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MULTILATERAL INVESTMENT FUND

CHILE

**DEVELOPMENT OF LOCAL CAPACITY TO PROMOTE
COMPETITIVENESS ON RAPA NUI ISLAND (EASTER ISLAND)**

(CH-M1025)

DONORS MEMORANDUM

This document was prepared by the project team consisting of: Natalia Laguyás (MIF/OPS), Project Team Leader; Claudio Cortellese (MIF/OPS); Patricio Díaz Lucarelli (MIF/CCH); Oscar Farfán (MIF/DEU); and Javier Cayo (LEG/SGO).

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ABBREVIATIONS

CODESSER	Corporación de Desarrollo Social del Sector Rural [Corporation for Social Development of the Rural Sector]
CONADI	Corporación Nacional de Desarrollo Indígena [National Indigenous Development Corporation]
CORFO	Corporación de Fomento de la Producción [Production Development Corporation]
MSMEs	Micro, small and medium-sized enterprises
PSR	Project status report
PTI	Programa Territorial Integrado [Integrated Territorial Program]
TEU	Technical Executing Unit

DEVELOPMENT OF LOCAL CAPACITY TO PROMOTE COMPETITIVENESS ON RAPA NUI ISLAND (EASTER ISLAND)

(CH-M1025)

EXECUTIVE SUMMARY

Beneficiary and executing agency:	Chile - Corporación de Desarrollo Social del Sector Rural (CODESSER) [Corporation for Social Development of the Rural Sector]		
Beneficiaries:	The production units, business organizations, and public and private entities involved in Easter Island’s economic activity.		
Financing:	MIF (Nonreimbursable):	US\$ 680,000 ¹	(51%)
	Counterpart:	US\$ 650,750	(49%)
	Total:	US\$ 1,330,750	
Objectives:	<p>The <i>general objective</i> of the project is to enhance the competitiveness of the Rapanui community’s business sector. The <i>specific objective</i> is to develop local capacity for the management and promotion of private sector development projects, preparing the Rapanui to assume the new responsibilities acquired as a result of amendments to the Chilean Constitution.</p> <p>To this end, work will focus on executing projects to complement efforts in two areas: (i) joint public-private sector projects; and (ii) business sector initiatives based on business partnerships.</p>		
Execution and disbursement period:	36 months		
Special contractual clauses:	As conditions precedent to the first disbursement, the executing agency will submit, to the Bank’s satisfaction: (i) the project’s general execution plan and the annual work plan for the first year of the project; (ii) evidence of the entry into force of the project’s Operating Regulations; and (iii) evidence that the project manager has been selected.		

¹ The MIF contribution includes US\$25,000 for activities in the "Promoting Local Competitiveness" cluster of projects, and US\$3,400 for the impact evaluation account.

**Environmental
and social
review:**

This operation was approved on 28 March 2008 without comment (ESR 12-08).

The operation was classified as a C project.

**Coordination
with other
donors:**

No donors were identified that were carrying out similar projects.

I. BACKGROUND AND DESCRIPTION OF THE PROBLEM

- 1.1 Rapa Nui Island—also known as Easter Island—is at the southeasternmost point of the Polynesian archipelago, 3,700 km west of mainland Chile. The island is home to 3,791 inhabitants who, for the most part, live in the only town, Hanga Roa.¹
- 1.2 Since the arrival of the first Polynesian immigrants, the extreme isolation of the island resulted in the evolution of a culture unique in the world, reconstructed through archaeology and ethnology.² Although discovery of the island by the western world in 1722 sparked a process of cultural integration, fighting over the territory and its government prompted the Rapanui people to uphold and reconstruct their cultural identity.

A. Economic background

- 1.3 The island's economy is based on tourism and related economic activities, where the chief attraction is the island's cultural and archaeological heritage. According to Integrated Territorial Program (PTI) estimates, Easter Island has a GDP of US\$40 million, whereas tourism spending amounted to US\$20 million in 2006. The island has a lodging capacity of 1,456 beds with tourists staying five nights on average.
- 1.4 Occupational data broken down by type of economic activity confirm that retail sales, hotels, and restaurants account for 22.6% of the work force. Agriculture and fisheries employ 8%, public administration 15%, and manufacturing only 5%.

B. Administration and government of Easter Island

- 1.5 Administration of the Rapanui territory is particularly complex given, in particular, the island's geographic isolation and the fact it is essentially inhabited by members of an ethnic community seeking greater autonomy. This has generated political tension between the Rapanui and the national and regional authorities, undoubtedly because of the multiplicity of laws that affect governance of the island and its economic and administrative dependence upon the mainland.³ This dependence impacts all aspects of life, ranging from economic promotion programs designed to meet the reality of Region V, to health services delivered through the structures in that region.
- 1.6 The island is highly subsidized by the Chilean government, which the local inhabitants consider to be compensation for the longstanding use of their land and marine resources.⁴ At the same time, the island's tax-free status limits access to financial services to develop new investments.

¹ The Easter Island population is 87% urban. Data from Census 2002, National Statistics Institute of Chile.

² The *moai*, gigantic monolithic human figures carved from rock on ceremonial platforms, have been the object of many archaeological interpretations. In 1993, Japan helped the Rapanui recover many *moai* that were buried or had fallen; the restoration of Ahu Tongariki was particularly noteworthy.

³ Despite its location, Easter Island is administratively part of the Valparaiso Region (Region V).

⁴ Fuel, electricity and water are subsidized utilities administered by CORFO.

- 1.7 In order to preserve the territorial unity of the many ethnic groups inhabiting Chilean soil, the Indigenous Peoples Law [Ley Indígena], (Law 19,253, enacted in 1993) provides that indigenous lands are protected, cannot be transferred, seized, encumbered, or acquired by prescription, except among indigenous communities or individuals of the same ethnic group. Enforcement of this law on Easter Island has allowed some proactive Rapanui entrepreneurs to purchase land, with the consequent impact on the concentration of wealth.
- 1.8 Recognizing that Easter Island and the Juan Fernandez Archipelago require special treatment, the Constitution of the Chilean State was amended in June 2007, giving both areas the special territory status. This entails a different administrative treatment that will be governed by special statutes to be drafted (Law 20,193, Article 126 bis). Spurred by the Government of Chile, a proposed Special Statute for the island was discussed and prepared.⁵ It envisages institutional and development changes, and formulas to finance and administer land.
- 1.9 The participatory process to draft the Island Statute, with guidance from the national government, local authorities, the municipality, and community leaders, has revitalized Easter Island's cultural identity. Strong participation by the population in select working groups, as well as events open to a wider public, demonstrate the community's vitality.

C. Problems and development potential

- 1.10 From an economic perspective, tourism and fishery are the activities with the greatest prospects for development. Agricultural development is less significant, and unable to satisfy the local market. Most foodstuffs are imported from the mainland, incurring high transportation costs. Hence, the cost of living is higher on Easter Island than anywhere else in Chile. In addition, agricultural activity is severely limited given the fragile ecological system and the fact that a substantial area of the island was declared a national park, and the entire island a National Monument.⁶
- 1.11 Although fishery resources are varied, stocks have declined over time, especially as a result of the harvesting of deep sea resources by international and mainland companies. At the local level, only small-scale fishing is practiced, with tuna being the principal product. Moreover, attracting investment is limited by the fact that, under the Indigenous Peoples Law, non-Rapanui must be associated with a Rapanui in order to invest.

⁵ Until the special statutes enter into force by virtue of the respective implementing laws, the usual regulations regarding political and administrative division, governance, and administration will continue to apply.

⁶ The Rapa Nui National Park was declared a World Heritage by UNESCO in 1995. The park covers an area of 7,130 hectares (43% of the island's surface). At present, the agricultural activities are carried out on the Vaitea ranch, and urban and suburban plots with a rudimentary production system.

- 1.12 In addition, should the growth trend in number of visitors and population continue, the island will have to develop a strategy for economic and environmental sustainability because of its fragile system caused by the wet climate and sparse vegetation.
- 1.13 Serious challenges confront the island's economic and environmental sustainability and, consequently, the Rapanui society and its culture:
- a. a cottage industry structure, essentially comprised of microenterprises, supplying low quality goods and services;
 - b. a food sector with very limited prospects for development, except for the fishing sector that, if modernized, could generate surplus production;
 - c. the threat to its environmental sustainability posed by inefficient use of water and power, the lack of liquid waste treatment and of a comprehensive solid waste management plan, misuse of chemical products by the agricultural sector, indiscriminate burning of forests and grasslands, and the sustained increase in immigrants and tourists, exacerbating the waste treatment and energy crisis;
 - d. given its history of administrative dependence, Easter Island has no institutions capable of managing productive development initiatives, or even public-private coordination bodies to reorganize the many areas with a bearing on the territory and its development.
- 1.14 However, granting Easter Island the special territory status paves the way for its inhabitants to assume responsibility for their growth, playing a lead role in the formulation and implementation of sustainable development strategies for the territory. The inhabitants must necessarily build capacities in order to efficiently and resolutely target their efforts on resolving the current problems holding back their development.

D. Rationale

- 1.15 The aforementioned considerations explain why the Regional Development Branch of the Ministry of the Interior has undertaken efforts to help existing island leaders and institutions integrate, coordinate, and build their capacities to assume these responsibilities. The Statute provides for the establishment of the *Rapa Nui Productive Development Corporation* to henceforth implement strategies and programs for the island's productive and sustainable development, enabling it to emerge from its current dependence on the Valparaiso Region. To this end, this *Corporation* must acquire the capacity to execute projects and attract new investments to scale up business competitiveness while fully respecting the Rapanui cultural heritage and traditions.
- 1.16 In the present political context, this project aims to strengthen the local technical, operational, and institutional foundations to build capacity for project execution on Rapa Nui. The Production Development Corporation (CORFO), by means of the

Tarai Henua Integrated Territorial Program (PTI),⁷ will provide the technical base to develop this project. Moreover, participation by the MIF will ensure that this new initiative will not focus, as in the past, on delivering subsidies using instruments that are not necessarily aligned with Easter Island's needs. On the contrary, MIF participation will help entities, social structures, and government agencies build their technical skills and their capacity to generate and drive an endogenous strategy for environmentally sustainable economic development.

- 1.17 This project will be part of the MIF cluster “Promoting Local Competitiveness.” In an effort to better understand territorial development processes and how they can be implemented in different regional contexts, the action plan for the cluster includes promoting the implementation of projects focused on different sectors, with different governance structures, that will also differ because of the strategic economic area of the target region. This project is thus a pilot from which to draw lessons for the implementation of programs to strengthen the social and political structures of indigenous minorities, and improve their ability to make policy decisions and participate in national development.

II. OBJECTIVES AND DESCRIPTION

A. Objectives

- 2.1 The *general objective* of the project is to help develop the capacity of the Rapanui community to assume the new responsibilities acquired as a result of the amendment to the Chilean Constitution. The *specific objective* is to develop, manage, and promote private sector competitiveness projects.
- 2.2 Work will focus on executing initiatives to complement efforts in two areas: (i) joint public-private sector projects; and (ii) business sector initiatives based on business partnerships.

B. Description

Component 1. Implementation of practices to create a public-private institutional framework in Rapa Nui (MIF: US\$190,903; Counterpart: US\$56,360)

- 2.3 The objective of this component is to generate local capacity to manage productive sector development initiatives. The activities will focus on having the actors and institutions establish a project Board of Directors, assume management responsibilities, discuss and make decisions involving the public and private sectors

⁷ CORFO is the State agency responsible for promoting productive development. It employs a network of intermediary operator/agents to administer its instruments. CORFO assigns resources to the agents, supervises their management, and evaluates the effectiveness of the instruments. The PTI is one of the instruments used by CORFO. It is operated by the Corporation for Social Development of the Rural Sector (CODESSER). The Easter Island PTI entered into effect seven years ago, with lines of action based on the island's leading activity, heritage-related tourism.

in the areas covered by this project, thus contributing to the island's sustainable development.

- 2.4 This joint effort between the public and private sectors will serve to create a public-private institutional framework whose mission will be to provide technical guidance for the island's productive and business development, based on decisions adopted by consensus among the members. To this end, the following activities will be supported: (i) Board of Directors operations (support for meetings and design of a plan to strengthen public-private coordination); (ii) events to help position the Board of Directors; (iii) workshops to improve associational conditions (team work, communication, leadership, and institution-building workshops); (iv) joint work in tourism and production development; (v) image-building elements (website, logo, materials); (vi) training for consultants and professionals in the development network of support for micro, small, and medium-sized enterprises (MSMEs); (vii) coordination with higher education institutions; (viii) legal study of the institutional framework that a public-private production development agency should adopt; and (ix) technology transfer missions.

Component 2. Public-private cooperation to generate better competitive conditions (MIF: US\$152,260; Counterpart: US\$222,425)

- 2.5 The objective of this component is to promote complementary efforts by the central and provincial governments, municipio, entrepreneurs, universities, and technical cooperation networks to develop solutions. This quest for a common objective is expected to help build trust and contribute to dialogue.
- 2.6 Two lines of action will be carried out to enhance local services and support sustainability: (a) *training and development of human resources* in the Rapanui tradition, with technical support from the mainland, using communication media; and (b) *virtual business data center* providing access to all the development instruments and applicable requirements, facilitating contact with the central government in Santiago.
- 2.7 New teaching techniques will be devised for Easter Island in skills or trades needed to improve tourism, utilizing alternate media such as local television channels and radio stations to support learning and training, and designing programs that focus on specialty fields not presently covered by the educational supply, or where the degree of specialization is such that a viable commercial scale is no feasible. The project will take advantage of resources available through public development instruments. These courses are expected to be offered to 350 participants.

Component 3. Development of joint business sector initiatives (MIF: US\$66,110; Counterpart: US\$240,625)

- 2.8 The objective of this component is to help boost competitiveness by promoting business sector cooperation. To this end, the following activities will be carried out: (i) help formulate collective modernization projects; (ii) design and execute a plan to improve fishing (including training in new harvesting techniques, promotion of

- the use of management areas, and instruments to scale up fishing efficiency); (iii) execute a local business venture program based on a survey of the needs of 20 tourism microenterprises, such as small hotels, technical assistance to improve business plans, and help to upgrade assets; and (iv) establish a competitive fund to develop 20 collective initiatives.
- 2.9 The fund will be set up with contributions from the National Indigenous Development Corporation (CONADI), the Municipality, and this program. The program's technical team will design the entry forms and terms and conditions for the competition, including the following eligibility criteria: (i) direct or indirect beneficiaries must be small enterprises or individual entrepreneurs; (ii) initiatives must be designed and proposed collectively by a group of at least three people, companies, or a combination of businesses and institutions; (iii) evidence must be provided that counterpart resources amounting to 50% are available; and (iv) the initiative must have a neutral or positive environmental impact, which needs to be clearly described and justified. All proposals will be required to have Board of Directors consent.

Component 4. Monitoring, evaluation, and dissemination (MIF: US\$39,168; Counterpart: US\$3,335)

- 2.10 The objective of this component is to monitor outcomes in order to facilitate evaluation of the experience and generate data for project management and dissemination. To this end, the following activities will be carried out: (i) develop and maintain a system to monitor project activities and outcomes (includes establishing baselines and indicators); (ii) design materials for dissemination showing the impact of project activities; (iii) actions to disseminate the experience; and (iv) participation at international events.
- 2.11 **Anticipated project outcomes.** The project is expected to have: (i) laid the foundations to establish a nonprofit entity that will promote and coordinate the economic development of Rapa Nui;⁸ (ii) leveraged public or private contributions amounting to at least US\$200,000 to execute an investment to help improve the environment for territorial competitiveness; (iii) trained 350 individuals in trades and/or the skills or know-how required to develop a sustainable tourism operation; and (iv) helped 50 microenterprises and/or producers implement modernization initiatives relating to quality, innovation, or entrepreneurship.

III. COST AND FINANCING

- 3.1 The estimated cost of the project will be US\$1,330,750, including up to US\$680,000 (51%) in MIF nonreimbursable financing, with the executing agency

⁸ This may be a new entity, or one that is part of an existing institution in the territory. The legal form it takes will depend on the consensus achieved by the stakeholder institutions and the community during project execution,

committing to contribute US\$650,750 (49%), in accordance with the project budget (Annex II).

Line items	MIF	Counterpart	TOTAL	%
C 1: Implementation of practices to create a public-private institutional framework in Rapa Nui	190,903	56,360	247,263	19.0%
C 2: Public-private cooperation to generate better competitive conditions	152,260	222,425	374,685	28.8%
C 3: Development of joint business sector initiatives	66,110	240,625	306,735	23.6%
C 4: Monitoring, evaluation, and dissemination	39,168	3,335	42,503	3.3%
Project coordination	104,033	128,005	232,038	17.8%
Midterm and final evaluations	25,000	-	25,000	1.9%
Annual audits	37,500	-	37,500	2.9%
Contingencies	36,627	-	36,627	2.8%
Subtotal	651,600	650,750	1,302,350	100%
Impact evaluation account	3,400	-	3,400	
“Promoting Local Competitiveness” cluster activities	25,000	-	25,000	
TOTAL	680,000	650,750	1,330,750	

- 3.2 **Project sustainability** is based on the importance the local community attaches to crafting guidelines for the island’s development, and the progress made by the government to transfer this responsibility to the island. Thus, we are confident that the capacity generated through the project and the joint efforts between the public and private sectors will be capitalized upon regardless of the outcome of the statute approval process.

IV. EXECUTION

- 4.1 **Executing agency.** The project will be executed by the Corporation for Social Development of the Rural Sector (CODESSER). This institution was established in 1976 by the National Agricultural Association. CODESSER is a nonprofit corporation established under private law, recognized by the Chilean State.⁹ Its primary focus is to manage education and job training for rural workers and young people. In its capacity as CORFO Operating Agent, CODESSER administers the Easter Island-Tarai Henua PTI, which will be the basis on which CODESSER and CORFO contribute to the functioning and execution of the present operation because their activities complement those envisaged by the project.
- 4.2 **Project execution.** The project will be executed under the guidance of a specially created **Board of Directors** comprising, at first, CORFO, CODESSER, the Municipality of Easter Island, CONADI, the Chamber of Tourism, and the

⁹ Ministry of Justice Decree 300, dated 10 March 1977.

- IDB/MIF, as an observer. Each institution will participate at the highest equivalent level. The Board will meet at least three times a year, and its duties will include: (i) general project coordination; (ii) supervision of project goals, ensuring funds are properly administered; (iii) approval of the annual work plans; and (iv) approval of the semiannual project status reports. In due course, the Board is expected to open participation to include at least the Regional Government, the National Tourism Board, an educational institution, and distinguished entrepreneurs.
- 4.3 Project supervision will be entrusted to a full-time **Executive Director**, reporting to the Board of Directors, who will represent the executing agency and the project. In carrying out project activities, the Executive Director will be supported by, and have oversight over, the PTI Manager, and his professional and administrative team. The Executive Director will be responsible for: (i) analyzing and standardizing activities to evaluate their replicability, in addition to advancing new actions to strengthen interagency coordination and improve competitiveness; (ii) facilitating the work of the Board of Directors and the Technical Committee; and (iii) serving as technical secretary of the Board of Directors.
- 4.4 A **Technical Executing Unit (TEU)** will be established, consisting of the professional team appointed by the executing agency for the technical execution of the project under the guidance of the Executive Director. The duties of the TEU will include: (i) monitoring and executing the strategic guidelines specified by the Board of Directors; (ii) ensuring the correct performance and fulfillment of project objectives and plan of action; (iii) managing disbursements and administering the budget, overseeing proper management of the funding provided; (iv) procurement and contracts; (v) being accountable for the technical evaluation processes, activity monitoring, execution and accounting of funds, and closeout; and (vi) maintaining a good flow of communication with all relevant entities.
- 4.5 Each Board of Directors representative will appoint an executive to the **Technical Development Committee** to facilitate project execution and decision-making. This Committee will work with the TEU, facilitating participation and ensuring these decision-making forums do not become an impediment to expediting processes. The Technical Committee will, among others: (i) provide technical advice concerning program execution; (ii) examine challenges, problems, and opportunities specific to the project; and (iii) encourage participation by project beneficiaries. The Committee will meet at least once a month as required by the project.
- 4.6 **Results-based disbursements.** Following the risk- and performance-based project management modality, resources will be disbursed in advance, contingent upon compliance with key indicators (milestones), decided and agreed upon by the executing agency and the MIF during the annual work plan approval process. Achieving the milestones does not exempt the executing agency from attaining the project targets specified in the logical framework. An advance of 10% of the MIF contribution will be provided, subject to the established conditions (see the

executive summary). Expenses of up to US\$50,000 will be recognized as counterpart funding from the date of eligibility of the operation (13 March).

- 4.7 **Procurement and contracts.** The executing agency will procure the goods, services, and consulting services required for the project in accordance with Bank policies contained in documents GN-2349-7 and GN-2350-7, and the MIF guidelines, in addition to the procedures described in the procurement plan. The procurement plan is available in the project files, and may be summarized as follows: (i) the “shopping” method will be used for the procurement of goods amounting to US\$30,000 or less. These operations require the Bank’s nonobjection regarding the technical characteristics of the goods to be procured; (ii) in the case of consulting services with an estimated cost below US\$100,000, the short list of consultants may consist of national consultants; (iii) contracts or procurements equal to or less than US\$5,000 or equivalent will be paid upon receipt of an invoice, with no need for a contract or entry in the Procurement Information System (PRISM); and (iv) contracts for the procurement of goods, services, and consulting services amounting to US\$50,000 or more will be reviewed ex ante. Nevertheless, the first three contracts for the procurement of goods and services, and the first three contracts for consulting services will be reviewed by the Bank ex ante, regardless of the amount.

V. MONITORING AND EVALUATION

- 5.1 **Project status report** The executing agency will submit project status reports (PSR) to the MIF within 30 days after the end of each six-month period. These reports will follow the format previously agreed upon with the MIF, reporting on progress in project execution, achievement of the milestones, outcomes obtained and their contribution to the attainment of the project objectives, with the results measured against the indicators specified in the project’s logical framework and other operational planning instruments. They will also report on problems encountered during execution, and possible solutions. Within 90 days prior to the end of the execution period, the executing agency will submit a final report (Final PSR) to the MIF describing the outcomes attained, the sustainability plan, and lessons learned.
- 5.2 **Financial monitoring.** The executing agency will establish and maintain proper financial records, internal control, and filing systems for the project, in accordance with IDB/MIF accounting and audit standards and policies. The MIF will contract independent auditors to conduct an annual audit of the financial statements prepared by the executing agency. The auditors will also conduct ex post reviews of the procurement processes and supporting documentation for disbursement requests. The MIF may modify the extent and timing of these reviews based on the outcomes of earlier reviews and/or risk analyses carried out by the MIF during project execution.

- 5.3 **Evaluation.** The project provides for two evaluations to be conducted by independent consultants selected and contracted by the Bank, and charged to the operation. The midterm evaluation will be carried out after 50% of the total funds have been disbursed or 18 months into project execution, whichever occurs first. The final evaluation will be conducted 90 days before the end of the execution period. The midterm evaluation will review the following issues, among others: (i) the project execution mechanism, interagency cooperation, and participation by the various institutions in carrying out activities; (ii) the mechanisms to select technical assistance beneficiaries; (iii) steps taken to facilitate project sustainability; and (iv) the effectiveness of actions to promote coordination in the supply chain. The final evaluation will include an analysis of outcomes compared with the baseline. The review will at least address: (i) the sustainability of actions undertaken; (ii) achievement of the specified objectives; (iii) the impact of actions carried out; and (iv) lessons learned from project execution.

VI. BENEFITS AND RISKS

- 6.1 **Benefits.** The project will directly benefit 50 productive units through technical assistance, and 350 people through training. In addition, business organizations and private and public entities linked to the development of economic activities on Easter Island will benefit from the training and professional development activities contemplated under component 1. The tourism sector as a whole will also benefit from the project as it will have a supply of better trained human resources, and better quality and variety of local agricultural and fishing products. In general, the Rapanui community will benefit from the development of local capacity enabling it to generate endogenous development projects.
- 6.2 **Risks.** The principal risks facing this operation are: (i) local entities are unable to coordinate effectively, or position themselves as a single leadership for the project and the Tarai Henua PTI; and (ii) because of the small scale of enterprises and their lack of experience in project formulation, there may be insufficient commercially and culturally attractive projects to support. To mitigate these risks, the project foresees a number of concrete activities, providing both direct technical assistance and training to build confidence and promote linkages between public and private entities (particularly under components 1 and 2). The specific actions under component 2 should promote joint work among entities, with concrete outcomes. To mitigate the second risk, support will be provided to generate projects and to a local group of professionals to assist in the preparation and presentation of projects to development instruments.

VII. ENVIRONMENTAL AND SOCIAL CONSIDERATIONS

- 7.1 The operation is expected to have a positive direct social and environmental impact inasmuch as it will build capacity to design and implement projects for the

sustainable development of the island, in compliance with Chilean environmental regulations, and respectful of the indigenous cosmovision.

- 7.2 Moreover, the project includes activities to encourage work by joint public-private bodies to preserve and care for the heritage and the environment, capitalizing on the interest tourism takes in the island's culture and heritage, becoming an incentive to preserve Easter Island's natural and archaeological heritage. This operation is classified as a C project.

**CHILE: DEVELOPMENT OF LOCAL CAPACITY TO PROMOTE COMPETITIVENESS ON RAPA NUI ISLAND (EASTER ISLAND)
(CH-M1025)**

LOGICAL FRAMEWORK

SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
GOAL			
Help build capacities enabling the Rapanui community to assume the new responsibilities acquired as a result of the amendment to the Chilean Constitution	<p>Three years after project completion:</p> <ol style="list-style-type: none"> 1. A public-private entity made up of institutions that are representative of the island's economic development will be operational, coordinating productive development and innovation initiatives for the promotion of competitiveness¹ 2. Human resources training on the island will have improved in both quality and quantity with respect to the sample baseline 3. Sustained increase in the number of ventures and companies supported by the entity 4. Sustained increase in the number of projects focusing on island sustainability, promoted by the entity 5. Sustained increase in collective business initiatives supported by the entity 	<ol style="list-style-type: none"> 1. Project impact evaluation (subject to eligibility) 2. Baseline established at the end of project execution 3. Record of human resources training 4. Directory of ventures supported 5. Record of projects carried out with coordinating entity support 	<ol style="list-style-type: none"> 1. No significant changes to the macroeconomic and political scenario 2. The initiative is supported by the relevant public and private sector entities 3. An effective system is put into place to promote human resources training and innovation in the territory

¹ This may be a new entity, or one that is part of an existing entity in the territory. The legal form it takes will depend on the consensus reached by the relevant institutions and the community during project execution.

SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
PURPOSE			
Develop, manage, and promote projects to boost private sector competitiveness	<p>Upon project completion:</p> <ol style="list-style-type: none"> 1. The foundations are in place to establish a nonprofit entity to promote and coordinate Rapa Nui's economic development (draft by-laws, implementation plan, and commitment by sponsor entities) 2. At least US\$200,000 in public or private contributions have been leveraged to execute an investment to help improve the territorial competitive environment 3. 350 individuals were trained in trades and/or developed the skills or know-how required to develop a sustainable tourism operation on the island 4. Modernization initiatives relating to quality, innovation, or ventures have been promoted among 50 microenterprises, and/or producers received project support. At least 70% were satisfied with services received and report improved competitiveness. 	<ol style="list-style-type: none"> 1. Final project status report (PSR) 2. Final evaluation 3. Documents: by-laws, plan, signed agreements, project profile 4. Registry of beneficiaries 5. Beneficiary satisfaction survey 	<ol style="list-style-type: none"> 1. Market conditions and policies remain stable for Rapa Nui institutions and enterprises 2. Participating actors and institutions remain interested in coordinating their work 3. There are no interagency power conflicts that could jeopardize satisfactory project performance 4. Organizational, managerial and financial management capacity is available to continue the program, ensuring its sustainability after project execution has ended
COMPONENTS			
<p>COMPONENT 1: Practices to create a public-private institutional framework</p> <p>Generate local capacity to manage productive sector development initiatives</p>	<p>18 months into project execution:</p> <ol style="list-style-type: none"> 1. A Project Public-Private Board has been put in place, to serve as basis for the establishment of the public-private entity that will guide the island's productive development (consisting at a minimum of the Chamber of Tourism, CORFO, the CORFO Operating Agent, Easter Island Municipality, CONADI, and the IDB) 2. Fifteen local professionals have been trained in project formulation to build competencies in smaller-sized companies 	<ol style="list-style-type: none"> 1. Semiannual PSRs 2. Midterm and final evaluations 3. Training activities reports 4. Documents related to establishment of the Board (agreement, work plan, etc.) 	<ol style="list-style-type: none"> 1. The institutions and companies represented on the Board are committed to establishing the productive development entity

SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	<p>3. The Sustainable Tourism and Productive Development Technical Committees inform the community about their work at a joint event</p> <p>4. At least two support agreements are signed with higher education and/or technical training institutions (new or reactivated agreements)</p> <p>At the end of project execution:</p> <p>5. The legal study for the establishment of the nonprofit entity has been concluded and approved by consensus by the relevant institutions and the community</p> <p>6. The Sustainable Tourism and Productive Development committees develop and put into effect a work plan arrived at by consensus</p>		
<p>COMPONENT 2: Public-private cooperation to generate better competitive conditions</p> <p>Promote complementary efforts by the central and provincial governments, municipio, entrepreneurs, universities, and technical cooperation networks to develop solutions</p>	<p>18 months into project execution:</p> <p>1. The professional and technical skills available in the territory are entered into a database</p> <p>2. Training was provided to 90 beneficiaries in the agriculture sector</p> <p>3. Agriculture sector training programs have been standardized for replication</p> <p>4. There is a credentialing plan for trades in short supply on Easter Island</p> <p>5. A data bank with information on available public instruments to support entrepreneurs and/or enterprises is available</p> <p>At the end of project execution:</p> <p>6. Training in trades and/or development of skills or know-how required to improve sustainable tourism on the island benefits 350 participants</p> <p>7. 40 participants are awarded competency certificates</p> <p>8. The information on public support instruments is accessible via a web portal</p>	<p>1. Semiannual PSRs</p> <p>2. Technical report(s) from the consultant(s) and qualified entities</p> <p>3. Midterm and final evaluations</p> <p>4. List of registered participants at workshops and training activities</p> <p>5. Databases and website</p>	<p>1. The new content meets the island's training needs</p> <p>2. Projects are submitted to leverage resources</p>

SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>COMPONENT 3: Development of joint business sector initiatives</p> <p>Help boost competitiveness by promoting cooperation between companies</p>	<p>18 months into execution:</p> <ol style="list-style-type: none"> 1. Ten fishermen implement new knowledge to increase harvesting 2. Kick off of the <i>Local Business Venture Program</i> for 20 beneficiaries 3. Ten projects were selected through the business venture competition <p>Upon project completion:</p> <ol style="list-style-type: none"> 4. Support was given to formulate and submit six collective projects for consideration by development instruments 5. 30 fishermen collectively received support to improve their fishing techniques 6. The program to support local ventures benefits 20 smaller-sized entrepreneurs 7. 20 projects receive support from the collective initiatives development fund 	<ol style="list-style-type: none"> 1. Semiannual PSRs 2. Consultant technical reports 3. Midterm and final evaluations 4. Record of projects submitted 	<ol style="list-style-type: none"> 1. A nucleus of fishermen are interested in implementing new farming and harvesting techniques 2. Funds are available for the Local Business Venture Program 3. A nucleus of professionals are willing to work towards improving their skills
<p>COMPONENT 4: Monitoring, evaluation and dissemination</p> <p>Monitor, evaluate, and disseminate the experience</p>	<p>Six months into project execution:</p> <ol style="list-style-type: none"> 1. The monitoring system is implemented and operational, including the baseline <p>At the end of project execution:</p> <ol style="list-style-type: none"> 2. The best practices are documented and publicized via the website 3. Three success stories are posted on the project website 	<ol style="list-style-type: none"> 1. Semiannual PSRs 2. Monitoring system reports 3. Consultant technical reports 4. Midterm and final evaluations 5. Website 	<ol style="list-style-type: none"> 1. Companies and/or beneficiaries provide reliable data 2. Stakeholders are willing and interested in monitoring and evaluating activities

SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
ACTIVITIES			
COMPONENT 1: Practices to create a public-private institutional framework A. Board of Directors operations B. Events (launch and yearly events) C. Training workshops to improve associational conditions between the public and private sectors (communications, confidence-building, team work, leadership workshops) D. Joint work in tourism and development (workshops to help coordinate the two technical committees) E. Image-building elements for the public-private institutional framework (prepare material, brochures, banner, business cards, website and hosting) F. Training for professionals in the development network of support for MSMEs G. Coordination with higher education institutions H. Legal study on the public-private institutional framework, and workshop to forge a consensus concerning the findings	MIF: US\$190,903 Counterpart: US\$56,360 Two months into project execution: A.1 The project Board of Directors met and approved the plan to hold three meetings a year schedule A.2 A plan to strengthen public-private coordination has been drawn up B.1 The launch event has taken place Six months into project execution: F.1 Local consultants and professionals are being trained in project formulation (15) D.1 The Productive Development Technical Committee is installed D.2 The technical committees (tourism and development) identified their tasks and developed work plans Nine months into project execution: E.1 A project website and the corporate image materials are available One year into project execution: C.1 A first workshop on building team work was offered to Board members, and members of the technical committees and Tarai Henua (20 participants) I.1 The technology transfer mission project was submitted to CORFO-INNOVA	1. Monitoring system reports 2. PSRs prepared by the executing agency 3. Consultant technical reports 4. Midterm and final evaluations	1. The institutions and companies involved in the committee work are committed to working together.

SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>I. Technology transfer mission</p> <p>J. Stakeholder organization and coordination</p>	<p>F.2 Training for local consultants and professionals in project formulation has concluded (15 fellowships)</p> <p>B.2 The second project event has taken place</p> <p>D.3 The first Tourism and Productive Development event to inform the community about project outcomes has taken place (1 of 3)</p> <p>18 months into project execution:</p> <p>A.4 National development agencies, including at least SENCE, SERCOTEC, INDAP, and SERNAPESCA, are coordinating their work</p> <p>I.2 The mission to learn about productive development took place</p> <p>D.4 The technical committees held their second joint workshop</p> <p>G.1 Two agreements for support have been signed with prestigious higher education and technical training institutions (new or reactivated agreements)</p> <p>C.2 Two leadership and teamwork workshops were held</p> <p>Two years into project execution:</p> <p>B.3 The third project event has taken place</p> <p>30 months into project execution:</p> <p>H.1 The legal study for preparation of the institutional framework has been completed</p>		

SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	<p>36 months into project execution:</p> <p>C.3 The three workshops on confidence-building, teamwork, and building institutional capacity were held</p> <p>D.5 Three meetings on tourism and other matters (development) were held to apprise the Rapanui community about program performance</p> <p>During project execution:</p> <p>A.3 The Board of Directors meets regularly (three times a year), and new participants have been identified</p> <p>D.6 The technical committees have met annually</p>		
<p>COMPONENT 2: Public-private cooperation to generate better competitive conditions</p> <p>Area 1. Human resources training and development</p> <p>A. Gather data on human resources and public investment in training</p> <p>B. Train agricultural microproducers in comprehensive management techniques for vegetable and tropical fruit crop production, and business management</p> <p>C. Provide skills-based training in trades</p>	<p>MIF: US\$152,230</p> <p>Counterpart: US\$222,425</p> <p>Two months into project execution:</p> <p>A.1 Consulting services have been contracted to survey human resources and public investment in training</p> <p>Six months into project execution:</p> <p>B.1 Training is offered to 90 vegetable and fruit miniproducers under the <i>Sustainable Rapa Nui</i> program</p> <p>D.1 Data sources concerning support instruments have been identified</p>	<p>1. Monitoring system reports</p> <p>2. PSRs prepared by the executing agency</p> <p>3. Consultant technical reports</p> <p>4. Midterm and final evaluations</p>	<p>1. The interest of beneficiary enterprises and/or individuals in participating in training activities does not wane.</p>

SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>Area 2: Virtual business data center</p> <p>D. Identify existing data sources to help develop appropriate business support instruments</p> <p>E. Post links on the web portals of institutions</p>	<p>10 months into project execution:</p> <p>A.2 Data on public investment in training and developing Rapa Nui human resources is available</p> <p>A.3 Trades deficits have been identified</p> <p>C.1 Institutions able to help improve skills and award credentials have been identified</p> <p>One year into project execution:</p> <p>C.2 A training and certification plan has been drawn up</p> <p>C.3 A training project is designed to leverage resources with a Rapanui, CORFO-INNOVA, CONADI component</p> <p>E.1 Institutions post current links to search for information on the SME support network</p> <p>E.2 The institutions linked to the project have a data bank listing courses and support instruments for companies and economic activities, which is kept current.</p> <p>14 months into project execution:</p> <p>C.4 Start of skills-based training</p> <p>18 months into project execution:</p> <p>B.2 End of training period for 90 vegetable and fruit miniproducers under the <i>Sustainable Rapa Nui</i> program</p>		

SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	<p>Two years into project execution:</p> <p>C.5 Training in trades and/or development of skills or know-how needed to improve sustainable tourism on the island has reached 75% of the target of 350 participants</p> <p>C.6 Authorized entities have been contracted to certify skills</p> <p>36 months into project execution:</p> <p>C.7 40 eligible participants receive their skills certificates</p>		
<p>COMPONENT 3: Develop joint business sector initiatives</p> <p>A. Help formulate projects</p> <p>B. Design and execute the Fisheries Enhancement Plan</p> <p>C. Local Ventures Program</p> <p>D. Competitive fund to develop joint initiatives</p>	<p>MIF: US\$66,110</p> <p>Counterpart: US\$240,625</p> <p>One year into project execution:</p> <p>B.1 Training begins for 10 fishermen</p> <p>C.1 Kick-off of the Local Ventures Program for 20 beneficiaries</p> <p>D.1 First joint initiatives competition</p> <p>18 months into project execution:</p> <p>A.1 Support is given to formulate and submit six joint projects to the existing support instruments</p> <p>B.2 Ten fishermen have been trained in better harvesting techniques</p> <p>D.2 Ten projects receive competitive fund support</p> <p>Two years into project execution:</p> <p>D.3 Second joint initiatives competition</p>	<p>1. Monitoring system reports</p> <p>2. PSRs prepared by the executing agency</p> <p>3. Consultant technical reports</p> <p>4. Midterm and final evaluations</p> <p>5. Record of consultations handled by the TEU</p>	<p>1. Enterprises have a positive attitude with respect to submitting projects to development instruments, competitions and awards</p> <p>2. Counterpart resources are available to finance individual projects</p> <p>3. SERNAPESCA and trade unions of fishermen are willing to work at changing harvesting methods and management areas</p>

SUMMARY OF OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	<p>36 months into project execution:</p> <p>B.3 30 fishermen collectively received support to improve their fishing techniques</p> <p>C.2 The <i>Local Ventures Program</i> was executed, benefiting 20 smaller-sized entrepreneurs</p> <p>D.4 Ten additional projects receive competitive fund support</p> <p>During project execution:</p> <p>A.2 Entrepreneurs are encouraged to submit fishery and other sector projects to the existing support instruments</p>		
<p>COMPONENT 4: Monitoring, evaluation and dissemination</p> <p>A. Develop and maintain a system to monitor project activities and their outcomes (includes establishing baselines and indicators)</p> <p>B. Design materials reflecting the impact of project activities for dissemination</p> <p>C. Dissemination of resulting experiences</p> <p>D. Participation at international events</p>	<p>MIF: US\$39,168</p> <p>Counterpart: US\$3,335</p> <p>Six months into project execution:</p> <p>A.1 The indicators required for monitoring, including the baseline, have been developed</p> <p>Two years into project execution:</p> <p>B.1 Material with the best experiences has been compiled for dissemination</p> <p>36 months into project execution:</p> <p>C.2 The project's experience and lessons learned are made public at the closing event</p> <p>During project execution:</p> <p>A.2 The success indexes specified for monitoring overall and specific project advances are updated every six months.</p> <p>C.1 Relevant experiences are made public at project events</p> <p>D.1 The project is represented at international events every year</p>	<ol style="list-style-type: none"> Monitoring system reports PSRs prepared by the executing agency Consultant technical reports Midterm and final evaluations 	<ol style="list-style-type: none"> Beneficiaries remain interested in participating at project events and remit the required information to the executing agency. The institutions with a seat on the Board of Directors are committed to the program's success.

**CHILE: DEVELOPMENT OF LOCAL CAPACITY TO PROMOTE COMPETITIVENESS ON RAPA NUI ISLAND
(EASTER ISLAND)
(CH-M1025)**

ITEMIZED BUDGET

BUDGET LINE		MIF	LOCAL CONTRI-BUTION	TOTAL	%
1	COMPONENT 1: Practices to create a public-private institutional framework				
1.1	Board of Directors operations	4,000	-	4,000	0.3%
1.2	Events	9,500	13,900	23,400	1.8%
1.3	Workshops to improve associational conditions between the public and private sectors	16,605	7,545	24,150	1.9%
1.4	Support workshops for committee coordination	2,560	440	3,000	0.2%
1.5	Image-building elements	8,780	-	8,780	0.7%
1.6	Training for professionals in the development network of support for MSMEs	6,670	4,450	11,120	0.9%
1.7	Study of a legal format for the institutional framework	3,890	4,440	8,330	0.6%
1.8	Technology transfer mission	22,250	22,255	44,505	3.4%
1.9	Participant organization and coordination	116,648	3,330	119,978	9.2%
	SUBTOTAL COMPONENT 1	190,903	56,360	247,263	19.0%
2	COMPONENT 2: Public-private cooperation to generate better competitive conditions				
A	Human resources training and development	147,760	217,925	365,685	28.1%
2.1	Information gathering	2,225	4,450	6,675	0.5%
2.2	Training for agricultural microproducers	31,110	53,330	84,440	6.5%
2.3	Training in trades using competency model	114,425	160,145	274,570	21.1%
B	Virtual business data center	4,500	4,500	9,000	0.7%
2.4	Virtual business data center	4,500	4,500	9,000	0.7%
	SUBTOTAL COMPONENT 2	152,260	222,425	374,685	28.8%
3	COMPONENT 3: Development of joint business sector initiatives				
3.1	Project formulation support	6,665	3,335	3,335	0.8%
3.2	Design and execution of the Fishing Enhancement Plan	15,000	15,000	15,000	2.3%
3.3	Local venture program		133,400	133,400	10.2%
3.4	Competitive fund to develop collective initiatives	44,445	88,890	88,890	10.2%
	SUBTOTAL COMPONENT 3	66,110	240,625	306,735	23.6%
4	COMPONENT 4: Monitoring, evaluation, and dissemination				
4.1	Monitoring system development and maintenance	10,000	-	10,000	0.8%
4.2	Development of materials	11,000	-	11,000	0.8%
4.3	Actions to disseminate the experience (closing event)	3,335	3,335	6,670	0.5%
4.4	Participation at international events	14,833	-	14,833	1.1%
	SUBTOTAL COMPONENT 4	39,168	3,335	42,503	3.3%
5	Project coordination				
5.1	Executive Director	86,678	-	86,678	6.7%
5.2	PTI Manager		52,000	52,000	4.0%
5.3	Project executives (1)		34,710	34,710	2.7%
5.4	Administrative-accounting assistant	17,355	-	17,355	1.3%
5.6	Project assistant		17,355	17,355	1.3%
5.7	Overhead		23,940	23,940	1.8%
	SUBTOTAL ADMINISTRATION	104,033	128,005	232,038	17.8%

BUDGET LINE		MIF	LOCAL CONTRI- BUTION	TOTAL	%
6	Midterm and final evaluations	25,000	-	25,000	1.9%
7	Annual audit of financial statements and procurement	37,500	-	37,500	2.9%
8	Contingencies	36,627	-	36,627	2.8%
	SUBTOTAL	651,600	650,750	1,302,350	100%
		50%	50%	100%	
9	Impact evaluation account	3,400	-	3,400	
10	Activities of the “Promoting Local Competitiveness” cluster	25,000	-	25,000	
	TOTAL	680,000	650,750	1,330,750	
		51%	49%	100%	