

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

CHILE

**CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP)
FOR PRODUCTIVITY AND SUSTAINABLE DEVELOPMENT IN CHILE
(CH-O0008)**

**FIRST INDIVIDUAL OPERATION
REGIONAL PRODUCTIVE DEVELOPMENT PROGRAM OF CHILE
(CH-L1167)**

LOAN PROPOSAL

This document was prepared by the project team consisting of: José Francisco Demichelis (Project Team Leader); Pau Puig Gabarro (Alternate Project Team Leader); Javier Gavilanez, Claudia Márquez, Karina Azar, Aurea Fuentes, Cecilia Bernedo, and Sahara de la Torre (IFD/CMF); Pablo Angelelli and Francys Britania Reyes Aburto (CSC/CCH); Gabriel Casaburi (IFD/CTI); Mikael Larsson (INT/TIN); Adrien Vogt-Schilb and Giovanni Leo Frisari (CSD/CCS); Monserrat Bustelo and Agustina Suaya (SCL/GDI); María Fernanda Merino and Oscar Mitnik (SPD/SDV); Analía La Rosa and Jorge Luis González (VPC/FMP); and Guillermo Eschoyez and Krisya Ávila (LEG/SGO).

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CONTENTS

PROGRAM SUMMARY

I.	DESCRIPTION AND RESULTS MONITORING	1
A.	Background, problem addressed, and rationale	1
B.	Objectives, components, and cost	11
C.	Key results indicators	13
II.	FINANCING STRUCTURE AND MAIN RISKS	14
A.	Financing instruments	14
B.	Environmental and social risks.....	15
C.	Fiduciary risks	16
D.	Other risks and key issues	16
III.	IMPLEMENTATION AND MANAGEMENT PLAN	17
A.	Summary of implementation arrangements	17
B.	Summary of arrangements for monitoring results	20
IV.	ELIGIBILITY CRITERIA.....	20

APPENDICES

Proposed resolution

ANNEXES	
Annex I	Summary Development Effectiveness Matrix
Annex II	Results Matrix
Annex III	Fiduciary Agreements and Requirements

LINKS
REQUIRED
1. Monitoring and evaluation plan
2. Summary environmental and social review
OPTIONAL
1. Economic analysis of the project
2. Program Operating Regulations
3. Summary theory of change
4. CORFO-FOGAIN program – final impact assessment report
5. Environmental and social assessment filter

ABBREVIATIONS

CAIGG	Consejo de Auditoría Interna General de Gobierno [General Government Internal Audit Board]
CCLIP	Conditional Credit Line for Investment Projects
CGR	Contraloría General de la República [Office of the Comptroller General of the Republic]
CORFO	Corporación de Fomento de la Producción [Production Development Corporation]
DIPRES	Dirección de Presupuestos [Budget Office]
FOGAIN	Fondo General de Garantía de Inversiones [General Investment Guarantee Fund]
LBR	Loan based on results
MEFT	Ministerio de Economía, Fomento y Turismo [Ministry of Economy, Development, and Tourism]
MEP	Monitoring and evaluation plan
MSMEs	Micro, small, and medium-sized enterprises
NBFIs	Nonbank financial institutions/Nonbank financial intermediaries
NDC	Nationally determined contribution
OECD	Organisation for Economic Co-operation and Development
PFC	Programa de Formulación para la Competitividad [Competitiveness Training Program]
SAP	Systems Applications Products
SII	Servicio de Impuestos Internos [Chilean Internal Revenue Service]
SMEs	Small and medium-sized enterprises
SOFR	Secured Overnight Financing Rate
UF	Unidad de Fomento [indexed currency unit]

PROGRAM SUMMARY

CHILE

CONDITIONAL CREDIT LINE FOR INVESTMENT PROJECTS (CCLIP)
FOR PRODUCTIVITY AND SUSTAINABLE DEVELOPMENT IN CHILE
(CH-00008)

FIRST INDIVIDUAL OPERATION

REGIONAL PRODUCTIVE DEVELOPMENT PROGRAM OF CHILE
(CH-L1167)

Financial Terms and Conditions					
Borrower:				Flexible Financing Facility ^(a)	
Republic of Chile				Amortization period:	25 years
Executing agency:				Disbursement period:	5 years
Production Development Corporation (CORFO)				Grace period:	5.5 years ^(b)
Source	CCLIP (US\$)	First operation (US\$)	%	Interest rate:	SOFR-based
				Credit fee:	(c)
IDB (Ordinary Capital)	1 billion	400 million	100	Inspection and supervision fee:	(c)
				Weighted average life:	15.25 years ^(d)
Total	1 billion	400 million	100	Approval currency:	U.S. dollar
Program at a Glance					
Objective: The objective of the CCLIP is to enhance productivity and promote sustainable development in Chile in the areas of finance, climate action, and internationalization. The general development objective of the first individual operation under the CCLIP is to help improve the productivity of micro, small, and medium-sized enterprises (MSMEs) in Chile. The specific development objectives are to: (i) promote access to credit for MSMEs, including those: (a) located outside the Metropolitan Region; (b) led by women; and (c) engaged in activities that contribute to climate action; and (ii) enhance the digital capabilities of MSMEs, including those led by women.					
Special contractual conditions precedent to the first disbursement of the loan: (a) the executing agency will have approved the program Operating Regulations , which will have entered into effect pursuant to the terms previously agreed upon with the Bank, including the environmental and social requirements applicable to the program; and (b) a consulting firm or independent consultant will have been hired for the external verification of the program results, under the terms agreed upon previously with the Bank (paragraph 3.10).					
Exceptions to Bank policies: None.					
Strategic Alignment					
Challenges: ^(e)	SI <input checked="" type="checkbox"/>		PI <input checked="" type="checkbox"/>		EI <input type="checkbox"/>
Crosscutting themes: ^(f)	GE <input checked="" type="checkbox"/> and DI <input type="checkbox"/>		CC <input checked="" type="checkbox"/> and ES <input checked="" type="checkbox"/>		IC <input checked="" type="checkbox"/>

- (a) Under the terms of the Flexible Financing Facility (document FN-655-1), the borrower has the option of requesting changes to the amortization schedule, as well as currency, interest rate, catastrophe protection, and commodity conversions. The Bank will take operational and risk management considerations into account when reviewing such requests.
- (b) Under the flexible repayment options of the Flexible Financing Facility, changes to the grace period are permitted provided that they do not entail any extension of the original weighted average life of the loan or the last payment date as documented in the loan contract.
- (c) The credit fee and the inspection and supervision fee will be established periodically by the Board of Executive Directors as part of its review of the Bank's lending charges, in accordance with applicable policies.
- (d) The original maximum weighted average life of the loan may be less, depending on the effective signature date of the loan contract.
- (e) SI (Social Inclusion and Equality); PI (Productivity and Innovation); and EI (Economic Integration).
- (f) GE (Gender Equity) and DI (Diversity); CC (Climate Change) and ES (Environmental Sustainability); and IC (Institutional Capacity and Rule of Law).

I. DESCRIPTION AND RESULTS MONITORING

A. Background, problem addressed, and rationale

- 1.1 **Macroeconomic situation.** In 2018, Chile posted annual per capita income of US\$25,283, measured at purchasing power parity, which was among the highest in Latin America and the Caribbean. Since 2019, the economy has been affected by the social crisis and by COVID-19: gross domestic product (GDP) grew by just 1.1% in 2019, and shrank by 5.8% in 2020. In response to the crises, the government increased public spending, which enabled GDP growth of 11.7% in 2021.¹ Growth of between 1% and 2% is expected in 2022, and close to 0% in 2023, following spending cuts. Nonetheless, the deficit is expected to increase the gross public debt to 43.1% of GDP in 2026, from 27% prior to the social crisis.^{2,3}
- 1.2 **The problem of low levels of productivity and sustainability in Chile.** Multifactor productivity growth in Chile has declined across the board since 2000.⁴ Aside from the exceptional 7.4% to 8.7% increase in total factor productivity in 2021, in reaction to a drop of between 0.1% and 2.1% in this indicator during 2020, its recent contribution to annual growth has been 0.1%. During the 1990s, productivity grew by 2.3% annually. Had that growth rate been maintained, Chile's per capita income would be a third higher than it is today.⁵ International comparisons show that productivity per worker in Chile, at US\$23,200, is roughly half the US\$43,000 average for the member countries of the Organisation for Economic Co-operation and Development (OECD).⁶ Chile also has the lowest material productivity of all OECD countries, at US\$0.56 of GDP per kilogram of material used, compared with the OECD average of US\$2.88.⁷ Low productivity also reflects the relative lack of diversification of products and destinations, which keeps many Chilean firms on the fringes of international markets. Only 1.5% of micro, small, and medium-sized enterprises (MSMEs) export, and their exports generate little value—3% of total value in 2020 compared with 20%-40% in OECD countries).^{8,9} In addition, the Chilean industrial model is characterized by a low level of productive diversification and environmental impacts that hinder the country's sustainable development, while markets such as the European Union turn to regulation in order to demand goods produced in an environmentally sustainable manner.¹⁰
- 1.3 **The low productivity problem of Chilean MSMEs.** In Chile, 98% of all businesses are MSMEs (companies with fewer than 250 workers),¹¹ and these account for 44%

¹ [Monetary policy report.](#)

² [Public finances report.](#)

³ [Public debt statistics report.](#)

⁴ [The New OECD Jobs Strategy.](#)

⁵ National Productivity Commission. [Annual report.](#)

⁶ OECD [Economic Surveys, Chile.](#)

⁷ [Roadmap for a Circular Economy in Chile by 2040.](#)

⁸ [Radiografía de la Realidad de las PYMES Exportadoras](#) [X-Ray of the reality of SME exporters].

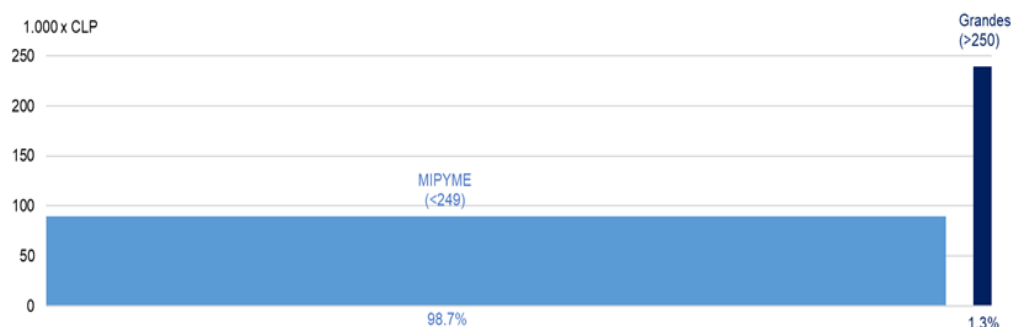
⁹ [Fostering Greater SME Participation in a Globally Integrated Economy.](#)

¹⁰ For example, palm oil.

¹¹ Microenterprises (62%), small companies (30%), and medium-sized companies (6%).

of employment and 13% of sales.¹² The low productivity of MSMEs (Ch\$89,230 compared with Ch\$239,104 for large firms)¹³ is not exclusive to Chile. Globally, closing the productivity gap between MSMEs and large firms would generate US\$15 trillion, equivalent to 7% of world GDP.¹⁴ At the regional level, output per MSME worker is between 1.6 and 2.5 times less than in Europe;¹⁵ and, at the country level, large firms are twice as productive as MSMEs, as shown in Figure 1.

Figure 1. Taxonomy of Chilean firms by size (number of workers), number (percentage of total firms), and productivity per worker (Chilean pesos)



Source: Adapted from OECD data.¹⁶

- 1.4 **MSMEs' lack of finance and digitalization are the problem.** The causes of low productivity include: (i) MSMEs' difficult access to finance; and (ii) the difficulties MSMEs face with regard to the digitalization of their businesses.
- 1.5 **MSMEs difficulties in access to finance.** One third of MSMEs in Latin America and the Caribbean face obstacles in obtaining credit, compared with 19% in advanced countries. These include rejected credit applications, the high level of complexity of the documentation required, high interest rates, and high collateral requirements. In Chile, just 20% of bank lending is channeled to MSMEs compared to 50% in OECD countries.¹⁷ These difficulties affect MSMEs in the key public policy areas prioritized by Chile and the Bank (paragraph 1.18): (i) MSMEs located outside the Metropolitan Region; (ii) women-led MSMEs;¹⁸ and (iii) MSMEs whose activities contribute to climate action (paragraph 1.23).
 - a. **Difficulties in access to finance for MSMEs located outside the Metropolitan Region.** While 55% of bank branch offices and 54% of companies

¹² [Estudio de Revisión regulatoria para PYMES](#) [SME regulatory review study].

¹³ [OECD Economic Surveys, Chile](#).

¹⁴ McKinsey & Company. [Unlocking Growth in Small and Medium-size Enterprises](#).

¹⁵ [Acceso al financiamiento de las PYMES](#) [MSME access to finance].

¹⁶ [OECD Economic Surveys, Chile](#).

¹⁷ [Acceso al financiamiento de las PYMES](#) [MSME access to finance].

¹⁸ (i) When the individual entrepreneur is a woman; (ii) if the share of the for-profit legal entity is at least 50% of the capital stock, or 30% of the capital stock and the representative is a woman; or (iii) if women hold at least 50% of seats on the board of directors of the nonprofit legal entity. CORFO Exemption Resolution 481 of 2018, aligned with international best practices.

(most of them MSMEs) in Chile are located outside the Metropolitan Region,^{19,20} which account for 24% of sales and employ 37% of all workers, these MSMEs face obstacles in securing finance.²¹ The number of financial institutions with offices in the Metropolitan Region (17), however, is nearly double the average elsewhere in the country (10), where less competition in financial service offerings makes it difficult for MSMEs to gain access to them. The disparity also exists in programs run by the Production Development Corporation (CORFO): (i) the Metropolitan Region absorbs 57% of CORFO projects (compared to an average of 3% for all other regions) and 63% of the total business development subsidies (compared to 3% for other regions); and (ii) the Metropolitan Region accounts for 46% of projects that receive innovation development subsidies (compared to 6% for other regions).²²

- b. **Difficulties in access to finance for women-led MSMEs.** Across the region, 27% of businesses owned by women face restrictions in obtaining finance (compared to 22% of those owned by men).²³ In Chile, women-owned MSMEs must also contend with these constraints,²⁴ as female entrepreneurs have less access than their male counterparts to financial services, including credit, equity financing, and insurance. As a result: (i) the proportion of commercial bank-financed investment is three times greater among businesses owned by men (33% versus 11% among those owned by women);²⁵ (ii) only 32% of women microentrepreneurs have obtained credit, compared with 53% in the case of men; (iii) lending rates are 204 basis points higher for women than for men; (iv) loan amounts are 30% less for women than for men;²⁶ and (v) 30% of women entrepreneurs report difficulty in obtaining finance as a major obstacle.²⁷ The imbalance persists in CORFO programs: (i) with regard to business development subsidies, women-led firms were beneficiaries of 36% of the projects (versus 64% for other firms) and 32% of the subsidy amount (versus 68%); (ii) in the case of innovation development subsidies, women-led firms benefited from 20% of the projects (versus 80% for other enterprises) and 16% of the subsidy amount (versus 84%); and (iii) in credit coverage programs, women accounted for 18% of the beneficiaries (versus 29% for men), 15% of the number of operations (versus 24%), 4% of the loan amounts (versus 12%), and 5% of the coverage amounts (versus 14%).^{28,29}
- c. **Financing difficulties for MSMEs engaged in activities that contribute to climate action.** In Chile, droughts will be more frequent in the future, owing to

¹⁹ [Fichas evaluación ex ante de programas públicos](#) [Ex ante evaluation of public programs.]

²⁰ [Fomento productivo de la MIPYME en Chile](#) [Productive development of MSMEs in Chile].

²¹ OECD Discussion Paper. [Enhancing SME Access to Diversified Financing Instruments](#).

²² [CORFO Boletín de Género 2021](#) [CORFO 2021 Gender Bulletin].

²³ The SME Finance Forum. [MSME Finance Gap](#).

²⁴ [Enhancing SME Access to diversified financing instruments](#).

²⁵ [OECD Economic Surveys – Chile](#).

²⁶ [Informe de Género en el Sistema Financiero](#) [Report on gender in the financial system].

²⁷ [Emprendimiento femenino en tiempos de pandemia](#) [Female entrepreneurship in pandemic times (study)].

²⁸ Data for natural persons; the remaining percentages correspond to legal entities.

²⁹ [Boletín de Género CORFO 2021](#) [CORFO 2021 Gender Bulletin].

dwindling precipitation, shrinking snowpack, and retreating glaciers.³⁰ Nationally Determined Contribution (NDC) commitments require rapid decarbonization of the economy, placing demands on MSMEs and opening up opportunities in new sectors, such as green hydrogen. Chile's long-term climate strategy recognizes that financial ecosystems for developing bankable project portfolios are still quite new, with limited access to affordable financing for MSMEs.³¹ The sparse information available shows that Chilean MSMEs face major obstacles owing to capacity and financing constraints: Only 50%-60% of small and medium-sized enterprises (SMEs) have access to credit for energy efficiency and distributed generation projects.³²

- 1.6 **Difficulties faced by MSMEs in going digital.** Among Chilean MSMEs: (i) only 28% use the Internet to procure inputs; (ii) although 78% have a website, only 10% have digital sales channels;³³ (iii) 25% do not use digital technologies for productivity enhancing innovations;³⁴ (iv) the proportion of workers in digital technologies (21%) is one third lower than that for large firms (33%);³⁵ and (v) only 70% use the Internet in dealings with the government (compared with 85% for large firms).³⁶ The comparison with the OECD and large Chilean firms³⁷ shown in Figure reveals additional digitalization gaps.
- a. **Difficulties faced by women-led MSMEs in going digital.** Internationally, it has been found that women are 25% less likely than men to use digital technologies for basic purposes, four times less likely to know how to program, 13 times less likely to apply for a technology patent, and have difficulties using e-commerce.³⁸ At the national level, there is a correlation between women's difficulties in going digital and their school and university education, which has ramifications for MSME workers. In Chile, of the 20.8% of women without a cell phone and/or Internet, 84% did not finish school.³⁹ The gap persists at the university level: only 12.74% of digital technology graduates are women (87.26% are men),⁴⁰ and only 28% of engineering and science graduates are women (72% are men).⁴¹ These educational imbalances are reflected in the digital

³⁰ [Cambio climático en Chile](#) [Climate change in Chile].

³¹ [Estrategia Climática de Largo Plazo de Chile](#) [Chile's long term climate strategy].

³² [Seguro de ahorro de energía](#) [Energy saving insurance].

³³ [Las oportunidades de la digitalización en América Latina frente al COVID-19](#) [The opportunities of digitalization in Latin America in the context of COVID-19].

³⁴ [Innovación, productividad y sostenibilidad en países de América Latina](#) [Innovation, productivity and sustainability in Latin American countries].

³⁵ [Reporte Nacional de Pulso de Demanda de Empleos Digitales](#) [National report taking the pulse of the demand for digital jobs].

³⁶ [Estrategia de Transformación Digital Chile Digital 2035](#) [Digital Transformation Strategy – Chile Digital 2035].

³⁷ [OECD Economic Surveys, Chile](#).

³⁸ [The Mobile Gender Gap Report](#).

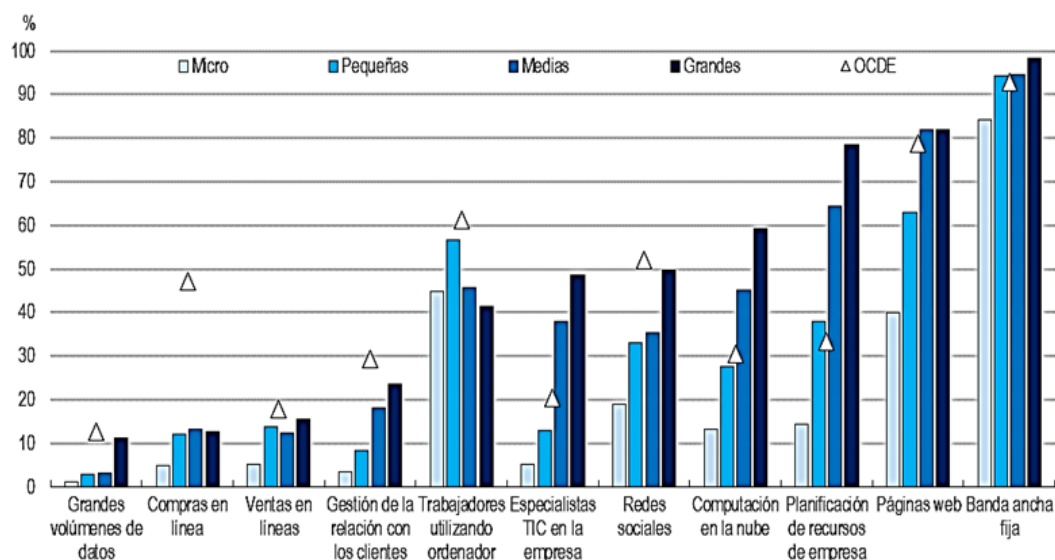
³⁹ [Empoderamiento digital para enfrentar la Brecha Digital de Género](#) [Digital empowerment to address the digital gender gap].

⁴⁰ [Global Gender Gap Report 2022](#).

⁴¹ [Rutas y desafíos para cerrar las brechas de género en materia de habilidades digitales](#) [Pathways and challenges for closing gender gaps in digital skills and digital literacy].

technology workers at MSMEs, where only 17%-19% are women (versus 81%-83% who are men).⁴²

Figure 2. Digital technology adoption in Chile by company size



Source: Adapted from OECD data.⁴³

- 1.7 **The key determinants of these causes are as follows:** (i) MSMEs have limited commercial appeal to the financial sector, since the fixed transaction costs of financial intermediaries make it comparatively more expensive to serve customers, such as MSMEs, that take out smaller loans, and, consequently, MSMEs have to borrow at higher interest rates than large Chilean firms (5.4% versus 3.1%);⁴⁴ (ii) MSMEs represent a high credit risk, since their nonperforming loan rate (4.7%) is twice that of Chilean firms generally (2.1%);⁴⁵ and (iii) technical assistance and digital talent offerings, as well as the capacity to absorb digital technologies, are insufficient, and consequently, 79% of MSMEs have a low or low-to-moderate level of digital skills.⁴⁶
- 1.8 **Chile has been working on an agenda that would boost MSME productivity.** Within the institutional framework for promoting MSMEs in Chile, in addition to the role CORFO plays in channeling funds, and that played by the Office of the Undersecretariat for International Economic Relations (an agency of the Ministry of Foreign Affairs) in facilitating internationalization, the Ministry of Economy,

⁴² [Reporte Nacional de Pulso de Demanda de Empleos Digitales](#) [National report taking the pulse of the demand for digital jobs].

⁴³ OECD [Making Digital Transformation Work for All in Chile](#).

⁴⁴ OECD. [Financing SMEs and Entrepreneurs 2022](#).

⁴⁵ Idem.

⁴⁶ Responses from 4,212 firms (99.6% of which are MSMEs). *Patrones de Digitalización Empresarial en Chile: Análisis Multivariado en base al Chequeo Digital*, [Patterns of business digitalization in Chile: multivariate analysis based on the digital checkup] IDB (2019-2021).

Development, and Tourism (MEFT) also plays a leading role. This fact is exemplified in its recent publication, *La Guía MIPYME* [MSME guide], which outlines the main support measures contained in the Emergency and Economic Reactivation Plan of the Government of Chile 2020-2021, implemented by the different ministries.⁴⁷ In addition, significant public initiatives have been undertaken, some with Bank support (paragraph 1.11), to leverage the production multipliers that have been identified:

- a. **Financing:** Subsidies and tax breaks for 820,000 MSMEs affected by the pandemic, prioritizing women,⁴⁸ and a 10% increase in bank credit through: (i) financing conditional on an increase in lending to MSMEs; and (ii) government guarantees (e.g. CORFO External Trade Coverage (COBEX), General Investment Guarantee Fund (FOGAIN), *Pro-Inversión*, the Small Business Guarantee Fund (FOGAPE), and personal assets (e.g. mortgage guarantees);⁴⁹
- b. **Digital transformation:** digital connectivity infrastructure, spectrum for 5G, and the *Digitaliza tu PYME* program,⁵⁰ which included the *Elijo PYME*,⁵¹ *Compra PYME*,⁵² and *Ruta Digital*⁵³ programs; and
- c. **Climate action:** green sovereign bonds, Green Climate Fund, financial authority statement on climate risks, financial sector “green deal,” public-private green finance roundtable, Climate Change Financial Strategy, Coalition of Finance Ministers for Climate Action, strategy for addressing climate change in financial markets, Environmental Protection Fund,⁵⁴ and the CORFO Green Credit program.

1.9 **Rationale.** To enhance MSME productivity, the OECD recommends expanding access to finance and skills by leveraging digitalization.⁵⁵ Innovation in climate action also enhances productivity through cost reduction and greater product differentiation.⁵⁶ Accordingly, the Chilean government has requested the Bank’s support through a Conditional Credit Line for Investment Projects (CCLIP), under which the first individual operation will be a loan based on results (LBR) that addresses the problem of low MSME productivity. Subsequent CCLIP operations will support other sectors that have demonstrated their impact on boosting productivity, in accordance with government priorities and the CCLIP’s objectives and sectors.

1.10 **Evidence of MSME productivity accelerators.** The literature identifies the following accelerators:

⁴⁷ [La Guía MIPYME](#) [MSME guide].

⁴⁸ Public finances report.

⁴⁹ [Acceso al financiamiento de las Pequeñas y Medianas Empresas \(PYMES\)](#) [Access to financing for small and medium-sized enterprises (SMEs)].

⁵⁰ [Digitaliza tu PYME](#).

⁵¹ [Elijo PYME](#).

⁵² [Compra PYME](#).

⁵³ [Ruta Digital](#).

⁵⁴ [Sexto Reporte del Estado del Medio Ambiente](#) [Sixth State of the Environment Report].

⁵⁵ OECD. Business and Industry Advisory Committee. [The Productivity Challenge in Financing Inclusive and Sustainable Growth](#).

⁵⁶ [Green Entrepreneurship and SME Performance: The Moderating Effect of Firm Age](#).

- a. **Financing:** Productivity growth among MSMEs depends largely on the availability of investment financing.⁵⁷ According to the literature, financing contributes to increased productivity and better business performance, whereas financial frictions can explain much of the productivity gap between countries.⁵⁸ With respect to Chile, an impact assessment of CORFO's FOGAIN program (Correa et al, 2022)⁵⁹ found that it has had a positive impact in terms of growing sales and increasing the probability of moving forward with investments. In fact, at the global level, if women were to create and expand new businesses at the same rate as men, US\$2 trillion would be added to GDP.⁶⁰ Evidence suggests that women's economic empowerment would unlock welfare and community benefits,⁶¹ as they tend to spend more on education and health.⁶² In addition, women entrepreneurs tend to employ more women.⁶³
- b. **Digital transformation:**⁶⁴ The adoption of digital technologies has the greatest impact on productivity, raising it by 1.2 percentage points (p.p.).⁶⁵ The OECD reports that the intensive use of affordable digital technologies can enable MSMEs to outperform large firms in productivity terms,⁶⁶ by diversifying sales and communication channels with customers and suppliers; customizing their product range, marketing, and user experience; achieving cost savings; and responding better to crises by reorganizing internal resources. Digital technologies enable MSMEs to access international markets at lower cost and accelerate their growth.⁶⁷ There is evidence that productivity improvements in Chilean firms are associated with increased investment in productive efficiency, such as deployment of the new technologies:⁶⁸ enterprise resource planning (0.29 p.p. increase in labor productivity); websites (0.18 p.p. increase); customer relationship management (0.16 p.p. increase); cloud computing (0.15 p.p. increase); social media (0.06 p.p. increase); online shopping (0.06 p.p. increase); online sales (0.05 p.p. increase); and fixed broadband (0.02 p.p. increase).⁶⁹
- c. **Climate action:** Changes in precipitation and temperature patterns reduce crop yields, which in Latin America and the Caribbean represents an estimated net

⁵⁷ Nordic Investment Bank. [NIB Lending to SMEs to Boost Productivity and Competitiveness](#).

⁵⁸ OECD. [Finance and Productivity: A Literature Review](#).

⁵⁹ [Evaluación de Impacto del Programa FOGAIN de CORFO](#). [Impact assessment of CORFO's FOGAIN program].

⁶⁰ Citi Global Perspectives and Solutions. [Women Entrepreneurs](#).

⁶¹ [Worldwide role of women entrepreneurs in economic development](#).

⁶² [Beyond the Threshold](#).

⁶³ [Startups With At Least 1 Female Founder Hire 2.5x More Women](#).

⁶⁴ The adoption of digital technologies is a source of increased productivity, improved efficiency, and growth in firms.

⁶⁵ McKinsey & Company. [Unlocking Growth in Small and Medium-size Enterprises](#).

⁶⁶ OECD. [Productivity in SMEs and Large Firms](#).

⁶⁷ OECD. [Strengthening SMEs and Entrepreneurship for Productivity and Inclusive Growth](#).

⁶⁸ Comisión Nacional de Productividad. [Informe Anual 2021 de Productividad](#) [Annual productivity report 2021].

⁶⁹ OECD. [Making Digital Transformation Work for All in Chile](#).

loss of between US\$8 billion and US\$11 billion.⁷⁰ Moving towards zero net emissions could create 15 million jobs and 1% additional economic growth in the region by 2030.⁷¹ In Chile, growth of the green hydrogen market could create 90,000 new jobs by 2050, upon implementing the NDC commitments.⁷² Some of these jobs would be created at MSMEs, both existing and newly created, which would become an essential part of the ecosystem that will form the value chain of this new sector.

- 1.11 **Bank experience in the country and region.** The Bank has been supporting governments both in Chile and elsewhere in the region in similar activities, through: (i) the Digital Transformation and Sustainable Growth Program, combining public policy reforms (loan [5450/OC-CH](#)) and results-based investments (loan [5451/OC-CH](#)), both approved on 15 December 2021 for a total of US\$400 million, the first disbursement of which is in process; (ii) the Project for Productive Development Financing in Chile (loan [3677/OC-CH](#)), which was approved on 11 May 2016 for US\$120 million and is now fully disbursed; (iii) the development of a digital self-assessment tool for MSMEs (operation [ATN/OC-17070-RG](#) for research and dissemination, approved on 16 November 2018 for US\$1.2 million, now fully disbursed; operation [ATN/OC-16297-RG](#) for research and dissemination, approved on 17 August 2017 for US\$300,000, now fully disbursed; and operation [ATN/OC-16807-RG](#) for research and dissemination, approved on 11 July 2018 for US\$740,000, now fully disbursed); (iv) consolidation of gender parity initiatives in Chile, creating a governance and sustainability proposal starting in 2021 (operation [ATN/OC-17572-RG](#) for customer support, approved on 18 September 2019 for US\$300,000 and fully disbursed); (v) digital skills development among women (operation [ATN/OC-18387-CH](#) for customer support, approved on 2 December 2020 for US\$200,000, currently 75% disbursed); and (vi) the development of a tool for diagnostic self-assessment of MSMEs' e-commerce maturity level (operation [ATN/OC-16243-RG](#) for research and dissemination, approved on 24 July 2017 for US\$250,000, now fully disbursed). The design of the present operation has taken these experiences in the region into account, as well as lessons learned (paragraph 1.12).
- 1.12 **Lessons learned.** The design of the operation—Component I (paragraph 1.23) and Component II (paragraph 1.25)—draws on the following lessons learned: (i) the importance of adopting a holistic approach that includes dimensions such as digitalization, climate action, MSME financing, and gender, in order to respond to the government's different strategic priorities (loans [5450/OC-CH](#) and [5451/OC-CH](#)); (ii) the importance of leveraging the operation's resources by seeking the multiplier effect in loans by extending refinancing to beneficiary businesses with a view to maximizing impacts (loan [3677/OC-CH](#));⁷³ (iii) the need for the development of digital survey tools to establish customized baselines for monitoring the digitalization status of MSMEs (operations [ATN/OC-17070-RG](#), [ATN/OC-16297-RG](#), and

⁷⁰ IDB. [El doble papel de la agricultura en la acción climática](#) [The dual role of agriculture in climate action].

⁷¹ IDB. [Jobs in a Net-Zero Emissions Future in Latin America and the Caribbean](#).

⁷² [Lanzamiento de la Estrategia Nacional de Hidrógeno verde para Chile](#) [Launch of the National Green Hydrogen Strategy for Chile].

⁷³ As of 2021, nonbank financial institutions/intermediaries (NBFIs) had provided US\$609 million in refinancing to the firms, leveraging the US\$120 million of the operation five-fold.

- [ATN/OC-16807-RG](#)); (iv) the importance of measuring gender gaps in MSMEs for the purpose of tracking their evolution (operation [ATN/OC-17572-RG](#)); (v) the need for identifying any additional barriers facing women entrepreneurs in order to design measures to address them (operation [ATN/OC-18387-CH](#)); (vi) establish customized roadmaps for the digital transformation of MSMEs, with a view to recommending actions tailored to their current digitalization status (operation [ATN/OC-16243-RG](#)); and (vii) the importance of creating financial instruments to launch proof-of-concept funds, catalyze technological maturity, accelerate business organization, and/or energize green businesses (operation [GRT/CM-18512-CO](#), a grant operation approved on 8 December 2020 for US\$1,638,000, currently 75% disbursed).
- 1.13 **Collaboration with the IDB Group.** The operation envisages the possibility of collaboration with IDB Invest and IDB Lab in providing joint support to certain beneficiaries that are common to the interventions of the different IDB Group institutions. As part of the institutional strengthening of financial intermediaries, IDB Invest will benefit once they meet the minimum eligibility requirements established to receive funding through this program. The following pre-identified IDB Invest candidate interventions are currently executing: (i) AVLA – Social Housing financing WHL; (ii) Microfinance Partnership with Fondo Esperanza; (iii) Cordada MSMEs Productive Development Partnership; (iv) Progreso Decarbonization Financing; (v) Tanner SMEs Financing Partnership; and (vi) ACF Capital MSME and Gender Financing Partnership. IDB Lab's pre-identified candidate interventions, which are especially valuable in terms of sector and territorial development issues and gaps, are as follows: (i) Connecting Opportunities in the Digital Era (operation [ATN/OC-17761-CH](#), approved on 3 December 2019 for US\$250,000 and already disbursed); (ii) Promoting the Financial Inclusion of Migrants (loan [5387/MS-RG](#) approved on 28 October 2021 for US\$5.85 million, currently 66% disbursed); and (iii) Connected Merchants: Innovation in the Payment of Social Benefits (operation [GRC/ME-19485-CH](#), which is currently in preparation). In these programs, harmonization and complementarity with public policy and programs make it possible to: (i) transfer lessons learned for work in specific areas to the public sector; and (ii) generate new funding sources to reinforce the support provided and make it more sustainable.
- 1.14 **Complementarity with other IDB portfolio operations.** This operation to support the financing and development of MSME digital capabilities complements the following active operations in the Bank's portfolio in Chile: (i) the Digital Transformation and Sustainable Growth Program, combining public policy reforms (loan [5450/OC-CH](#)) and results-based investment (loan [5451/OC-CH](#)), which supports the launch of the institutional website and conducts an impact analysis of CORFO's SMEs Online program); and (ii) the targeted investment program to support Chile's global services export sector (loan [4362/OC-CH](#), approved on 8 November 2017 for US\$27 million, currently 73% disbursed), which also supports the development of other MSME capabilities (e.g. English) to facilitate internationalization.
- 1.15 **Nonfinancial additionality.** The loan based on results (LBR) operation, in Component I, makes it possible to provide incentives to target financial intermediation activities in key public policy areas prioritized by the country and the Bank (paragraph 1.18): (i) MSMEs located outside the Metropolitan Region; (ii) MSMEs led by women; and (iii) MSMEs with activities that contribute to climate action. Moreover, Component II makes it possible to strengthen support for digital skills training. In all of these areas, the sector specialist members of the Bank's team

have assisted CORFO in the design of the operation and will continue to support it during execution.

- 1.16 **Strategic alignment.** The operation is aligned with the second Update to the Institutional Strategy (document AB-3190-2) in the development challenges of: (i) social inclusion and equality, by promoting the financial inclusion of MSMEs (paragraph 1.23); and (ii) productivity and innovation, by facilitating the digital transformation of MSMEs to enhance productivity and innovation (paragraph 1.25). The operation is aligned with the crosscutting themes: (i) climate change and environmental sustainability, by facilitating the financing of MSMEs that promote environmental sustainability and climate change mitigation (paragraph 1.23), and given that 20.48% of the Bank's resources are invested in projects related to nonconventional renewable energies and energy efficiency, as well as other environmental protection activities, according to the [multilateral development banks' joint methodology for tracking climate finance](#), thus contributing to the Bank's target for climate-related financing (30% of annual approvals);⁷⁴ (ii) gender equity, by expanding access to finance for women-led MSMEs (paragraph 1.23); and (iii) institutional capacity and rule of law, by providing training and hiring additional staff to strengthen CORFO institutional capacity (paragraph 1.24).
- 1.17 The operation is aligned with the IDB Group's Corporate Results Framework 2020-2023 (document GN-2727-12) through the following indicators: (i) *MSMEs financed*; (ii) *Women beneficiaries of economic empowerment initiatives*; (iii) *Value of investments in resilient and/or low-carbon infrastructure* (US\$); and (iv) *Enterprises provided with technical assistance*. The operation is also consistent with the following sector frameworks: (i) Innovation, Science, and Technology Sector Framework Document (document GN-2791-8), which envisages the Bank's support to drive digital transformation and harness the potential of the digital economy; (ii) Support to SMEs and Financial Access/Supervision Sector Framework Document (document GN-2768-7) and its dimension 3 on promoting digital technologies for productivity; (iii) Climate Change Sector Framework Document (document GN-2835-8), on climate action; (iv) Gender and Diversity Sector Framework Document (document GN-2800-8); and (v) Employment Action Framework with a Gender Perspective (document GN-3057), by including activities to support MSMEs led by women. In addition, the operation is aligned with the Sector Strategy on Institutions for Growth and Social Welfare (document GN-2587-2), by improving productivity for growth and well-being.
- 1.18 **The Bank's country strategy.** The operation is aligned with the IDB Group Country Strategy with Chile 2019-2022 (document GN-2946) in the strategic objectives of: (i) facilitate[ing] access to finance for investment, mainly for underserved segments;

⁷⁴ The climate finance calculations are as follows: Disbursement indicator 1.3 allocates US\$98.3 million to finance CORFO's Green Credit program (paragraph 1.23). According to MEFT [Resolution 29](#), it has the following objectives: (i) promote renewable energies; (ii) energy efficiency; and (iii) other environmental improvements. As this resolution does not propose quantitative targets for each objective, the calculation assumes that each objective will receive 33% of the financing. Objectives (i) and (ii) are clearly aligned with climate change mitigation, so they are considered to be wholly climate finance. Objective (iii), which covers environmental improvements, could include actions that may or may not have an impact on climate change; therefore, conservatively, 50% has been counted as climate finance. As the entire operation mobilizes US\$400 million, the calculation is as follows: $(1/3+1/3+1/6)*98.3/400=20.48\%$.

and (ii) narrow[ing] connectivity gaps, rais[ing] ICT speed, and improv[ing] the affordability of digital technologies.

- 1.19 **Operational innovation considerations.** Using the LBR instrument in an operation involving financial intermediation activities is an operational innovation. It harnesses the instrument's versatility to establish additional incentives to align the executing agency's financial intermediation activities with the operation's objectives (paragraph 1.21). It also includes training activities for MSMEs and institutional strengthening of the executing agency (paragraph 1.24). Under this modality, the executing agency commits to expanding credit lines to achieve better results and thus generate a significant impact based on the eligibility criteria for use of the instrument.

B. Objectives, components, and cost

- 1.20 **The objective of the CCLIP** is to enhance productivity and promote sustainable development in Chile in the areas of finance, climate action, and internationalization. Operations under the CCLIP will seek to: (i) facilitate companies' access to productive finance; (ii) promote the digital and green transition; (iii) strengthen capacity and human capital for innovation; (iv) promote internationalization to increase productivity; (v) promote gender parity in the production fabric; and (vi) foster the development of new sectors that contribute to environmental sustainability and the fight against climate change.
- 1.21 **The general development objective of the first individual operation under the CCLIP** is to contribute to improving the productivity of MSMEs in Chile. The specific development objectives are to: (i) promote access to credit for MSMEs, including those: (a) located outside the Metropolitan Region; (b) led by women; and (c) engaged in activities that contribute to climate action; and (ii) enhance the digital capabilities of MSMEs, including those led by women.
- 1.22 **Theory of change of the first individual operation under the CCLIP.** This first individual operation uses a results-based financing model, in which the changes being pursued are achieved with financial and technical support. The conceptual underpinning of the interventions seeks to address the two causes of low productivity among Chilean MSMEs: (i) their difficulties in obtaining financing; and (ii) their difficulties in going digital. The key determinants of these causes are as follows: (i) MSMEs are not commercially attractive for the financial sector; (ii) they involve high credit risk; and (iii) there is insufficient technical assistance in terms of digital talent and insufficient capacity to absorb digital technologies. To address these determinants comprehensively, the operation envisages the following interventions: (i) providing finance to MSMEs located outside the Metropolitan Region; (ii) channeling resources into initiatives and events for women and women-led MSMEs; (iii) providing finance to MSMEs engaged in climate action; and (iv) funding grants for training in digital skills and tools to MSMEs, including those led by women. While the proposal affords continuity to existing interventions, it also introduces innovations to align incentives with the expected results. Three significant innovations are the program's focus on MSMEs that are: (i) located outside the Metropolitan Region; (ii) led by women; and (iii) engaged in climate action. CORFO's institutional capacity to implement an LBR is also being strengthened under the program.

- 1.23 **Component I. MSME access to credit (US\$396.5 million).** This component aims to expand MSME access to credit, primarily those: (a) located outside the Metropolitan Region; (b) led by women; and (c) engaged in activities that contribute to climate action. To achieve this outcome, the executing agency will channel resources^{75,76} in accordance with the eligibility criteria specified in the [program Operating Regulations](#) (paragraph 3.5), to: (a) MSMEs, primarily from outside the Metropolitan Region, through nonbank financial institutions/intermediaries (NBFIs) participating in CORFO's MSME program;⁷⁷ (b) women-led MSMEs that engage in business initiatives and activities;⁷⁸ this component will therefore seek to promote financing for women-led MSMEs, allocating a minimum of 44% of Component I resources to this category of beneficiary; and (c) support MSME climate actions through the Green Credit program.⁷⁹
- 1.24 With the aim of ensuring that the operation's objectives are achieved (paragraph 1.21) under Component I (paragraph 1.23), training will be provided and additional staff hired to strengthen the institutional capacity of the executing agency to manage the operation (e.g. training of financial intermediaries), in accordance with the results of an institutional capacity analysis (paragraph 3.2). Financial intermediaries will receive training to manage the risk in their portfolios (e.g. technology and efficiency risks) and thus become eligible for the credit lines.
- 1.25 **Component II. MSME digital maturity (US\$3.5 million).** This component seeks to enhance the digital capabilities of MSMEs, including those led by women. To achieve this outcome, the executing agency will channel resources according to the eligibility criteria indicated in the [program Operating Regulations](#) (paragraph 3.5), in the form of workshop grants to provide training to MSMEs, including those led by women, in digital skills and tools to transform their processes and services. Training

⁷⁵ In the form of various [financial instruments](#), including loans and grants, loan transactions collateralized by assets other than real estate (leasing), and/or by accounts receivable (factoring).

⁷⁶ CORFO has supplier-customer coordination mechanisms with financial intermediaries, with which it periodically conducts planning exercises for lending to their respective end-customers, including MSMEs.

⁷⁷ The [CORFO MSME Credit program](#), through financial intermediaries—including NBFIs such as companies, cooperatives, compensation funds (*cajas de compensación*), and foundations—located outside the Metropolitan Region, will finance loans, guarantees, and leasing and/or factoring operations with terms of up to 10 years issued to MSMEs whose annual revenue does not exceed 100,000 indexed currency units (*Unidades de Fomento* – UF), and whose main activity is the production, marketing, and/or distribution of products, inputs, services and/or machinery for the agriculture sector, and that have developed the productive credit business. Each financial intermediary will request from the firms the documentation and background information needed to perform the risk evaluation, pursuant to its commercial policies. MSME Credit Regulation 177 of 2017, as amended by Regulation 9 of 2017 and Regulation 125 of 2019.

⁷⁸ MSMEs led by women whose main activity is the production, marketing, and/or distribution of products, inputs, services and/or machinery for the agriculture sector, that have developed the productive credit business. In 2021: (i) [Semilla Inicia](#); (ii) [Viraliza](#); (iii) [Par Impulsa](#); (iv) [Crea y Valida Empresarial](#); (v) [Súmate a Innovar](#); and (vi) [Consolida y Expande](#).

⁷⁹ The [Green Credit program](#) offers long-term [loans](#) (up to 15 years) denominated in Chilean pesos, U.S. dollars, or indexed currency units (UF), for up to 70% of the total investment amount, subject to a ceiling of US\$5 million per firm. These are granted through financial intermediaries for investments made by private firms with annual sales of up to UF600,000, for projects in the following areas: (i) generation and/or storage of nonconventional renewable energies, including firms' self-generated energy supply projects; (ii) energy efficiency, related to the optimization of energy use and reduction of costs associated with the use of renewable energies in firms; and (iii) environmental improvement measures in production processes, including circular economy initiatives.

will include specialized courses in disciplines associated with e-commerce and digital marketing through the SMEs Online⁸⁰ and Human Capital Grants programs.⁸¹

- 1.26 **Beneficiaries.** The program is expected to provide funding to more than 170,000 MSMEs, including: those located outside the Metropolitan Region (increasing their number by 13.5%); those led by women (increasing their number by 12.8%); and those engaged in climate action (increasing the amount loaned by 365%). In addition, the program expects to have 7,000 beneficiaries of asynchronous e-learning courses and/or lecture classes on the SMEs Online platform (increasing the number of MSMEs with the necessary knowledge by 5.1%); and nearly 850 beneficiaries of CORFO's Human Capital Grants program, who pass (graduate) from synchronous courses for the development of skills and adoption of digital tools, which make it possible for MSMEs to transform their processes and services.⁸² Lastly, institutional strengthening will be provided to 22 financial institutions and CORFO.⁸³

C. Key results indicators

- 1.27 **Results indicators.** The project is expected to have a positive impact on the productivity of MSMEs supported by the program, as measured by average sales growth and labor productivity indicators. The following key disbursement-linked indicators will be used: (i) the percentage of financing benefiting MSMEs led by women; (ii) the value of investments committed in infrastructure or services that promote renewable energy, energy efficiency, the circular economy, or other environmental improvements;⁸⁴ (iii) MSMEs financed; (iv) financial institutions that received technical assistance; (v) the total number of beneficiaries of CORFO's Human Capital Grants program who pass (graduate from) synchronous courses for the skills development and the adoption of digital tools, making it possible to transform MSME processes and services; and (vi) the number of MSMEs and/or entrepreneurs who graduate from asynchronous e-learning courses and/or lecture classes on the SME Online platform. Other key results indicators, not linked to disbursements, are also considered: (vii) the percentage of financing channeled to MSMEs located outside the Metropolitan Region; (viii) the total amount of the relevant portfolio for financing production; (ix) the percentage of women beneficiaries of CORFO's Human Capital Grants program who pass (graduate from) synchronous courses for skills development and the adoption of digital tools, making it possible for MSMEs to transform their processes and services; (x) the percentage of beneficiaries of CORFO's Human Capital Grants program who graduate from synchronous courses for skills development and the adoption of digital tools, making it possible to transform the processes and services of MSMEs located outside the Metropolitan Region; and (xi) the percentage of MSMEs and/or beneficiaries of the

⁸⁰ Courses such as: (i) e-commerce; (ii) content manager; (iii) community manager; (iv) growth marketing; (v) service design; (vi) business intelligence; and (vii) copywriting, among other disciplines that will be evaluated annually during the implementation of the agreement, according to MSME training needs.

⁸¹ Courses such as: (i) e-commerce; (ii) digital technologies; (iii) creative industries; and (iv) tourism. [Human Capital Grants](#).

⁸² Increasing the number of MSMEs by 32.3%.

⁸³ Increased from a baseline of zero.

⁸⁴ MEFT [Resolution 29](#) defines the scope of CORFO's Green Credit program.

SMEs Online program that consider they have the knowledge needed to use digital solutions.⁸⁵

- 1.28 **Economic analysis.** The economic evaluation identifies the flows of benefits and costs generated by the program. The main benefit consists of the economic value of the increase in sales revenues resulting from the financing of MSMEs under the program. These flows, calculated and discounted at 12%, yield a net present value of US\$117.4 million and an internal rate of return of 22.2%. In addition, the sensitivity analysis shows that the net present value remains positive in the face of potential variations in a broad range of determining parameters ([optional link 1](#)).

II. FINANCING STRUCTURE AND MAIN RISKS

A. Financing instruments

- 2.1 **The CCLIP and the first individual operation thereunder.** The total amount of the CCLIP will be US\$1 billion, which will be financed with resources from the Bank's Ordinary Capital. The CCLIP will be implemented under Multisector Modality II, since it will have different executing agencies from different sectors (paragraph 1.20), always at the national level. The liaison institution will be the Budget Office (DIPRES) of the Ministry of Finance, which, through the Public Finance Division, is empowered to fulfill this role. The CCLIP will finance up to four loan operations that may be approved over a 15-year utilization period. The first individual operation will be for US\$400 million, financed with Ordinary Capital resources, as detailed in Table 1; and disbursements will be released over a five-year period,⁸⁶ according to the schedule shown in Table 2

Table 1. Estimated program costs (US\$ millions)

Output	IDB (Total)	
	Associated amount (US\$ millions)	Percentage (%)
Component I: MSME access to credit	396.5	99.125
Green Credit Line	98.3	24.575
CORFO MSME Credit Line ⁸⁷	296.0	74.0
NBFIs eligible for financing	2.2	0.55
Component II: MSME digital maturity	3.5	0.875
Human Capital Grant program	2.5	0.625
SME Online program	1.0	0.25
Total	400	100

⁸⁵ [Free online training program.](#)

⁸⁶ The disbursement period is adjusted to the time of achievement of the disbursement-linked indicators.

⁸⁷ Includes MSMEs led by women engaged in entrepreneurial initiatives and activities; and MSMEs through the Green Credit program.

Table 2. Financial execution schedule (US\$ millions)

	Year 1	Year 2	Year 3	Year 4	Year 5	Total
IDB (Total)	61.36	68.56	81.66	89.66	98.76	400
%	15.34	17.14	20.415	22.415	24.69	100

2.2 Financing modality and financing instrument of the first individual operation.

The use of the LBR instrument in an operation involving financial intermediation activities, for the first individual operation under the CCLIP, entails a productivity improvement process compatible with a results-based management model, empirically measured through the disbursement-linked indicators. The objectives and sectors (e.g. finance, climate action) of the first individual operation (paragraph 1.21) are aligned with the CCLIP's objectives and sectors (paragraph 1.20). The program is structured as an LBR because its activities will improve the performance of the CORFO credit lines in terms of achieving the agreed upon results, not only through the specific investments but also by improving established practices and strengthening both financial intermediaries and MSMEs, as will be reflected in the results achieved by the program.

- 2.3 The components meet the requirements set out in the policy on the LBR instrument (document GN-2869-1) and in the operational guidelines for processing LBRs (document GN-2869-3): (i) they will support CORFO public programs; (ii) they will improve the performance of those programs, by incorporating good practices and targeting them on achieving results; (iii) they will promote the use of the executing agency's fiduciary systems that are compatible with the principles and good practices for the use of LBRs; and (iv) the preliminary institutional analysis of the executing agency shows that it has managerial systems with capacity to ensure good technical (monitoring) and fiduciary (procurement and financial) execution of the program.

B. Environmental and social risks

- 2.4 In accordance with the Environmental and Social Policy Framework Document (document GN-2965-23) the operation is classified as financial intermediation with a moderate environmental and social risk rating. The operation's disaster and climate change risks are also considered moderate. The results of the environmental and social due diligence review show that most of the subprojects to be financed (paragraph 1.23) under the program will have a low socioenvironmental risk, although some subprojects could have a moderate risk. This program will not finance Category "A" subprojects or those with a higher socioenvironmental risk, among others. The maximum loan amount per subproject will be US\$150,000 for subloans granted through the CORFO MSME Credit program and US\$5 million for subloans granted through the Green Credit program.

- 2.5 Potential environmental and social impacts associated with the program will be managed through its environmental and social management system (ESMS), which will be based on compliance with the IDB Exclusions List, local law, and additional exclusion and eligibility criteria, among other factors. According to the IDB Group's Measures to Address Risk of Forced Labor in the Supply Chain of Silicon-based Solar Modules (document GN-3062-1), for subprojects that involve the financing of solar panels of up to 9 megawatts, but the fact that each subloan is limited to US\$5 million will reduce that installed capacity. In addition, measures to avoid and

mitigate the risk of forced labor are established, based on compliance with local legislation and international conventions, which are also integrated into the program's ESMS. The program's environmental and social requirements will constitute the program's ESMS, which will be included in the [program Operating Regulations](#). The institutional capacity analysis of the executing agency has not revealed any weaknesses in the management of social and environmental risks in the portfolio of CORFO programs to be financed (paragraph 3.2); but the operation does include executing agency training activities that could address this issue, if necessary (paragraph 1.24) ([summary environmental and social review](#)).

C. Fiduciary risks

- 2.6 The Bank has determined that the country systems (budget, treasury, accounting, internal government audit (General Government Internal Audit Board (CAIGG) and external audit (Office of the Comptroller General of the Republic (CGR)) are acceptable for use in Bank-financed operations. An analysis of the executing agency's institutional capacity confirmed that it has a satisfactory degree of development. The analysis detected a medium-high fiduciary risk in terms of human resources, since, if CORFO does not have the trained staff to submit the relevant reports for the program's independent verification and financial statements, reports would not be prepared on time. This would cause delays in the disbursement schedule and in the execution of the operation's expenditures. This risk will be mitigated by the Bank through support to strengthen CORFO's teams in preparing the relevant reports for the program's independent verification and financial statements.

D. Other risks and key issues

- 2.7 **Risks.** The evaluation identified the following risks: (i) a medium-high political risk, as there could be delays in the signing of the borrowing decrees and of the decree approving the loan contract, and the operation's eligibility date established by the Bank could be delayed, thereby delaying the expected disbursement schedule. To mitigate this risk, CORFO will coordinate closely with the Ministry of Finance to reduce the likelihood of delays; and (ii) a high human resources risk, since, if CORFO does not have the qualified technical staff needed to fulfill the functions for which it is responsible, it would have difficulties implementing the volume of planned operations on time, thereby generating delays in achieving the expected results. This risk will be mitigated by the Bank through support to strengthen CORFO's teams in the hiring of qualified technical staff to perform the functions for which it is responsible (paragraph 3.2). The execution of these mitigation measures will be financed from the loan proceeds (paragraph 1.24).
- 2.8 **Sustainability.** In terms of sustainability commitments upon completion of the operation, CORFO has received budgetary appropriations in recent years that have enabled it to execute other programs with its own and external financing. Budgetary flows in the coming years will make it possible to maintain the activities financed by the proposed operation beyond its execution period. In addition, the institutional strengthening that CORFO is to be provided during the execution of the operation (paragraph 1.24) will also afford institutional sustainability to the program's actions (paragraphs 1.23 and 1.25). The sustainability of the actions with each beneficiary stems from the effects on enterprise performance of the improvements resulting from increased access to finance (paragraph 1.23) and digitalization (paragraph 1.25). These are essential to enable the companies to target their endeavors on improving the social, economic, and environmental performance of their operations.

III. IMPLEMENTATION AND MANAGEMENT PLAN

A. Summary of implementation arrangements

- 3.1 **Borrower and executing agency.** The borrower will be the Republic of Chile, with the DIPRES serving as the CCLIP liaison institution. The executing agency of the first individual operation will be CORFO,⁸⁸ which is a decentralized public service, with its own assets and legal status. CORFO's mission is to promote investment, innovation, and entrepreneurship, while also strengthening human capital and technological development to improve the country's productivity and achieve global leadership positions in terms of competitiveness. CORFO has recent experience with Bank operations, serving satisfactorily both as executing agency (loan [3677/OC-CH](#)) and as subexecuting agency (loans [5450/OC-CH](#), [5451/OC-CH](#)) (paragraph 1.11), which the proposed operation complements.
- 3.2 **Institutional capacity.** The institutional, financial, procurement, and integrity capacities of CORFO have been analyzed, as required by the policy governing the LBR instrument (document GN-2869-1). The institutional capacity analysis detected the need to add technical staff to the CORFO team; so strengthening is envisaged to enable it to meet current and future challenges (paragraph 1.24).
- 3.3 **Implementation arrangements.** CORFO will channel part of the budgetary flows it receives to financial intermediaries, for allocation to financial services for MSMEs aligned with the operation's priorities and requirements (paragraphs 1.23 and 1.25). Institutional strengthening will make it possible to expand the number of financial intermediaries and thus reach beyond the Metropolitan Region. Once the stipulated results have been achieved, CORFO will request the corresponding disbursements from the Bank. CORFO's investment and financing division will be responsible for the execution of Component I, including: (i) the opening of calls for proposals and windows for the CORFO MSME Credit and Green Credit programs ([program Operating Regulations](#)); (ii) the signing of contracts with financial intermediaries; and (iii) the monitoring of loans placed with financial intermediaries. CORFO's strategic affairs division will be in charge of Component II, including: (i) the opening of calls for proposals and windows for its operations ([program Operating Regulations](#)); (ii) advisory services for beneficiaries; (iii) evaluation of the bids submitted; (iv) signing of contracts; and (v) monitoring of projects. The administration and finance division of CORFO, in coordination with the investment and financing division, will be responsible for the operation's financial management. The proceeds of the loan will be deposited in a U.S. dollar-denominated account that the General Treasury of the Republic maintains at the Central Bank of Chile, notwithstanding the executing agency's activities that will finance the resources in their authorized budgets, which do not entail any budgetary additionality.
- 3.4 **Financing amount and limit.** This program may issue subloans of up to US\$150,000, through the CORFU MSME Credit program. Historically, the average subloan under the aforementioned credit program has remained below US\$5,000.⁸⁹ Although the Green Credit Program allows for up to US\$20 million per project, this program will finance projects for up to US\$5 million, and thus promote financing for

⁸⁸ The [program Operating Regulations](#) specify the executing agency's functions, roles, and responsibilities.

⁸⁹ CORFO. Public credit report for the first half of 2021.

MSMEs in keeping with the credit line's past record. An estimated 25% of the program's resources will be allocated to the Green Credit program, with 75% going to the CORFO MSME Credit program ([program Operating Regulations](#)).

- 3.5 **Beneficiary eligibility criteria.** Under Component I, the beneficiaries eligible for the CORFO MSME Credit Program will include individuals or legal entities that finance activities to produce goods and services, with annual revenue from sales, services, and other activities of up to 100,000 indexed currency units (*unidades de fomento* (UF)).⁹⁰ Eligible beneficiaries under the Green Credit program will be: (i) private companies that produce goods or services, with annual revenue from sales and/or services of up to UF600,000, excluding value-added tax; and (ii) emerging enterprises with no past record, but with projected first-year sales within the aforementioned limit.⁹¹ Under Component II, beneficiaries of the CORFO Human Capital Grant program will include individuals who prove themselves to be: (i) Chilean nationals or foreigners with permanent residence in the country; and (ii) compliant with the conditions established by the respective program. Eligible beneficiaries under the SMEs Online program: (i) will be users of the SMEs Online program; (ii) have an Internet connection, and an information technology device; (iii) have a product or service to sell; and (iv) have time available ([program Operating Regulations](#)).⁹²
- 3.6 **Financial intermediary eligibility criteria.** The following may serve as financial intermediaries within the scope of the program: (i) corporations whose business lines are lending, leasing, or factoring activities; (ii) joint stock companies, provided that their corporate governance structure includes a board of directors, and whose business lines are lending, leasing, or factoring activities; (iii) savings and loan cooperatives; (iv) family allowance compensation funds; (v) microfinance institutions that engage in credit operations for productive microfinance; and (vi) production support firms, including economically important production cooperatives, indigenous-based cooperatives, and corporations or joint stock companies whose main activities are the production, marketing, and/or distribution of products, inputs, services, and/or machinery for the agriculture sector, and that have developed the productive credit business ([program Operating Regulations](#)).
- 3.7 **External verification of results.** The program results will be verified by a firm or team of specialized consultants serving as independent external evaluator of the results achieved. In addition to verifying results prior to each disbursement, it will review progress and make recommendations to resolve any deviations. Verification of results achievement will focus on: (i) issuing an opinion on the accuracy, reliability, validity, and consistency of the results data; and (ii) determining the value of the results indicators established for each disbursement. The team will have experience monitoring projects, managing results indicators, and assessing the reliability of the methods used to produce them. The terms of reference for this contracting will be previously agreed upon with the Bank; and the contracting may be financed through a technical-cooperation operation that is currently in preparation to support the operation, as well as through Bank funds allocated to the supervision of the operation.

⁹⁰ [CORFO MSME Credit](#).

⁹¹ MEFT [Resolution 29](#).

⁹² [SMEs Online](#).

- 3.8 **Disbursement mechanism.** The following procedure will be followed to process disbursements: (i) the executing agency will prepare a status report on the disbursement-linked indicators and submit it for external verification of results based on the protocol established in the [monitoring and evaluation plan](#); (ii) the independent external evaluator will verify the fulfillment of the results indicators (paragraph 3.7); and (iii) once fulfillment of the results has been confirmed, the executing agency will submit the disbursement request to the Bank. In turn, the Bank will disburse the corresponding amount for each indicator if, and only if, the external verification confirms that the level of the indicator meets or exceeds the established target. Otherwise, disbursements will be made in proportion to the extent of fulfillment of the target. The funds in question will be deposited in the central bank dollar account held by the General Treasury of the Republic; from which they will be transferred to the bank account of the operation in local currency, to be used and controlled by CORFO in administering program resources. Unused balances may be reprogrammed in successive disbursements.
- 3.9 **Program Operating Regulations.** Execution of the program will follow the provisions of the [program Operating Regulations](#), which will specify operational aspects in technical, procurement, and financial matters, among others. The [program Operating Regulations](#) will include the following: (i) guidelines for the use of resources and financial management of the program; and (ii) execution mechanisms, which will include the arrangement for allocating the different calls for proposals to be held to identify and select beneficiaries.
- 3.10 **Special contractual conditions precedent to the first disbursement of the loan:** (a) the executing agency will have approved the [program Operating Regulations](#), which will have entered into effect pursuant to the terms previously agreed upon with the Bank, including the environmental and social requirements applicable to the program; and (b) a consulting firm or independent consultant will have been hired for the external verification of the program results, under terms previously agreed upon with the Bank.⁹³ These conditions are necessary to establish the structure, guidelines, and procedures to be followed by the executing agency to ensure successful execution of the program.
- 3.11 **Retroactive financing of results.** The Bank may use up to the equivalent of US\$60 million (15% of the loan amount), to retroactively recognize results associated with disbursements (paragraph 1.27) achieved by the borrower between the project profile approval date (26 July 2022) and the loan eligibility date. To receive retroactive financing, the expenses in question must be eligible under the project and attributable to the achievement of the corresponding development outcomes, which will be subject to an independent external evaluation.
- 3.12 **Audit.** The external audit will be performed by independent auditors acceptable to the Bank (including the CGR). Within 120 days following the executing agency's fiscal year-end and throughout the loan disbursement period, the executing agency will submit the program's audited financial statements pursuant to terms of reference agreed upon with the Bank. The final report will be submitted within 120 days following the date established for the last disbursement of the loan proceeds. The

⁹³ The LBR instrument policy (document GN-2869-1) and the operational guidelines for processing an LBR (document GN-2869-3) require the inclusion of condition "(b)."

executing agency will prepare the project's audited financial statements. The final audited financial statements will include an analysis of any differences between actual program costs and the funds disbursed.

B. Summary of arrangements for monitoring results

- 3.13 **Monitoring.** The LBR will be monitored by verifying the fulfillment of the targets associated with the disbursement-linked indicators described above. Program activities will be monitored by the executing agency through semiannual progress reports submitted within 60 days after the end of each six-month period ([monitoring and evaluation plan](#)). The reports will be based on the reporting commitments indicated in the results matrix, as well as fulfillment of the eligibility criteria specified in the [program Operating Regulations](#).
- 3.14 **Evaluation.** The strategy for evaluating the results of program activities will consist of a reflexive before-and after-program evaluation showing the extent of outcomes and impacts, and also a qualitative assessment. The final evaluation, which will serve as input to the project completion report, will be performed within 60 days after the date of the last loan disbursement. The evaluation strategy is described in detail in the [monitoring and evaluation plan](#).

IV. ELIGIBILITY CRITERIA

- 4.1 **Fulfillment of the CCLIP eligibility criteria.** The CCLIP satisfies the criteria established in document GN-2246-15, inasmuch as: (i) the objectives pursued are within the priorities defined in the IDB Group Country Strategy with Chile 2019-2022 (document GN-2946); and (ii) the liaison institution, DIPRES, has authority to coordinate and monitor the general operational program of all sectors encompassed by the CCLIP.
- 4.2 **Fulfillment of eligibility criteria for the first individual operation.** The operation satisfies the criteria established in document GN-2246-15, inasmuch as: (i) it includes an assessment of CORFO's institutional capacity (paragraph 3.2); (ii) the objective of the operation contributes to achieving the CCLIP's objective (paragraph 1.20); (iii) the operation corresponds to the sectors defined in the CCLIP (finance and climate action) (paragraph 1.20); and (iv) it includes the improvement measures identified in the institutional capacity assessment (paragraph 1.24).

Development Effectiveness Matrix		
Summary		CH-L1167
I. Corporate and Country Priorities		
Section 1. IDB Group Strategic Priorities and CRF Indicators		
Development Challenges & Cross-cutting Issues	-Social Inclusion and Equality -Productivity and Innovation -Gender Equality and Diversity -Climate Change -Institutional Capacity and the Rule of Law	
CRF Level 2 Indicators: IDB Group Contributions to Development Results	-Micro / small / medium enterprises financed (#) -Enterprises provided with technical assistance (#) -Women beneficiaries of economic empowerment initiatives (#)	
2. Country Development Objectives		
Country Strategy Results Matrix	GN-2946	(i) facilitate access to finance for investment, mainly for underserved segments and (ii) narrow connectivity gaps, low speed and affordability of ICTs.
Country Program Results Matrix		The intervention is not included in the 2022 Operational Program.
Relevance of this project to country development challenges (If not aligned to country strategy or country program)		
II. Development Outcomes - Evaluability		Evaluable
3. Evidence-based Assessment & Solution		9.5
3.1 Program Diagnosis		2.5
3.2 Proposed Interventions or Solutions		3.2
3.3 Results Matrix Quality		3.8
4. Ex ante Economic Analysis		9.0
4.1 Program has an ERR/NPV, or key outcomes identified for CEA		1.5
4.2 Identified and Quantified Benefits and Costs		3.0
4.3 Reasonable Assumptions		2.5
4.4 Sensitivity Analysis		2.0
4.5 Consistency with results matrix		0.0
5. Monitoring and Evaluation		9.5
5.1 Monitoring Mechanisms		4.0
5.2 Evaluation Plan		5.5
III. Risks & Mitigation Monitoring Matrix		
Overall risks rate = magnitude of risks*likelihood		Medium Low
Environmental & social risk classification		FI
IV. IDB's Role - Additionality		
The project relies on the use of country systems		
Fiduciary (VPC/FMP Criteria)	Yes	Financial Management: Budget, Treasury, Accounting and Reporting, External Control, Internal Audit. Procurement: Information System, Price Comparison, Contracting Individual Consultant, National Public Bidding.
Non-Fiduciary		
The IDB's involvement promotes additional improvements of the intended beneficiaries and/or public sector entity in the following dimensions:		
Additional (to project preparation) technical assistance was provided to the public sector entity prior to approval to increase the likelihood of success of the project	Yes	ATN/OC-17070-RG: "Supporting Growth Acceleration in the Southern Cone: Applied Knowledge and Policy Dialogue for an Actionable Agenda"; ATN/OC-16297-RG: "Promoting Digital Transformation in Latin America and the Caribbean"; ATN/OC-16807-RG: "Promoting digital disruption in Latin America and the Caribbean"

Evaluability Assessment Note:

This is the first operation, for US\$400mm, of a US\$1,000mm Conditional Credit Line for Investment Projects (CCLIP). The objective of the CCLIP is to increase productivity and promote sustainable development in Chile in the finance, climate action and internationalization sectors. The general objective of this operation is to contribute to improving the productivity of Micro, Small and Medium Enterprises (MSMEs) in Chile and the specific objectives are: (i) promote access to credit for MSMEs, including: (a) those outside the Metropolitan Region (RM); (b) those led by women; and (c) those engaged in activities that contribute to climate action; and (ii) promote the digital capabilities of MSMEs, including those led by women. The project presents an adequate diagnosis. In Chile, MSMEs represent 98% of companies, 44% of employment and 13% of sales, and show a productivity that is 37% of that of large companies. This difference in productivity is explained in part by difficulties in access to financing, with only 20% of bank credit dedicated to this sector, and low digitization, with gaps associated with the adoption of technologies that increase the smaller the company. These problems are even greater for companies outside the RM: despite the fact that 54% of MSMEs are outside the RM, they are served by fewer financial institutions and receive less than 40% of CORFO support. Companies led by women face even more restrictions, with less than a third of the investment financial support received by companies led by men, with similar characteristics. Finally, the country considers it important to support the financing of MSMEs that contribute to climate change mitigation actions and support the digitalization of MSMEs.

The economic analysis is appropriate, with reasonable and standard assumptions and sensitivity analyses. The estimated net present value of the program is US\$117.4mm, using a 12% discount rate, and the internal rate of return is 22.2%.

The evaluation plan is appropriate. It proposes to carry out a before and after analysis of the indicators of the specific and general objectives, and a qualitative evaluation of the program. This exercise will not allow the empirical attribution of the results obtained.

RESULTS MATRIX

PROGRAM OBJECTIVE:	The program's specific development objectives are to: (i) promote access to credit for MSMEs, including those: (a) located outside the Metropolitan Region; (b) led by women; and (c) engaged in activities that contribute to climate action; and (ii) enhance the digital capabilities of MSMEs, including those led by women. The general development objective of the first individual operation under the Conditional Credit Line for Investment Projects (CCLIP) is to contribute to improving the productivity of micro, small, and medium-sized enterprises (MSMEs) in Chile.
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GENERAL DEVELOPMENT OBJECTIVE

Indicator	Unit of measure	Baseline	Baseline year	Expected year achieved	Target	Means of verification	Comments
General development objective: Contribute to improving the productivity of MSMEs in Chile							
Indicator 1. MSME labor productivity (MSME sales divided by the number of workers)	Amount in US\$ per employee	16,950,879	Average 2018-2020	2027	19,842,241	Chilean Internal Revenue Service (SII)	See monitoring and evaluation plan (MEP)
Indicator 2. Average annual growth rate of MSME sales	Percentage	1.20%	Average 2018-2020	2027	3.2%	SII	See MEP

SPECIFIC DEVELOPMENT OBJECTIVES

Indicator	Unit of measure	Baseline ¹	Baseline year	Year 1 (2023)	Year 2 (2024)	Year 3 (2025)	Year 4 (2026)	Year 5 (2027)	End of program	Means of verification	Disbursement indicator (yes/no)	Comments on formulation of indicators
Specific development objective 1. Promote access to credit for MSMEs, including those: (a) located outside the Metropolitan Region; (b) led by women; and (c) engaged in activities that contribute to climate action												
1.1. Percentage of financing channeled to MSMEs located outside the Metropolitan Region	Percentage	59%	2018	63%	64%	65%	66%	67%	67%	Production Development Corporation (CORFO) report	No	See MEP
1.2. Percentage of financing channeled to women-led MSMEs	Percentage	39%	2018	40%	41%	42%	43%	44%	44%	CORFO report	Yes	Pro-gender indicator. See MEP

¹ The 2018 baseline is being used, since the baseline values for the most recent years were significantly altered by the effects of the COVID-19 pandemic.

Indicator	Unit of measure	Baseline ¹	Baseline year	Year 1 (2023)	Year 2 (2024)	Year 3 (2025)	Year 4 (2026)	Year 5 (2027)	End of program	Means of verification	Disbursement indicator (yes/no)	Comments on formulation of indicators
1.3. Value of investment commitments in infrastructure or services that promote renewable energy, energy efficiency, the circular economy, or other environmental improvements ^{2*}	Ch\$ millions	5,500	2021	21,644.0	21,644.0	21,644.0	21,644.0	21,644.0	108,220.0	CORFO report	Yes	See MEP
1.4. MSMEs financed ³	Number	26,705	2018	29,608	35,529	45,152	51,073	57,735	219,097	CORFO report	Yes	See MEP
1.5. Total value of the relevant production financing portfolio ⁴	US\$ millions	120	2021	160	208	269	338	416	416	CORFO report	No	See MEP
1.6. Financial institutions that received technical assistance	Number	0	2021	2	4	5	5	6	22	CORFO report	Yes	See MEP

² Defined in Resolution 29 of the Ministry of Economy, Development and Tourism, which establishes the scope of CORFO's Green Credit program.

³ An average loan size of US\$1,351 was used to estimate the number of MSMEs financed. Sales data of the beneficiary enterprises is self-reported. However, CORFO may use their Taxpayer ID numbers to search for information on a firm's size (according to annual sales in UF, calculated by the Chilean Internal Revenue Service) using the latter's records. Firms for which the size data corresponds to "no returns declared," i.e. no sales, will be considered microenterprises.

⁴ This indicator is calculated cumulatively: the loans for the year 1 are added to the baseline; for the next period, the indicator for year 1 plus the loans for year 2 are considered, and so on.

* Indicator of the IDB Group Corporate Results Framework 2020-2023 (document GN-2727-12).

Indicator	Unit of measure	Baseline ¹	Baseline year	Year 1 (2023)	Year 2 (2024)	Year 3 (2025)	Year 4 (2026)	Year 5 (2027)	End of program	Means of verification	Disbursement indicator (yes/no)	Comments on formulation of indicators
Specific development objective 2. Enhance the digital capabilities of MSMEs, including those led by women												
2.1. Total number of beneficiaries ⁵ of CORFO's Human Capital Grants program who pass (graduate from ⁶) synchronous learning courses ⁷ for skills development and the adoption of digital tools, thereby making it possible to transform MSME processes and services	Number	130	Average for 2020 and 2021 ⁸	172	172	172	172	172	860	CORFO report	Yes	See MEP
2.2. Percentage of women beneficiaries of CORFO's Human Capital Grants program who pass (graduate from) synchronous courses for skills development and the adoption of digital tools, thereby making it possible to transform MSME processes and services	Percentage	32.4%	Average for 2020 and 2021	34%	36%	38%	40%	42%	42%	CORFO report	No	See MEP

⁵ This indicator is calculated by considering persons who, at the time of their application, declare that they are or will be member of an MSME, whether as owner, partner, and/or shareholder of the enterprise, or as an employee or potential employee thereof. This information is self-reported. However, CORFO may use the taxpayer ID numbers of the firm to which the person claims to be attached, to search for information on its size (according to annual sales in UF, calculated by the Chilean Internal Revenue Service) using the latter's records. Firms for which the size data corresponds to "no returns declared," i.e. no sales, will be considered microenterprises.

⁶ A "graduate" (*egresado*) is defined as a person who has fulfilled the attendance and academic requirements established by the training organization in question, for which he/she receives a credential (diploma).

⁷ The courses to be provided by CORFO are those financed through the Competitiveness Training Program (PFC).

⁸ The baseline for the participation of regions and women was estimated from the information provided by beneficiaries of the Human Capital Grants associated with information technology specialization courses in 2020 and 2021, and with the digital marketing specialization courses held in 2021. The baseline for the participation of MSMEs has been constructed from the percentage of beneficiaries in digital marketing specialization courses, who are attached to an MSME, along with the graduation rate of this segment of beneficiaries in the same PFC project in 2021.

Indicator	Unit of measure	Baseline ¹	Baseline year	Year 1 (2023)	Year 2 (2024)	Year 3 (2025)	Year 4 (2026)	Year 5 (2027)	End of program	Means of verification	Disbursement indicator (yes/no)	Comments on formulation of indicators
2.3. Percentage of beneficiaries of CORFO's Human Capital Grants program who graduate from synchronous courses for skills development and the adoption of digital tools that make it possible to transform the processes and services of MSMEs located outside the Metropolitan Region	Percentage	37.1%	Average 2020 and 2021	38%	39%	40%	41%	42%	42%	CORFO report	No	See MEP
2.4. Number of MSMEs and/or entrepreneurs ⁹ that graduate from asynchronous e-learning courses and/or lecture classes on the SMEs Online platform	Number	6,975 ¹⁰	2021	7,000	0 ¹¹	0	0	0	7,000	CORFO report	Yes	See MEP
2.5. Percentage of MSMEs and/or entrepreneurs who, having participated in SMEs Online program activities, consider that they have the knowledge needed to use digital solutions ¹²	Percentage	33.3%	2021	35%	35%	35%	35%	35%	35%	CORFO report	No	See MEP

⁹ This indicator was calculated from the number of times that persons who are registered in the SMEs online platform (which includes MSMEs and entrepreneurs, whether or not they have registered their start of activities with the SII), have completed asynchronous (pre-recorded) e-learning training courses, or "Saturdays online" lecture classes. As this counts the total number of graduates, the same identity number (national identity number (RUN)/taxpayer ID number (RUT)) may be associated with more than one graduation (course and/or lecture class). The term "graduate" (*egresado*) is understood as a person who has successfully passed the course's final exam, which facilitates the issuance of the course and/or lecture class diploma.

¹⁰ The baseline was constructed from the number of registrations in the *Digitaliza tu PYME* [Digitalize your SME] PFC project, executed between January and July 2021, plus the number of registrations in the SMEs Online PFC project, between August and 31 December 2021, thus completing a full calendar year. The measurement of this indicator is associated only with the SMEs Online initiative, which may acquire another PFC project name for administrative purposes.

¹¹ The SMEs Online initiative is not considered for 2024-2027, which is why the indicator is zero.

¹² To monitor this indicator, data will be collected through an annual survey of all MSMEs and/or entrepreneurs who have graduated from asynchronous e-learning courses and/or online SME lecture classes, while the platform is active and operating. The follow-up indicator considers the universe of persons who have graduated from asynchronous e-learning courses and/or online SME lecture classes as a stock, i.e. the same contact database will be used to administer the survey and then process the data.

DISBURSEMENT INDICATOR MATRIX

Indicator	Baseline (Year)	Year 1 (2023)		Year 2 (2024)		Year 3 (2025)		Year 4 (2026)		Year 5 (2027)		End of program	
		Target	Associated amount (US\$ millions)	Target	Associated amount (US\$ millions)	Target	Associated amount (US\$ millions)	Target	Associated amount (US\$ millions)	Target	Associated amount (US\$ millions)	Target	Associated amount (US\$ millions)
Specific Development Objective 1. Promote access to credit for MSMEs, including those: (a) located outside the Metropolitan Region; (b) led by women; and (c) engaged in activities that contribute to climate action													
1.2. Percentage of financing for women-led MSMEs	39% (2018)	40%	16	41%	19.68	42%	25.62	43%	29.67	44%	34.32	44%	125.29
1.3. Value of investment commitments in infrastructure or services that promote renewable energy, energy efficiency, the circular economy, or other environmental improvements ^{13*}	5.5 billion Chilean pesos (2021)	21,644.0	19.66	21,644.0	19.66	21,644.0	19.66	21,644.0	19.66	21,644.0	19.66	108,220	98.3
1.4. MSMEs financed ¹⁴	26,705 (2018)	29,608	24	35,529	28.32	45,152	35.38	51,073	39.33	57,735	43.68	219.097	170.71
1.6. Financial institutions that received technical assistance.*	0 (2021)	2	0.2	4	0.4	5	0.5	5	0.5	6	0.6	22	2.2
Total			59.86		68.06		81.16		89.16		98.26		396.5
Specific development objective 2. Increase the adoption of digital tools and technologies by MSMEs, including those led by women													
2.1. Total number of beneficiaries of CORFO's Human Capital Grants program who pass (graduate	130 (2020-2021 average)	172	0.5	172	0.5	172	0.5	172	0.5	172	0.5	860	2.5

¹³ The value shown in the "Target" column represents the amount of investments in millions of pesos, while the value indicated in the "Associated amount (US\$ million)" column corresponds to the amount financed by CORFO. The Green Credit program is expected to finance 90% of the value of the investments, following an amendment of Resolution 29 (currently being processed by the Office of the Comptroller General of the Republic (CGR), which allows financing of up to 90% in credit operations and up to 100% in leasing operations.

¹⁴ An average loan size of US\$1,351 was used to estimate the number of MSMEs financed. Sales data of the beneficiary enterprises is self-reported. However, CORFO may use their Taxpayer ID numbers to search for information on a firm's size (according to annual sales in UF, calculated by the Chilean Internal Revenue Service) using the latter's records. Firms for which the size data corresponds to "no returns declared," i.e. no sales, will be considered microenterprises.

Indicator	Baseline (Year)	Year 1 (2023)		Year 2 (2024)		Year 3 (2025)		Year 4 (2026)		Year 5 (2027)		End of program	
		Target	Associated amount (US\$ millions)	Target	Associated amount (US\$ millions)	Target	Associated amount (US\$ millions)	Target	Associated amount (US\$ millions)	Target	Associated amount (US\$ millions)	Target	Associated amount (US\$ millions)
from) synchronous learning courses for the development of skills and adoption of digital tools that make it possible to transform processes and services to MSMEs ¹⁵													
2.4. Number of MSMEs and/or entrepreneurs that graduate from asynchronous e-learning courses and/or lecture classes on the SMEs Online platform ¹⁶	6,975 (2021)	7,000	1	0	0	0	0	0	0	0	0	7,000	1
Total			1.5		0.5		0.5		0.5		0.5		3.5

Indicator Verification Protocol for Disbursements: See [MEP](#).

¹⁵ This indicator is calculated by considering persons who, at the time of their application, declare that they are or will be member of an MSME, whether as owner, partner, and/or shareholder of the enterprise, or as an employee or potential employee thereof. This information is self-reported. However, CORFO may use the taxpayer ID numbers of the firm to which the person claims to be attached, to search for information on its size (according to annual sales in UF, calculated by the Chilean Internal Revenue Service) using the latter's records. Firms for which the size data corresponds to "no returns declared," i.e. no sales, will be considered microenterprises.

¹⁶ This indicator was calculated from the number of times that persons who are registered in the SMEs online platform (which includes MSMEs and entrepreneurs, whether or not they have registered their start of activities with the SII), have completed asynchronous (pre-recorded) e-learning training courses, or "Saturdays online" lecture classes. As this counts the total number of graduates, the same identity number (national identity number (RUN)/taxpayer ID number (RUT)) may be associated with more than one graduation (course and/or lecture class). The term "graduate" (*egresado*) is understood as a person who has successfully passed the course's final exam, which facilitates the issuance of the course and/or lecture class diploma.

* Indicator of the IDB Group Corporate Results Framework 2020-2023 (document GN-2727-12).

Country: Chile

Division: IFD/CMF

Operation number: CH-L1167

Year: 2022

FIDUCIARY AGREEMENTS AND REQUIREMENTS

Executing agency: Production Development Corporation (CORFO)

Name of the operation: Regional Productive Development Program of Chile

I. FIDUCIARY CONTEXT OF THE EXECUTING AGENCY

1. Use of country systems in the operation

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

2. Fiduciary capacity

Fiduciary capacity of the executing agency	<p>The executing agency works within the Public Financial Administration System (SAFP), and uses Systems Applications Products (SAP) for budgeting, accounting, and payments. The latter delivers information to the State Financial Management Information System (SIGFE), which is maintained by the Budget Office (DIPRES) for the purpose of aggregating and consolidating central government accounting. The executing agency also has an internal audit unit and is supervised by the Office of the Comptroller General of the Republic (CGR). The Bank has determined that the country systems (budget, treasury, accounting, government internal audit (General Government Internal Audit Board (CAIGG)) and external audit are acceptable for use in the Bank's operations.</p> <p>An institutional capacity analysis of the executing agency confirmed that it has a satisfactory institutional capacity to execute the program and achieve the objectives of the loan based on results (LBR). Nonetheless, the following opportunities for improvement were also identified: (a) include in the program Operating Regulations the institutional coordination arrangements and interagency coordination protocols for execution of the program's components; (b) plan for the additional staff that will be required, along with their source of funding and selection procedure, so as to have sufficient personnel in time for program execution; (c) identify the person(s) responsible for the preparation of the IDB program financial reports, evaluate their experience in similar projects, and design a training plan, if necessary.</p>
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3. Fiduciary risks and mitigation measures

Risk taxonomy	Risk	Risk level	Risk mitigation
Human resources	If CORFO does not have staff trained to submit the relevant reports for the independent verification and program financial statements, the reports might not be prepared on time. This would cause delays in the expected disbursement periods and in the accounting closure of the operation.	Medium-high	The Bank will provide support to strengthen CORFO teams for preparing the relevant reports for the independent verification and the program's financial statements.
Internal processes	The absence of clear communication protocols could result in errors in the delivery of information within CORFO, causing delays in the delivery of reports required by the Bank for the results-based loan (LBR).	Low	The program Operating Regulations and monitoring and evaluation plan will define the collection mechanisms used to prepare the required reports.

II. CONSIDERATIONS FOR THE SPECIAL PROVISIONS OF THE LOAN CONTRACT

<p>Exchange rate. For the purposes indicated in Article 4.10 of the General Conditions, the Parties agree that the applicable exchange rate will be the one indicated in Article 4.10(b)(ii). To determine the equivalence of expenses incurred in local currency charged against the local contribution, or of the reimbursement of expenses charged to the loan, the agreed-upon exchange rate will be the one in effect on the first business day of the month in which the borrower, the executing agency, or any other person or legal entity in whom the power to incur expenditures has been vested, makes the related payments to the contractor, supplier, or beneficiary.</p>
<p>Type of audit. Audited financial statements will be presented within 120 days following each fiscal year-end and during the loan disbursement period. The final report will be submitted within 120 days following the date of the last loan disbursement and will include an analysis of any differences between actual program costs and the amounts disbursed. The terms of reference will be agreed upon with the Bank, and the independent auditors will be acceptable to the Bank.</p>
<p>Retroactive financing of results: The Bank may use up to the equivalent of US\$60 million (15% of the loan amount), to retroactively recognize results associated with disbursements (paragraph Error! Reference source not found.) achieved by the borrower between the project profile approval date (26 July 2022) and the loan eligibility date. To receive retroactive financing, the expenses in question must be eligible under the project and attributable to the achievement of the corresponding development outcomes, which will be subject to an independent external evaluation.</p>

III. AGREEMENTS AND REQUIREMENTS FOR PROCUREMENT EXECUTION

<input checked="" type="checkbox"/>	Programming and budgeting	CORFO is an autonomous entity that receives State funding for its operations. The Ministry of Finance, acting through the Budget Directorate, is responsible for preparing the public sector budget. The preparation, administration, and execution of the budget is managed by the Administration and Finance Division. Loan operations must be included in the public sector budget for the funds in question to be accessible (loan and local contribution). Accordingly, no difficulties in the use of the budget system are anticipated to affect project execution. However, any loan operation must adhere to the public sector budget expenditure framework.
<input checked="" type="checkbox"/>	Treasury and disbursement management	For program implementation, the executing agency will use resources from the fiscal contribution, and will then manage reimbursement through the program's disbursement matrix, based on the independent verification of the individual results achieved. The loan proceeds will be deposited in the dollar account held by the General Treasury of the Republic at the central bank. These will then be transferred to the operating bank account in local currency to be operated and controlled by CORFO for the management of the loan proceeds. Payments arising from program execution will be made by the SAP treasury module. When presenting disbursement requests, the executing agency will not be required to submit a justification of expenses or documentation supporting the expenditures incurred to achieve the results. Nonetheless, it must keep said documentation on file, as part of the appropriate administrative, internal control, procurement, and accounting systems to ensure the timely issuance of project financial reports, which will be audited annually by the CGR.
<input checked="" type="checkbox"/>	Accounting, information systems, and reporting	The specific accounting standards to be followed are IPSAS-CGR Chile, as established by CGR Resolution 16 of 2015. To keep track of program funds, a special chart of accounts will be opened in CORFO's regular accounting in the SAP; and for the purposes of disbursements to intermediaries, the same procedures and mechanisms provided for in similar programs currently managed by the Investment and Financing Division (GIF) will be used. To supplement the policies and guidelines applicable to the operation, the program Operating Regulations will be used with the documented definition of workflows and internal controls.
<input checked="" type="checkbox"/>	Internal control and internal audit	The internal control system is based on the organizational plan, strategic plans, and procedures approved by the CAIGG, as well as administrative standards of ethics and probity. The internal audit unit reports directly to CORFO's highest authority. Annual plans are produced pursuant to the instructions issued by the CAIGG. The internal audit unit will follow up on the internal control observations made by the program's external auditors and will validate the responses to the auditors' observations.
<input checked="" type="checkbox"/>	External control and financial reporting	The executing agency will use independent auditors acceptable to the Bank, including the CGR. Within 120 days following the executing agency's fiscal year-end, and during the loan disbursement period, it will submit the program's audited annual financial statements pursuant to the terms of reference agreed upon with the Bank. The final report will be submitted within 120 days after the date specified for the last loan disbursement. The executing agency, together with the Administration and Finance Division (GAF), will prepare the project's financial statements. The final audited financial statements will include an analysis of any differences between actual program costs and the funds disbursed.
<input checked="" type="checkbox"/>	Financial supervision of the operation	The financial supervision plan includes participation in the periodic meetings to monitor the program's risk matrix, as well as a review of the annual audit report, which could give rise to onsite visits to update knowledge of institution-internal systems.

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/22

Chile. Conditional Credit Line for Investment Projects (CCLIP) for Productivity and Sustainable Development in Chile (CH-O0008)

The Board of Executive Directors

RESOLVES:

1. To authorize the President of the Bank, or such representative as he shall designate, to enter into such agreement or agreements as may be necessary with the Republic of Chile, to establish the Conditional Credit Line for Investment Projects (CCLIP) for Productivity and Sustainable Development in Chile (CH-O0008) (the "Line") for an amount of up to US\$1,000,000,000, chargeable to the resources of the Ordinary Capital of the Bank.

2. To establish that the resources allocated to the Line shall be used to finance individual operations under the Line, in accordance with: (a) the objectives and regulations of the Conditional Credit Line for Investment Projects approved by Resolution DE-58/03, as amended by Resolutions DE-10/07, DE-164/07, DE-86/16 and DE-98/19; (b) the provisions set forth in documents GN-2564-3 and GN-2246-13; and (c) the terms and conditions included in the proposal for the corresponding individual operation.

(Adopted on ____ 2022)

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

PROPOSED RESOLUTION DE-___/22

Chile. Loan ___/OC-CH to the Republic of Chile. Regional Productive Development Program of Chile. First Individual Operation under the Conditional Credit Line for Investment Projects (CCLIP) for Productivity and Sustainable Development in Chile (CH-O0008)

The Board of Executive Directors

RESOLVES:

That the President of the Bank, or such representative as he shall designate, is authorized, in the name and on behalf of the Bank, to enter into such contract or contracts as may be necessary with the Republic of Chile, as borrower, for the purpose of granting it a financing to cooperate in the execution of the Regional Productive Development Program of Chile, which constitutes the first individual operation under the Conditional Credit Line for Investment Projects (CCLIP) for Productivity and Sustainable Development in Chile (CH-O0008), approved on ___ 2022 by Resolution DE-___/22. Such financing will be for an amount of up to US\$400,000,000 from the Ordinary Capital resources of the Bank, and will be subject to the Financial Terms and Conditions and the Special Contractual Conditions of the Project Summary of the Loan Proposal.

(Adopted on ___ 2022)