

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK  
MULTILATERAL INVESTMENT FUND

**CHILE**

**DEVELOPMENT OF AN INDEPENDENT OVERSIGHT SYSTEM FOR  
SERVICE QUALITY IN PUBLIC WORKS**

**(CH-M1013)**

**DONORS MEMORANDUM**

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## **ABBREVIATIONS**

DPL	Development policy loan
MIF	Multilateral Investment Fund
MOP	Ministry of Public Works
SMEs	Small and medium-sized enterprises
TAL	Technical assistance loan

# DEVELOPMENT OF AN INDEPENDENT OVERSIGHT SYSTEM FOR SERVICE QUALITY IN PUBLIC WORKS

(CH-M1013)

## I. EXECUTIVE SUMMARY

<b>Beneficiary/ executing agency:</b>	Ministry of Public Works (MOP)	
<b>Beneficiaries:</b>	The direct, immediate beneficiaries of this program will be users of public works, as oversight will be based on the quality of the service provided to them. Other beneficiaries will be: (i) investors who will benefit from a more transparent regulatory framework that will ensure greater certainty as to the law; and (ii) small and medium-sized enterprises that will benefit from opportunities to participate in the construction and operation of public works.	
<b>Financing:</b>	MIF (Window I):	US\$ 990,000 (40%)
	Local counterpart:	<u>US\$ 1,510,000 (60%)</u>
	Total:	US\$ 2,500,000 (100%)
<b>Objectives:</b>	The <b>goal</b> of the project is to help make the Chilean economy more competitive and improve the quality of life for residents by making public-private partnerships for financing infrastructure sustainable over the long term. The <b>purpose</b> is to develop an independent oversight system for service quality in public works. The project's scope of action will include the system of concessioned works as well as works executed directly by the public sector. The project has been divided into five components for execution purposes: (i) support for the organizational development of the Superintendency of Public Works; (ii) structuring of the processes for regulating and overseeing service quality and customer service; (iii) development of an information system for regulation, oversight, and customer service; (iv) support for the development of mechanisms for stakeholder involvement: investors and users; and (v) dissemination of outcomes.	
<b>Execution timetable:</b>	Execution period:	48 months
	Disbursement period:	54 months

<b>Special contractual conditions:</b>	The following will be conditions precedent to the first disbursement: (i) the project director has been selected; (ii) the Operating Regulations are in effect; (iii) the Advisory Committee has been created; (iv) the project's General Execution Plan has been delivered to the Bank for approval; and (v) preliminary legislation to create the Superintendency of Public Works has been drafted. Also, as a condition precedent to disbursement of the second half of the MIF contribution, the Chilean Congress must have passed the law creating the Superintendency of Public Works.
<b>Exceptions to Bank policy:</b>	None.
<b>Environmental and social review:</b>	The Committee on Environment and Social Impact reviewed and approved the project abstract on 27 October 2006 (meeting 42-06) (see paragraph 8.1).
<b>Coordination with other donors:</b>	This project seeks complementarity and close collaboration with the World Bank's activities in Chile (see paragraph 2.13).

## **II. BACKGROUND AND RATIONALE**

### **A. Government policy in public works**

- 2.1 Chile has been making an major effort to promote the construction of public works through the concession system—45 projects have been implemented thus far, with an estimated investment of more than US\$7 billion.
- 2.2 The success attained to date in Chile has generated new demands and opportunities that, in conjunction with increased decentralization, call for modernizing the systems for constructing and maintaining government-financed works. To adapt to these trends, the Ministry of Public Works (MOP) has set out to develop a new phase to fine-tune the concession mechanism by equipping it with effective oversight instruments.
- 2.3 Indeed, the new administration's policy is to strengthen the link between infrastructure construction and the needs posed by increased competitiveness in the Chilean economy based on competitive local and regional systems, as well as an improved quality of life for residents. To this end, the MOP is, among other things, drafting legislation—soon to be submitted to Congress—that would amend the Law on Public Works Concessions and create the Concessions Board to set policies on concessions by bringing together several ministries (Finance, Economy, Planning, and Transportation and Telecommunications). The bill will propose requiring that concession holders maintain, for the duration of their concession, the levels of

infrastructure service and functionality set forth in the corresponding bid documents and concession contracts.

- 2.4 The MOP's sector policy is built around two strategic guidelines. First, the effort to strengthen the decentralization process in developing concessions is being accorded primary importance. One such operation is the project to grant a concession for maintaining regional road systems (Road Maintenance Service Standards), which will allow small and medium-sized enterprises (SMEs) to participate in infrastructure management. Second, the creation of a Superintendency of Public Works is proposed—an independent agency that will verify that appropriate service levels are maintained on the various works in accordance with the levels and standards set forth in the corresponding contracts or other standard-setting instruments, whether they be concessioned works or works administered by public-sector entities. Such an entity is needed because the MOP wants to separate infrastructure-related policymaking (at the ministerial level) from execution (performed by the MOP's operating units) and from regulation and oversight activities. The latter will be performed by the future Superintendency of Public Works.
- 2.5 In the context of the ongoing preparation of the bill to create the Superintendency of Public Works, the MOP has tentatively defined its mission, responsibilities, and scope. The Superintendency will be an operationally decentralized body with its own legal status and assets. Its basic duties will be to: (a) promote and protect the rights of users of public works and encourage full compliance by concession holders with their obligations; (b) verify that the levels and standards of service set forth in the contracts or other standard-setting instruments are maintained; and (c) intervene in the regulation of rates for public works contracts during the operational phase.

## **B. Issues in modernizing public works**

- 2.6 There are three types of issues in this area. First, modern methods would be introduced for managing execution of public works with budget resources by having such works monitored for **service quality**. Thus far, construction and maintenance contracts have not been explicitly based on levels of service quality and, as a result, there are no efficient mechanisms for verifying that such levels are maintained. Indeed, the future Superintendency of Public Works, which would be responsible for overseeing service quality in works executed with public funds, will require that the oversight methods be established, that significant changes be made in how contracts are awarded and in regulations, and, that substantive changes be made in the traditional specialized units within the MOP.
- 2.7 Second, an **improved concession process** is needed as a way of managing and developing public infrastructure. Experience both in Chile and around the world has shown that concessions are subject to regulation and oversight by the very entities responsible for promoting and attracting private investment. This can create clear conflicts of interest. Moreover, because the need for operational oversight is new,



capacity to carry out such oversight is lacking, since experience in overseeing construction is insufficient for overseeing operations.

- 2.8 Third, there are **new regulatory challenges as the concessions mechanism expands to other areas**, to involve private investment in infrastructure development projects, such as road system projects, water works, and construction projects to build public buildings (hospitals and other government buildings), airports, and dams. The regulatory challenges in these areas are varied. Regulatory bodies have had the most experience in telecommunications, energy, and sanitation services. They have had significantly less experience in road infrastructure, and even less in concessions for more complex works, such as hospitals.

### C. Rationale

- 2.9 Chile is the market in the region where the concession system has been used most widely and where the private sector in particular has recognized its transparency and professionalization. The fact that the concession mechanism is bringing private equity into areas that previously were the sole domain of the public sector—thus allowing for new contracting methods, encouraging the participation of SMEs, and promoting stronger, more decentralized regional economies—is also a new phenomenon. Based on this, MOP authorities have set out to move to the next level, by creating the Superintendency of Public Works, which will build the new operational approach, as it will create, through independent oversight, incentives for the various units of the ministry to focus on whether services are living up to the level of quality that the public is supposed to be provided.
- 2.10 The project is innovative as the first in the region to support the creation of an independent Superintendency of Public Works, which is a significant development in the traditional concessions system. This new step that the Government of Chile wants to take is precisely aimed at allowing for a three-party dialogue among the public concession system, private investors, and users, by providing for oversight that is independent of the entities that promote concessions, but that is at the same time accountable to users. The development and recognition of the Chilean concession system, as well as investor confidence, create the best conditions for introducing this innovation.
- 2.11 Meanwhile, the participation of the Multilateral Investment Fund is important to: (i) limit the risk that the government would be taking in introducing a significant innovation to the system that, in the view of investors and concession holders, would be working effectively. Like in any new process, there will be mistakes and adjustments, and whoever first introduces an innovation bears the greatest costs; (ii) facilitate the participation of various actors, investors, concession holders, and users, as well as bring international experience and standards to bear on this issue; and (iii) lend greater credibility to this process of change, by sustaining what will undoubtedly be a complex learning process for everyone involved.

- 2.12 Lastly, the project will allow for the accumulation of knowledge and methodologies related to the process of implementing this new system, and will allow for subsequent replication in other countries in the region that so request.
- 2.13 **The Bank's strategy and coordination with other entities.** This project will directly contribute to increased competitiveness in the Chilean economy and is fully aligned with the Bank's **Country Strategy with Chile** and the **Chilean Private Sector Development Strategy**. As for other entities, the MOP is currently developing an institution-strengthening plan under World Bank operation P102931 (TAL) / P100854 (DPL). World Bank support has focused on preparatory activities, such as drafting preliminary legislation, workshop on regulatory accounting, advisory services to establish standards for oversight of service quality, and economic models for concessions and public works; and possibly on supporting the MOP in adapting to the new system under the Superintendency's oversight. It should be noted that the MOP has expressed its willingness and interest in maintaining effective coordination at all times between this MIF project and the Ministry's operations with the World Bank (which are distinct, but related). This will make it possible to take greater advantage of complementarities.

### III. DESCRIPTION

#### A. Objectives

- 3.1 The **goal** of the project is to help make the economy more competitive and improve the quality of life for residents by making public-private partnerships for financing infrastructure sustainable over the long term by strengthening, expanding, and consolidating the concession system and the system for public works construction in general. The **purpose** is to **develop an independent oversight system for service quality in public works**. The project's scope of action will include concessioned works as well as works executed by the public sector.

#### B. Components

**Component 1: Support for the organizational development of the Superintendency of Public Works (MIF: US\$100,000; counterpart: US\$170,000)**

- 3.2 The main objective of this component is to support the various activities needed to start up the Superintendency, from the conceptual discussion and the generation of inputs to develop secondary regulations needed for implementation, to the establishment of an effective monitoring system and human resources development.
- 3.3 To this end, the following activities are to be carried out: (i) developing the organizational design; (ii) analyzing the main legal problems involved in setting up the new Superintendency, such as judicial problems in effective oversight of contracts and issues related to contract amendments; (iii) designing and implementing an effective monitoring system; (iv) developing the human resources needed for oversight activities, including traineeships in specialized bodies,

international courses and seminars, and technical assistance to train staff in specific subject areas; and (v) identifying mechanisms to develop the oversight of public entities involved in promoting investment in infrastructure works.

- 3.4 The expected outcome of this component is the design of a first-rate oversight entity that will feature an appropriate organizational design, the legal assessments needed to start up the new institution, and the overall design of the oversight mechanisms to be used by the Superintendency.

**Component 2: Structuring of the processes for regulating and overseeing service quality and customer service (MIF: US\$310,000; counterpart: US\$250,000)**

- 3.5 The main objective of this component is to generate the methodologies and procedures needed to regulate and oversee service quality in public works. Regulation of public works as a mechanism complementary to bidding throughout the concession period represents an alternative to the current processes of renegotiating and establishing supplementary agreements that are used in concessioned works—and one that should be considered in evaluating options for improving the concessions systems. This is why the project for the Superintendency of Public Works includes **notifying the authorities of the impact of contract amendments on:** (i) service quality in the works; (ii) the original contractual conditions; and (iii) assessments of investments and impact on profitability for the concession holder. To this end the program may help establish and analyze the processes, procedures, and mechanisms for amending works contracts, assess national and international experiences in handling amendments to works contracts, develop methodologies for analyzing contract amendments, develop information requirements for regulatory activities (input for the information system), and develop proposals for reporting processes and procedures.
- 3.6 The following activities are included in this component: (i) compiling and studying best practices for overseeing concessions and/or regulating other public services that may apply to public works in Chile; (ii) analyzing the various types of public works and identifying critical problems in regulating and overseeing them, and establishing a mechanism to enable the Superintendency to participate in regulating supplementary agreements; (iii) examining the main processes for overseeing and developing proposals for restructuring and improvement, and improving on traditional mechanisms by including the assessment of service quality, development of incentives for self-regulation, and risk analysis as a basic tool for onsite oversight and for process auditing; (iv) developing methodologies for evaluating service quality in public works and their relation with economic regulation; (v) generating inputs for re-engineering processes to develop the information system for oversight activities; and (vi) preparing methodologies for setting service-quality standards in public works and mechanisms for updating them.

**Component 3: Development of an information system for regulation, oversight, and customer service (MIF: US\$300,000; counterpart: US\$400,000)**

- 3.7 The reorganization of the entire concession system that these changes entail, as well as the expansion of private-sector participation in infrastructure projects, will require that an online information system be developed to allow for offsite oversight based on risk analysis and incentives for self-regulation of concession-holding companies and other contractors, in addition to the direct oversight by the Superintendency of Public Works.
- 3.8 This component will include the following activities: (i) analyzing information-technology problems posed by the construction of a comprehensive information system for the oversight of concessioned works; (ii) conceptually developing the information system; (iii) constructing an information system for oversight activities; and (iv) developing reports for oversight activities.
- 3.9 The expected outcome of this component is that the information system will be physically constructed and fully operating, including development of the reports needed for oversight, regulation, and user satisfaction.

**Component 4: Support for the development of mechanisms for stakeholder involvement: investors and users (MIF: US\$100,000; counterpart: US\$350,000)**

- 3.10 This component will identify mechanisms for involving investors and users in discussing important issues for the Superintendency's work. It will include the following activities: (i) analyzing international experience in public consultations; (ii) conducting a study to develop mechanisms for a systematic policy for consulting users and investors on important issues in developing regulations, instructions, and statements; (iii) developing mechanisms for evaluating satisfaction levels among users of public infrastructure works, such as a proposal on developing the rights of users according to type of public work, mechanisms for gathering information on user satisfaction, and mechanisms to make the public widely aware of their rights as users of public works; and (iv) taking traineeships and trips to learn about these mechanisms on site in countries that have had successful experiences in this area. Also, when the study described in item (ii) has been completed, two pilot initiatives for participation will be implemented.
- 3.11 Primary expected outcomes of this component include a systematic policy for consulting users and investors on significant issues related to overseeing service quality in public works, and the establishment of a new customer service system by service providers under the direction of the Superintendency.

**Component 5: Dissemination of outcomes (MIF: US\$100,000; Counterpart: US\$50,000)**

- 3.12 In view of the innovative nature of this project in Chile and the region, the objective of this component is to disseminate project activities and outcomes. Several actions

will be carried out to promote, raise awareness about, report on, and disseminate project activities. These actions include publications, technical and dissemination seminars, and annual meetings with stakeholders. An international seminar will be held at the end of the project in order to disseminate project outcomes around the world, with the participation of officials from similar institutions in other countries in the region. Moreover, in order to promote the project's replicability, foreign delegations will travel to Chile and have the opportunity to learn about the Superintendency and its operations onsite.

#### IV. COST AND FINANCING

- 4.1 The total project budget is US\$2.5 million, of which US\$990,000 (40%) will be provided by the Multilateral Investment Fund, and US\$1,510,000 (60%) will come from counterpart funds, of which at least 50% will be in cash, in accordance with the budget provided below. The Bank will set up a revolving fund with 10% of the MIF contribution.

BUDGET (IN US\$)				
CATEGORY OF EXPENDITURE	MIF	Local	Total	%
1. Support for the organizational development of the Superintendency of Public Works	100,000	170,000	270,000	10.8%
2. Structuring of the processes for regulating and overseeing service quality	310,000	250,000	560,000	22.4%
3. Development of an information system for oversight activities	300,000	400,000	700,000	28.0%
4. Support for the development of mechanisms for stakeholder involvement: investors and users	100,000	350,000	450,000	18.0%
5. Dissemination of outcomes	100,000	50,000	150,000	6.0%
6. Project administration	-	290,000	290,000	11.6%
7. Evaluation	30,000	-	30,000	1.2%
8. Financial auditing (to be performed by the Chilean Office of the Comptroller General)	-	-	-	
9. Contingencies	50,000	-	50,000	2.0%
<b>TOTAL</b>	<b>990,000</b>	<b>1,510,000</b>	<b>2,500,000</b>	<b>100%</b>
Percentages	40%	60%		

- 4.2 **Project sustainability.** After the end of the execution period, the program will continue to fulfill its objectives because the new independent oversight system for service quality in concessioned and nonconcessioned public works will be up and running. The oversight body's operating costs will be financed out of the government budget.

## **V. EXECUTING AGENCY AND EXECUTION MECHANISM**

### **A. Executing agency**

- 5.1 The executing agency for the project will be the Ministry of Public Works (MOP) acting through the Public Works Oversight Office. The Ministry of Public Works has prior successful experiences with the Multilateral Investment Fund (MIF), particularly one experience in developing the institutional structure of the Concessions Coordination Office (CGC) (ATN/MT-5053-CH).

### **B. Execution mechanism**

- 5.2 For project execution there will be a Project Administration Unit to include a project director and an administrative assistant. The main duties of the project director are to: (i) administer project activities; (ii) monitor and evaluate activities, ensuring fulfillment of existing agreements; (iii) develop terms of reference for hiring companies or individual consultants; (iv) develop bidding guidelines for procurement processes to be carried out with project resources; (v) process disbursement requests for the MIF contribution and secure local counterpart resources; and (vi) prepare financial statements and reports as requested by the Bank. The project director will report to the institutional coordinator designated by the Public Works Oversight Office of the MOP.
- 5.3 An Advisory Committee will be created to support and facilitate the work of the project. It will include representatives of the following authorities: the Minister of Public Works, the Deputy Minister of Public Works, the Director General for Public Works, the Accounting and Finance Director, and the Budget Director.
- 5.4 Annual meetings will be held to report on the project's progress to representatives of the private sector and civil society.
- 5.5 **Procurement.** The executing agency will procure goods and related services and select and hire consultants in accordance with relevant Bank policies (documents GN-2349-7 and GN-2350-7). Shopping will be the procurement method used for goods and related services for amounts under US\$30,000, in accordance with paragraph 3.5 of document GN-2349-7. For consulting services, the executing agency may use any of the selection and hiring methods described in document GN-2350-7. If direct contracting is used for consulting services, the amount of the contract may not exceed the equivalent of US\$30,000, and the Bank's prior nonobjection will be required in all such instances. For the purposes of paragraph 2.7 of document GN-2350-7 (Policies for the selection and contracting of consultants financed by the Inter-American Development Bank), the shortlist of consultants for amounts estimated at less than the equivalent of US\$100,000 per contract may consist entirely of national consultants. For contracts under US\$50,000, the Bank will review the selection and hiring process on an ex post basis, with the exception of the first three consulting contracts and the first three contracts for the procurement of goods, which will be reviewed ex ante. Prior to any procurement activity, the executing agency will submit to the Bank the

procurement plan for the first 18 months of execution, and this plan will be updated every six months.

## **VI. MONITORING AND EVALUATION**

### **A. Monitoring**

- 6.1 The executing agency will prepare and submit to the Bank's Country Office in Chile project progress reports within 30 days following the end of each six-month period, and a final report within 30 days following the last disbursement. These reports will follow the format previously agreed upon with the Country Office and will cover project activities and finances, as well as outcomes measured against the indicators and parameters set forth in the logical framework. The Country Office will use these reports to monitor progress in project execution and will prepare a project completion report within three months following the last disbursement. A **closing workshop** will be scheduled for the end of the execution period, to evaluate outcomes and actions needed to increase the impact of the project.

### **B. Evaluations**

- 6.2 The Bank will use project funds to directly hire external consultants to perform a midterm evaluation and final evaluation of the project. The midterm evaluation will be performed 24 months into the project or after 50% of the MIF contribution has been spent. It will review fulfillment of the indicators set forth in the logical framework.
- 6.3 After 95% of the resources from the Bank have been disbursed, the Bank will hire an independent consultant to perform a final evaluation of the program.

## **VII. BENEFITS AND RISKS**

### **A. Benefits**

- 7.1 This program will help make the Chilean economy more competitive and improve the quality of life for residents.

### **B. Beneficiaries**

- 7.2 The direct, immediate beneficiaries of this program will be users of public works, as oversight will be based on the quality of the service provided to them. Investors will benefit from a more transparent regulatory framework that will ensure greater certainty as to the law. The general public will benefit from more efficient mechanisms for protecting the public interest. Lastly, small and medium-sized enterprises will benefit from the creation of opportunities more open to public scrutiny for participation in the construction and provision of public works.

### **C. Risks**

- 7.3 The project has two main risks: (i) that macroeconomic, political, and business conditions may deteriorate for Chilean and foreign firms, adversely affecting the

investment of private equity through concessions; and (ii) that a political consensus may not be reached with regard to legislation establishing the Superintendency of Public Works and fine-tuning existing legislation on concessions.

- 7.4 The *first risk* is mitigated by the clear decision of the Government of Chile to maintain the basic conditions for attracting private investment to the development of public works. The *second risk* is mitigated by the Chilean president's decisive support for the creation of the Superintendency, as stated in her speech on 21 May 2006, and by cross-cutting parliamentary support for the bill. Moreover, the activities under components 4 and 5 will help mitigate the second risk.

## **VIII. SOCIAL AND ENVIRONMENTAL IMPACT**

- 8.1 The objective of the Superintendency of Public Works is to implement a modern oversight system that uses the best oversight practices based on intensive use of information technologies to ensure that levels of service in public works are fully maintained, including full compliance with environmental standards.



**LOGICAL FRAMEWORK**  
**CHILE: DEVELOPMENT OF AN INDEPENDENT OVERSIGHT SYSTEM FOR SERVICE QUALITY IN PUBLIC WORKS (CH-M1013)**

NARRATIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<b>GOAL</b>			
To help make the Chilean economy more competitive and improve the quality of life for residents by making public-private partnerships for financing infrastructure sustainable over the long term by strengthening, expanding, and consolidating the Chilean concession model and its model for public works construction in general.	Two years after project completion: 1. Private-sector participation in public works has received a new impetus, which manifests itself in a greater diversity of concessioned works. 2. The rate of satisfaction among users of public works steadily increases and remains above 80%.	<ul style="list-style-type: none"> <li>User satisfaction index developed by the Superintendency of Public Works (baseline developed by the end of the project).</li> <li>Ex post project evaluation.</li> <li>National statistics on investment in public infrastructure.</li> </ul>	Macroeconomic, political, and business conditions remain stable.
<b>PURPOSE</b>			
<b>To develop an independent oversight system for service quality in public works.</b> The project's scope of action will include concessioned works as well as works executed with public funds.	At the end of the project: 1. The Superintendency of Public Works has been created with an independent oversight system. 2. New oversight processes focusing on service quality and based on risk analysis systems and modern information systems are in operation. 3. New processes for establishing supplementary agreements are in operation. Methodologies have been developed for setting and updating standards for overseeing service quality in the various types of public works. 4. New mechanisms for providing users with information have been developed that promote quality customer service, are transparent, and allow for analysis and monitoring of the perceived quality of the service provided by the public works.	<ul style="list-style-type: none"> <li>Final project evaluation report.</li> <li>Legislation creating the Superintendency of Public Works.</li> <li>Project performance monitoring reports.</li> <li>Project completion report.</li> <li>Information mechanisms run by the Superintendency of Public Works.</li> </ul>	<p>Political consensus regarding legislation creating the Superintendency of Public Works is achieved, and the legislation on concessions is fine-tuned.</p> <p>The private sector remains interested in participating in a wider range of public services and infrastructure projects.</p> <p>There is minimal risk that the concession holders will dominate the regulator, and independent oversight improves service quality.</p>

NARRATIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<b>COMPONENTS</b>			
<b>Component 1:</b> Support for the organizational development of the Superintendency of Public Works	<p>One year into the project:</p> <ol style="list-style-type: none"> <li>The organizational structure of the Superintendency of Public Works has been designed (main positions have been identified, personnel requirements have been determined).</li> <li>The main processes to be used by the Superintendency have been designed.</li> </ol> <p>At the end of the project:</p> <ol style="list-style-type: none"> <li>The Superintendency begins to operate and is using the main oversight processes designed under the project. At least six professionals at the new Superintendency are trained in oversight management.</li> </ol>	<ul style="list-style-type: none"> <li>Midterm and final project evaluation reports.</li> <li>Project performance monitoring reports.</li> <li>Semiannual progress reports and final report by the executing agency.</li> <li>Documents containing the design of the organizational structure, regulations for the law, and the main processes.</li> <li>Reports showing that staff members have been trained in appropriate subject areas.</li> </ul>	<p>The authorities provide political support.</p> <p>There is commitment inside the MOP.</p> <p>The legislation creating the Superintendency of Public Works is passed.</p>
<b>Component 2:</b> Structuring of the processes for regulating and overseeing service quality and customer service	<p>One year into the project:</p> <ol style="list-style-type: none"> <li>Methodologies for incorporating and updating indicators and standards of service quality in public works have been developed based on international best practices.</li> <li>Methodologies for overseeing service quality in three types of public works have been developed based on international best practices.</li> <li>Procedures to enable the Superintendency of Public Works to participate in regulating supplementary agreements have been developed based on international best practices.</li> </ol>	<ul style="list-style-type: none"> <li>Midterm and final project evaluation reports.</li> <li>Project performance monitoring reports.</li> <li>Semiannual progress reports and final report by the executing agency.</li> </ul>	<p>Local and international consultants are interested in providing consulting services.</p> <p>The oversight and user consultation mechanisms and tools prepared based on international best practices are tailored to the needs in the Chilean context.</p>

NARRATIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	<p>At the end of the project:</p> <ol style="list-style-type: none"> <li>4. The Superintendency of Public Works has begun to intervene in regulating the establishment of supplementary agreements.</li> <li>5. Mechanisms have been implemented for timely disclosure of information to users and the public on rights, responsibilities, and services provided by public works in their operational phase.</li> <li>6. The customer service system has been implemented.</li> <li>7. Instruments to determine and evaluate user perceptions and satisfaction are in operation.</li> </ol>		
<p><b>Component 3:</b> Development of an information system for regulation, oversight, and customer service.</p>	<p>One year into the project:</p> <ol style="list-style-type: none"> <li>1. A diagnostic assessment performed of the information-technology problems posed by the construction of a comprehensive information system for oversight, regulation, and customer service on concessioned and nonconcessioned works.</li> </ol> <p>Two years into the project:</p> <ol style="list-style-type: none"> <li>2. Information system for regulation, oversight, and customer service installed.</li> </ol> <p>At the end of the project:</p> <ol style="list-style-type: none"> <li>3. Successful operation of new methods of regulation and oversight based on the information system.</li> </ol>	<ul style="list-style-type: none"> <li>• Midterm and final project evaluation reports.</li> <li>• Project performance monitoring reports.</li> <li>• Semiannual progress reports and final report by the executing agency.</li> </ul>	<p>The authorities at the Ministry of Public Works provide political support.</p> <p>Bureaucratic resistance to change is overcome.</p>
<p><b>Component 4:</b> Stakeholder involvement: investors and users.</p>	<p>One year into the project:</p> <ol style="list-style-type: none"> <li>1. Mechanisms for consulting users and investors have been designed.</li> <li>2. Instruments to evaluate user satisfaction have been designed for three types of works.</li> </ol> <p>At the end of the project:</p>	<ul style="list-style-type: none"> <li>• Midterm and final project evaluation reports.</li> <li>• Project performance monitoring reports.</li> <li>• Semiannual progress reports and final report by the executing</li> </ul>	<p>There is strong interest among the target audience.</p>

NARRATIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
	3. The mechanisms for public consultation have been used for at least two policy issues.  4. The instruments for evaluating user satisfaction have been used in at least three types of works.	agency. <ul style="list-style-type: none"> <li>Report on two consultations.</li> <li>Reports on the use of instruments to evaluate user satisfaction.</li> </ul>	
<b>Component 5:</b> Dissemination of outcomes	24 months into the project: 1. 2 dissemination seminars are held with participation from the private sector and civil society.  At the end of the project: 2. Final project seminar/workshop is held with the participation of international experts and officials from regulatory agencies in at least five countries in Latin America and the Caribbean. 3. Officials from at least two countries in Latin America and the Caribbean have learned about the Superintendency of Public Works and its operation onsite. 4. Cooperation agreement between the Superintendency and the MIF to provide technical support to other countries.	<ul style="list-style-type: none"> <li>Midterm and final project evaluation reports.</li> <li>Project performance monitoring reports.</li> <li>Semiannual progress reports and final report by the executing agency.</li> <li>Participant lists from the various events.</li> <li>Agreement signed.</li> </ul>	The private sector and regulatory agencies in other countries are interested in learning about the Chilean experience.
<b>ACTIVITIES</b>			
<b>Component 1:</b> Support for the organizational development of the Superintendency of Public Works	<b>Total budget: US\$270,000</b> <b>MIF: US\$100,000</b> <b>Counterpart: US\$170,000</b>		Consensus is reached on the organizational structure and oversight mechanisms for the new Superintendency.
1.1 Developing the organizational design.	The document showing the design of the organizational structure of the Superintendency of Public Works has been developed no later than 13 months into project execution.	<ul style="list-style-type: none"> <li>Semiannual management reports.</li> <li>The report (developed and available).</li> </ul>	The legal hurdles to creating the Superintendency can be

NARRATIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
1.2 Analyzing the main legal problems involved in setting up the new Superintendency.	The regulations for the law creating the Superintendency have been developed, no later than 18 months into execution.	<ul style="list-style-type: none"> <li>Published regulations.</li> <li>Semiannual management reports.</li> </ul>	<p>overcome within the time frame allotted for the project.</p> <p>Experts in oversight are available to train human resources and design oversight mechanism.</p>
1.3 Developing the human resources needed for oversight activities.	Courses are attended by 6 professionals the first year and another 6 the second year.	<ul style="list-style-type: none"> <li>Records of events (registration and presentations).</li> </ul>	
1.4 Identifying mechanisms to develop the oversight of public entities involved in promoting investment in infrastructure works.	Oversight mechanisms for public agencies that make investments have been designed, no later than 13 months into project execution.	<ul style="list-style-type: none"> <li>The report (developed and available).</li> </ul>	
<b>Component 2:</b> Structuring of the processes for regulating and overseeing service quality and customer service	<b>Total budget: US\$560,000</b> <b>MIF: US\$310,000</b> <b>Counterpart: US\$250,000</b>		<p>There is accessible information on international best practices, and those practices can be adapted to the Chilean context.</p>
2.1 Learning about and studying best practices for overseeing concessions and/or regulating other public services.	Three missions abroad to learn about relevant experiences—the first within the first six months of execution; the second before the second year; and the third, before the third year of execution.	<ul style="list-style-type: none"> <li>Mission report.</li> </ul>	
2.2 Analyzing the various types of public works and identifying critical problems in regulating and overseeing them, and establishing a mechanism to enable the Superintendency to participate in regulating supplementary agreements.	<p>Study on problems in regulation and oversight for three types of public works, within the first 18 months.</p> <p>Mechanism for the Superintendency to intervene in regulating supplementary agreements is in operation, within the first 18 months.</p>	<ul style="list-style-type: none"> <li>Report (developed and available).</li> <li>Report on system operation.</li> <li>Semiannual management reports.</li> </ul>	
2.3 Analyzing the main processes for overseeing and developing proposals for restructuring and improvement.	<p>3 oversight processes are documented in the first year, and proposals to improve them have been developed.</p> <p>3 oversight processes are documented in the second year, and proposals to improve them have been developed.</p>	<ul style="list-style-type: none"> <li>Reports (developed and available).</li> <li>Inspection visits.</li> </ul>	

NARRATIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
2.4 Developing methodologies for evaluating service quality in public works and their relation with economic regulation	2 methodologies for evaluating service quality per type of works are developed in the first year and another 2 in the second year.  These methodologies are applied in the second and third years, respectively.	<ul style="list-style-type: none"> <li>• Reports (developed and available).</li> <li>• Reports on use of methodologies.</li> <li>• Semiannual management reports.</li> </ul>	
2.5 Generating inputs for re-engineering processes to develop the information system for oversight activities.	Study of oversight processes and re-engineering proposals is completed within the first 18 months.	<ul style="list-style-type: none"> <li>• Project documentation.</li> <li>• Semiannual management reports.</li> </ul>	
2.6 Developing studies for designing methodologies to establish and update standards for service quality in public works.	Studies and methodologies have been developed, within the first year of execution.	<ul style="list-style-type: none"> <li>• Documentation on methodologies.</li> <li>• Inspection visits.</li> </ul>	
<b>Component 3:</b> Development of an information system for regulation, oversight management, and customer service	<b>Total budget: US\$700,000</b> <b>MIF: US\$300,000</b> <b>Counterpart: US\$400,000</b>		The necessary technology and software for implementing the system are accessible and can be implemented within the time frame allotted for the project.
3.1 Analyzing information-technology problems posed by the construction of a comprehensive information system for the oversight of public works	New oversight models and the corresponding processes have been developed, within the first 18 months.	<ul style="list-style-type: none"> <li>• Reports (developed and available).</li> <li>• Semiannual management reports.</li> </ul>	
3.2 Conceptually developing the information system.	The conceptual design of the information system for oversight of public works has been prepared, within the first 18 months.	<ul style="list-style-type: none"> <li>• Study (performed and available).</li> <li>• Semiannual management reports.</li> </ul>	

NARRATIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
3.3 Constructing an information system for oversight activities.	The information system has been physically designed, and software has been purchased, within the first 36 months.	<ul style="list-style-type: none"> <li>• Study (performed and available) and documentation of the purchase of necessary equipment.</li> <li>• Inspection visit to learn about operation of the information system on the ground.</li> </ul>	
3.4 Developing reports for oversight activities.	<p>Oversight reports have been generated, and pilot tests have been implemented, within the first 36 months.</p> <p>The information system for oversight activities is in operation, within the first 36 months.</p>	<ul style="list-style-type: none"> <li>• Available reports on pilot test implementation and reports.</li> <li>• Reports on system operation.</li> </ul>	
<b>Component 4:</b> Stakeholder involvement: investors and users	<b>Total budget: US\$450,000</b> <b>MIF: US\$100,000</b> <b>Counterpart: US\$350,000</b>		There is accessible information on international best practices, and those practices can be adapted to the Chilean context.
4.1 Analyzing international experience in public consultations.	Report on studies, by the end of year one.	<ul style="list-style-type: none"> <li>• Available reports.</li> <li>• Comparative studies and best practices in this area.</li> </ul>	
4.2 Conducting a study to develop mechanisms for a systematic policy for consulting users and investors on important issues in developing regulations, instructions, and statements.	Mechanisms have been designed, and two public consultations have been carried out, by the end of year one.	<ul style="list-style-type: none"> <li>• Available reports.</li> <li>• Analytical, qualitative, and quantitative results of the consultations.</li> </ul>	
4.3 Developing mechanisms for evaluating perceptions and satisfaction levels among users of public infrastructure works, and establishing a new customer service system for service providers under the direction of the Superintendency.	<p>Instruments designed and used, by the end of year one.</p> <p>Customer service system in operation, by the end of year two.</p>	<ul style="list-style-type: none"> <li>• Description of instruments and application of studies.</li> <li>• Report on system operation.</li> <li>• Inspection visit.</li> </ul>	

NARRATIVE SUMMARY	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
4.4 Traveling to learn about these mechanisms on site in countries that have had successful experiences in this area (Great Britain and others).	Missions abroad to learn about relevant experiences, within the first 18 months.	<ul style="list-style-type: none"> <li>• Available reports, which must standardize known best practices.</li> </ul>	
<b>Component 5:</b> Dissemination of outcomes	<b>Total budget: US\$150,000</b> <b>MIF: US\$100,000</b> <b>Counterpart: US\$50,000</b>		There is interest abroad in learning about the Chilean experience with creating the Superintendency.
5.1 Carrying out activities to disseminate theoretical and practical progress in regulation and oversight of public works and in user protection.	<p>An international seminar is held in which the experience gained is disseminated and expert opinions are gathered, by month 46. Representatives from at least five countries in the region participate in the final seminar.</p> <p>Visit by at least two missions with representatives from countries in the region.</p> <p>At least one dissemination workshop held per year, starting in year two.</p> <p>Annual meetings with stakeholders.</p> <p>Publications for dissemination, including a final paper compiling the main studies conducted, standards produced, and experience gained in the project, by month 40.</p>	<ul style="list-style-type: none"> <li>• Records of the event (registration and presentations).</li> <li>• Mission reports from the foreign delegations that come to learn about the situation in Chile.</li> <li>• Final text compiling the overall experience with the project.</li> <li>• Bank attendance at the final workshop and annual workshops.</li> <li>• Meeting minutes.</li> <li>• Published documents.</li> <li>• Inspection visits.</li> </ul>	



**SUMMARY ITEMIZED BUDGET  
(CH-M1013)**

COMPONENT AND ACTIVITY	IDB CONTRIB.	LOCAL CONTRIB. (Cash)	LOCAL CONTRIB. (In kind)	Total
	US\$	US\$	US\$	US\$
<b>1. Support for the organizational development of the Superintendency of Public Works</b>				
1.1 Developing the organizational design.	100,000	0	0	<b>100,000</b>
1.2 Analyzing the main legal problems involved in setting up the new Superintendency.	0	50,000	0	<b>50,000</b>
1.3 Developing the human resources needed for oversight activities.	0	50,000	0	<b>50,000</b>
1.4 Identifying mechanisms to develop the oversight of public entities involved in promoting investment in infrastructure works.	0	70,000	0	<b>70,000</b>
<b>TOTAL COMPONENT 1</b>	<b>100,000</b>	<b>170,000</b>	<b>0</b>	<b>270,000</b>
<b>2. Structuring of the processes for regulating and overseeing service quality and customer service</b>				
2.1 Learning about and studying best practices for overseeing concessions and/or regulating other public services.	50,000	0	0	<b>50,000</b>
2.2 Analyzing the various types of public works and identifying critical problems in regulating and overseeing them, and establishing a mechanism to enable the Superintendency to participate in regulating supplementary agreements.	100,000	0	0	<b>100,000</b>
2.3 Analyzing the main processes for overseeing and developing proposals for restructuring and improvement.	0	100,000	0	<b>100,000</b>
2.4 Developing methodologies for evaluating service quality in public works and their relation with economic regulation.	160,000	0	0	<b>160,000</b>
2.5 Generating inputs for re-engineering processes to develop the information system for oversight efforts.	0	50,000	0	<b>50,000</b>
2.6 Conducting studies to develop methodologies for establishing and updating standards for service quality in public works.	0	100,000	0	<b>100,000</b>
<b>TOTAL COMPONENT 2</b>	<b>310,000</b>	<b>250,000</b>	<b>0</b>	<b>560,000</b>
<b>3. Development of an information system for oversight efforts</b>				
3.1 Analyzing information-technology problems posed by the construction of a comprehensive information system for the oversight of public works (analyzing and designing information system processes for the MOP, contractors, and concession holders.)	200,000	0	0	<b>200,000</b>

COMPONENT AND ACTIVITY	IDB CONTRIB.	LOCAL CONTRIB. (Cash)	LOCAL CONTRIB. (In kind)	Total
	US\$	US\$	US\$	US\$
3.2 Conceptually developing the information system. Generating the inputs to re-engineer processes for development of the information system for oversight activities.	100,000	0	0	100,000
3.3 Constructing an information system for oversight activities.	0	350,000	0	350,000
3.4 Developing reports for oversight activities.	0	50,000	0	50,000
<b>TOTAL COMPONENT 3</b>	<b>300,000</b>	<b>400,000</b>		<b>700,000</b>
<b>4. Support for the development of mechanisms for investor and user involvement</b>				
4.1 Analyzing international experience in public consultations.	50,000	0	0	50,000
4.2 Conducting a study to develop mechanisms for a systematic policy for consulting users and investors on important issues in developing regulations, instructions, and statements	50,000	0	0	50,000
4.3 Developing mechanisms for evaluating perceptions and satisfaction levels among users of public infrastructure works, and establishing a new customer service system for service providers under the direction of the Superintendency.	0	300,000	0	300,000
4.4 Traveling to learn about these mechanisms on site in countries that have had successful experiences in this area (Great Britain and others).	0	50,000	0	50,000
<b>TOTAL COMPONENT 4</b>	<b>100,000</b>	<b>350,000</b>		<b>450,000</b>
<b>5. Dissemination of outcomes</b>				
5.1 Carrying out activities to disseminate theoretical and practical progress in regulation and oversight of public works and in user protection.	100,000	50,000	0	150,000
<b>TOTAL COMPONENT 5</b>	<b>100,000</b>	<b>50,000</b>	<b>0</b>	<b>150,000</b>
<b>Project executing unit</b>				
Project director	0	0	180,000	180,000
Administrative assistant	0	0	54,000	54,000
Computer equipment (2 notebooks and DataShow)	0	0	6,000	6,000
Office expenses: secretary, communications, stationery and computer services	0	0	36,000	36,000
Physical facilities	0	0	14,000	14,000
<b>TOTAL PROJECT EXECUTING UNIT</b>	<b>0</b>	<b>0</b>	<b>290,000</b>	<b>290,000</b>

COMPONENT AND ACTIVITY	IDB CONTRIB.	LOCAL CONTRIB. (Cash)	LOCAL CONTRIB. (In kind)	Total
	US\$	US\$	US\$	US\$
Midterm and final evaluations	30,000	0	0	30,000
Auditing (to be performed by the Chilean Office of the Comptroller General)	0	0	0	0
Contingencies	50,000	0	0	50,000
<b>PROJECT TOTAL</b>	<b>990,000</b>	<b>1,220,000</b>	<b>290,000</b>	<b>2,500,000</b>

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK  
MULTILATERAL INVESTMENT FUND

PROPOSED RESOLUTION

Chile. Nonreimbursable Technical Cooperation ATN/---CH for the Development of an  
Autonomous Supervision System for Public Works Service Quality

The Donors Committee of the Multilateral Investment Fund

RESOLVES:

1. That the President of the Inter-American Development Bank or such representative as he shall designate is authorized, in the name and on behalf of the Bank, as Administrator of the Multilateral Investment Fund, to enter into such agreements as may be necessary with the Republic of Chile, and to take such additional measures as may be pertinent for the execution of the project proposal contained in document MIF/AT--- with respect to a technical cooperation for the development of an autonomous supervision system for public works service quality.
2. That up to the amount of US\$990,000, or its equivalent in other convertible currencies, shall be authorized for the purpose of this resolution, chargeable to the resources of the Technical Cooperation Facility of the Multilateral Investment Fund.
3. That the above-mentioned sum is to be provided on a nonreimbursable basis.