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ARGENTINA

DEVELOPMENT OF CREATIVE ENTREPRENEURS IN MENDOZA

(AR-T1209)

DONORS MEMORANDUM

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PROJECT SUMMARY
DEVELOPMENT OF CREATIVE ENTREPRENEURS IN MENDOZA
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The province of Mendoza faces the challenge of diversifying its production model by increasing the participation of knowledge-intensive sectors and therein lies the potential of the creative and audiovisual industry, which makes extensive use of (mainly digital) technology and innovation. The industry spans film, television, advertising, sound editing, video games, virtual reality, augmented reality, websites, and design, among other subsectors.

The main challenges identified for the industry today include: (a) expanding the local supply chain; (b) gaining a greater understanding of global demand and the international regulations affecting the industry; (c) securing financing and investments for creative projects; (d) diversifying markets by integrating traditional industries; (e) professionalizing the management of creative ventures; and (f) developing the industry's identity and recognizing its potential to contribute to the economy.

The objective of this project is to strengthen the cluster of audiovisual firms in Mendoza by increasing their participation in local and international markets. Three years after execution, this project is expected to have helped strengthen the creative ecosystem in the province. Some of the most important areas for strengthening the audiovisual cluster and creative ecosystem include: (a) making smart use of information to expand the supply of audiovisual goods and services and align it with local and international demand; (b) strengthening the managerial and creative capacity of creative entrepreneurs; (c) bringing international best practices to the local academic community to drive firms, entrepreneurs, and workers towards the innovation frontier; (d) using incentives (vouchers) to reduce entrepreneurial risk at the early stages, promote innovation (supply-side vouchers), and stimulate demand for creative goods and services among traditional industries (demand-side vouchers); and (e) promoting investment and financing for the industry.

At completion, the project is expected to have directly benefited 60 existing firms and 150 creative entrepreneurs who will receive technical assistance and/or tutorials to develop at least 850 audiovisual projects, which will also be supported by tutoring and guidance. A further 1,850 people will benefit from activities to strengthen their technical skills and make them more employable. At least 300 new creative projects are expected to enter the foreign and domestic market, and at least 35 of the 60 firms strengthened will enter new markets.

Film Andes will contract [Nesta](#) for US\$50,000, drawn from the MIF contribution, to carry out activities to train entrepreneurs and design the curriculum for trainer training. Nesta is also identified as a service provider in the framework of the technical cooperation project "Promoting Creativity and Innovation in Latin America and the Caribbean" (RG-T2959), an arrangement that will facilitate coordination between the two operations.

ANNEXES

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AVAILABLE IN THE TECHNICAL DOCUMENTS SECTION OF MIF PROJECT INFORMATION SYSTEM

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ABBREVIATIONS

CSP II	MSME Competitiveness Support Program – IDB loan 2923/OC-AR
CTI	Competitiveness, Technology, and Innovation Division
INCAA	Instituto Nacional de Cine y Artes Visuales [Argentine National Institute of Cinema and Audiovisual Arts]
MIF	Multilateral Investment Fund
MSME	Micro, small, and medium-sized enterprises
PSR	Project status report
UNESCO	United Nations Educational, Scientific and Cultural Organization

EXECUTIVE SUMMARY
DEVELOPMENT OF CREATIVE ENTREPRENEURS IN MENDOZA
(AR-T1209)

Country and geographic location:	Argentina. The project will be executed in the Cuyo region, but firms nationwide will be able to benefit.		
Executing agency:	Asociación Civil Film Andes		
Focus area:	Knowledge economy		
Coordination with other donors/Bank operations:	The project will be coordinated with the IDB's Competitiveness, Technology, and Innovation Division (CTI) within the framework of its strategy to promote and support creative industries and will coordinate actions with that division's technical cooperation project "Promoting Creativity and Innovation in Latin America and the Caribbean" (RG-T2959).		
Project beneficiaries:	The project's direct beneficiaries are: (i) at least 60 firms strengthened through technical assistance and/or tutoring; (ii) 150 creative entrepreneurs trained; (iii) 850 audiovisual projects that receive expert guidance; (iii) 1,850 people trained; (iv) the network of universities in Mendoza, as a result of gaining access to better international working experiences with the creative industry; and (v) a reinforced creative ecosystem in Mendoza.		
Financing:	Nonreimbursable technical-cooperation funding:	US\$950,000	50%
	Other MIF financing:	US\$0	
	Total MIF contribution:	US\$950,000	50%
	Counterpart contribution:	US\$950,000	50%
	Total project budget:	US\$1,900,000	100%
Execution and disbursement period:	36 months for execution and 42 months for disbursement.		
Special contractual conditions:	The conditions precedent to the first disbursement of nonreimbursable funding are as follows: (a) appointment of a project coordinator; (b) letters of agreement with universities for participation in the project; and (c) a letter from the provincial government expressing technical and economic support for the project.		
Environmental and social impact review:	This operation was screened and classified pursuant to the IDB's Environment and Safeguards Compliance Policy (OP-703) on 19 December 2017. Given the limited impacts and risks, the proposed classification for the project is as a category "C" operation.		
Unit with disbursement responsibility:	MIF/CAR		

I. THE PROBLEM

A. Description of the problem

- 1.1 Creative and cultural industries, or the “creative economy”,¹ have gained worldwide relevance as a result of their contribution to the economic growth of countries through value creation, productive linkages, job creation, and the catalyzing effect of innovation. UNESCO’s [Creative Economy Report](#) (2013) estimates that in Argentina the industry accounts for 4% of GDP, having grown at a steady 8% over the 2003-2011 period and created jobs for more than half a million people. The Argentine government has launched various efforts to promote the development of local creative ecosystems that facilitate entrepreneurship, innovation, and local development.
- 1.2 Historically, Buenos Aires has distinguished itself as the city with the greatest cultural and creative tradition in the country. In the country’s other regions, despite the strong potential and recognized talent of thousands of small and medium-sized producers and entrepreneurs, there are still large gaps that prevent them from developing their full potential. Ranking fourth in terms of the concentration of jobs in the industry (3% of industry employment nationwide), the province of Mendoza finds itself in such a situation.
- 1.3 Within the framework of the MSME Competitiveness Support Program (CSP II) (IDB loan 2923/OC-AR), a robust initiative is under way to support the audiovisual cluster in the province of Mendoza with a view to benefitting the audiovisual industry as a whole. Organized under the umbrella of the Film Andes organization, the audiovisual cluster currently comprises 26 firms and 12 academic organizations (including seven universities with which agreements were signed), professionals, and research centers that support the sector. Only two years old, it is still a young cluster that needs to be expanded and strengthened.
- 1.4 Based on the work carried out with the support of CSP II, [the sector was mapped](#) and found to comprise approximately 150 micro, small, and medium-sized enterprises (MSMEs) that directly employ hundreds of professionals and technicians in the following activities: (a) development of audiovisual content for film, television, advertising, video games, virtual reality, augmented reality, websites, design, etc.; and the (b) provision of services associated with these productions, such as script development, legal advisory, sound editing, photography, casting, set design, the sale and rental of filming equipment, and postproduction services. The vast majority of firms consist of one to five employees and hire temporary workers for productions. The mapping exercise made it possible to identify the services that comprise the value chain (most of which are contracted outside the province), the employee training needs (management and technical), and the demand for jobs by area of specialization.
- 1.5 The sector’s main limitations have been identified as: (a) the sector is small at the provincial level and lacks local supply chains; (b) access to foreign markets is hampered by a lack of information on the global demand driving the market and a scant awareness of international regulations; (c) financing and investment in

¹ Group of linked activities through which ideas are transformed into cultural goods and services whose value is determined by their intellectual property content (IDB, 2017).

creative projects is scarce; (d) these projects are poorly integrated with traditional industries; and (e) there is a low level of professionalism, especially in areas of creative enterprise management, and an insufficient supply of skilled workers for the industry. In addition, the industry lacks its own brand, is poorly developed, and has little understanding of its economic potential and its own weaknesses.

- 1.6 Based on the information generated, the audiovisual cluster, working in cooperation with the provincial authorities, designed a strategic plan to develop the industry, which was aimed at positioning the province of Mendoza as a hub for the creative and audiovisual industry. This requires further efforts to assemble an ecosystem, fostering the proper development of infrastructures and investments, as well as partnerships that improve conditions for: (i) access to financing; (ii) strengthening and training of entrepreneurs to develop the industry's value chains and integrate them with more traditional sectors (cluster); (iii) the generation of data and market intelligence and industry knowledge; (iv) participation in domestic and international markets. From the public sector, the Mendoza government is taking programmatic and policy measures to shore up the industry and turn it into a significant industry in Mendoza's production model. At the provincial level, Law 8,546/2013 created the Mendoza Film Commission to promote the province as a destination and location for audiovisual productions. The draft legislation entitled "Regime for the promotion and development of the audiovisual industry,"² which has obtained partial approval, provides for: (a) tax benefits for the industry; (b) the creation of a financial trust to set up a guarantee fund to finance audiovisual projects, which may be further appropriated with other contributions from Argentine (including INCAA) and/or international bodies; and (c) a solidarity fund earmarked to subsidize the generation and/or development of creative projects. The provincial government's Ministry of Economy, Infrastructure, and Energy is particularly important as the public agency in charge of promoting the sector since, once the draft law is enacted, the Ministry would be in charge of the Mendoza Film Commission, and its Office of the Deputy Secretary for Industry and Commerce would be the authority applying the regime for the promotion and development of the audiovisual industry. At the municipal level, there are several projects at Unicipio de Mendoza³ to establish a Creative District. All these measures complement other actions that the private sector may take to solve the problems identified and promote its own growth.
- 1.7 Starting two years ago, the business sector launched efforts through Film Andes to promote: (a) the development of an artistic-cultural district with private investments (the so-called "audiovisual hub"); (b) engagement with universities to strengthen creative competences (in areas such as video games, design,

² For the purposes of the law, the audiovisual industry includes: (a) the production of all manner of audiovisual content, including short, medium-length, and feature films, documentaries, as well as advertising, television, animation and video game productions, irrespective of the system used for recording, storage, support, broadcast, and/or distribution; (b) the provision of audiovisual and related production services for the purposes set forth in section a; and (c) the postproduction of material resulting from the filming or recording of image and sound, irrespective of the system used for recording, storage, support, or broadcast.

³ Unicipio is an interjurisdictional body designed to jointly address the main socio-environmental issues of the Mendoza metropolitan area, taking a comprehensive view of the development process. It encompasses the municipios of Luján de Cuyo, Maipú, Godoy Cruz, Guaymallén, Mendoza, Las Heras, and Lavalle.

advertising, and film direction); and (c) advisory services for creative entrepreneurs through the main foreign leaders in the audiovisual industry to ensure that more of them reach the global market. However, these efforts are not enough. A fully fledged and innovative working methodology and vision is needed for the industry to increase its participation in the provincial economy in terms of both products and the number of entrepreneurs, integrating with the traditional sectors of Mendoza's economy and gaining access to new domestic and international markets.

B. Beneficiaries

- 1.8 The province's creative ecosystem will be the main beneficiary as creative firms in the audiovisual sector are strengthened to successfully respond to the global demand of the creative and traditional industries. Specifically, the project will directly benefit 60 existing firms and 150 creative entrepreneurs who will receive technical assistance and/or tutorials to develop at least 850 new audiovisual projects rich in digital content, which will also be supported by tutoring and guidance. A further 1,850 people benefit from activities to strengthen their technical skills so they can work in the sector. At least 300 new creative projects are expected to enter the foreign and domestic market, and at least 35 of the 60 firms strengthened will enter new markets.
- 1.9 Indirect beneficiaries include: (a) the Mendoza government, which will have a methodology in place for strengthening the industry so as to accelerate and enhance the results of the policies aimed at diversifying the province's production model by including the creative industry; (b) the academic sector, which will have at its disposal information on demand trends, innovations in the industry and new technologies, and access to the best international practices relating to creative entrepreneur training; and (c) 40 firms from traditional industries that have not yet discovered the value that can be added to their processes by incorporating the goods and services offered by the creative industries, including design, virtual reality, and new ways of interacting with demand.

II. THE INNOVATION PROPOSAL

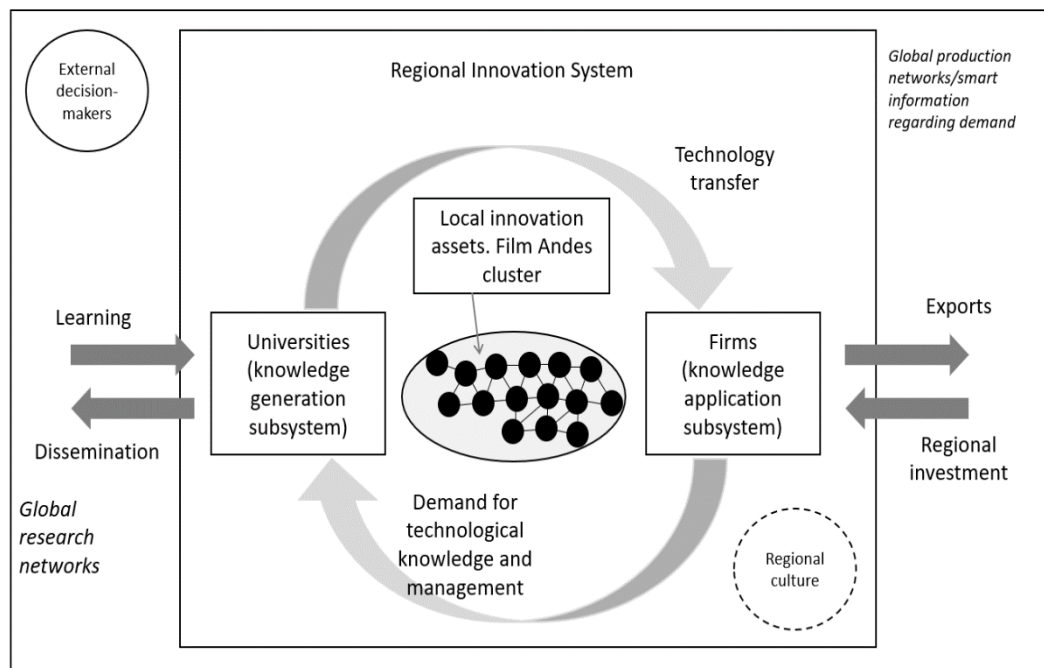
A. Project description

- 2.1 The general objective of the project is to strengthen Mendoza's cluster of audiovisual firms⁴ to incorporate high levels of creativity, use of (mainly digital) technology, and innovation, thereby increasing their participation in the markets. Three years after execution, this project is expected to have helped strengthen the creative ecosystem in the province, with an international orientation.
- 2.2 To achieve the proposed objective (strengthening the ecosystem), the project will work by coordinating important actors in the public and private sectors and will consolidate the achievements attained under CSP II. These actors include the national, provincial, and municipal governments, the academic sector, and the private sector that makes up the audiovisual cluster. The model will be

⁴ The audiovisual industry spans film, television, advertising, music, video games, virtual reality, augmented reality, web pages, and design, among others.

geographically targeted, as it is linked to the creation of the audiovisual hub in Unicipio de Mendoza.

- 2.3 Some of the most important areas for strengthening the audiovisual cluster and creative ecosystem include: (a) making smart use of information to expand the supply of audiovisual goods and services and align it with local and international demand; (b) strengthening the managerial and creative capacity of creative entrepreneurs; (c) bringing international best practices to the local academic community to drive firms, entrepreneurs, and workers towards the innovation frontier; (d) using incentives (vouchers) to reduce entrepreneurial risk at the early stages, promote innovation (supply-side vouchers); (e) using incentives to stimulate demand for creative goods and services among traditional industries (demand-side vouchers); and (f) promoting investment and financing for the industry.



Prepared by the authors based on the NESTA presentation, "Mapping creativity: a summary of NESTA's work" (Buenos Aires, June 2016).

- 2.4 **Innovation.** Notable among the innovative features of this model that are to be supported are the incorporation into the creative chain of new technologies, such as virtual reality, augmented reality, and artificial intelligence; the incorporation of sustainable development practices; the ongoing adaptation to distribution platforms; and the development of innovative channels to obtain and generate market information. Innovative methods and best international practices will also be implemented to train creative entrepreneurs, which will be particularly geared towards the industry.

Component I: Smart information for market positioning (MIF: US\$185,000. Local counterpart: US\$169,000)

- 2.5 The purpose of this component is to develop new mechanisms to meet demand, modifying the traditional way of generating and marketing projects (“supply driven”). To this end, the project will develop mechanisms for generating strategic information so that projects are designed on the basis of existing demand (“demand driven”).
- 2.6 The industry’s characteristics (intensive, creative, and highly dynamic knowledge) make it possible to link the projects’ early-stage production and/or commercial activity with producers, co-producers, and/or funders. Taking this into account, and with a view to improving product placement, this project will develop tools to provide a broad understanding of consumer trends by product and by market, identify key actors and organizations for marketing (showrunners, publishers, etc.), and keep abreast of advertising spaces and the different characteristics thereof (e.g. film festivals by theme, videogame fairs by target market, etc.). Creative entrepreneurs will also find support on issues relating to intellectual property and the production/commercial relationship at the national and international levels so as to improve their negotiation and financing abilities.
- 2.7 To achieve this objective, the following activities will be performed in coordination with the local academic sector: (a) further elaboration of the mapping exercise conducted during the CSP, through a diagnostic assessment of the creative ecosystem in Mendoza, including Mendoza’s various creative subsectors (video games, audiovisual, virtual and augmented reality, design, etc.) and the main actors involved (academic, financial, governmental); (b) studies complementing those carried out as part of the CSP support regarding consumer trends in different subsectors in foreign markets, using big data and other tools to monitor changes in this highly dynamic sector; (c) study on consumer trends in the national and regional markets; (d) conferences by leading international experts for the various subsectors regarding demand trends; (e) the organization of at least two international events analyzing trends in the creative industries (similar to Mediamorfosis⁵); and (f) the development of guides and studies relating to intellectual property rights in the various subsectors. Based on these activities, the academic sector will gain further resources and information to help strengthen creative entrepreneurs as they move towards the innovation frontier.
- 2.8 As part of the strategic information, within the framework of this component a program monitoring system will be developed to record the effects that this cluster support model has on Mendoza’s creative ecosystem and on the provincial economy. The indicators included in the monitoring system will take into account the indicators proposed in the framework of Bank operation RG-T2959, which will be taken as the benchmark for the final external evaluation.

⁵ These are special multiplatform spaces throughout Latin America to analyze and produce transformations in content in line with media evolution. www.mediamorfosis.net.

Component II. Strengthening of the creative supply chain (MIF: US\$158,000. Local counterpart: US\$356,400)

- 2.9 The various subsegments of firms/entrepreneurs/employees that make up the creative supply chain will be strengthened through this component. For this purpose, an innovative training and assistance model will be designed based on the degree of development/competencies of the industry's firms and entrepreneurs.
- 2.10 This strengthening model will have a modular structure that makes it possible to build a training path based on the needs of the entrepreneur/enterprise and on the need to grow the sector with more firms and employees. To this end, the recipients of the strengthening actions are grouped as follows:
- a. **Firms with a track record** and presence in the marketplace, in order to improve audiovisual projects and the resulting creative products and sell them on domestic and international markets. These firms will either be members of the cluster or be incorporated into it over the life of the project.
 - b. **Entrepreneurs and/or firms at early stages**, with the aim of strengthening their management capacity as creative firms, their products, and their market positioning.
 - c. **Employees** seeking to become more employable (technical and soft skills) to join firms in the industry or launch their own ventures in areas such as videos, audiovisual content on mobile devices, video games, food design, props, and lighting/electricity.
- 2.11 The strengthening activities will be coordinated by Film Andes in conjunction with the network of universities and other training institutions in the province. The curriculum for the Mendoza cluster will be designed based on the review of the training curriculum for creative entrepreneurs in Latin America carried out within the framework of Bank operation RG-T2959.
- 2.12 The activities to strengthen **firms with a track record** include: (a) special seminars by Argentine and international experts; and (b) tutorials by international experts to provide guidance for creative projects that will be marketed abroad. It is expected that at least 60 firms will benefit and at least 400 creative projects will receive tutoring.
- 2.13 As regards training for **early-stage entrepreneurs and firms**, the following actions are envisaged: (a) adapt the best international practices in entrepreneur training curriculum to the local context (considering institutional leaders such as NESTA); (b) strengthen the network of universities so that they can train entrepreneurs through trainer training programs; (c) develop innovative training tools (applications); (d) train creative entrepreneurs in business planning, management, production, marketing, and intellectual property; (e) tutor creative entrepreneurs' projects through cluster members; and (f) hold special seminars to make early-stage entrepreneurs and firms aware of good international practices. It is expected that 150 creative entrepreneurs will be strengthened and at least 450 creative projects will receive tutoring.
- 2.14 Lastly, in order to enhance the employability of **workers** in the industry and taking the diagnostic assessments by subsector as the basis, training will be delivered for producing videos and audiovisual content on mobile devices, video games,

food design, props, lighting/electricity, etc. by the network of universities and Film Andes in coordination with the Argentine Ministry of Social Development and the provincial government through “Casas del Futuro” or similar initiatives.⁶

- 2.15 In partnership with bar and notary associations, local lawyers and clerks will receive special training on topics relating to the intellectual property rights of the creative industries, so as to ensure that there are local resources who have been trained in this field.

Component III: Financing for creative projects and marketing (MIF: US\$430,000. Local counterpart: US\$381,000)

- 2.16 The objective of this component is to drive innovation and improve products, services, processes, and/or marketing methods with scalable potential through collaborative projects. To this end, innovative financial support instruments will be introduced and piloted to stimulate creative firms. The instruments to evaluate for the cluster will be vouchers (also known as creative grants or credits), which are effective at increasing innovation rates and sales at firms. Two types of voucher will be implemented: (a) demand-driven vouchers, which will encourage cooperation between creative firms and firms or institutions from more traditional sectors seeking to improve the design and/or testing of their products, marketing methods through digital or other marketing, etc.; and (b) innovation supply-driven vouchers to support creative industry firms in developing new products and the related technical/market validation. Additional funding for supply-driven vouchers will come under the draft legislation entitled “Regime for the promotion and development of the audiovisual industry” which is currently being prepared.
- 2.17 For both types of voucher, an extensive call for proposals will be issued. The proposals will be evaluated by a committee in which members of Film Andes, government officials, academics, and other industry leaders will participate. Prior to launch of the first call, the makeup of the committee and fund-allocation criteria will be submitted to the Bank for consideration. Preliminarily, the following selection criteria have been identified:
- a. Demand-driven vouchers: These vouchers will be awarded to firms in sectors other than the audiovisual sector in order to promote the integration of these sectors. Value will be placed on the degree of innovation of the product/service for the beneficiary firm (demand), productive integration, sustainability, and growth potential of the collaboration. Financing will be provided for activities such as product/service differentiation, the improvement of products/services, the development and testing of concepts or prototypes, knowledge transfer, continuity of services between firms, etc. The voucher will cover up to 50% of the cost of the benefit to be financed or up to a maximum of US\$5,000, whichever is less. The beneficiary firm’s counterpart contribution will be made in cash, and compliance with the *pari passu* requirements for contributions will be a condition for disbursement of the voucher funds.
 - b. Supply-driven vouchers: These vouchers will be awarded to firms in the audiovisual sector in order to promote product innovation; the alignment of the project with demand; analysis of technical feasibility; cooperation/integration

⁶ <http://www.desarrollosocial.gob.ar/soyjoven>.

with other firms and other industries. Having participated in the program's training modules and partnering with other entrepreneurs will be looked on positively. Financing will be provided for activities that make the commercial presentation of projects more robust, such as engaging consulting and technical services, technical personnel, concept testing, materials, and inputs. The voucher will cover up to 70% of the cost of the project to be developed or up to a maximum of US\$7,500, whichever is less. The beneficiary firm's counterpart contribution will be made in cash, and compliance with the *pari passu* requirements for contributions will be a condition for disbursement of the voucher funds.

- 2.18 In addition to the vouchers, studies will be conducted to identify alternative financing instruments (trusts, guarantee funds, crowdfunding, etc.), and workshops will be held with investors and financial institutions to promote them. Efforts will be made to promote the use of the guarantee fund created through the regime for the promotion and development of the audiovisual industry, which is currently endowed with approximately US\$800,000 to support lending to the industry. Additional funding (e.g. from INCAA) will also be sought.
- 2.19 Various activities will be carried out to attract investment to the audiovisual sector, such as investor rounds. Support will also be provided for entrepreneurs to participate in marketing roadshows.
- 2.20 As a result of this component, it is expected that at least 40 traditional firms and 40 creative firms will benefit from innovative financing instruments and that all cluster members will be able to participate in marketing activities both in Argentina and abroad. It is also expected that financing will be provided to at least 20 creative entrepreneurs through public and private funds and the aforementioned guarantee funds.

B. Project results, measurement, monitoring, and evaluation

- 2.21 At project completion, measured against a baseline set at startup, it is expected that 50% of the firms in the audiovisual cluster will have increased their annual billings by at least 20% and will have each generated three new jobs on average, and 50% of firms will have entered foreign markets.
- 2.22 Monitoring and evaluation: A final external evaluation will be carried out with resources from the MIF contribution for the purpose of answering the following questions:
- Has the segment-based methodology for strengthening helped to strengthen the audiovisual cluster? Can the project's results contribute to diversifying the production model in the province of Mendoza?
 - Have the collaborative projects generated between the audiovisual industry and firms from traditional sectors been maintained over time?
 - Were innovations generated in the industry?

III. ALIGNMENT WITH THE IDB GROUP, SCALABILITY, AND PROJECT RISKS

A. Alignment with the IDB Group

- 3.1 The project is aligned with the IDB Group's country strategy with Argentina, especially with the private sector's insertion into global value chains through the development of business services to boost innovation and business development in export areas.
- 3.2 Throughout project execution, efforts will be made to coordinate with the Competitiveness, Technology, and Innovation Division (CTI) to carry out joint activities within the framework of the technical-cooperation project for "Promoting Creativity and Innovation in Latin America and the Caribbean" (RG-T2959). Planned activities include: (a) strengthening the Mendoza government to contribute to this operation's objective; (b) training talent, using Mendoza as a pilot plan and complementing efforts to adapt the entrepreneur training curriculum (component 2 of this operation); and (c) including the pertinent indicators from the RG-T2959 statistical information system in the MIF project evaluation system.

B. Scalability

- 3.3 The project will be scalable through CTI-led operations with the government. The Ministries of Production, Culture, and Science and Technology will scale up the mechanisms piloted in the framework of the project. The public-private partnership will be represented by various actors from the private sector, especially banking and nonbanking financial institutions, which will support the design and testing of innovative financing mechanisms, which, if successful, may become part of these institutions' portfolio of products. The project, too, may be replicated in other provinces or countries that have policies for the promotion of the audiovisual sector.

C. Project and institutional risks

- 3.4 **Risks external to the project:** The main risk identified is a change in the macroeconomic backdrop that affects the possibility of entry into foreign markets. Changes in budget availability from the province to support the industry's development is also seen as a risk. To mitigate this risk, the provincial government is asked to commit financial and technical resources to support the project. Formalization of this commitment is a condition precedent to the first disbursement.
- 3.5 **Institutional risks:** Backed by the MSME Competitiveness Support Program (CSR) and this project, the growth of Film Andes may give rise to organizational changes in order to respond to a greater number of members. This growth and the need for changes could eventually represent a risk. To mitigate it, a committee responsible for the project will be set up, which will participate in monitoring. Asociación Film Andes is also expected to develop a suite of management control mechanisms and procedures that will enable it to manage growth strategically.

IV. INSTRUMENT AND PROPOSED BUDGET

- 4.1 The project has a total cost of US\$1,900,000, of which US\$950,000 (50%) will be contributed by the MIF as nonreimbursable technical-cooperation funding and US\$950,000 (50%) will be contributed by the counterpart (of which at least US\$520,000 will be in cash and US\$430,000 will be in kind).

- 4.2 Retroactive recognition of counterpart funds. Counterpart expenditures for up to a maximum of US\$70,000, incurred on or after the date of the project analysis mission, may be recognized.

	MIF	Counterpart	Total US\$
Project components			
I Smart information for market positioning	185,000	169,000	354,000
II Strengthening of the creative supply chain	158,000	356,400	514,400
III Financing for creative projects and marketing	430,000	381,000	811,000
Execution/supervision	162,000	36,000	198,000
Ex post reviews ⁷	15,000	-	15,000
Contingencies		7,600	7,600
Grand total	950,000	950,000	1,900,000
% financing	50	50	100

V. EXECUTING AGENCY AND IMPLEMENTATION STRUCTURE

A. Description of the executing agency

- 5.1 Formed in 2015, Asociación Civil Film Andes is currently made up of 26 private producers from the province of Mendoza (who work in film, television, documentaries, animation, and video game development), all the universities located in the region, and the public and joint partnerships promoting and assisting the local production sectors.
- 5.2 Film Andes' mission is to promote the development of creative industries in the film and audiovisual arts industry, thereby bolstering human capital, incorporating responsible and sustainable practices, and facilitating the coordination of the actors in the ecosystem. The strategic areas of intervention are as follows: (i) building a collective process of integration and articulation; (ii) positioning the province and local production in domestic and global audiovisual markets; and (iii) constructing a collective process of technological innovation at all points on the chain to sustainably achieve greater competitiveness.
- 5.3 Film Andes' governance structure is defined in its bylaws and provides as follows: (i) the decision-making body is the Members' Assembly, which is made up of three types of members: founding, active, and affiliate members; (ii) management is delegated to a steering committee composed of one chairman, one vice chairman, one secretary, one treasurer, two full members, and two alternate members elected each year by the Members' Assembly. To be quorate, a minimum of four members of the steering committee must be present, and resolutions are adopted by simple majority; and (iii) the Association is overseen by an audit committee composed of one full member and one alternate member elected each year by the Members' Assembly.

⁷ Contribution funds used to contract ex post reviews will be administered by the Bank.

B. Structure and implementation mechanism

- 5.4 Film Andes will have a project execution unit in place, which will act as the link between the organization, cluster actors, and the government (national, provincial, and municipal). The execution unit will be made up of one coordinator and one administrative officer and will report to the chairman of Film Andes. Considering that a large portion of the local counterpart contribution will be assembled with provincial funds, the execution unit will be responsible for managing those funds and preparing the corresponding reporting.
- 5.5 Film Andes will have a committee in charge of the project and responsible for approving project manuals, regulations, and criteria for the assignment of vouchers and for selecting consultants whose products are critical for the project. This committee will be headed by the chairman of Film Andes. The execution unit will prepare half-yearly reports on operational planning and the progress made in meeting targets with respect to the prior six-month period, which will be submitted for approval by the committee and cluster members. Half-yearly progress reports will be submitted to the Bank under the project status report (PSR) format.

VI. FULFILLMENT OF MILESTONES AND SPECIAL FIDUCIARY ARRANGEMENTS

- 6.1 **Results-based disbursements and fiduciary arrangements.** The executing agency will commit to the standard MIF arrangements regarding results-based disbursements, the Bank's procurement policies,⁸ and financial management⁹ as specified in Annexes V and VI.
- 6.2 For the activities to train entrepreneurs and design the curriculum for entrepreneur training based on best international practices, Film Andes will contract Nesta for US\$50,000, drawn from the MIF contribution. Nesta, a British organization, has specialized for 20 years in promoting innovation, which has made it a global leader, especially in creative industries. It has extensive program, investment, policy, and research experience, which enables it to take a big-picture approach and provide solutions to promote the sector. In accordance with the Policies for the selection and contracting of consultants financed by the Inter-American Development Bank (document GN-2350-9), the contract with Nesta will be covered under paragraph 3.10 (d), which states that single-source selection may be justified in the case of a firm possessing experience of exceptional worth for the required services. Nesta is also identified as a service provider in the framework of the technical cooperation project "Promoting Creativity and Innovation in Latin America and the Caribbean" (RG-T2959), an arrangement that will facilitate coordination between the two operations.

VII. ACCESS TO INFORMATION AND INTELLECTUAL PROPERTY

- 7.1 **Access to information.** Under the Bank's Access to Information Policy, this document is public.

⁸ Link to [Policies for the Procurement of Goods and Works Financed by the IDB](#).

⁹ Link to the [Financial Management Guidelines for IDB-financed Projects](#).

- 7.2 **Intellectual property.** The Bank will hold and own any and all intellectual property rights, including but not limited to copyright, that relate to and/or are associated with all deliverables that will be developed, i.e., studies on demand trends for audiovisual products, studies on alternative financing instruments for the sector, studies on the registration/use of intellectual property in the sector, adaptation of international curricula; and design of trainer training curricula.