal appeal).
- 1.9 The findings of the CNP report are consistent with those of a recent study on processing times for investment projects. That study used administrative data on project processing and surveys of project sponsors to estimate processing times. It determined that it takes three years and four months to process sector and environmental permits up to the construction stage.<sup>16</sup> If the analysis is limited to projects that require an environmental impact study, the total processing time required stands at four years, with mining projects facing the longest processing times (four years and nine months).
- 1.10 Delays caused by regulatory inefficiencies have resulted in a significant backlog of projects that are in the process of obtaining permits. For example, in May 2019, the MINECON Sustainable Project Management Office's project registry<sup>17</sup> indicated that 253 investment projects were in the process of obtaining permits (25 in the preinvestment stage, 48 in the environmental evaluation stage, 89 in the sector permit stage, and 91 in the construction stage). These projects amount to US\$71.804 billion in investment for the 2019-2023 period. Broken down by sector, 74 projects are in the energy sector, 68 in infrastructure, 50 in real estate, 47 in mining, and 14 in industry. Mining and infrastructure represent 67% of this investment.
- 1.11 In addition to the inefficiencies in investment project permitting, regulations, and administrative processes, several studies identified two additional institutional problems associated with investment projects. First, until very recently, Chile did not have specialized institutional arrangements for facilitating coordination between entities that issue permits or for providing relevant information and assistance to investment project sponsors. Though several ministries had units

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<sup>16</sup> For more information, see Astorga, E., and A. Lucena (2018), *Estudio de Diagnóstico de Línea de Base de Tiempos de Tramitación para la Oficina GPS*, IDB consulting services report.

<sup>17</sup> For more information, see the [Sustainable Project Management Office website](#).

dedicated to supporting bureaucratic procedures for investment projects, they were understaffed and poorly coordinated.<sup>18</sup> Second, Chile has no systematic review mechanism to promote long-term regulatory efficiency and effectiveness (CNP, 2019).

- 1.12 **Government plan.** The economic targets in the 2018-2022 government program include: doubling the growth rate from the previous administration and increasing the investment rate by three percentage points by the end of its term. The plan also includes several measures to develop an innovative, competitive economy that invests, including: (i) the creation of an office dedicated to supporting investment projects throughout the permitting process; and (ii) the restructuring and streamlining of the Environmental Evaluation System, to expedite processes and ensure high environmental quality standards and greater legal certainty for investment project sponsors, the community, and the various public services involved in the evaluation.
- 1.13 **Institutional changes.** To address these challenges, the Chilean government, through MINECON, has undertaken several reforms to enhance the efficiency of bureaucratic procedures for investment projects. These reforms include: (i) the creation of a Sustainable Project Advisory Committee (CAPS), a body that assists the Economic Ministers Committee with the coordination and monitoring of investment projects; (ii) the creation of the Sustainable Project Management Office, the executive arm of CAPS; (iii) the development of digital platforms for permit processing; (iv) the development of proposed laws to improve the regulatory framework for investment; (v) the institutional strengthening and digitization of public and private entities that issue permits; (vi) the development of a special initiative to support investment projects from small and medium-sized enterprises (SMEs); and (vi) ordering that the CNP develop a long-term regulatory improvement strategy.
- 1.14 The duties and powers of CAPS and the Sustainable Project Management Office will dovetail with those of the Foreign Investment Promotion Agency (APIE), created by law 20,848. That law establishes the framework for FDI in Chile and creates the APIE, whose main objective is to promote Chile as a destination for FDI on global markets and attract FDI. While the APIE focuses on promotion and attraction efforts, CAPS and the Sustainable Project Management Office will focus on bureaucratic procedures for both foreign and domestic investment projects.
- 1.15 CAPS is made up of the Deputy Secretaries for: Economy and Smaller Businesses (Committee chair); Defense; Public Works; Health; Agriculture; Mining; National Assets; Energy; the Environment; and Cultural Heritage. As the technical secretariat of the Committee, the Sustainable Project Management Office will have three key roles: (i) support investment project sponsors, facilitating their dialogue with State agencies during project processing; (ii) in conjunction with the various public services responsible for evaluating investment projects, conduct ongoing monitoring of permit processing to ensure an efficient, disciplined State; and (iii) develop proposals and recommendations to strengthen the management of public services that are responsible for permit processing, identify bottlenecks, and

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<sup>18</sup> Minoletti, Claudio (2018), "Sistematización previa para propuesta de Oficina de Grandes Proyectos." Working Paper 4. Institutional land dialogue framework project. Available on the [Diálogo territorial website](#).

propose regulatory and administrative changes to make bureaucratic procedures for investment projects more efficient. To carry out its functions, the Sustainable Project Management Office has a technical team of sector and public policy experts, as well as a budget to strengthen public and private entities that issue permits to investment projects.

- 1.16 **Reform summary and rationale.** The country has requested Bank support to pursue these reforms, in the form of a policy-based loan (PBL) and a nonreimbursable technical-cooperation operation prepared in parallel with the PBL. The PBL will include two tranches of disbursements with actions to reduce three types of gaps: (i) institutional gaps: a lack of institutional arrangements for coordinating and supporting efficient bureaucratic procedures for investment projects; (ii) process and regulatory quality gaps: weaknesses in regulations, processes, and the digital capacity of the bodies involved in bureaucratic procedures for investment projects; and (iii) monitoring and evaluation gaps: a lack of methods, data, and capacity for regularly evaluating the results of this reform. The main measures under the first tranche include: the creation of an interagency coordination committee and the Sustainable Project Management Office; the design and implementation of digital platforms to provide relevant information to project sponsors and streamline permit processing; regulatory framework improvements; and the implementation of studies on international good practices, baselines, and opportunities for regulatory improvements. The main measures under the second tranche include: the institutional strengthening of the framework for coordinating and supporting bureaucratic procedures for investment projects; the scaling up of the digital platforms mentioned above; the introduction of new regulatory framework improvements that take into account the recommendations of the studies undertaken for the first tranche; and producing evidence on the results of the reform. The program strikes an appropriate balance between reforms that can be immediately implemented to help reduce the times and costs of bureaucratic procedures in the short term and other measures that will help build institutional capacity for a systematic review that promotes regulatory efficiency and effectiveness over the long term. The program measures do not call for the elimination of permits, but rather the streamlining of permit processing, and thus current environmental and social standards will be preserved. Moving forward, other potential areas of reform to promote investment could include improvements to land-use planning processes and the implementation of systematic regulatory review mechanisms.
- 1.17 **Bank value added.** The Bank supported the design of program reforms through the following activities: (i) a study to estimate environmental and sector permit processing times based on administrative data and interviews with project sponsors; (ii) a study on environmental regulation in Chile and its bearing on project approval; (iii) the initial design of a digital platform for processing sector permits; (iv) a study to determine the viability of using existing information from State entities as valid inputs for developing new environmental baselines; (v) a study on international good practices for coordinating and supporting investment projects; and (vi) an ex ante analysis of the costs and benefits of operation of the Sustainable Project Management Office. These activities were financed with technical cooperation operation ATN/OC-16431-CH and preparation resources from this program. The design of the reforms also benefits from complementarity

with other Bank operations, such as: (i) the advisory services agreement with the CNP for a study on regulations for strategic sectors and the development of a regulatory improvement proposal (operation CH-R1008); (ii) support for the Ministry of the Environment through the “Strategic Analysis of Territorial Sustainability” project (technical cooperation operation ATN/OC-16841-CH) to systematize the planned dialogue on investment projects that are entered into the Environmental Evaluation System; and (iii) a technical cooperation operation, currently in preparation, which will strengthen public and private entities that participate in project processing, develop a detailed design for the new digital platform for sector permit processing (“the SUPER platform”), and implement that platform.

- 1.18 **The Bank’s experience in the region and the sector.** In recent years, the Bank has financed a group of programs to improve business climate and innovation in Latin America and the Caribbean. A recent study<sup>19</sup> found that these programs have achieved direct results and benefits for private sector activity and competitiveness across the board. Lessons learned from these operations involving reforms to improve the business climate show that: (i) the Bank can play a catalytic role in introducing groundbreaking reforms in strategic areas; (ii) programmatic operations tend to have a strong impact when executed in conjunction with other Bank instruments; (iii) an executing agency’s capacity to lead and continue the reform process is crucial; (iv) the private sector plays an active role in implementing and sustaining reforms; and (v) the benefits of this type of intervention become more apparent over the medium and long term. These lessons were incorporated into the design of this operation. First, Bank support for the program’s reforms combines several instruments, including a technical cooperation operation and an advisory services agreement in addition to the PBL. Second, a dialogue with the private sector was undertaken to help identify and design the program’s measures. Lastly, the program helps build institutional capacity for implementing the reforms over the short, medium, and long term.
- 1.19 **International evidence and external validity.** The reforms described above take into account institutional lessons learned from Canada and Australia, evidence of positive impact in international literature, and recommendations from Chilean research institutions. In 2007, Canada created the Major Project Management Office, whose functions include serving as a one-stop shop for project sponsors and identifying measures to continually improve the project evaluation system. Canada also has a board of ministers that acts as a coordination body. In Australia, there are project coordination and support bodies in Queensland and South Australia. In 2013, the Australian Productivity Commission conducted a study of the permits and regulations that are required for large investment projects. There is also evidence of the positive impact of this type of reform. For example, a study of 64 countries found that a 30-day decrease in processing times led to a 3% increase in FDI, while a 1% decrease in licensing costs led to a 0.7% increase in FDI (Zhang, 2012). Estimates were also found for the cost of conducting environmental impact studies; on average, they amount to 0.5% of total project

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<sup>19</sup> Howell, Hunt, Juan Carlos Navarro, Claudia Stevenson, and Kayla S. Grant, 2017. *Supporting Policy Reforms in Business Climate and Innovation in Latin America and the Caribbean: Lessons Learned from the Inter-American Development Bank’s Experience with Policy-based Lending* / p. cm. — (IDB Technical Note 1262).

cost according to a 2014 OECD study. Lastly, the measures included in this program were recommended in several domestic studies produced by Alianza Valor Minero through its participatory public policy project, in the CNP's "Informe de Productividad de la Gran Minería," and in an ongoing study on regulatory review in strategic sectors.<sup>20</sup>

- 1.20 **Strategic alignment.** This program is aligned with the Update to the Institutional Strategy 2010-2020 (document AB-3008), as it contributes to the challenge of productivity and innovation by increasing investment and competitiveness in goods and services export sectors and to the crosscutting theme of institutional capacity and the rule of law, through reforms to strengthen public entities that issue permits to companies, thereby simplifying government procedures for the public. The program also contributes to the Corporate Results Framework 2016-2019 (document GN-2727-6), specifically through the following indicators: (i) government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery; and (ii) business environment reforms enacted. In addition, the program is consistent with the Innovation, Science, and Technology Sector Framework Document (document GN-2791-8) as regards the business climate for private sector development and is aligned with the Sector Strategy on Institutions for Growth and Social Welfare (document GN-2587-2) as regards its priority area of building institutional capacity for designing and implementing efficient regulations for productive sector development. The program is also aligned with the IDB Group Country Strategy with Chile 2019-2022 (document GN-2946), through its support for the "stronger investment and enhanced productivity" and "improved quality of life" priority areas and the following strategic objectives: (i) boost the competitiveness of goods exports and diversify the economy; and (ii) simplify government procedures for the public. Lastly, the project is included in the 2019 Operational Program Report (document GN-2948).

## **B. Objectives, components, and cost**

- 1.21 **Objectives.** The general objective of the operation is to help strengthen investment to foster the sustained, sustainable growth of the Chilean economy. The specific objectives are to: (i) maintain a stable macroeconomic environment; (ii) support the creation and implementation of an institutional structure for the efficient handling of investment projects; (iii) help strengthen public and private entities that are involved in bureaucratic procedures for investment projects and develop proposals to improve regulatory frameworks that impact those procedures; and (iv) establish a results monitoring and evaluation mechanism for the Sustainable Project Management Office.
- 1.22 **Beneficiaries.** Given the program's objective and the broad, crosscutting nature of the reforms (regulatory enhancements and digital permit processing platforms), this program should benefit at least 5,000 project sponsors (500 large businesses and 4,500 SMEs). The public and private entities involved in the process of issuing permits for investment projects will also benefit.
- 1.23 The program is organized around four components, described below:

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<sup>20</sup> For more information, see the [Valor Minero](#) and [CNP](#) websites.

- 1.24 **Component I. Macroeconomic sustainability.** This component sets out the policy objective of ensuring that the macroeconomic environment remains consistent with the program objectives and sector policy letter guidelines.
- 1.25 **Component II. Creation and operation of a Sustainable Project Management Office within MINECON.** This component supports the creation and implementation of an institutional structure for the efficient handling of investment projects. For the first disbursement, the following measures will be taken: (i) the Sustainable Project Advisory Committee (CAPS) will be established and operational as the body that will coordinate the various government agencies involved in processing permits for investment projects; (ii) the Sustainable Project Management Office, which will act as the executive secretariat of CAPS, will be established and operational; (iii) a budget allocation for the Sustainable Project Management Office will have been added to the 2019 Public Sector Budget Act, so the office has resources to fund a technical team and its work for 2019; and (iv) CAPS will have issued minutes that document the presentation of a study on international good practices for institutional arrangements that support investment project development. The policy commitments for the second disbursement are as follows: (i) a digital platform to support the implementation of the Sustainable Project Management Office's core work processes will have been launched;<sup>21</sup> (ii) the Sustainable Project Management Office will be providing a coordination framework for State entities involved in bureaucratic procedures for investment projects; (iii) a proposed public sector budget act for 2020 that includes an allocation of resources for the Sustainable Project Management Office will have been introduced in the National Congress; and (iv) a technical proposal for the institutional strengthening of the Sustainable Project Management Office will have been developed.
- 1.26 **Component III. Institutional alignment.** This component will help strengthen public and private entities that are involved in bureaucratic procedures for investment projects and develop proposals to improve regulatory frameworks that impact those procedures. The following measures are planned for the first disbursement: (i) official documents will have been issued and processed to approve the agreements entered into between the Office of the Deputy Secretary for Economy and Smaller Businesses and at least three public and/or private entities<sup>22</sup> involved in investment project permitting, to help them improve processing procedures and coordination with the Sustainable Project Management Office, among other objectives; (ii) the new digital platform for sector permit management ("the SUPER platform") will be facilitating digital permit processing at a minimum of three public and/or private entities;<sup>23</sup> (iii) a preliminary report with recommendations for using existing information from public and/or private entities to develop environmental baselines for new investment projects will have been received and validated by the Sustainable Project Management Office; (iv) a

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<sup>21</sup> The Sustainable Project Management Office digital platform is already operational and has been developed in accordance with the interoperability guidelines of Chile's Digital Government Division.

<sup>22</sup> For more information, see the [Valor Minero](#) and [CNP](#) websites.

<sup>22</sup> These three entities will be the DGA, the CONAF, and the National Monuments Council (CNM).

<sup>23</sup> The SUPER platform is already operational and has been developed in accordance with the interoperability guidelines of Chile's Digital Government Division. It was launched on 9 June 2019 and can be used for the integrated tracking of 10 permits. For more information, see <https://super.gob.cl/>.

proposed law to promote investment in the country will have been processed by the National Congress. It will include a series of changes to the Environmental Impact Evaluation System (SEIA), the SERNAGEOMIN, and the Water Code<sup>24</sup> and will have the specific objectives of reducing processing times and costs and improving available information for investments; and (v) the President of the Republic will have submitted a request to the CNP to develop a study on regulatory review in strategic sectors (mining, energy, infrastructure, real estate, and industry). The policy commitments for the second disbursement are as follows: (i) reports will have been submitted to the Sustainable Project Management Office by at least three public and/or private entities. These reports will address actions and activities implemented under the agreements signed with the Office of the Deputy Secretary for Economy and Smaller Businesses to improve processing procedures and coordination with the Sustainable Project Management Office; (ii) official documents will have been issued and processed to approve at least three additional agreements entered into between the Office of the Deputy Secretary for the Economy and Smaller Businesses and public and/or private entities that are involved in investment project permitting, to help them improve processing procedures and coordination with the Sustainable Project Management Office, among other objectives; (iii) the SUPER platform will be facilitating digital permit processing at a minimum of three additional public and/or private entities; (iv) recommendations for using existing information from public and/or private entities to develop environmental baselines for new investment projects will have been submitted to the Environmental Evaluation Service; (v) at least two administrative documents will have been issued and processed, to further enhance efficiency in investment project management. These administrative documents will address challenges and issues left unaddressed by the previous proposed law<sup>25</sup> and will take into account the findings and recommendations of the study that will be developed by the CNP (mentioned below); and (vi) a study on regulatory review in strategic sectors will have been developed and submitted to the President of the Republic.

- 1.27 **Component IV. Monitoring and evaluation.** This component supports the creation of a results monitoring and evaluation mechanism for the Sustainable Project Management Office. The following measures are planned for the first disbursement: (i) a baseline study to help estimate permit processing times for investment projects similar to those in the Sustainable Project Management Office portfolio will have been submitted to MINECON; (ii) a methodology for identifying and estimating the economic and social benefits from the operation of the

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<sup>24</sup> In the case of the SEIA, the system's role as a "one-stop shop" will be strengthened by requiring that the environmental classification resolution (RCA) include environmental sector permits; that impact evaluations for electricity generating plants or stations be based on their magnitude, not a predetermined quantity (3 megawatts); and that source types be differentiated by contaminant contribution. For SERNAGEOMIN, the law will specify that its registry may use Official Mining Bulletins as a source and that SERNAGEOMIN will be informed of all Production Development Corporation (CORFO) contracts for lithium exploitation. The Water Code will be modified to allow projects to be processed digitally and also cite intakes.

<sup>25</sup> The contents of these administrative documents are still being developed but may include such points as: (i) the ability to add minor changes and improvements to projects by updating the RCA; (ii) clarification of criteria for health permits; (iii) regulatory changes to permitting procedures for the construction sector; and (iv) the elimination of overlapping construction approval permits for tailings dumps.



Sustainable Project Management Office will have been submitted to MINECON; and (iii) a Sustainable Project Management Office website will have been created and will be operational. The website will include descriptions of the office's functions and services and its monthly investment reports will be posted there. The policy commitments for the second disbursement are as follows: (i) the findings of the study that estimates the economic and social benefits of the operation of the Sustainable Project Management Office will have been submitted to CAPS; (ii) a database that can be used to profile the Sustainable Project Management Office's project portfolio and evaluate the office's management results will have been created; and (iii) the Sustainable Project Management Office website will include a functioning tool that can be used to track the progress of investment project permits issued by public and/or private entities.

### **C. Key results indicators**

- 1.28 The framework to measure this program's development effectiveness consists of a Results Matrix (see Annex III). The outputs listed in that matrix replicate the structure of the Policy Matrix (see Annex II), which in turn aligns with the program's specific development objectives (paragraph 1.21).
- 1.29 The main outputs to be developed through this program include: the creation of the Sustainable Project Advisory Committee (CAPS), which, in conjunction with its technical secretariat (the Sustainable Project Management Office), will facilitate dialogue and coordination between project sponsors and the public and private entities involved in investment project permitting. Digital platforms will also be developed to provide technical assistance to project sponsors and process permits online. Two proposed laws to cut red tape in investment project permit processing and develop a long-term strategy for regulatory improvement will also be developed and processed. Lastly, a series of methods and tools for monitoring and evaluating the results of the Sustainable Project Management Office will be developed.
- 1.30 The implementation of these outputs should impact the level of investment in the Chilean economy through three outcomes (which are related to the objectives listed above): (i) shorter permit processing times for investment projects supported by the Sustainable Project Management Office; (ii) a lower index of perceived burden of government regulation among businesses; and (iii) greater dissemination of the Sustainable Project Management Office's activities, management indicators, and results.
- 1.31 **Economic analysis.** Based on the recommendations by the Office of Evaluation and Oversight (OVE) in its 2011 Evaluability Review of Bank Projects<sup>26</sup> and on the findings of the review of evaluation practices and standards for PBLs by the Evaluation Cooperation Group (ECG, comprising the independent evaluation offices of the multilateral development banks),<sup>27</sup> as provided for in paragraph 1.3 of document GN-2489-5 (Review of the Development Effectiveness Matrix for

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<sup>26</sup> Document RE-397-1: Currently, the economic analysis section score is computed as the maximum between the cost-benefit analysis (CBA) and the cost-effectiveness analysis (CEA). Yet neither a CBA nor a CEA is applicable to PBLs.

<sup>27</sup> *Good Practice Standards for the Evaluation of Public Sector Operations*. Evaluation Cooperation Group, Working Group on Public Sector Evaluation, 2012 Revised Edition. February 2012.



Sovereign Guaranteed and Non-sovereign Guaranteed Operations), which indicates that an analysis of efficiency in the use of financial resources is unnecessary,<sup>28</sup> it was determined that an economic analysis would not be performed for this type of loan, as reported to the Bank's Board of Executive Directors. Accordingly, this loan operation does not include an economic analysis and none is considered for purposes of measuring the evaluability score in the program's Development Effectiveness Matrix.

## **II. FINANCING STRUCTURE AND MAIN RISKS**

### **A. Financing instruments**

- 2.1 **Financing instrument.** This operation is structured as a multi-tranche PBL based on the document "Policy-based Loans: Guidelines for Preparation and Implementation" (document CS-3633-2). A multi-tranche PBL with two tranches was chosen due to the Chilean government's interest in having Bank support to enact consensus-based sector policy reforms and institutional changes over the short and medium terms. This choice is also justified by the government's extensive knowledge of and high level of commitment to the scope and content of the established policy reform process, whose continuity over time will be strengthened by this instrument.
- 2.2 **Dimensioning.** The program will be financed with a US\$100-million loan from the Bank's Ordinary Capital resources. The proceeds will be disbursed in two tranches (US\$50 million each) upon verification that the disbursement conditions for each tranche have been fulfilled. This operation will provide fungible resources to address fiscal needs, in support of an agreed program of policy reforms. It amounts to 1.2% of the public sector borrowing authorization approved in the 2019 Public Sector Budget Act and 33% of financing from multilateral organizations. The operation is justified pursuant to paragraph 3.27 of document CS-3633-2, under the criteria of a country's broad fiscal resource needs, even if they are not directly related to the reform-associated costs to be borne by the borrower.

### **B. Environmental and social risks**

- 2.3 Pursuant to directive B.13 of the Bank's Environment and Safeguards Compliance Policy (Operational Policy OP-703) and based on the findings of the safeguards policy filter, no classification is required for this operation. There are no environmental or social risks associated with this project. The program does not finance physical investments and should not involve any activities that adversely impact natural resources. In fact, the proposed reforms should produce positive environmental and social impacts.

### **C. Fiduciary risks.**

- 2.4 The proposed financing instrument will support the implementation of institutional and policy reforms. Therefore, it has no fiduciary risks because the borrower receiving the proceeds has sound country financial management systems.

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<sup>28</sup> According to the ECG, PBLs should be evaluated according to their relevance, effectiveness, and sustainability. Efficiency was not included as a criterion, since the size of a PBL is related to a country's financing gap, independent of the project's benefits.

**D. Other key issues and risks**

- 2.5 **Development.** There is a medium-high risk that the continuity of the reforms and measures enacted by the program could be adversely affected by the possibility that Congress might not approve the budgetary allocation for the Sustainable Project Management Office or the pro-investment legislative agenda. The identified mitigation measures are: meetings will be held with legislators to explain the expected outcomes of the measures, an ex ante cost-benefit evaluation will be prepared, and a study of international good practices will be developed.
- 2.6 **Public management and governance.** The following public management and governance risks are classified as medium-high: (i) the risk that the public will see the Sustainable Project Management Office as being geared toward larger investment projects. This will be mitigated by designing and implementing a mechanism to identify regulatory improvement requirements that have a high impact on SMEs; and (ii) the risk that the SUPER digital platform does not achieve its goals due to problems associated with adoption and use by public and private entities and users. This will be mitigated by holding meetings with experts from the Digital Government Division in order to build good practices into the design of the SUPER platform.

**III. IMPLEMENTATION AND MANAGEMENT PLAN**

**A. Summary of implementation arrangements**

- 3.1 **Borrower and executing agency.** The borrower is the Republic of Chile and the executing agency is MINECON, through the Office of the Deputy Secretary for Economy and Smaller Businesses. MINECON will have the following responsibilities: (i) providing evidence that the policy commitments for each of the disbursements have been fulfilled; (ii) supporting all actions required to carry out the program; and (iii) upon completion of the disbursement of each tranche of the program, obtaining the information on performance indicators needed to evaluate program results.
- 3.2 **Interagency coordination.** MINECON, through the Office of the Deputy Secretary for Economy and Smaller Businesses and the Sustainable Project Management Office, will coordinate with the CNP and other public and private entities involved in the program's various policy measures. The CNP will be responsible for preparing the study on regulatory review in strategic sectors, which should provide input for short-term regulatory improvements and for establishing a systematic regulatory review mechanism in the medium and long terms.
- 3.3 **Special contractual conditions precedent to the disbursement of each tranche of the loan.** The two disbursements of Bank loan proceeds will be contingent on fulfillment of the policy reform commitments as described in the program components and in the Policy Matrix (Annex II) and on fulfillment of the other conditions specified in the loan contract. Fulfillment of the policy conditions will be verified using the tools indicated in the Policy Matrix (Annex II), the [Means of Verification Matrix](#), and the [Monitoring and Evaluation Plan](#). The Bank may request an external audit of the program if deemed necessary.

**B. Summary of arrangements for monitoring results**

- 3.4 **Monitoring.** The primary focus of the program's [Monitoring and Evaluation Plan](#) is the monitoring of the indicators and targets set forth in the following tools: (i) the Policy Matrix; (ii) the Means of Verification Matrix; and (iii) the Results Matrix. These tools define the key parameters for monitoring and evaluating program results. The IDB will monitor program execution through its Country Office and its Competitiveness, Technology, and Innovation Division. The executing agency will be responsible for monitoring and tracking operation results, in coordination with the Bank. The executing agency will provide the Bank with any information needed to measure completion of the two tranches of the program and will furnish timely information on program progress and achievements to prepare the project completion report.
- 3.5 **Evaluation.** The program policy measures include the development of a cost-benefit analysis methodology as well as ex ante and ex post cost-benefit analyses for the reforms. The literature reviewed during program preparation made it possible to identify evidence of and a series of indicators for the positive impact of reforms similar to those included in this program, which use key variables such as FDI and project processing costs. Those parameters will be used as benchmarks to estimate the benefits of the reforms planned under this program, such as the SUPER platform and the regulatory framework improvement laws (see [Monitoring and Evaluation Plan](#)).

**IV. POLICY LETTER**

- 4.1 The Government of Chile and the Bank have agreed on a path of support through this program to enhance the efficiency of permit processing for sustainable investment projects. This path is reflected in the Policy Matrix, the agreed upon Results Matrix, and the [Policy letter](#) confirming the direction of this policy and the assumed commitments.

Development Effectiveness Matrix		
Summary		CH-L1145
I. Corporate and Country Priorities		
1. IDB Development Objectives		Yes
Development Challenges & Cross-cutting Themes	-Productivity and Innovation -Institutional Capacity and the Rule of Law	
Country Development Results Indicators	-Government agencies benefited by projects that strengthen technological and managerial tools to improve public service delivery (#)* -Business environment reforms enacted (#)*	
2. Country Development Objectives		Yes
Country Strategy Results Matrix	GN-2946	(i) Boost the competitiveness of goods & services exports and diversify the economy; & (ii) simplify government procedures for the public
Country Program Results Matrix	GN-2948	The intervention is included in the 2019 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		9.6
3.1 Program Diagnosis		3.0
3.2 Proposed Interventions or Solutions		3.6
3.3 Results Matrix Quality		3.0
4. Ex ante Economic Analysis		N/A
5. Monitoring and Evaluation		8.5
5.1 Monitoring Mechanisms		2.5
5.2 Evaluation Plan		6.0
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium
Identified risks have been rated for magnitude and likelihood		Yes
Mitigation measures have been identified for major risks		Yes
Mitigation measures have indicators for tracking their implementation		Yes
Environmental & social risk classification		B.13
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.
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 Bank supported the design through: (i) a study to estimate the processing times of environmental and sectoral permits; (ii) a study on environmental regulation in Chile and its relation to the approval of projects; (iii) the initial design of a digital platform for the processing of sectoral permits; (iv) a study to analyze the feasibility of using information available in state agencies as valid inputs to develop new environmental baselines; (v) a study on good international practices of coordination and support for investment projects; (vi) an ex ante analysis of benefits and costs associated with the GPS office; and (vii) the Agreement on remunerated services with the CNP for a study on regulations for strategic sectors and the preparation of a proposal for regulatory improvement (CH-R1008) - Financed with the technical cooperation ATN/OC-16431-CH and resources from the current program.

Note: (\*) Indicates contribution to the corresponding CRF's Country Development Results Indicator.

Between 2014-2017 cumulative investment in Chile fell by 7% from a total of 24.8% of GDP to 21.6%. In the same period, foreign direct investment (FDI) fell from US\$23.7 billion to US\$6.4 billion. To provide better support to long-run economic growth it is necessary to revert these tendencies. Amongst the different causes that impede investment are the administrative governmental requirements associated with the processing of permits that could be more efficient. Chile occupies the last place amongst OECD countries for its complex regulatory structure and places 78th of 140 countries in the World Economic Forum rankings on the perception of companies related to obstacles that impede investment – having worsened 9 positions. It is estimated that there are 400 permits necessary to invest in Chile – some of them being required multiple times – leading to some investment projects necessitating between 500 to 2,000 permits in the initial stages. Furthermore, these permits are extended by 53 different entities. Some of the inefficiencies tied to permit processing have to do with real processing times being higher than the published official times; or the absence of norms governing them; and there are weaknesses associated to the management of permits due to the lack of a digital infrastructure. Administrative data show that processing a given permit on average takes 3 years and 4 months; being even longer for some sectors like mining where processing duration takes nearly 5 years. Currently there are 253 projects in some processing phase that represent a total investment of US\$71 billion for 2019-2024. In this context, the program's general objective is to favor an increase in investment; its specific objectives include: (i) supporting the creation of an institutional structure for efficient processing of investment projects; and (ii) supporting the strengthening of public and private entities dealing with permit processing and its regulation. The benefits of these reforms aimed at improving processing for investment in the country are adequately reflected in the project's results which include measures on the improvement of the average duration for the processing of both sectorial and environmental permits for investment; and the improvement in the score on the index related to companies' perception on the obstacles for the compliance of public administration requirements. At closure, a reflexive analysis of results will be conducted as well as an ex-post cost Benefit analysis associating this to improved investment flows.

## POLICY MATRIX

**Objective:** The general objective of the operation is to help strengthen investment to foster the sustained, sustainable growth of the Chilean economy. The specific objectives are to: (i) maintain a stable macroeconomic environment; (ii) support the creation and implementation of an institutional structure for the efficient handling of investment projects; (iii) help strengthen public and private entities that are involved in bureaucratic procedures for investment projects and develop proposals to improve regulatory frameworks that impact those procedures; and (iv) establish a results monitoring and evaluation mechanism for the Sustainable Project Management Office.

Components / Policy objectives	Policy conditions Tranche I	Status of fulfillment of conditions Tranche I <sup>1</sup>	Policy conditions Tranche II
<b>Component I. Macroeconomic sustainability</b>			
Maintenance of a macroeconomic environment that is consistent with the program objectives and sector policy letter guidelines.	1.1 The macroeconomic environment is conducive to achieving program objectives and consistent with the sector policy letter guidelines.	1.1 Fulfilled	1.1 The macroeconomic environment is conducive to achieving program objectives and consistent with the sector policy letter guidelines.
<b>Component II. Creation and operation of a Sustainable Project Management Office within the Ministry of Economy, Development, and Tourism (MINECON)</b>			
Support the creation and implementation of an institutional structure for the efficient handling of investment projects.	2.1 The Sustainable Project Advisory Committee (CAPS) will have been established and will be operational, acting as the body that coordinates the various government agencies involved in processing permits for investment projects.	2.1 Fulfilled (3rd quarter, 2018)	2.1 A digital platform to support the implementation of the Sustainable Project Management Office's core work processes will have been launched.
	2.2 The Sustainable Project Management Office will have been established and will be operational, acting as the executive secretariat of CAPS.	2.1 Fulfilled (3rd quarter, 2018)	2.2 The Sustainable Project Management Office will be providing a coordination framework for State entities involved in bureaucratic procedures for investment projects.

<sup>1</sup> This information is merely indicative as of the date of this document. In accordance with document CS-3633-2 (Policy-based Loans: Guidelines for Preparation and Implementation), fulfillment of all specified tranche disbursement conditions, including the maintenance of an appropriate macroeconomic policy framework, will be verified by the Bank upon receipt of the corresponding disbursement request from the borrower and reflected in the disbursement eligibility memorandum in a timely manner.

Components / Policy objectives	Policy conditions Tranche I	Status of fulfillment of conditions Tranche I <sup>1</sup>	Policy conditions Tranche II
	2.3 A budget allocation for the Sustainable Project Management Office will have been added to the 2019 Public Sector Budget Act, so the office has resources to fund a technical team and its work for 2019.	2.3 Fulfilled (4th quarter, 2018)	2.3 A proposed public sector budget act for 2020 that includes an allocation of resources for the Sustainable Project Management Office will have been introduced in the National Congress.
	2.4 CAPS will have issued minutes that document the presentation of a study on international good practices for institutional arrangements that support investment project development.	2.4 Pending (3rd quarter, 2019)	2.4 A technical proposal for the institutional strengthening of the Sustainable Project Management Office will have been developed.
<b>Component III. Institutional alignment</b>			
Help strengthen public and private entities that are involved in bureaucratic procedures for investment projects and develop proposals to improve regulatory frameworks that impact those procedures.	3.1 Official documents will have been issued and fully processed to approve the agreements entered into between the Office of the Deputy Secretary for Economy and Smaller Businesses and at least three public and/or private entities involved in investment project permitting, to help them improve processing procedures and coordination with the Sustainable Project Management Office, among other objectives.	3.1 Fulfilled (First quarter 2019)	3.1.1 Reports will have been submitted to the Sustainable Project Management Office by at least three public and/or private entities. These reports will address the actions and activities implemented under the agreements entered into with the Office of the Deputy Secretary for Economy and Smaller Businesses to improve processing procedures and coordination with the Sustainable Project Management Office.
			3.1.2 Official documents will have been issued and their processing will have been fully completed, to approve at least three additional agreements entered into between the Office of the Deputy Secretary for the Economy and Smaller Businesses and public and/or private entities that are involved in investment project permitting, to help them improve processing procedures and coordination with the Sustainable Project Management Office, among other objectives.

Components / Policy objectives	Policy conditions Tranche I	Status of fulfillment of conditions Tranche I <sup>1</sup>	Policy conditions Tranche II
	3.2 The new digital platform for sector permit management ("the SUPER platform" <sup>2</sup> ) will be facilitating digital permit processing at a minimum of three public and/or private entities.	3.2 Pending (3rd quarter, 2019)	3.2 The SUPER platform will be facilitating digital permit processing at a minimum of three additional public and/or private entities.
	3.3 A preliminary report with recommendations for using existing information from public and/or private entities to develop environmental baselines for new investment projects will have been received and validated by the Sustainable Project Management Office.	3.3 Fulfilled (2nd quarter, 2019)	3.3 The Sustainable Project Management Office will have submitted to the Environmental Evaluation Service the recommendations for using existing information from public and/or private entities to develop environmental baselines for new investment projects.
	3.4 The National Congress will be processing a proposed law to promote investment in the country, which will have the specific objectives of reducing processing times and costs and improving available information for investments and which will include, among other measures, a series of changes to: (i) the Environmental Impact Evaluation System; (ii) the National Geology and Mining Service; and (iii) the Water Code.	3.4 Fulfilled (2nd quarter, 2018)	3.4 At least two administrative documents will have been issued and fully processed, to further enhance efficiency in investment project management.
	3.5 The President of the Republic will have submitted a request to the National Productivity Commission (CNP) to develop a study on regulatory review in strategic sectors.	3.5 Fulfilled (2nd quarter, 2018)	3.5 The CNP will have prepared the study on regulatory review in strategic sectors and will have submitted it to the President of the Republic.
<b>Component IV. Monitoring and evaluation</b>			
Establish a results monitoring and evaluation mechanism for the Sustainable Project Management Office.	4.1 A baseline study to help estimate permit processing times for investment projects similar to those in the Sustainable Project Management Office portfolio will have been submitted to MINECON.	4.1 Fulfilled (4th quarter, 2018)	4.1 The Sustainable Project Management Office will have presented to CAPS the findings of the study that estimates the economic and social benefits of the office's operations.

<sup>2</sup> Unified Permit System.

Components / Policy objectives	Policy conditions Tranche I	Status of fulfillment of conditions Tranche I'	Policy conditions Tranche II
	4.2 A methodology for identifying and estimating the economic and social benefits from the operation of the Sustainable Project Management Office will have been submitted to MINECON.	4.2 Pending (3rd quarter, 2019)	4.2 A database that can be used to profile the Sustainable Project Management Office's project portfolio and evaluate the office's management results will have been created.
	4.3 A Sustainable Project Management Office website will have been created and will be operational. The website will include descriptions of the office's functions and services and its monthly investment reports will be posted there.	4.3 Fulfilled (2nd quarter, 2019)	4.3 A tool that can be used to track the progress of investment project permits issued by public and/or private entities will be operational.



## RESULTS MATRIX

<b>Program objective:</b>	The general objective of the operation is to help strengthen investment to foster the sustained, sustainable growth of the Chilean economy. The specific objectives are to: (i) maintain a stable macroeconomic environment; (ii) support the creation and implementation of an institutional structure for the efficient handling of investment projects; (iii) help strengthen public and private entities that are involved in bureaucratic procedures for investment projects and develop proposals to improve regulatory frameworks that impact those procedures; and (iv) establish a results monitoring and evaluation mechanism for the Sustainable Project Management Office.
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## EXPECTED IMPACT

Indicator	Unit of measure	Baseline		Targets		Means of verification
		Amount	Year	Amount	Year	
Impact 1: Increased investment						
Investment (relative to GDP)	%	21.6	2017	23	2021	Central Bank of Chile data

## OUTCOMES

Indicator	Unit of measure	Baseline		Targets		Means of verification	Comments
		Amount	Year	Amount	Year		
Expected outcome 1. Shorter permit processing times for investment projects supported by the Sustainable Project Management Office							
Average time to process environmental and sector permits for investment projects	Months	40	2018	36	2021	Baseline study ( <a href="#">optional link 2</a> ) and the Sustainable Project Management Office investment project registry	The baseline was calculated from a group of 43 projects similar to those in the Sustainable Project Management Office portfolio. Broken down by sector, there are: nine energy projects, seven industrial projects, eight infrastructure projects, four real estate projects, and the remainder (15) are mining projects. Details regarding the project selection process and the time calculations can be found in <a href="#">optional link 2</a> .

### OUTCOMES

Indicator	Unit of measure	Baseline		Targets		Means of verification	Comments
		Amount	Year	Amount	Year		
Expected outcome 2. Lower index of perceived burden of government administration among businesses							
Score issued by the World Economic Forum (WEF) for its indicator of burden of government regulation as perceived by businesses	Index	3.3	2018	3	2021	WEF from the Executive Opinion Survey	This benchmark shows the extent to which business executives assess how burdensome it is for businesses in their country to comply with governmental administrative requirements. It ranges from 1 to 7. High values indicate that business executives in the country perceive that the government imposes major administrative burdens on businesses.
Expected outcome 3. An established results monitoring and evaluation mechanism for the Sustainable Project Management Office							
Number of visits to the Sustainable Project Management Office website	Visits	0	2018	25,000	2021	Google analytics - Sustainable Project Management Office	This indicator measures how widely the Sustainable Project Management Office's activities, management indicators, and results are known. Between February and April 2019, the <a href="http://www.oficinagps.cl">http://www.oficinagps.cl</a> website had 3,863 visits that lasted an average of three minutes.

### OUTPUTS

Output	Indicator	Baseline		Year		Means of verification	Comments
		Amount	Year	2019	2020		
Component II. Creation and operation of a Sustainable Project Management Office within the Ministry of Economy, Development, and Tourism (MINECON)							
(a) Sustainable Project Advisory Committee (CAPS), created	<ul style="list-style-type: none"><li>Executive order creating the Sustainable Project Advisory Committee (MINECON executive order 99/2018, Article 1)</li></ul>	0	2018	1	0	<ul style="list-style-type: none"><li>Copy of the executive order that creates the Sustainable Project Advisory Committee (MINECON executive order 99/2018, Article 1)</li></ul>	Responsible party: MINECON
(b) Sustainable Project Management Office, created	<ul style="list-style-type: none"><li>Executive order creating the Sustainable Project Advisory Committee (MINECON executive order 99/2018, Article 5)</li></ul>	0	2018	1	0	<ul style="list-style-type: none"><li>Copy of the executive order that creates the Sustainable Project Advisory Committee (MINECON executive order 99/2018, Article 5)</li></ul>	Responsible party: MINECON
(c) Budget allocation to fund the Sustainable Project Management Office's technical team and its work	<ul style="list-style-type: none"><li>Public Sector Budget Act for 2019 and 2020</li></ul>	0	2018	1	1	<ul style="list-style-type: none"><li>Copy of the Public Sector Budget Acts for 2019 and 2020</li></ul>	Responsible party: MINECON
(d) Study on international good practices for institutional arrangements that support investment project execution	<ul style="list-style-type: none"><li>Minutes documenting the presentation of that study to CAPS and the presented study</li></ul>	0	2018	1	0	<ul style="list-style-type: none"><li>Copy of the minutes from the CAPS meeting at which the study was presented to that committee and the presented study</li></ul>	Responsible party: MINECON
(e) Digital platform to support the implementation of the Sustainable Project Management Office's core work processes, operational	<ul style="list-style-type: none"><li>Sustainable Project Management Office website, which acknowledges the digital platform and can be used to verify that it is in working order</li></ul>	0	2018	0	1	<ul style="list-style-type: none"><li>Link to the Sustainable Project Management Office website, which will acknowledge the digital platform and can be used to verify that it is in working order</li></ul>	Responsible party: MINECON

Output	Indicator	Baseline		Year		Means of verification	Comments
		Amount	Year	2019	2020		
(f) Coordination framework for State entities involved in bureaucratic procedures for investment projects, being provided by the Sustainable Project Management Office	<ul style="list-style-type: none"> <li>Sustainable Project Management Office report on coordination meetings with those entities</li> </ul>	0	2018	0	1	<ul style="list-style-type: none"> <li>Copy of the Sustainable Project Management Office report on coordination meetings with those entities</li> </ul>	Responsible party: MINECON
(g) Technical proposal for the institutional strengthening of the Sustainable Project Management Office	<ul style="list-style-type: none"> <li>Technical proposal for the institutional strengthening of the Sustainable Project Management Office</li> </ul>	0	2018	0	1	<ul style="list-style-type: none"> <li>Copy of the technical proposal for the institutional strengthening of the Sustainable Project Management Office</li> </ul>	Responsible party: MINECON
<b>Component III. Institutional alignment</b>							
(a) Agreements between the Office of the Deputy Secretary for Economy and Smaller Businesses and public and/or private entities to help them improve their procedures for processing and coordination with the Sustainable Project Management Office, among other objectives	<ul style="list-style-type: none"> <li>MINECON executive orders approving the agreements entered into between the Office of the Deputy Secretary for Economy and Smaller Businesses and the public and/or private entities, issued and fully processed</li> </ul>	0	2018	3	3	<ul style="list-style-type: none"> <li>Copy of the MINECON executive orders approving the agreements entered into between the Office of the Deputy Secretary for Economy and Smaller Businesses and the public and/or private entities, issued and fully processed</li> </ul>	Responsible party: MINECON

Output	Indicator	Baseline		Year		Means of verification	Comments
		Amount	Year	2019	2020		
(b) Reports from the public and/or private entities on the actions and activities implemented under the agreements entered into with the Office of the Deputy Secretary for Economy and Smaller Businesses, submitted to the Sustainable Project Management Office	<ul style="list-style-type: none"> <li>Reports from at least three public and/or private entities on the actions and activities implemented under the agreements entered into with the Office of the Deputy Secretary for Economy and Smaller Businesses, submitted to and received by the Sustainable Project Management Office</li> </ul>	0	2018	0	3	<ul style="list-style-type: none"> <li>Copy of the reports from at least three public and/or private entities on the actions and activities implemented under the agreements entered into with the Office of the Deputy Secretary for Economy and Smaller Businesses, submitted to and received by the Sustainable Project Management Office</li> </ul>	Responsible party: MINECON
(c) Public and/or private entities that use the digital platform for sector permit management ("the SUPER platform") for permit processing	<ul style="list-style-type: none"> <li>Reports prepared by the Sustainable Project Management Office and posted to its website, stating that the SUPER platform is being used to facilitate digital permit processing at additional public and/or private entities</li> </ul>	0	2018	3	3	<ul style="list-style-type: none"> <li>Copy of the reports prepared by the Sustainable Project Management Office and posted to its website, stating that the SUPER platform is being used to facilitate digital permit processing at additional public and/or private entities</li> </ul>	Responsible party: MINECON
(d) Recommendations to the Environmental Evaluation Service for using existing information from public and/or private entities to develop environmental baselines for new investment projects	<ul style="list-style-type: none"> <li>Preliminary report received and validated by the Sustainable Project Management Office</li> <li>Report with recommendations submitted to the Environmental Evaluation Service</li> </ul>	0	2018	1	1	<ul style="list-style-type: none"> <li>Copy of the preliminary report received and validated by the Sustainable Project Management Office</li> <li>Copy of the report with recommendations submitted to the Environmental Evaluation Service</li> </ul>	Responsible party: MINECON

Output	Indicator	Baseline		Year		Means of verification	Comments
		Amount	Year	2019	2020		
(e) Proposed laws and administrative documents to help cut red tape and enhance efficiency in investment project permitting	<ul style="list-style-type: none"> <li>Proposed law submitted to the National Congress</li> <li>Administrative documents issued and fully processed</li> </ul>	0	2018	1	2	<ul style="list-style-type: none"> <li>Copy of the proposed laws submitted to the National Congress</li> <li>Copy of the administrative documents that have been issued and fully processed</li> </ul>	Responsible party: MINECON
(f) Study on regulatory review in strategic sectors	<ul style="list-style-type: none"> <li>Official presidential memo 3049, dated 26 April 2018, to the National Productivity Commission</li> <li>Official memo from the CNP forwarding the study on regulatory review in strategic sectors to the President of the Republic</li> </ul>	0	2018	1	1	<ul style="list-style-type: none"> <li>Official presidential memo 3049, dated 26 April 2018, to the National Productivity Commission</li> <li>Official memo from the CNP forwarding the study on regulatory review in strategic sectors to the President of the Republic</li> </ul>	Responsible party: CNP
<b>Component IV. Monitoring and evaluation</b>							
(a) Baseline study to help estimate permit processing times for investment projects similar to those in the Sustainable Project Management Office portfolio	<ul style="list-style-type: none"> <li>External consultant report received by MINECON</li> </ul>	0	2018	1	0	<ul style="list-style-type: none"> <li>Copy of the external consultant report received by MINECON</li> </ul>	Responsible party: MINECON
(b) Methodology for identifying and estimating the economic and social benefits from the operation of the Sustainable Project Management Office	<ul style="list-style-type: none"> <li>External consultant report received by MINECON, including the methodology</li> </ul>	0	2018	1	0	<ul style="list-style-type: none"> <li>Copy of the external consultant report received by MINECON, including the methodology</li> </ul>	Responsible party: MINECON

Output	Indicator	Baseline		Year		Means of verification	Comments
		Amount	Year	2019	2020		
(c) Sustainable Project Management Office website, where the office's functions and services are described and its monthly investment reports are posted	<ul style="list-style-type: none"> <li>Sustainable Project Management Office website, accessed to verify that the site is operational and the office's functions, services, and monthly investment reports are posted</li> </ul>	0	2018	1	0	<ul style="list-style-type: none"> <li>Link to the Sustainable Project Management Office website, which can be used to verify that the site is operational and the office's functions, services, and monthly investment reports are posted</li> </ul>	Responsible party: MINECON
(d) Study estimating the economic and social benefits of the office's operations	<ul style="list-style-type: none"> <li>Minutes of the CAPS meeting documenting the presentation of that study to the committee and the presented study</li> </ul>	0	2018	0	1	<ul style="list-style-type: none"> <li>Copy of the minutes of the CAPS meeting documenting the presentation of that study to the committee and the presented study</li> </ul>	Responsible party: MINECON
(e) Database that can be used to profile the Sustainable Project Management Office's project portfolio so as to ultimately perform evaluations of the office's results	<ul style="list-style-type: none"> <li>Report developed by the Sustainable Project Management Office that includes a description of the database</li> </ul>	0	2018	0	1	<ul style="list-style-type: none"> <li>Copy of the report developed by the Sustainable Project Management Office that includes a description of the database</li> </ul>	Responsible party: MINECON
(f) Tool for tracking the progress of investment project permits issued by public and/or private entities	<ul style="list-style-type: none"> <li>Public and/or private services management report developed by the Sustainable Project Management Office</li> </ul>	0	2018	0	1	<ul style="list-style-type: none"> <li>Copy of the public and/or private services management report developed by the Sustainable Project Management Office</li> </ul>	Responsible party: MINECON

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-\_\_\_/19

Chile. Loan \_\_\_/OC-CH to the Republic of Chile. Program to Improve Sustainable Investment Project Management

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 Improve Sustainable Investment Project Management. 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 \_\_\_\_ 2019)