

**THE MINUTES OF MEETINGS
BETWEEN JAPAN INTERNATIONAL COOPERATION AGENCY
AND
THE AUTHORITIES CONCERNED OF THE GOVERNMENT OF
THE REPUBLIC OF CHILE
ON
JAPANESE TECHNICAL COOPERATION PROJECT FOR
THE ENFORCEMENT OF REGIONAL ADMINISTRATIVE FUNCTION FOR LOCAL
INDUSTRIAL PROMOTION IN THE REPUBLIC OF CHILE**

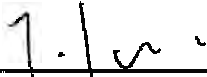
The Japan International Cooperation Agency (hereinafter referred to as "JICA") Terminal Evaluation Team (hereinafter referred to as "the Team") headed by Mrs. Toshimi KOBAYASHI had a series of meetings in Chile from November 2nd to November 12th, 2010 for the purpose of conducting Terminal Evaluation for the Project for the Enforcement of Regional Administrative Function for Local Industrial Promotion in the Republic of Chile (hereinafter referred to as "the Project") on the basis of the Record of Discussion signed October 1st, 2007.

During its stay in Republic of Chile, the Team had a series of discussions and exchanged the views to compile the Joint Terminal Evaluation Report (hereinafter referred to as "the Report") with the authorities concerned of the Government of Chile.


As a result of the discussions, both sides agreed on the matters referred to in the document attached hereto.

The minutes of meeting are written in both in English and Spanish. When difference of interpretation arises, the English version will prevail.

Santiago, November 12th, 2010



Ms. Toshimi Kobayashi
Leader, Terminal Evaluation Team
JICA



Mr. Cristóbal Leturia Infante
Sub-secretary (S)
Sub-secretary of Regional and Administrative
Development, Ministry of Interior
Republic of Chile

Witnessed by



Ms. Maria Cristina Lazo
Executive Director
Chilean International Cooperation Agency
Republic of Chile

ATTACHED DOCUMENT

1. Terminal Evaluation

Both sides jointly conducted the Terminal Evaluation from November 2nd to November 12th, 2010. As a result of the evaluation, the Report was compiled and both sides accepted. The Team observed the progress and status of the achievement of the outputs are significant.

2. Termination of the Project

Both sides agreed that the Project will be terminated successfully in December, 2010.

3. Activity Plan of the Project before completion of the Project

Both sides agreed that the project team will hold seminar to disseminate achievement, knowledge and experiences gained by the Project to reinforce the partnership among Sub-secretary of Regional and Administrative Development, Ministry of Interior (hereinafter referred to as "SUBDERE"), regional and local governments and private sector.

4. Activity plan after the completion of the Project

The Team recommended SUBDERE to take necessary measures as written in the Report to secure sustainability of the Project.

SUBDERE agreed the recommendation and explained the activity plan after the completion of the Project as below.

- SUBDERE will start to implement activities related to the Project in other regions or provinces in near future for SUBDERE considers the diffusion of the results and experiences of the Project can be very useful.
- SUBDERE will take necessary measures to sustain partnership between SUBDERE activities related to the Project and the activities being developed in four pilot areas.
- In order to improve the effectiveness of the Project, SUBDERE will coordinate and monitor ex-trainees' activities and support to establish Knowledge Community in Arauco province
- SUBDERE will keep personnel in charge of follow-up and monitoring pilot activities to sustain them and to promote these activities gradually become pilot area's own activity, which will be included in the Strategic Plan of SUBDERE. At the same time, SUBDERE will upgrade and utilize various support tools in the area and permanently revise the manuals and materials to use them continuously.

Attached document: Joint Terminal Evaluation Report

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JOINT TERMINAL EVALUATION REPORT
ON
JAPANESE TECHNICAL COOPERATION PROJECT
FOR THE ENFORCEMENT OF REGIONAL
ADMINISTRATIVE FUNCTION
FOR THE LOCAL INDUSTRIAL PROMOTION
IN THE REPUBLIC OF CHILE

Santiago, November 12th, 2010

TERMINAL EVALUATION TEAM

Japan International Cooperation Agency
and
Ministry of the Interior



MS. TOSHIMI KOBAYASHI
Leader, Terminal Evaluation Team
Japan International Cooperation Agency



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Appendix 1: Project Design Matrix

(PDM for Version 0.0, 1.0, 3.0)

Appendix 2: Plan of Operation (Version 3.0)

Appendix 3: Main Interviewees

Appendix 4: List of Trainees

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1. Overview of the Terminal Evaluation

1-1 Overview of the Project

In Chile, approximately 50% of the nation's GDP is concentrated in the metropolitan region, and the poverty rates are high in ten out of the fifteen regions¹. The government of Chile has placed an importance on modifying the regional economic unfairness, adopting policies to promote local industrialization. Meanwhile, local administration policies and programs have been implemented by the Ministry of the Interior and the governors of each region have been nominated and selected by the president of the country; Chile's political system, especially regarding the local administration, has been managed centrally. As a result, the local administration's capacity to promote local industrial development based on their respective needs has been regarded as weak.

Under these circumstances, the project "Enforcement of Regional Administrative Function for the Local Industrial Promotion in the Republic of Chile" was developed between the Japan International Cooperation Agency (JICA) and Sub-secretary of Regional and Administrative Development (SUBDERE)², for the purpose of strengthening management procedures for local industrial development. One of the principal objectives of the project is to strengthen the capacity of public officers in local governments and their counterparts working at private sectors in the pilot areas (Province of Arauco, San Antonio, Chiloé, and Region of Araucanía). The main inputs of the project were "training programs in Japan" and "operation support by Japanese long-term expert".

1-2 Members of the Joint Evaluation Team

Table 1 shows the members of the joint terminal evaluation.

Table 1: Members of the Joint Terminal Evaluation Team

Name	Title	Organization
(Japanese Side)		
Ms. Toshimi Kobayashi	Leader	Chile Office JICA
Ms. Madoka Shino	Evaluation Planning	Private Sector Development Division, Industrial Development Department, JICA
Mr. Kenichi Inazawa	Evaluation Analysis	Consultant
(Chilean Side)		

¹ At the project commencement, there were 13 regions, including the metropolitan province. However since 2008 the total number of regions has increased to 15.

² The explanation of SUBDERE is described in Section 3-5-1, "Counterpart Organization".

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Mr. Samuel Garrido	Chief of Division	Division of Policy and Studies, SUBDERE
Mrs. Yasna Pardo Carabante	Chief of International Relations Unit	Department of Regional Strengthening and Management, Division of Regional Development, SUBDERE
Ms. Karina Vargas	Professional	Department of Evaluation, SUBDERE
Mr. Ivan Mertens	Coordinator of Cooperation (Japan)	Department of Bilateral and Multilateral Cooperation, AGCI

2. Objectives and Methodology of the Terminal Evaluation

2-1 Objectives of the Terminal Evaluation

The project “Enforcement of Regional Administrative Function for the Local Industrial Promotion in the Republic of Chile” commenced in January 2008 and was scheduled to end in December 2010. Before project completion, the terminal evaluation was implemented for the following objectives;

1. To determine to what extent the planned Outputs and Project Purpose have been achieved based on the Project Design Matrix (PDM)³ and the Plan of Operation (PO)⁴;
2. To assess the implementation process of the Project;
3. To evaluate the Project based on the five evaluation criteria (Relevance, Effectiveness, Efficiency, Impact and Sustainability);
4. To clarify what must be conducted in the remaining period of the Project and make recommendations and
5. To draw lessons that would be useful for other projects in the same fields, particularly for training-related projects which are on-going or going to be able to plan.

2-2 Methodology of the Terminal Evaluation

The following methodology and procedures were adopted for the terminal evaluation.

1. Reports and documents regarding the Project were reviewed. In addition, information and data about the Project were collected to investigate how it was implemented.
2. Based on the PDM and five evaluation criteria, an evaluation grid was prepared. For the terminal evaluation, the PDM version 3.0 approved in August 2009 was used.
3. Based on the evaluation grid, the necessary information was collected from the

³ Shown in Appendix 1. The PDM has been revised three times until at the time of the terminal evaluation.

⁴ Shown in Appendix 2.

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project-related reports and documents.

4. Questionnaires were prepared based on the evaluation grid and interviews were conducted with the project-related personnel.
5. The evaluation team drew a conclusion regarding the terminal evaluation and made recommendations to the Project based on the results of information, data collection, interviews and project related documents.
6. Lessons which would be useful for the other projects in the same type of field, particularly for training-related projects that are on-going or going to be able to plan were identified

3. Achievement and Implementation Process

3-1 Inputs

3-1-1 Inputs from the Japanese Side

(1) JICA expert

Since August 2008, by seven months after the project's commencement⁵, a Japanese expert (JICA long-term expert for regional economic development and project coordination; hereinafter, "the expert") was dispatched and has been working for the Project. The expert's tasks will complete along with the termination of the project.

(2) Training Courses Held in Japan and Budget Expenses

Training courses were held during the project implementation phase. Table 2 below shows the courses and their lengths. A total of 38 Chilean trainees participated, and the other 10 trainees had opportunities to participate in the interrelated training courses which were also held in Japan (See Table 3). The participants were basically selected from the pilot provinces (San Antonio, Arauco and Chiloé) and region (Araucanía) as well as from SUBDERE headquarter.

Table 2 Training Courses in Japan and the Period and Number of Participants

Training Courses (Name of the Course)	Period	No. of Participants
APU ⁶ 2010 (Enforcement of Regional Administrative Function for the Local Industrial Promotion)	July 15 - 30, 2010	8
APU 2009 (Enforcement of Regional Administrative Function for the Local Industrial Promotion)	July 13 - August 7, 2009	8
KITA ⁷ 2009 (March) (Small and Medium	March 2 - 28, 2009	4

⁵ The recruitment of the Japanese long term expert needed more time than it had been planned.

⁶ Ritsumeikan Asia Pacific University (APU)

⁷ Regional Training Course, Kitakyushu International Techno-Cooperative Association (KITA)

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Enterprises/Local Industry Activation for South America)		
KITA 2009 (August) (Small and Medium Enterprises/Local Industry Activation for South America)	August 3 - 29, 2009	3
APU 2008 (Enforcement of the Regional Administrative Function for the Local Industrial Promotion)	July 13 - August 8, 2008	12
KITA 2008 (Small and Medium Enterprises/Local Industry Activation for South America)	March 2 - 29, 2008	3

Source: JICA documents

Table 3 Interrelated Training Courses in Japan

Training Courses (Name of the Course)	Period	No. of Participants
KITA 2010 (March) (Small and Medium Enterprises/Local Industry Activation for South America)	March 1-31, 2010	2
KITA 2010 (August) (Small and Medium Enterprises/Local Industry Activation for South America)	August 10 - 28, 2010	1
Hyogo 2010 (Promotion of Small and Medium Enterprises Based on the Local Society)	March 30 - April 24, 2010	2
Obihiro 2010 (Small and Medium Enterprise Development and Promotion for Central and South America)	January 17 - February 13, 2010	3
Chubu 2010 (Regional Economic Development Utilizing Local Resources in the Central and Southern American Countries)	February 15 - March 20, 2010	1
Innovation 2008 (Promotion and Support of New Venture for Latin America)	October 13 - December 13, 2008	1

Source: JICA documents

According to JICA documents, the budget for the project was secured and executed in three fiscal years from 2008 to 2010. In 2008, the first year of the budget was executed with approximately 36,706,000 Japanese yen and in 2009 approximately 34,533,000 Japanese yen was implemented. Then, in the final year 2010, approximately 26,759,000 Japanese yen was available for the budget. These expenses were mainly used to enable Chilean personnel to participate in the training courses held in Japan and for the dispatch of the expert.

3-1-2 Inputs from the Chilean Side

(1) Counterparts (C/Ps)

The Chilean side has assigned 11 counterparts (C/Ps) to the project. The C/Ps are mainly

consisted of those who were staff from different divisions in SUBDERE. Table 4 shows the members.

Table 4 Member of the Counterparts

1	Project Director, Chief of Regional Development Division
2	Project Manager, Chief of Regional Enforcement and Management Department
3	Project Institutional Coordinator, Coordinator of Institutional Enforcement Unit
4	General Project Coordinator, Advisor of Regional Enforcement and Management Department
5	General Project Coordinator for Araucanía, Advisor of Regional Enforcement and Management Department
6	General Project Coordinator for Arauco, Advisor of Regional Enforcement and Management Department
7	General Project Coordinator for San Antonio, Advisor of Regional Enforcement and Management Department
8	Project Coordinator for Innovation Sector, Advisor of Main Innovation Project with Support of European Union, Division of Regional Development
9	Project Advisor in the Capacity of Municipalities, Coordinator of National Municipal Capacity Program, Division of Municipalities
10	Project Systemization Coordinator, Advisor of Evaluation and Study Department, Division of Policies and Studies
11	Project Systemization Coordinator, Advisor of Evaluation and Study Department, Division of Policies and Studies

Source: Answers on questionnaire

These 11 members and JICA expert formed the project team and has been developing project activities with the SUBDERE's provincial office and Provincial Office of Productive Development (OPDP), which is in charge of coordinating the industrial development activities⁸. Additionally, in order to conduct the project, an operational unit which consisted of one department chief as a project manager and two staff from the Regional Development Division.

(2) Office Space for Japanese Long-Term Expert

An office booth at SUBDERE was prepared for the expert's use.

⁸ SUBDERE has OPDPs in San Antonio, Arauco and Chiloé provinces.

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(3) Actual Expenses by Counterpart (SUBDERE)

During the project implementation, the counterpart disbursed the expenses such as correspondence, workshops and traveling fees to visit the pilot areas, printing fees etc. Table 5 shows the actual expenses in the last three years.

Table 5 Project Expenses Disbursed by SUBDERE (2008-2010)

(Unit: Chilean Pesos)

		2008	
Trips to San Antonio	6		
- Ticket fees		5,000 x 6	30,000
- Other traveling fees		13,000x6	78,000
Trips to Arauco	2		
- Ticket fees		160,000x2	320,000
- Other traveling fees		50,000x2	100,000
Trips to Chiloé	2		
- Ticket fees		240,000x2	480,000
- Other traveling fees		50,000x2	100,000
Workshops (Trainings)	-	-	
Photocopy fees	50	15x50	750
TOTAL 2008			1,108,750
		2009	
Trips to San Antonio	9		
- Ticket fees		6,000x9	54,000
- Other traveling fees		14,000x9	126,000
Trips to Arauco	4		
- Ticket fees		212,000x4	848,000
- Other traveling fees		60,000x4	240,000
Trips to Araucanía	3		
- Ticket fees		252,000x3	756,000
- Other traveling fees		60,000x3	180,000
Trips to Chiloé	3		
- Ticket fees		282,000x3	846,000
- Other traveling fees		60,000x3	180,000
Workshops (Trainings)	7	106,000x7	742,000
Photocopy fees	2,000	18x2,000	36,000
Correspondence fee		N/A	
TOTAL 2009			4,008,000
		2010	
Trips to San Antonio	18		
- Ticket fees		6,000x18	108,000
- Other traveling fees		15,000x18	270,000
Trips to Arauco	4		
- Ticket fees		212,000x4	848,000
- Other traveling fees		60,000x4	240,000
Trips to Araucanía	2		
- Ticket fees		252,000x2	504,000

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- Other traveling fees		60,000x2	120,000
Trips to Chiloé			
- Ticket fees	4	282,000x4	1,128,000
- Other traveling fees		60,000x3	180,000
Workshops (Trainings)	5	106,000x5	530,000
Photocopy fees	6,000	22x6,000	132,000
Correspondence fee		N/A	
TOTAL 2010			4,060,000

Source: Answer on questionnaire

3-2 Outputs

3-2-1 Output 1

Output 1	Indicators	
The technical capacity of human resource is developed, with regard to the professional staff of SUBDERE and regional and local governments and private sector's representatives who work as public sector's counterpart, in the three pilot provinces and the pilot region.	1-1	Existence of the plan for the local course program and counterpart training course in Japan
	1-2	Existence of the material for human resource development
	1-3	12 local courses realized (4 territories ⁹ x 3 times)
	1-4	100 professional staff whose technical capacity related to the territorial economic development will have been reinforced
	1-5	Existence of trainees' action plan, which would mention the plan for application and the diffusion of knowledge learned

(1) Indicator 1-1: Existence of the Plan for the Local Course Program and Counterpart Training Course in Japan

With regard to the plan for local course programs, SUBDERE and OPDP have formulated three plans in different phases for the purpose of strengthening the capacity development for staff of the SUBDERE, OPDP and private sectors.

Meanwhile, the counterpart training courses in Japan have been held several times from 2008 to 2010. The first training course was held in March 2008, approximately two months after the project commencement. According to SUBDERE, the selection criteria were planned by SUBDERE, as follows;

1) To consider the condition whether the network among the trainees would be reinforced and project's impact on their communities would be produced, etc.

⁹ In the project the word "territory" is often used, which mainly indicates the pilot regions selected by the project. In fact, the word itself is translated from Spanish.

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2) To select those who have already participated in the local activities, and / or local training courses.

The actual training courses and the number of the participants are shown in Table 3. In addition, a list of trainees who participated both in Japan and in local training courses is shown in Appendix 4.

(2) Indicator 1-2: Existence of the Material for Human Resource Development

Throughout the project implementation, job manuals have been created by the project team. Table 6 below shows the manuals formulated. The manuals are mainly for public officers to improve the total quality in the workplace; however, it has also been utilized by staff in private sectors. Regarding the concept and techniques, such as “5S¹⁰” and “Kaizen¹¹”, which make the staff’s working mind and work environment change have also been introduced.

Table 6 Manuals Formulated During the Project

Territorial Economic Development
Examples and Methods about Enforcement of Regional Administrative Function for the Local Industrial Promotion

Source: JICA documents

(3) Indicator 1-3: 12 Local Courses Realized (4 territories x 3 times)

With regard to the local courses, Table 7 shows local courses held in the pilot provinces (San Antonio, Arauco and Chiloé) and the region (Araucanía). In total 12 local courses were held. In each pilot area the local courses were held three times. The objective of the local courses is to facilitate strengthening the capacity of sub-national government public officers and their direct counterparts from the private sectors in the pilot provinces and the region.

Table 7 Local Courses Realized in the Pilot Areas

Pilot Areas	First	Second	Third
San Antonio	April 1-3 & 6, 2009	November 17, 2009	August 20, 2010
Arauco	April 28, 2009	November 19, 2009	September 28, 2010
Chiloé	April 22-24, 2009	November 3-4, 2009	August 11, 2010
Araucanía	April 16-17, 2009	August 5, 2010	October 18, 2010

¹⁰ Consists of five Japanese words: Seiri (Classification), Seiton (Order), Seisou (Clean), Seiketsu (Keep Clean) and Shitsuke (Incorporate or Systematize)

¹¹ Means “continuing to improve” in Japanese

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Source: SUBDERE documents

(4) Indicator 1-4: 100 Professional Staff Whose Technical Capacity Related to the Territorial Economic Development Will Have Been Reinforced

Approximately 400 public officers and staff in private sectors¹² have participated in the local training courses so far. Not only has the expert held workshops in the pilot provinces and region as one of his tasks but the trainees who participated in the Japanese training courses (hereinafter, “the Training”) have enthusiastically engaged in diffusing their learned knowledge and experiences to their home communities as well as to SUBDERE.

(5) Indicator 1-5: Existence of Trainees’ Action Plan, Which Would Mention the Plan for Application and the Diffusion of Knowledge Learned

Each time the trainees participated in the Training, they presented action plans based on the knowledge and experiences obtained through the Training. The action plan usually focuses on the economic development in their local communities and capacity-building for public officers in public entities like SUBDERE and OPDP. With regard to monitoring the implementation status of action plans and trainee’s activities, the project team has often gathered information of the status through the OPDPs. The monitoring results may have been useful for the training plans in the following years. According to the interview with some trainees, after they returned to their offices, the knowledge and experiences they obtained were introduced inside their workplace and discussed. .

3-2-2 Output 2

Output 2	Indicators	
The pilot activities are implemented in the three pilot provinces and the pilot region, through applying the knowledge learned from the local courses and training courses in Japan.	2-1	List of the pilot activities
	2-2	Pilot activities realized
	2-3	Documents which gather the pilot experiences

(1) Indicator 2-1: List of Pilot Activities

The following list shows the activities planned in the pilot areas. Through the training participation in Japan and the implementation of local training courses in the pilot areas, various activities for regional development have been planned thus far. The OPDPs and the expert have

¹² The list of participants is shown in Appendix 4.

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basically coordinated and selected the activities, considering the status of trainees who participated in the Training, for example.

List of Planned Pilot Activities (Example):

- 1) Work improvements of organization change in the Industrial Development Department (Ancud City, Chiloé Province)
- 2) 5S Campaign (Quemchi City, Chiloé Province)
- 3) Work improvements of organization change in the Industrial Development Office (El Tabo City, San Antonio Province)
- 4) Establishment and operation of the public organization's coordination regarding the pilot OVOP (One Village One Product movement; hereinafter "OVOP")¹³ (El Quisco City, San Antonio Province)
- 5) Mutual cooperation between public and private sectors regarding the enforcement project of the agricultural productivity chain (Lautaro City, Araucanía Region)

(2) Indicator 2-2: Pilot Activities Realized

The above 1)-5) pilot activities have been realized by the Project as planned. Detailed information and results are explained at "(2) Indicator 2: Successful Examples of Territorial Economic Development and Innovation", on page 15.

(3) Indicator 2-3: Documents Which Gather the Pilot Experiences

In relation to the information of experiences and activities of the Project, the report "Examples and Methods about Enforcement of Regional Administrative Function for the Local Industrial Promotion" was written in October 2010 by the project team. The report consists of "Principal achievements of the Project regarding the enforcement of the regional economic development and administration framework"(Chapter 1), "Examples of the administration improvement regarding the programs of SUBDERE headquarter throughout the project implementation"(Chapter 2), "Examples of the administration improvement in the provincial and regional municipalities throughout the project implementation"(Chapter 3), "Examples of the municipal administration improvement and the community enforcement throughout the project implementation"(Chapter 4) and "Methods for the purpose of strengthening the administration framework adopted locally, throughout the project implementation"(Chapter 5).

¹³ Regional development campaign started in Oita Prefecture in Japan in early 1980.

3-2-3 Output 3

Output 3	Indicators	
The learned matters and methods, which permit strengthening the administration framework for territorial economic development, are systematized.	3-1	Elaborated and published documents to systematize knowledge learned and methods, which include manuals
	3-2	5 examples of developed experiences

(1) Indicator 3-1: Elaborated and Published Documents to Systematize Knowledge Learned and Methods, Which Include Manuals

The project team formulated the report "Examples and Methods about Enforcement of Regional Administrative Function for the Local Industrial Promotion", which gathered their experiences gained by the Project, in October, 2010. Also, in the report there are descriptions about how Japan's knowledge and experiences have become effective on the pilot areas. The report is going to be distributed to the OPDP, trainees who participated in the Training and municipalities, etc. Furthermore, the report will also be used in the future training course. (e.g., See 3-3 Project Purpose (1) Indicator 1: Training Program for Territorial Economic Development).

On the other hand, the Evaluation and Study Department, SUBDERE, has been elaborating another report which would systematize experiences generated by the project so as to apply them for other similar projects and/ or systems.

(2) Indicator 3-2: 5 Examples of Developed Experiences

Throughout the application of the experiences obtained by the pilot project activities, various administration frameworks have been developed and strengthened. Table 8 shows the strengthened frameworks of SUBDERE and OPDP.

Table 8 Administration Frameworks Strengthened by the Project

1	Enforcement of the OPDP's function in San Antonio Province, through the integration with the Project
2	Local innovation system, which has adopted the Japanese knowledge and recommendations
3	"Kaizen" system of the local government management, which has adopted the knowledge and findings of the Project
4	Program of capacity building for SUBDERE's local public officers, which has adopted the knowledge and recommendations of the Project
5	Chile's local system, which has adopted the knowledge and recommendations of the Project

Source: Manual by the project team "Examples and Methods about Enforcement of Regional Administrative Function for the Local Industrial Promotion"

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3-3 Project Purpose

Project Purpose	Indicators	
The framework for territorial (regional, provincial and local) economic development is strengthened in the three pilot provinces and the pilot region.	1	Existence of the training program for territorial economic development.
	2	Successful examples of territorial economic development and innovation in the three pilot provinces and the pilot region.
	3	Existence of the Job Manual diffused to SUBDERE's various divisions and the public institution located in the three pilot provinces and the pilot region.

(1) Indicator 1: Existence of the Training Program for Territorial Economic Development.

According to SUBDERE, in the near future there are more training courses planned by SUBDERE, which is related to the Project. The activities of 5S campaign and OVOP will be diffused in other provinces and regions of Chile. For example, at this moment there is an on-going plan of training program set by the Technical Cooperation Service (SERCOTEC)¹⁴ in Araucanía region. The program¹⁵ will start January 2011 mainly for public officers in the region. In addition, according to SUBDERE, the training plans which will start in 2011 are the "Program for Certificating Regional Governments (Introduction of Continuing Improvement "Kaizen")", "National Capacity Building Program for Municipalities" and "Regional Innovation Program in Chile". These programs will show the good practice of the knowledge obtained by the Project. Therefore, by increasing the training opportunities for public officers and staff in private sectors may contribute to improve economic development.

(2) Indicator 2: Successful Examples of Territorial Economic Development and Innovation in the Three Pilot Provinces and the Pilot Region.

During the project implementation, several successful activities were produced in the pilot provinces and the region. For example, based on the basic method of Kaizen, the 5S campaign were diffused and contributed to the improvement of the productivity and quality of goods and services. In addition, SUBDERE has committed that they will monitor the pilot activities even after the project completion.

In Quemchi City, Chiloé province, the 5S campaign were introduced and the local hotel,

¹⁴ It is a public support agency for small and micro-enterprises.

¹⁵ The purpose of the program is to strengthen the knowledge regarding the regional industrial development for public officers, based on the accumulated knowledge by the Project. The training period will be 12 months, and it is assumed that 60 officers in Araucanía region will participate in the program.

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restaurants, handcraft producers, vocational schools, etc involved in the movement. At this moment, the introduction of the campaign has finished and each participant (shop, restaurant owners) is starting up their own activities for the purpose of attracting more clients with particular products and plates. In addition, it can be assumed that the campaign can strengthen the coordination between the municipality and private sectors, as both public officers of Quemchi City and owners in private sectors have participated in the local training courses throughout the project and discussed economic development in the city in light of the effects of the 5S campaign.

In El Tabo City, San Antonio province, the OPDP has supported to the Industrial Development Office of the City through the campaign of Total Quality Management (TQM). The concept of Kaizen has been diffused in the city and as a result, the Office started providing technical advices for the local companies, especially micro-enterprises before they request subsidies. By this, the companies could request the subsidies with more knowledge of the procedures. Public institutions like SERCOTEC have also approved their requests and have provided subsidies since 2009 (See Table 9). Through the activities, companies could improve their planning capacities for new projects.

(3) Indicator 3: Existence of the Job Manual Diffused to SUBDERE's Various Divisions and the Public Institution Located in the Three Pilot Provinces and the Pilot Region.

During the project implementation, job manuals ("Territorial Economic Development" and "Examples and Methods about Enforcement of Regional Administrative Function for the Local Industrial Promotion") have made by the project team for public officers and staff in private sectors. It was confirmed that the manuals have been used in the pilot areas, especially when the local trainings are held and many participants use it as material of economic development since the manuals state the concept of 5S campaign and Kaizen. In SUBDERE, the manuals have also been distributed to many divisions for the purpose of improving daily works, etc.

3-4 Overall Goal

Overall Goal	Indicators	
Business activities and innovative support for MSME are promoted in underprivileged zones.	1	Increase of instruments for innovation, which will be operating in the regional, provincial and / or local territory.
	2	Increase in the support service for micro-enterprises and entrepreneurs in the regional, provincial and / or local territory.
	3	Increase in the public and private investment managed by agencies

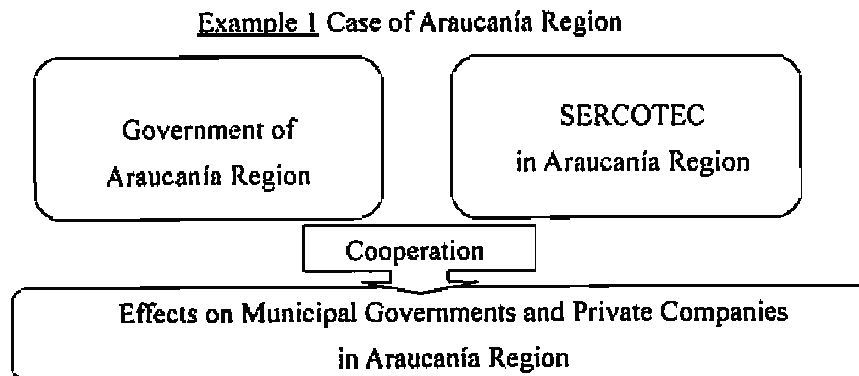
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		relevant to the regional, provincial and /or local territory.
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The Overall Goal is a mid-term or long-term objective that is expected to be achieved three to five years after the project completion.

(1) Indicator 1: Increase of Instruments¹⁶ for Innovation, Which Will be Operating in the Regional, Provincial and / or Local Territory.

Through activities for accomplishing the project objective defined by the PDM, several administrative frameworks have been created, which have also provided supports for business activities and innovations for the purpose of promoting regional economic development. The following figures explain the created examples of the Project:



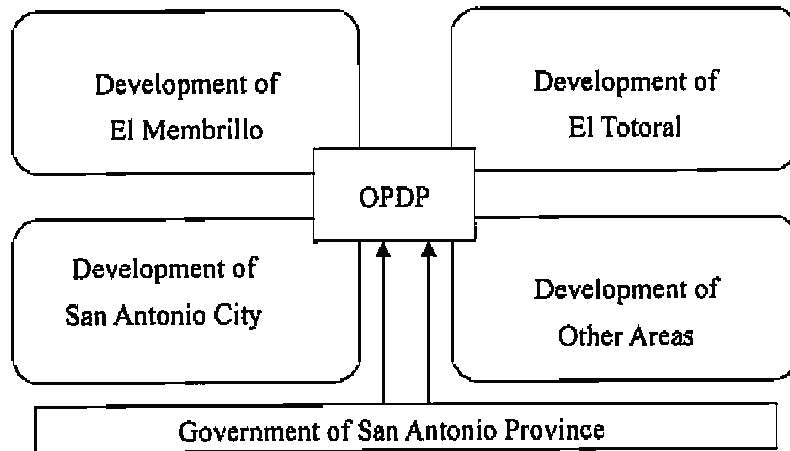
Example 1: Case of Araucanía Region

Cooperating with the regional government, the regional office of SERCOTEC in Araucanía has contributed to promote the economic development, making use of the knowledge gained by the Project. As a result, it is assumed that the administrative services contributing to improve the public and private sectors will be continuously secured.

¹⁶ The word "Instruments" is often used, to express program, system scheme of technical and / or financial assistance, in Chilean industry promotion entities.

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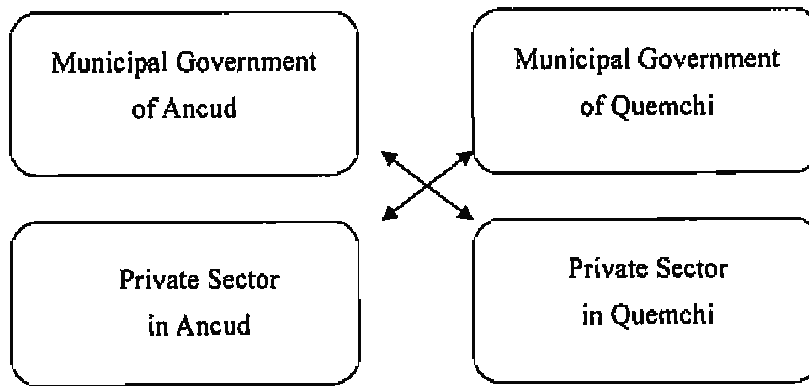
Example 2 Case of San Antonio Province (OVOP Campaign)



Example 2: Case of San Antonio Province (OVOP Campaign)

The administrative improvements will be achieved by OPDP that links the OVOP movement with the development projects of each municipality. In this case, the government of San Antonio Province supports the OPDP.

Example 3 Case of Chiloé Province (Magic Incubator Plan)



Example 3: Case of Chiloé Province (Magic Incubator Plan)

Under the leadership of the municipal government of Ancud, both public and private sectors in Ancud and Quemchi City have been collaborating each other and promoting the multiplier effects on the administration and private sectors.

According to SUBDERE, these enforced and developed administration models contribute to the project sustainability. In particular as for the indicators of overall goal, these models help to secure the nation's governance

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(2) Indicator 2: Increase in the Support Service for Micro-enterprises and Entrepreneurs in the Regional, Provincial and / or Local Territory

Throughout the project implementation, various support services for micro-enterprises and entrepreneurs in the pilot areas have been produced. As described earlier, the companies in El Tabo City, San Antonio province enabled themselves to request the subsidies with more knowledge of the procedures, and public entities like SERCOTEC has also approved their requests and provided subsidies since 2009 (See Table 9). This is an example of support service realized for the small-scale companies.

(3) Indicator 3: Increase in the Public and Private Investment Managed by Agencies Relevant to the Regional, Provincial and /or Local Territory

Public and private investment in the pilot areas has increased so far. As described earlier, in El Tabo City, San Antonio province, before the companies request subsidies to public entities, the municipal government provides various technical advices. By this method, especially micro-enterprises could improve their planning capacities for new projects. As a result, the amount of subsidies which SERCOTEC and Social Investment Fund (FOSIS) approve has increased greatly. It is very probable that if the financial support in the area increases, the local companies will feel like to invest more. Table 9 shows the amount of subsidies received from SERCOTEC and FOSIS to the small-scale companies in El Tabo City in 2009.

Table 9 Amount of Subsidies to Small-scale Companies in El Tabo City in 2009

(Unit: Chilean Pesos)

Public Entities which Provide Subsidies	Amount of Subsidies which Small-scale Companies Received
SERCOTEC	30,285,000
FOSIS	3,471,684
(Total)	33,756,684

Source: JICA documents

In fact, there were no subsidies provided to the local companies in 2008, however as shown in Table 9, the total amount has increased greatly. In general, the more subsidies increase the more private investment will increase. Therefore, it can be assumed that the pilot areas including El Tabo City will also be able to increase the private investment.

3-5 Implementation Process

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3-5-1 Counterpart Organization

The counterpart organization of the Project, SUBDERE, is an undersecretary of the Ministry of the Interior. The organization is mainly in charge of regional development and administration. The staff's roles are provision of the budget and technical support for regional and municipal governments, promotion of the decentralization of local administrations, and supervision of these governments. OPDP is in charge of following-up and monitoring the trainees' activities. Also, it is a core unit to implement the pilot activities.

It is important to mention that from the beginning of the project commencement to the present, four sub-secretaries have changed, in addition to facing with some other changes of executive directors and professional staff in OPDP. However, the status of the Project have been well maintained and been stable, since the project team has tackled difficulties with solid management.

3-5-2 Implementation Process of the Project

The following figure explains the implementation process of the Project. The process has focused on formulating a systematized framework in regional economic development. The framework has aimed to strengthen the administrative system, considering the mutual effects in each phase shown in the figure below. In other words, in order to improve the administrative quality, it is important for SUBDERE, provincial and regional governments, municipal governments and community activities to systematize the administration and complement the mutual relationships, since the project purpose has aimed to strengthen the administration framework regarding the regional economic development and has involved in a number of different public entities.

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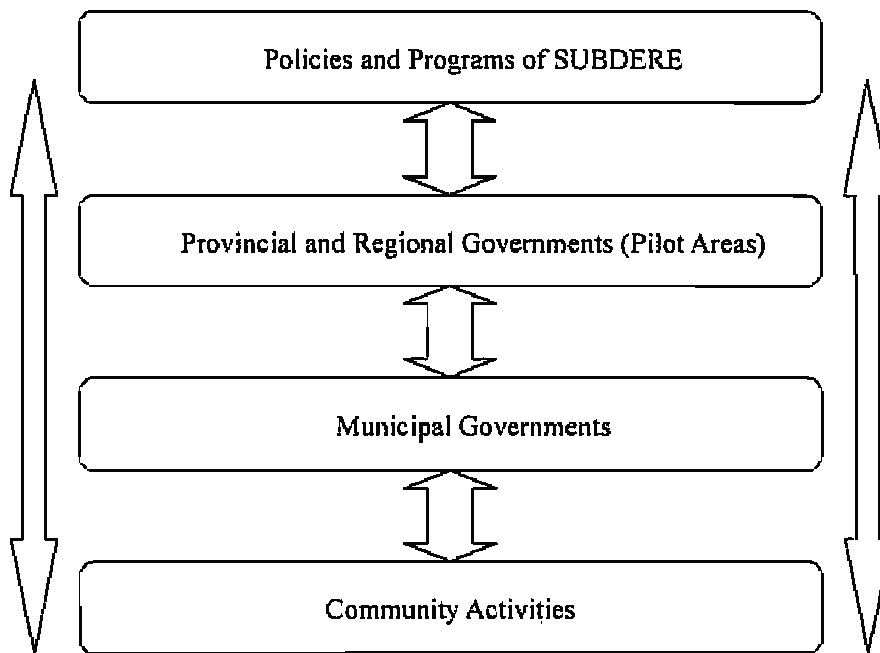


Figure 1 Implementation Process (Administration Framework)

3-5-3 Project Management Based on PDM and PO

The Project has been managed based on the PDM and PO. The concept of the PDM and PO has been shared between the Japanese and Chilean sides.

The PDM has been modified twice since the first version (version 0.0) was formulated in October 2007. There are three modified PDM such as version 0.0, 1.0 and 3.0. Each time PDM was modified, some of the sentences and expressions, etc became more specific (See Appendix 1).

In version 3.0 (the current version) formulated in August 2009, one more pilot area, Araucanía region, was added. The main reason is that trainees who participated in the Training had already produced the effective activities in the region based on their learned knowledge and experiences and positively coordinated with the Project. As for another reason, the governor of the region also requested to join in the pilot activity and the Project approved the participation of Araucanía region.

3-5-4 Communication between the Japanese and Chilean Sides

According to SUBDERE and the expert, no major problems have been observed with regard to their communication level during the project implementation. The communication level has been very close in order to implement the Project. Especially, after the expert came to work for the Project at SUBDERE in August 2008, communication between JICA and SUBDERE

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became more smooth and efficient. For example, according to SUBDERE, the selection of trainees participating in the Training became more reasonable in terms of the precise personnel with practical purposes. Additionally, the expert has submitted a weekly report to the project related personnel so far. The report contains a number of useful examples for regional economic development, mainly related to the training program in Japan. It helped Chilean sides to understand expert's activity and contributed to unify the contents of the training program in Japan and project activity in Chile. Therefore, it is considered that the communication level is high between both sides.

3-5-5 Communication between the National and Regional (Provinces, Regions, etc) Sides

No major problems have been observed with regard to the communication level between the national side (SUBDERE) and regions and provinces (San Antonio, Chiloé, Arauco provinces and Araucanía region). For example, SUBDERE staff¹⁷ visited the pilot areas when the local training courses held and monitored the activities. In addition, the expert who has belonged to SUBDERE has been a facilitator for the local training courses and often followed up the participants' activities in the pilot areas. Therefore, it can be assumed that communication between the national and provincial sides is secured.

3-5-6 Coordination among Knowledge Communities

Supported by SUBDERE headquarter (including the expert's advices) and OPDP in the pilot provinces, the trainees participated in the Training have formed "Knowledge Communities" after they returned their workplaces. The community aims to share their knowledge and experiences and promote various activities (coordinating activities) in the provincial and regional levels. The activities include:

- 1) 5S Campaigns and OVOP in San Antonio Province
- 2) Magic Incubator Plan in Chiloé Province
- 3) Training for Public Officers of Regional and Municipal Governments in Araucanía Region

Knowledge Communities have a function to share knowledge and experiences obtained by the trainees participated in the Training, to diffuse them to local communities, and to be a core unit implementing the local training programs. For example, in case of 1) San Antonio province, the concept of 5S campaign have also diffused to other people in the province, attracting more participation. In case of 3) Araucanía Region, the Community has become the core organization to implement future training programs for public officers, introducing the Japanese knowledge and experiences. The activities have been led by the ex-trainees.

¹⁷ Staff for each pilot area have been allocated.

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Therefore, the project effects have been produced efficiently, taking both the function itself of Knowledge Communities and Japanese knowledge and experiences into consideration.

4. Evaluation Results based on the Five Evaluation Criteria

4-1 Relevance

Relevance examines whether project objectives, overall goals, and project scope were/are in line with the priority needs and concerns of the recipient country at the time of the project commencement as well as the terminal evaluation. This criterion will focus on the recipient country's development policy/plan, the needs of beneficiaries, and the donor's policy.

At the project commencement, the Government of Chile set a principal development issue regarding the correction of regional disparities and aimed to boost the economic activities through the growth of the local industries based on the decentralization along with the actual economy and society of each region. Also, the government established the industrial development office in the three provinces, called OPDP, and responded the high poverty rate as well as the low development in those regions. The three OPDPs have been set under the control of SUBDERE. Therefore, consistency of policies and measures both at the time of the project commencement and the terminal evaluation can be recognized, since the Project aimed to strengthen the system of the administrative framework regarding the regional economic development, especially for SUBDERE and the OPDPs.

Throughout the various activities such as capacity development and local trainings, the Project has promoted to strengthen the system of the administrative framework regarding the regional economic development. For example, in San Antonio province, one of the pilot areas of the Project, OPDP has been promoting the regional economic development by the personnel coordination among several public and private entities. In Chiloé province, the OPDP has been focusing on creating work opportunities, etc. Therefore, it can be judged that there is consistency between both the strategy of the provinces and the project purpose of the Project.

In addition, "Use of Experience and Knowledge of Japan" was set as one of the basic policies in the Japan's Official Development Assistance (ODA) Charter. The Project is consistent with the relevant principles, such as "Correction of disparities on the Society" and "Development of Trade and Investment Environment", which have been set as significant aid program areas to Chile. Therefore, the Project is also relevant to Japan's foreign aid policy.

Thus, the Project has been highly relevant with Chile's development plan and development needs, as well as to Japan's ODA policy; therefore, its relevance is considered high.

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